

Herbalife Nutrition Investor Day

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Richard Carmona:

Good morning, ladies and gentlemen. I'm Richard Carmona, 17th Surgeon General of the United States and a proud director of Herbalife. First and foremost, I want to welcome you all here today to hear this phenomenal story of a company that has so much great potential.

But more importantly, you're probably wondering why is a surgeon general here as it relates to any company? So I want to tell you a little story about how I became engaged a number of years ago when I retired from active duty and I had a lot of opportunities before me. I ended up sitting on a number of public boards, being involved with venture capital and private equity investors with small companies and looking at those and how to get them to market. And I was really over-boarded, as my executive assistant used to tell me. She said you don't have time to do anything else.

And one day I got a call from our lead board member here at Herbalife, who I knew from a previous board, who said, Richard, you need to come and see this company. I said, Jeff, there's no way. I don't have time now. In fact, my executive assistant told me if I take on any more responsibility she'll quit. And I said-- but I need to do this for you. So Jeff, I will come out. I'm going to take a look, but I'm going to tell you up front I'm going to have to turn it down because I'm on too many boards already and I'm spread too thin. And I love being in the business world. I love working with companies to appreciate growth and assess value and increase that value. So I came out with the intention, with the meeting of then-CEO, Michael Johnson, to figure out how I'm going to tell him no, that I can't do this.

And we met, and I went through various buildings. I met scientists. I met a Nobel laureate. I met some of the smartest people around; professors at UCLA who were involved with Herbalife, checking out the products. And innovation, disruption in the market and I was impressed. But all along I'm thinking, okay, I need to garner a few talking points along the way where I can reject this thesis and say I can't do this.

And Michael was smart enough, after all of meeting the executives and meeting people in the buildings, he says I want you to come into the community with me. Let's take a ride. Let's go into L.A., into the areas where there are a lot of poor people, where people are struggling. And this is a fitness club and nutrition club. And I said, sure, Michael, but I've got a plane to catch this afternoon so let's kind of keep it short so I can get back to work.

So we went. And as I walked into that first club and what I saw was just people milling in and out. And one of the clubs was in the primarily Hispanic community and I see people coming through the door and it's almost like they came into a new country. And they're speaking their language, they're buying their shakes, they're going for walks. And I see caravans of young women with carriages with babies going around the block and coming back and getting a shake, and there's a sense of community.

And then later on in the day I go to another one in inner city in L.A., primarily an African American community. And I meet three young men who were overweight, who were struggling, who didn't have jobs, but they had economic opportunity when they connected with Herbalife. And they built an enterprise that helped their community, as well as improved nutrition in that community as well.

So when I got back in the car with Michael, not having been able to garner any information to reject my being part of the company, I remember I reached to Michael, I grabbed him by the shoulders and I shook him in the back of the car and I said you don't realize what you have here. He said what do you mean? I said you have a distribution network that, if I had it as surgeon general, I could've changed the world. I said your products are great, but you're missing the boat. This is bigger than great products. This is about engagement. It is about a force to be reckoned with to change the world that is drowning in really disease and economic burden. And Herbalife can do that.

And he looked at me and said are you sure? I said I'm absolutely sure. I said because I could give speeches as surgeon general of the United States, and I traveled the world. But the fact of the matter is, the next day another story is there, and the distribution network is not controlled by me. You have a distribution network for content, you have a distribution network for product, and you have passionate-- almost a half a million passionate, knowledgeable, caring people who are connected to their communities and want economic development, as well as health for their communities.

So I said, okay, I'll join. And I did. And over the last few years I have never regretted it. And what I've seen in this phenomenal company continue to grow, to continue to engage communities, to give people opportunity where there was no opportunity; to have people who were almost despondent because of weight problems and poor health problems, to change that as well. And it is about community. It's about a passionate leadership that starts from the top, that you cannot do this on your own.

So let's not forget. We have a value proposition of making the world healthier and happier. And we do that every single day and I'm convinced of it. I've been on the board now as a director for almost five years and I am here to say that it's probably one of the best decisions I've made in my life professionally.

But this type of extraordinary company doesn't happen by accident. It happens because of great leadership, because leaders understand they are responsible for the destiny of others. In this case, the destiny of a half a million distributors and seven-and-a-half billion people in this world we worry about every single day. And without an extraordinary leader we can't do it.

So, it's my pleasure now to introduce my friend, our leader of Herbalife, Rich Goudis.

Rich Goudis:

(Inaudible) on how to start Investor Day, right? You've been to so many. So we had this idea, well, let's ask Dr. Carmona. And then I didn't realize what a hurdle it was going to be to have to do better than you just did. So sometimes good ideas come back and bite me.

But listen, I want to start with a welcome. It's been over five years since we've had our last Investor Day. So unfortunately for you, you have five years of stuff and content and excitement that you're going to hear in just four hours. In addition, you have a decade of a vision that you're also going to have to absorb in the next four hours. But with that, I'd like to welcome. I see a lot of new faces. I met a lot of new faces out in the reception area and I think we have a lot of new people, new investors, to this story of Herbalife so I wanted to welcome you.

But also know that you're sitting in a room with some investors, as I see, that have been with us since our IPO. And other investors from all around the world, from Sydney, Australia, that became part of the Herbalife investment group, if you will, in the last five years. And for those people, boy, they've done a lot of work. You had to do a lot of work over these last five years to be invested in Herbalife.

And together with those groups, we've cultivated an amazing relationship. We've also cultivated a group of long-oriented investors. So I hope that if today you're starting your journey to consider investing in Herbalife Nutrition, you understand that we have a very special group of large investors. Some sit in the board room and they're represented here today, but to hers have been helping us return capital to shareholders and grow our business and be partners in creating shareholder value for a long time.

Dr. Carmona, all I can say is I love your leadership in the boardroom. But what you do outside the boardroom for us, here today and around the world, and your commitment to our shared purpose I'm just very grateful for, so thank you.

We also have some other members of our board here, so I hope you get a chance to interact and mingle with them. But most importantly, as Dr. Carmona alluded to, the highlight of this company is really our distributors. You're going to hear that word a lot. Our distributor difference you're going to hear about and see. And you're going to have an opportunity to interact with our distributors. So for those distributors that are here, that made today possible, thank you. Thank you for taking time away from your businesses to help investors understand better our business.

So, let's jump into the day. First, I'm going to point to our financial disclaimer. So we're going to talk a lot about the future. We're going to refer you to this disclaimer today. I'm not going to read through it, but I refer you to it. It's on our website and it's for your protection.

So, let's start with where we've been. We started this company in 1980 with a simple mission: to change people's lives. Thirty-eight years later, today, as you can see from this globe spinning behind me, we operate in over 94 countries around the world and we have over 1,600 product access points to support our distributors and their customers. And as you heard Dr. Carmona say, we believe we have an enviable and scalable business, but it's also a distributed healthcare platform.

Now some people-- I don't think anybody in the room, but some people try to define us by our compensation system and call us a multilevel marketing company. But I believe, like other companies, we should be called by what we do and how we do it. And simply, as you're going to hear today and maybe even experience in the reception, we're a global nutrition company. But we use, different than most, this entrepreneurial sales organization.

When our founder started the company in 1980, he understood the power of an owner versus a renter. And for 38 years we've built upon that passion of owners in this business who have personal relationships with their customers, to help those customers achieve their nutrition goals.

Today our purpose is simple, but bold. We truly believe we can make this world healthier and happier. You see, nutrition is complex and it's ever changing and it's personal. And that leads to confusion amongst consumers; especially in the form of traditional retail. You're thinking what's Rich talking about? I'm 57. My son is 25. We

have different nutrition needs. My wife's 55. We have different nutrition needs. And my daughter, who's 27, she has different nutrition needs than my wife.

Now you're really thinking what's he talking about? So I'll pose one question to you. How many grams of protein are you going to try to consume today? If you need help answering that question, well, this is where our entrepreneurial distributors, our sales force, shines. And it's uniquely different than traditional retail. They're educators, they're coaches; most importantly, they're products of the products and hopefully you saw that today. They're advisors, they're trainers. They provide the knowledge, the personalized solutions, and as you saw in the video, the supportive community who are like-minded folks who are on the same journey to live a healthier life. Their support, we believe, is invaluable to their customers. And as I said, you can't find this in retail. It does not exist online. It's what we call our distributor difference. You're going to hear from them today. And as you leave here today, understand that we believe that that difference is truly our most competitive advantage.

So before I go on, just to answer that question for you, take your weight, take 50%, and that's about the right amount of grams of protein you should have today. If you're working out like me, take a little bit more; if you're not, take a little bit less. But that's why you need a distributor.

So to make it easy for people, especially if you're new to the story of Herbalife, I want these key takeaways to be simple for you. And we're going to try to bucket our presentation along these lines. So first and foremost, we're a growth company. And you think about growth, I'm going to think about it for those math minds in the room on three axes of a graph. And it's going to be supported by trends that we're going to get into and our opportunities and capabilities.

But number one, we think we can go deeper. We think we can do more with our existing customers. That's one axis. On another axis, we think we have permission and the capabilities to talk to a broader audience than ever before and go wider. And then sort of cutting on a third dimension that's a catalyst for both of those opportunities are the categories where we compete. You'll see-- we'll get into some stats in a moment-- that the categories where we compete are growing at two to three times the rate of growth of food companies. That's the opportunity for us to continue to be a growth company.

Additionally, our management team's going to be on display today. You met some of them in the reception area. We're going to have a panel discussion where just the group or the panelists alone have over 100 years of experience with Herbalife Nutrition. Just amazing. And finally, John will get into the financials. We had our earnings release last night. But you know us to generate strong free cash flow and we have an effective capital allocation policy that allows us to create incremental long-term value by using that aspect of our business.

So, not that I would tell this to our board of directors when we set our budgets, not that I would tell you for guidance for 2019 and beyond, but I hope you leave with the same excitement that I have that over the next decade I believe we have the opportunity, given the trends, given our go-to-market strategy, given our ability to invest in this business, given the strength of our brand, that we could double and even triple the size of the revenue of this company. Now that's not what I'm going to tell the board. That's not how I'm going to set my financial bonus objective next year. It's not what was in our guidance last night for sure. But that's what's driving my excitement. That's what drives my passion. And I believe it's our opportunity and I would say it's our responsibility.

So, let me take you through sort of the agenda today to give you a sense. I know you had a lot of beverages today so we'll have a break about midway through the morning. But John and I have some prepared comments. After that, we're going to take you through four different panels. Three of the panels are going to preview and go a little deeper into our growth strategies; one on product, one on technology, and one on our distributor difference. And those panels are going to be comprised of both executives and distributors. And at the end of each panel you're going to get a chance to interact and ask questions, okay?

In addition, we have one panel that'll give you the opportunity to interact with our global executives, the executives that run the biggest regions for us around the world. And again, you'll have an opportunity to ask Q&A at that time. And then as a final, just to conclude, we'll have a fifth opportunity today for you to ask questions and interact with the management team.

So I hope that that sets up the day for you. We hope to end just after noontime. And with that, let's get going.

So when we look at the global megatrends that are providing the opportunity for growth, they're megatrends that are going to be very common for you to see: people being overweight and obese, aging population, skyrocketing public healthcare costs, and an amazing rise of entrepreneurs here and around the world. I'm going to peel each one back and tell you why it's so powerful for us and why, given the stability of those megatrends, we're able to make investment decisions that we believe will lead to long-term growth.

Additionally, there are two new emerging trends that we're keeping our eye on. One of them came up recently meeting with investors in Europe where they said, you know, you guys have this social selling model that other companies are trying to figure out how to incorporate in their business. Well for us, that started in 1980 when we started this company. So it's like Wayne Gretzky would say: skate to where the puck is going. Well, we're the puck, right? We know where we're going and we've always been on that trajectory. And then the last one, this rise in people trying to pursue fit and active lifestyles. So with that, let's get into some of the meat of these megatrends and have you understand how we look at these megatrends and how we believe these are going to be catalysts for growth.

So first, let's take a look at the megatrend of obesity and overweight. First, let's look at the US. Maybe to some of you, 71% of the US population is overweight or obesity. That's alarming. What's more important is the projection that it's going to continue to increase. Now the line is fattening out, no pun intended, but it's not declining.

Now I'm sure many of you here are invested in companies, companies that sell salt and sugar and fats. You have the opportunity today to make a healthy choice, to invest in a company that's trying to be part of the solution to this trend. And if you look around the world, because we export so much of our salt and sugars and fats and lifestyle, you see the populations around the world that are afflicted with being overweight or obesity.

This is our top five markets. And we believe, just like in the US chart, these are projected to increase. Look at the percentage of people that have Type II diabetes; 10.8% in the US; Mexico, 13%; India, 10%; China, almost 10%; Russia, 6%. Many would say that type II diabetes is the precursor to being overweight and obesity. So this population is going to continue to grow because of that. And if you look at the 94 countries where we operate and the addressable population in our significant core competency of weight management, it's over a billion people and it's going to be

expected to grow. That's our core business. That's weight management. That's where we have spent 38 years growing a brand with leading market share.

But now let's look forward. Aging population is the next megatrend. Now most you when you look at this-- and this is depicting people who are 60 years old and over. And most of you look at this and maybe get it, and that it's going to double in the next coming years. And most of you associate or attribute selling nutrition products just to this generation. Okay? This aha moment for you is for you to understand that, like never before, the younger generations are trying to pursue healthy, active lifestyles. The millennials, in fact, have a higher percentage of seeking healthy aging products than even the baby boomers. That's opportunity for us. It's an opportunity to talk to the wellness consumer, and you'll see later one of the largest category segments that we historically have not participated in, but we believe we have permission to participate in, and the capabilities.

The next megatrend-- again, nothing new to you in this room, the skyrocketing cost of public healthcare costs. This is in percentage of GDP. And it's projected to continue to grow. Similarly around the world. The amount of spending on healthcare costs in our top five markets is projected to double and even triple in some markets. We believe, because of this, governments, insurance companies and people are going to start to look at prevention as a way to curb this trend and it's already started.

Recently I had the opportunity to meet along with a group of top companies from the US with the US Chamber of Commerce, meeting with top government officials in China. Here I had the opportunity to meet with the Vice President of China, Wang Qishan, and talk about the ability for Herbalife to be a solution. They created a policy called Healthy China 2030 just about a year ago when they left their last congress. That focus is going to be on healthy lifestyles, physical fitness, healthy cities and, most importantly, prevention rather than treatment.

We have a seat at that table. Our goal in that meeting, and then a following meeting where it was the 10th US/China CEO, former senior officials dialogue, we had the chance to work with former officials, NGOs if you will, for people to know who we are, what we do, and how we can be, and want to be, viewed as part of the solution. And I think China is ahead of the game. I think you're going to see more and more governments around the world doing this. As Dr. Carmona alluded to, what he would've liked to have had when he was the 17th surgeon general.

Let's go on to the next megatrend. And this, looking at the young age in the room, you know this one firsthand. The rise of people seeking entrepreneurial opportunities. Depicted here on the chart, in the next few years more than half of the US population are going to be engaged in some sort of freelance gig economy type related activities. We believe that's where our company was founded and that's the foundation for us to appeal to this group of people. Interesting also, around the world 20% to 30% of the workforce in developed markets are already engaged in independent work and it's expected to rise.

So think about this. We believe our business opportunity is unique because it's focused on relationship building. And think about that versus some of the other interactions you have with people in the gig economy. When you hail an Uber or a Lyft do you get the same driver? Do you build a relationship with the driver? If you rent from Airbnb and you had a great experience in Seattle or in Florida on vacation, you liked the bed. It was comfortable. You liked the decor. Now you want to go to Madrid. How do you leverage that relationship? Now, unless an Uber driver can drive three or four or five or six cars at the same time or work more than 24 hours a day, their financial earnings capability is

capped; or it's finite, I should say. And for somebody who is in the Airbnb pool, unless you have an enormous amount of capital your earnings potential is essentially finite. That's comparatively different than what you'll experience when you meet and engage with our Herbalife distributors. Highly scalable, global business with a very low cost of entry.

And then social selling. This is where we have built our business. Social selling through trusted relationships has been our foundation since 1980. And again, we were recently with investors who said you guys have what other companies are trying to develop or find, the one-on-one relationship with your customers. We believe it's particularly effective in the nutrition industry. As I said earlier, nutrition is complex. Other products, not so. But where you need a coach, where you need an advisor, where you need a 6 a.m. text or phone call or email to say start your day with a shake today, count your grams of protein. Hey, come to my gym, come to my fit camp, come to my nutrition club. I don't know about you, but I don't get that from the drug stores, I don't get that from the supermarkets, I don't get that from the big box sellers. That's our opportunity. We're positioned where the market is already trying to move.

And then most importantly, when you look at the intersection of social selling with nutrition, 70% of people say a strong support system was critical to achieving their diet goals. But look at these statistics. 14% of people say that healthcare professionals were the number one factor in selecting an eating pattern and diet. 33%, or two times more, people rely on friends or family as the number one factor to select an eating pattern or a diet. That's the powerful intersection between a complex industry called nutrition and the rise of social selling and building businesses based on foundation personal relationships. That's what's exciting to us.

Fit and active category. You see on the left the growth in dollars, on the right the members and participation. And what's interesting, the takeaway for us is this graph on the right that shows it's projected in 2019 that the size of this category is going to be bigger than the weight management category. A few years ago we put our toe in the water and created a great brand, but we think the opportunity is even greater going forward to talk to this group, to be seen as their brand and to live a long life and trusted life and have relationships with these customers.

Let's take a look at the attractive categories where we compete. And I think this will be shocking to some of you; not only the size of the categories, but look at the CAGR growth rates projected on the top. In weight management, where our core business, 5.3%. Well, where we think we have permission to operate, especially that we've changed the name of our company to Herbalife Nutrition and have built amazing capabilities around the world, 5.8% growth. And then in the sport nutrition business, 11% CAGR. If you take the weighted average of these dollars and growth rates, it's somewhere around 6.5%. That's exciting to us. That should be exciting to you. That's two to three times the growth rate of the traditional food companies that many of you are invested in or follow.

But now this is where it really gets exciting to us. So we had a sell-side analyst that was with us at a big event in Paris recently and her observation was, among many, oh, my gosh. You guys have so many young people in your organization. So we wanted to share with you some of that today.

First, it's you know these trends. Look at the purple on this chart. That's the growth of millennials in the workplace, okay? But now we want to share with you the alignment we have with that growth trend. First, I'm going to show you a pie chart that shows you our current distributors in preferred members. And you can see that the predominant

majority, 45%, of that composition is made up of millennials. Now if you look at the new people coming in the business it's even higher, which is a great thing. It's saying that we're increasing. We're doing the right things and we're attracting new people to this business that are millennials. But success, success is viewed in this last chart that says that people coming in are being successful because they're contributing 40% of today's volume is coming from that millennial generation.

Now that's the big takeaway. For some real young people and really, really long oriented investors in the room look at what's in the red. And that's our focus on the next generation that just came in the workplace in 2015, that Gen Z crowd, okay? This is how you build a perpetual company, continuing to focus on new entrants into the workplace and finding ways to talk to them and have your brand be associated with them and their generation. I think we're off to a great start.

And then lastly, my last slide in this area is the right model. So I'm going to refer to this University of Pennsylvania study that says 95% of participants who started with a weight loss program with friends completed the program. Think about that. We're on the left in the dark blue. Traditional diet programs are in the light blue. But what's most important-- and this is the power of this model, that 10 months later 66% of the people who participated in the study, who participated with friends, were successful still 10 months later. That's the power of this company.

Our distributors and their customers live in the dark blue. Retail, online selling lives in the light blue. That's the powerful takeaway of the intersection of being a global nutrition company and having the capability and the scale and the leverage; but most importantly, having this nimble, passionate, ownership-oriented sales force that lives the brand, lives the products and, most importantly, is passionate about their customers' success.

So you're going to hear a little bit more about our strategies in just a moment, but at this point in time I'd like to bring up our Co-President, John DeSimone, and to have a walk through in the financials.

John DeSimone:

Thank you, everybody. I think what Rich was showing you with the megatrends and the emerging trends was the tailwind that we think will drive long-term growth for the company. But if that's the tailwind, the engine is our strategies. And most of today is going to be built around our strategies and communicating those to you.

But before we get to those strategies, we think it's important for you to understand the financial model that drives shareholder value for this company. And I've just got a handful of slides when we talk about the financial model. A little bit of our history. I'll give you a little bit of historical performance. We'll spend a lot of time on cash flow and use of cash, and then we'll set up the opportunity from a penetration standpoint before we get to the strategies.

So historical performance. Let me set this up for a moment. The company's been through a lot. If you're in the room, you've done a lot of research on the company. You know we've been through this pretty challenging time, almost unprecedented time. A little bit-- put us a little bit on our heels. And what I'm-- and that started early 2012, okay? We had a (inaudible) on our earnings call in May and that kind of changed the dynamics for the company for a little while. And what I hope you take away from this presentation is that we emerged from that unprecedented time stronger financially. And so I'm going to share with you some financial performances starting with 2011, which was the first year, or the last full year, before those activities took place.

So, I'll start with volume points. Since 2011, through the midpoint of guidance for 2018, our volume points-- and for those who don't know what volume points are, just think of it as volume. It's effectively a proxy for volume. We've had compounded annual growth rates of 9%. And this is all-- with all the distractions that were happening in the business.

How does that translate to net sales? And I'm going to give it to you in two pieces because we've had a currency headwind and you're all familiar with some of the currency headwinds that are impacting companies; not just us, but other companies you follow. Our net sales on a reported basis had compounded annual growth rate of 5.1%. But on a constant currency basis, again, during this unprecedented time, we had approximately 9% CAGR. I think that just tells you how we've worked through all those distractions and have come out stronger on the other side. And now that those are behind us, you can maybe picture what the opportunity is going forward.

I'm going to also share with you some distributor stats. These are distributor metrics that are non-financial. The ones I'm going to share with you in a moment are on our website. And similar to this, I'm going to have 2011 as the base year. But I actually thought it was important to go back to 2002. So Michael Johnson joined the company in 2003. So the last full year of results before Michael joined, 2002, this company was a much different company and I want you to see the journey that it's been on. And as Rich said, at the end, when we bring up our general managers, all of those general managers were part of that transformation of the company. So we're going to go back a little further and we're going to talk about three metrics. Again, on our website. Individually may not be the most important, but collectively they tell a story.

And we're looking at average active sales leaders. I want you to think of a sales leader, for us it's a distributor who's likely in it for the business, building a business. I think it's similar to storefronts. Think of it as a number of storefronts. It's not a perfect analogy, but I think it's a good-enough analogy.

These are the number of people we have selling our product; absolute number. So in 2002 it was 85,000. In 2011 we had improved that up to 218,000. From 2011 to 2017, up to 337,000. And even in 2018 in Q3 we're still stronger. We're still improving that number.

When I look at the next statistic, it's sales leader activity rates. Think of this as the number of active sales leaders, or storefronts, over the total denominator of people that are signed up that are sales leaders. If you go back to 2002 it was 37%, up to 53% in 2011, 69% at the end of last year, and it's up to 72%. So those are metrics on total number of sales leaders', or again if you want to think storefronts, activity levels.

And then something we report once a year is retention rates, which is the outcome of what you're seeing. And retention rates is how many of our sales leaders are still engaged in the business between 13 and 23 months after they join the company. Okay? It was 27% in 2002. That meant 73% of the sales leaders weren't engaged a year or two after they joined. That's up to 64% last year.

And when you look at the three metrics together, you can see they very much aligned, that retention is a little bit lower than activity rate, but activity rates are improving. So that's a precursor to potentially even further improvement in retention rates. I happen to believe this is the best retention rate in the industry. I can't prove it because other companies don't disclose it, but if you invest in the other companies you should ask because I think this is a very impressive number.

So I'm going to move from distributor metrics to cash, cash generation. Again, I'm going to start at 2011. I'm going to set this up. And what you're going to see is, during the entire period from 2011 to 2018, the last 12 months, we've generated a lot of cash. That's the key takeaway, we've generated a lot of cash. What I want you to also keep in mind is we've done it with the headwind of currency. We've done it as we've levered up to buy back stock. And I'm going to share with you the data and this is going to be by year.

So in 2011 a little over \$500 million of adjusted operating cash. So this is just from our cash flow statement with adjustments. You'll see the adjustments are not material in total. In this past last 12 months it's up close to \$700 million. There's a little variability from working capital throughout the journey, but overall somewhere between \$500 million-plus is the cash that we've generated. And we've done it-- with this next line-- increasing our interest expense, which is in that number. Now the interest expense is pretax, okay? So you have to tax effect it. But we had almost no interest expense in 2011. In the last 12 months we have had \$99 million of interest expense and still generated almost \$700 million of cash.

If you look at it in total, about \$4.6 billion in cash over that timeframe. I also put the reported number in there, about \$4.5 billion. Not materially different. So we provide adjustments. We do that for the benefit of our investors so they can understand what's normalized and what's not. But at the end of the day, this company generates a lot of cash and we do it both on a reported and adjusted basis.

Now through this cycle we also invested a lot. We invested a lot in capital expenditures to position ourselves for growth in the future. Almost \$1 billion we've invested during this timeframe in capital. This is not including investments in operating expenses. We've also invested in operating expenses, but this is in the capital side.

And lastly, just to give you directionally the impact of currency, if we look at the last 12 months and we adjust it for 2011 currency rates, it's approximately \$300 million more cash we would have generated. So again, we generate a lot of cash. We've done it with the headwind of all of the distractions that have taken place. We've done it with the headwind of leveraging up, and we've done it with the headwind of currency, and we expect to continue to do it.

So what does that mean? How do we deploy the cash? This is a slide we actually show our board. I think it's a very disciplined approach, but it's worth mentioning because we generate a lot of cash. First, from a-- this is really the hierarchy of decision making for the company when it comes to use of cash. First is you have to service your debt. We obviously generate plenty of cash to service the debt. Second, we're always looking to deploy our cash in a way that we think will generate the most value for our shareholders. And the first order in internal investments. What internal investments, the \$900 million in capital expenditures that we've made or other operating investments, that we think will exceed our hurdle rate. That will be our first goal. We can drive value through the investment in Herbalife. We've been able to do that. And you can see in the last page, still have a lot of cash left over.

So then we look at external investments. External investments, think of M&A, mergers and acquisitions or joint ventures. We don't do a lot of that, but we are looking and we have always looked. The core thing to remember about M&A is it will only be done if it drives value for the core Herbalife business, meaning it has to drive value for our distributors. We're looking. Maybe something will happen there. Generally, it's not big type of expenditures.

So when you get through those top three, and you can see we generated enough cash to handle those top three, what's left for us is to return money to shareholders. And I want to talk about how that's played out in the last eight years. Actually, I'm going to go back to 2007.

In 2007, beginning of 2007, this company instituted a dividend policy and a buyback program. And I want to show you how our net income plus the incremental debt we've incurred has been returned to shareholders. So over that timeframe from 2007 to Q3 2018 our net income, \$3.7 billion. Our change in net debt, which is the debt less the cash that we have on the balance sheet, \$1.3 billion. That's a total of \$5 billion available to our investors. Now again, that's important. There's another subpoint here. The subpoint is net income and cash flow are pretty much the same thing in our business model. That's a strength that a lot of other people don't have in their models.

How much have we returned to our shareholders over that point in time? \$5.1 billion or 102% of the available capital. That's after making all the investments internally that we've made to support our distributors because that will always be our first goal. But generate a lot of cash and we return it to shareholders. So I think it's a prudent approach.

Now I can tell you, I know I-- we've all talked, right? There isn't anybody in the room probably who I haven't talked with over the last 10 years. And many of you may not love the timing of when we buy back stock, right?

Audience: (Laughter)

John DeSimone: I know. Okay? Here's the thing to remember. We manage it prudently and it all comes back. Timing may be-- one particular person who I know will disagree I'm looking at right now, but at the end of the day, you can assume it's going to come back. You just may not have the same timing because we're going to be a little more conservative than some of you.

So how does that look at the end of the day? This is an interesting chart. So we have repurchased 194 million shares. The average price has been \$23.94. So it's been done pretty efficiently and pretty effectively. The first bar-- this chart needs a little description. That first bar is the number of shares we had outstanding at the end of 2006, which was before the buyback program. And the last bar is how many we have outstanding today. And it effectively means we have repurchased 50% of the company. Okay? 194 million shares. So again, it's just a little bit of history so you can use that history to predict our future.

So let's talk about the future. We announced last night a new \$1.5 billion, five-year buyback program. I don't think that's a surprise to anybody, that we announced a buyback program. Our last authorization was nearly exhausted. It had a little over \$100 million. So how we stage this buyback is not something we're ready to commit to, but I will tell you just a couple things. You need to understand our debt profile to understand how it can impact this. So I'll give you some just statistics. I'm going to run through this really quickly. It's available online for everybody.

Right now we have \$1.1 billion in cash. We have net debt of \$1.3 billion. So net debt of \$1.3 billion. Our EBITDA on a reported basis is \$726 million for LTM, okay? From a bank adjusted, meaning what the banks use for our debt deal, it's \$884 million. So from a leverage ratio standpoint, that means on a net basis we're at 1.5; on a gross basis we're at 2.8.

The image I want you to leave with is the 2.8 we're completely comfortable with. You can argue it can be even a little higher. Just think we're comfortable with 3, okay? Which means over any long period of time, or even medium period of time, our debt profile is not going to change. And we're going to continue to generate a lot of cash, more than we can invest, and therefore we're going to return that money to our shareholders. Think about that. Just that's the image. Whatever your horizon is, that's the image.

What can impact the timing is a little bit of the debt profile, the maturities. We have \$695 million that we have to make payments for next year as of right now. \$675 million is the convert that you're all familiar with. That's due in August of next year. After we get through that, lots of runway left before any maturities are due. Lots of runway to buy back stock. Our goal is not to reduce our debt profile, which means our goal at some point in time is to refinance the \$675 million. I can't tell you that's necessarily going to be before it's due or after it's due. It's all going to be circumstantial based on the best economic decisions that we can make for you, our shareholders, over the long term. But it's a consideration when it comes to timing.

Now we have \$1.1 billion so we have enough money to pay this off. It's not always in the right spot. There's lots of friction moving money around. I think we have \$250 million in China. There's a delay in getting that out. You can only get it out through a dividend. So we have to manage all that. Very manageable, but the staging of the buybacks can be impacted by this. Again, if you're a long-term investor, which we believe you are, and we think long term, it's only a short-term timing that matters. The long term you can see tons of opportunity.

So that's the last financial slide that I'm going to present. We're going to pivot now to our growth strategies, at least in a summary level. This slide's going to look at our penetration rates for our top markets. This is not meant to be guidance. Kind of the same qualifiers that Rich put out there. This doesn't mean that we say we can achieve the Mexico penetration levels in all the other markets. What we're going to present to you is the penetration rates we have in Mexico and how that compares to our other top markets. You can just see the opportunity. You can do your own work to determine how we get there and what the right level of penetration is in some of these other markets.

The denominator, which is the population-- it's the population less people below the poverty line in that country from the world data, world fact. So it's one slide. Mexico, we're almost at 11 volume points per capita for the addressable audience. For the US, we're below 4. For the next two markets, Russia and Brazil, we're below 2. And for three, with the really large population, we're below 1. It's a lot of opportunity. Again, that's just an image I want to leave you with.

I'm going to now talk about some strategies going forward, the three that you're going to hear about today in detail. Products. Here's the image I'd like you to leave with in product. Our product strategy is actually pretty simple. It's going deeper and wider in the segments that we're already in. It's filling the gaps, the portfolio gaps. We have big opportunities by introducing more products, to address consumers who are already in segments where our brand has value, where our brand is recognized. And we'll share that with you. It doesn't mean execution is simple, by the way. It doesn't mean-- execution, we're in 94 countries. Lots of regulations, lots of licensing. Some of these opportunities might take pricing model changes where we have to prove to distributors they can make more money. So there's execution challenges, but the strategy is very simple.

Second, technology. We'll get deep into technology. The one core thought I'd like you to walk away with, scalability. The single most precious asset our distributors have as entrepreneurs is their time. These are small business people and we need to find a way to help them scale their time to service their customers better. When they're servicing one customer it means they're not servicing another unless we give them the tools to be able to do it effectively. That's what you're going to hear about today.

And then lastly, the distributor difference. Now I'm a numbers guy. Eight-and-a-half years CFO. That's how most of you know me. Of these three, the first two, easy to understand the quantification. May not be able to know exactly what the variables are, but you can understand the math. This last one, really understand the math. Okay? So I'm going to tell you how I think of the distributor difference. And again, it's an image.

I start with a distributor's ability to personalize an experience for their customer so their customer can achieve a result. So what do I mean by personalize? It's not just the product, as Dr. Carmona said, or Rich or the videos you saw. It's about engagement. That engagement can come through a supportive community. It can come through knowledge. It can come through exercise. When you think of-- think of a consumer in Bolivia and what that consumer might need to be engaged with the products; not biologically, but for engagement, whether it's information, whether it's socialization, how that might differ than somebody in Barcelona or Moscow or New Delhi; or Zacatecas, Mexico where the nutrition clubs were founded; or Appleton, Wisconsin.

Who better to know what that customer needs to be engaged than a distributor who's in that local community? I can tell you one thing for certain. That distributor knows better than any of us sitting in a corporate office in L.A. That's the strength of the model. And if I could have you take one thing away from today it's to begin to understand the strength of the distributor, the value of the distributor the way that we understand the value of the distributor. And that's why you're going to talk to a lot of distributors today and interact with a lot of distributors. It's the toughest thing for you in your position as financial people to understand, but probably the single most important thing to leave today with.

So with that, we're going to jump into some setup slides for product for each one of these three; actually product, technology and distributor difference before we bring up the panels.

So for product, again, it's going to be really simple. There are three segments in which we compete: weight management, health and wellness, and fitness. Rich presented them before. I'm going to re-present them. And then I'm going to layer in our market share, and then I'm going to layer in the consumers, and I think you're going to see visually the opportunity.

So weight management, \$16.1 billion category, 5.3% growth rate expected for the next five years. Almost a \$100 billion category in wellness and a \$14 billion category in sports nutrition growing. So our strength, you're going to see from a market share standpoint, is in weight management. But the biggest category, the \$100 billion category, we have very limited market share. Under 2% market share. This is based on euro data. This is not our data. We sell products that are outside of euro data, but this is the euro data. That means we've got 1.5% market share on a \$100 billion category. The biggest category and we're incredibly underrepresented. And then the fastest growing category in sports we're under 1%. But in those categories we have credibility and that's what I'm going to show you on this next slide.

This first bar chart looks at, within the industry of those three segments, how do the consumers identify themselves regardless of which brand they use. This is not Herbalife consumers. This is industry consumers. 21% identify themselves as weight management, 51% as health and wellness, and 28% are sports nutrition. How do Herbalife consumers identify themselves? Very consistent. Definitely not materially different.

But how are our sales profiled? Very much skewed to weight management. And the reason is is that's the history of the company and that's where our product strength is. But the opportunity now is to service those customers in the middle with expanded product. And now Rich and I, we're going to tag team a little over the next few slides and Rich is going to present a little deeper look at the strategy on increasing our product portfolio. So Rich?

Rich Goudis:

Great. Thanks, John.

So when I started out I talked about this three axes, if you will. Not access, axes, of growth. So let's take a look now at two of those axes. One is to increase the value to our existing customers and the second, as John alluded to, is attracting new customers. So a lot of these opportunities crisscross between the two so I'm just going to go down through these seven. And I think what you're going to take away here is that this is the intersection of permission, because we've had a lot of success with consumers. This is the result of a lot a lot of investments we've made, globalizing our supply chain and infrastructure. And most importantly is an acute and intense focus on innovation and an accelerating speed to market. So, let us take you through just a few of these and give you sort of a look-see of what we're talking about.

So first, filling gaps. As I said earlier, we believe for our distributors to offer more products to their existing customers to help personalize their nutrition needs is really, really important. In fact, the largest segment of that big pie that John just showed you are single letters, single minerals, single botanicals; vitamin C, vitamin E, calcium, magnesium, ginseng, ginkgo-biloba, St. John's wort. We don't compete in any of those single letters, single minerals, single botanicals today. That's the preponderance. Why? Typically and historically there's been a cost barrier for us to do that. Now we're working with our leaders. We have a big meeting next week with a lot of our global leaders to see how we can work together to pierce through that because we believe consumers are looking for those products as well and we want them to shop from within our basket.

This is just an example of an innovative new mom booster. It aligns with new people coming in. You met a lot of young people today. A lot of new women coming in to our business. They're coming in to lose weight because they just had a child. And for women who are breastfeeding, oh, my gosh do they need a boost of micronutrients. So that's the alignment with how we want to fill product gaps.

Collagen. Beauty from within. Your skin, the collagen molecule is huge. It doesn't really penetrate through the skin. But absorbing it internally is quite powerful.

Adding flavors. Listen, eating should be fun. You saw it on the opening video. It's almost like cheating you heard. That's why we have over 30 flavors of our shakes. Now compare that to what you see at retail. If I'm competing to get on a shelf at a large retailer, the retailer's going to give me-- they'll say, Rich, what's your top three flavors? Oh, vanilla, chocolate, cookies and cream. Then someone else walks in, the next vendor. Well, what's your top flavors? Oh, strawberry, chocolate and vanilla. So as a consumer what do you get? Four or five flavors. Limited. Shake fatigue. Oh, my God,

this diet is boring. So not only are flavors important to us from a consumer excitement, also from being perceived as a local company.

So recently we introduced a kulfi flavor Formula 1 in India, a very powerful and strong flavor recognized in India. Pictured here is the red (inaudible) coy flavor that we launched at lunar New Year earlier this year in China. Again, it makes this global nutrition company feel local and relevant.

In the US seasonal flavors. This year it's apple caramel. We also have pumpkin spice, pralines and cream. We have others. But just like you see other beverage companies, other coffee companies, other CPG companies creating seasonal excitement to bring people back to their products, we're following that same trend.

Increasing convenience. This is really important if you really want to help people live a healthy, active lifestyle so that whenever they have the need or the feeling that they want to eat, they give them the opportunity for a healthy choice. Last year we created this innovative approach to what we call Protein Bites. We launched it at Halloween for a healthier Halloween. This year we launched On The Go, the convenience of 20 grams of protein for those more demanding consumers who want protein through this Achieve bar.

Adding convenience to our distributors economically is also a key strategy for us. This is an example of a product that we launched in Brazil because Brazilians were buying milk and other products to mix with the powdered shake. And we gave them the opportunity to buy from within their own basket to make money, to save money, and hopefully be more profitable.

And increasing convenience, we're trying to create flavors of our top-selling products. Here is our performance protein powder. This is Protein Boost. Think about in your life where you-- my wife and I, we have different protein intakes. So typically, I'll reach to something like this. Even if we're making the same shake we'll blend it up, I'll pour hers out and then I'll boost my shake with something like this to personalize it. And this gives a flavor that is also increasing convenience.

Extending day parts. John showed you the significant share we have in weight management and, historically, that was a healthy breakfast. That's how we created the marketing plans. Start your day. Have you had your shake today? And it was all focused on the breakfast experience. Well, as you know, consumers are eating throughout the entire day. The customers of our distributors are eating throughout the entire day. So through innovation we launched this dinner shake last year in Russia and now we're starting to globalize it. Uniquely formulated for what your body needs as you're trying to slow down after a day of consuming a lot of caffeine. Most people today suffer from not getting enough sleep. Uniquely formulated to help you start to relax. Uniquely formulated to help prepare your body for the next 10 to 12 hours of a fast while you sleep.

Additionally, we've penetrated into the soup market; in Brazil with two flavors, in Mexico. We believe we have the opportunity to offer a protein-based solution to the occasion that we call soup. Soup and salad, soup and sandwich. And that is night and day what you find on the retail shelf today, which is full of salt.

We also believe extending day parts-- and we just got into this \$38 billion coffee category in the US-- with a high-protein iced coffee; differentiated. Fifteen grams of protein, 100 calories, only 2 grams of sugar. This is what those wellness consumers are looking for to get them through the day in a nutritious, healthy way. We launched one

flavor two weeks ago. We have our house blend coming out next week. Talked to our distributors. They're excited. Not only is it helping them sell more to their existing customers, we're also starting to see that increase and bring new people into the business.

Entering new categories. Again, the coffee flavor with the house blend. We're going to come out and get into healthy snacking next year. We believe our consumers, the customers of our distributors, they want to snack in a healthy manner. We believe we have that option. It's come out of our Concept Cafe. We've sampled it with distributors and we're ready to go next year, I think in North America with a bean dip that's two to three times more protein than what's on the retail shelf today. And a growing category.

And offering more choice. As we mentioned on our earnings call, we've created this brand called Select. This is for the more discerning consumer, a consumer who wants less sugar, who wants to read the label, have no artificial flavors, no artificial colors, possibly alternative sources of protein. And you could've experienced that this morning in the reception area. And to have variety, to have choice. And this is a consumer segment that we had not really gone after before. So we launched the Pro20 Select in Europe earlier this year. We just launched this past quarter in Australia and New Zealand the Formula 1 Select. And next March in North America it'll come to our single largest market. And we think we have the opportunity to extend this brand.

And our experience suggests that these consumers, because they're living the lifestyle, they're not in here for a diet. They're not in here for the short term. They're living this lifestyle and they want a trusted brand and we believe we can be on that journey. They spend more with us and they stay longer with us and this is a key area of investment.

Choice in size. You've seen this from other CPG companies. So last year we-- historically we sold our protein powder in a 30-day supply. Well, as you know, around the world, socially, economically, not everybody can access that. In fact, a lot of the CPG companies you look at, they offer smaller sizes. It's very common, especially in markets outside the US. So we developed a 10-serving size. And for about the same price, our distributors can buy three flavors, or they can break it apart to sell and get people onto a nutritious program who maybe don't have the economics that some do. But those who do, now you have three flavors. You can mix and match and have excitement for the same amount of moneys.

And additionally, for those people who are running nutrition clubs, who are experiencing consumers of 100 a day plus, we launched in Brazil an 80-serving size to make the economics and the efficiency and productivity of our distributors better. So this is more choice both for consumers, but also for our distributors.

And then lastly what I'll talk about is our sports line. So in 2011 we put our foot in in an elite way. All of our sport products-- all-- are NSF for sport tested. What does that mean? That means that our lead athletes, and we sponsor over 200 around the world, they can trust that when they take our product that every single time we make these products, every single batch, every single lot, are WADA tested for over 200 known bad substances. And for those of you in sports, you read every once in a while that people trip on this.

This is what is giving rise to our opportunity. Even though, as John said, we have less than 0.5% of our business, the industry recognition for what we're doing, the formulation, the commitment to quality, the commitment to NSF for sport is giving us high recognition in very reputable magazines and this is creating demand. Demand not only for our products, but I think demand for distributors who might be coaches, who

might be trainers, for them to get the opportunity to sell products to their customers, people they're training, people they're working with, and give them another economic opportunity to make money talking to the same customer. We believe we have permission to expand our line. We believe that when we do we're going to be more recognized by this discerning group of people as a sport nutrition company and we're building it around this idea of Herbalife 24.

So with that, let's shift to technology. Now maybe some of you will find this a little boring. To me, I love this part. Because this is the secret that you don't get to see. Now this slide is going to look sort of like an ad for Oracle. And as our board likes to tell me, it sort of is an ad for Oracle, but it didn't start out that way. It started out with a simple decision in 2005. Do we want to run this business like a global company or do we want to run it like a local company? And we made the decision in 2005 when we were only in 48 countries that we want to run this with a global mindset.

And what we've done over time-- now a lot of these labels that have Oracle, they weren't an Oracle product when we started using it. It just happened to be the best in class for the software that we were looking to use to create a certain function, develop a certain capability. And then Oracle found out we were using it and they acquired it.

But what the takeaway from this is important is, number one, capacity to grow. I can't stand up in front of you and tell you I think we can double and triple the size of the company without the confidence that we have the platform on which to do it. I can't talk about in this next section and in this breakout and show you the tools that we're going to give to our distributors to have them more productive and efficient if I didn't think we had the capabilities.

So recently, and part of that investment John talked about, has been in the last seven years over \$300 million in technology. Last year we upgraded to Oracle ERP. We have five data centers around the world. Two are mirror/mirror, constant/constant. And it drives a single instance experience. What does single instance mean to all of you? When you're traveling around the world, you slip into ATM-- into a bank that's not your own and you get your 500 euros out and it says 500. But it doesn't tell you your balance, right? You've all experienced that? That's because those banks aren't on a single instance.

Our whole foundation is on supporting the success of our distributors. So if our distributor is based in New York and has an organization in Madrid, Spain and there's a transaction they see it right away. There is no other direct selling company that has a single instance ERP system. And in fact, we are the envy of the industry for that.

But more importantly, a very large direct selling company that used to be based on Fifth Avenue that sells personal care and cosmetics, they tried to put in a similar software, a global ERP system. They spent over \$130 million, they turned the switch, it didn't work, they wrote it off. This is powerful, ladies and gentlemen, because when you see this, when you take the time to get to know us, we don't talk about it because it's boring and you just expect it, but this is what creates scale. This is what creates opportunity for us to now talk about the things that John's going to talk about.

John DeSimone:

Thanks, Rich.

So I'm going to present just one slide that kind of summarizes the go-forward strategy on technology, how we build off of that back-end infrastructure that Rich talked about and create front-end tools, distributor- and customer-facing tools, for distributors to be able to leverage their productivity and their profit. There's going to be a lot of

discussion on this in the breakout session so I'm just going to hit it at a high level. But what I want you to think about, is think about kind of basic front-end tools and then advanced front-end tools. And we've got opportunities in both.

In this first bar graph, horizontal bar graph, that blue bar is the percent of our volume-- think from a coverage standpoint-- that at the beginning of this year had an Herbalife-supplied e-commerce platform to its distributors, so the distributors could use that platform to customers. It was under 40% coverage. We made significant investments and improvements. This year it's almost at 70%. Still some ways to go. That's kind of the basic bucket. We actually call that GoHerbalife. That's the name you might throughout the day.

Then there's also mobile ordering, ordering from your phone. Simple-- seems simple to many of us in the US, but we only have that in half our-- from a coverage standpoint, not half our markets, but half our volume. Big opportunity there.

But when you think even bigger and things that we're doing that a lot of other companies are not doing, is, again, we talk about scalability. I don't need to spend a lot of time on scalability. But the next two buckets are subsets of scalability. Within scalability what's really important is that we continue to help our distributors stay connected to their customers. We used to have a high-touch approach to the business. We still want it to be high touch. It can be high tech and high touch. This technology has to augment the distributor difference, not replace that high touch. But equally important, the consumer has to see it as very consumer friendly. It has to be a great experience for the consumer.

So, that's what you're going to hear about today. It falls into five buckets. Actually, maybe it's four. I can group the last two together. Organizational analytics. Rich talked about the strength of our back-end system being able to provide our distributors with real-time data, regardless of where their business is in the world. If you're sitting in L.A. and you can see your sales that happened in France two minutes ago, you can see it. We call that organizational analytics. The tool that you'll hear today is called Bizworks. You'll hear that mentioned today. That's that organizational analytical tool.

Then there's the distributor-to-consumer e-commerce site. That's the GoHerbalife site.

Then there's this next advanced-stage technology, CRM and digital marketing automation. You heard us talk about Salesforce. We've branded at HN-Connect, Herbalife Nutrition Connect. That's a CRM. It's machine learning to help automate the thought process on what distributors need to do to better service their customers; again, scalability.

And then the last two are nutrition club specific and it's POS tools to-- we have a basic POS tool in the US. It's becoming more advanced and that's going to be launched in a few months.

So with that, I'm going to pass it back to Rich now to hit the last slide before our panel.

Rich Goudis:

Listen, I'm mindful of time, but understand that our distributor difference comes to life in a few different ways. We talked about product and being innovative with product and bringing more products for our distributors to sell to their existing customers, to fill their nutrition needs and have a more personalized experience. We talk about the supportive community; personal coaching; healthy, active lifestyle.

To me, I have two passions and I'm very simply minded. I think of the perpetual motion machine that we learned about when we were in physics. And to me in business, in this company, creating a perpetual motion machine is two things: innovation and education and training. We do those things really well. And we have that opportunity I believe to double and triple the size of the company in the next decade because all the megatrends are coming our way. Consumer preferences are coming our way. Food trends are coming our way. In fact, I find it hard to find something that's moving away from us. And with this management team that you're going to experience over the next sections, with this distributor base that's loaded with millennials, but more importantly loaded with passion, that's how we're going to do it.

So with that, I think let's go to panels. Our first one, I'd like to bring up our Co-President, Dr. John Agwunobi, and he's going to lead our product panel. Dr. Agwunobi joined us just about two years ago. And when I first met Dr. Agwunobi he said, you know, Rich, what's really interesting about Herbalife Nutrition? When I was at Walmart, those products, they were on aisle six. Those products, they were on aisle four. And those products, well, they were right at the cash register at checkout. I love the opportunity that we can bundle all the products together and make it simple for consumers to understand what they need and then focus on education and training to help them. But the supportive community is priceless.

So Dr. Agwunobi's been with us two years. He's the Co-President. He runs all the content, all the sales, all the marketing for the company. He's a medical doctor, a pediatrician. He's got an MBA and a Master's in public health. And during the last Bush administration he, along with Dr. Carmona, were focused on improving public health here in the US. So with that, it's my privilege to bring up my colleague, my buddy, Dr. Agwunobi.

John Agwunobi:

Wow. What an honor. Let me start by just acknowledging that John DeSimone, wow, he nailed it today. Nailed it today. I'm not-- our colleagues, we make a lot of fun about these kinds of presentations. We tend to be very serious when we stand here, but we're a fun company. We're a company that believes in enjoying what we do because, in the end-- actually, we've said this often. This is a people business. I see some distributors nodding their heads. This is a relationship business. It's about connecting to people, to their hearts. It's about inspiring them. It's about showing them a path that we have followed, that others have followed. It's a really emotional business.

Thanks for the introduction, Rich. I am-- I can't-- I'm kind of holding back a little bit because I'm really excited about the future. I'm really optimistic about where we're going. Over the course of the rest of the morning I hope you get a sense of how excited each of us are. Pay special attention to the distributors when they're on stage. They live it every day. They're in the trenches working with their customers every day. In small communities around the world. And you're going to hear passion, excitement and pride from them in a way I can't express.

But let me say this in case it hasn't come through already. We sell results. Lots of products on the stage, on the screen, but what customers come to us for is results. They come here to achieve a goal that they've tried to achieve somewhere else and failed at. And they come to us, they come to our distributors because they want to be a part of a community, a part of a team, and they want to have people that can help them achieve those results.

Our distributors fight that fight every day out there, as I've said. And the company's job is to supply them, as John was saying, with education and training, with technology and

tools, and, yes, with some of the world's finest high-quality products that work. That's what we focus on so we can support them in their efforts.

We provide those product through a process. There's a journey that we go on whenever we're trying to develop a product. It starts with a foundation in science. We call it our Global Nutrition Philosophy. It says that anywhere we are around the world, science is the foundation upon which we build. Lots of scientists. I won't go into all the details on this slide because I'm hoping a panel that's about to come up will help us bring this to life. But we take ideas from many different sources. The single-most-important source of ideas? Our distributors. As they interact with their customers they help us identify gaps, they help us identify solutions.

Distributors work with us on a product committee in every region of the world, which allows us to customize products, customize solutions to each region. It's not centrally controlled. We have a set of guidelines, as I've said, but distributors in communities are giving us feedback on what they need, on what their customers need, on what would sell best in any given country, in any given market.

We're very proud of our ability to commercialize those ideas, how we manufacture, and we'll go into that a little bit more in just a second; how we develop, how we launch. Thirty-eight years we've been in this business, in the nutrition business, learning what works and what doesn't. And it helps us today feel really confident about our ability to do this with excellence in the future. It doesn't stop with launch. Post-launch we have an intricate system around the world making sure that we're following up with support and marketing tools, with education and training, and with post-market surveillance to make sure that the products are delivering what we promised they would deliver. As I indicated before, we sell results.

We're in 94 countries. In Q3 of this year we launched 58 new products in 51 countries around the world. Just in Q3. We manufacture 65% of our own products in house so that we can assure ourselves of the quality and the efficacy of the products. What's on the label is what's in the product. And no matter how you sample that product, what's in the product is what's on the label and nothing else.

We have five facilities around the world that manufacture for us. We operate these manufacturing facilities; two in the US, three in China. Of the two that are in the US, Winston, Salem is by far the biggest-- actually, I think it's the biggest globally that we have. You ask how big. Well, this coming weekend, because of bye weeks John was telling me, there are going to be 13 NFL football games played this coming weekend. You could play all 13 of those games simultaneously under the roof of our Winston, Salem plant, and you'd have a little bit of space left over for shakes on the sideline. It's a big plant. But you know what? Instead of me describing it to you, why don't I show you a video? Let's play that video.

[Video played]

John Agwunobi:

You know, I'm a bit of geek. When I see that video, I feel warm, warm inside. I don't just see racks and bags and powder and conveyor belts. I see a commitment. A commitment to quality. I see passion and pride and who we are in the way we support our distributors. I see caring for our customers. And the fact that in everything that we do, whether it's in a factory or in a nutrition club with our distributors, or in an office, that it's all connected. It's all a part of an ecosystem that is a promise to that customer who walks in that door and says to his or her distributor, I need help. And we're a part of that journey.

And these plants around the world -- by the way, that's just manufacturing. We have six research and development facilities around the world -- Bangalore, India, Los Angeles and everywhere in between. We have seven labs that test for quality. And of those seven labs, one of the labs is responsible for testing the other labs to make sure they're doing their jobs properly. It's about caring. It's about quality. Those labs, by the way, are all ISO-certified. Top-notch, quality performance.

We have a future that I know is exciting, and I know it's exciting because it's built on a series of competitive advantages that no one else can get to anytime soon. 38-year history of doing what we do, manufacturing products in-house, science driven, a global footprint that allows us to innovate in ways no one else can. We're in communities learning about what's needed all the way around the world. And then of course our distributor difference; people who care about their customers and do everything possible to help their customers. And yes, I'll admit it, and also to influence the company to make sure that we are aligned with what customers need in each of those communities every single day.

So with that, I'm hoping you recognize that our future is bright, but to bring that to life, I'm going to invite some panelists up to join me on stage. First and probably most important, an independent distributor. Her name is Lisa Arnold. She's a President's Team member, a mom of three. By the way, President's Team is the highest, one of the very highest levels that you can achieve within our distributor organizations. As they come up through the plan, they achieve this through hard work. She's been a full-time member of the business for six years. She's based in Rhode Island, but she has customers all over the country. She uses social media as her primary tool in building her business. Please join me in welcoming Lisa Arnold.

Next up, we're going to invite our SVP of Worldwide Research and Development and Scientific Affairs. He oversees all of our product development and our formulation of products. He also oversees all of our research, both basic and clinical research. He's a PhD in clinical engineering from Stanford. Let's invite up Dr. Michael Yaticilla, PhD. We call him Big Mike.

And then lastly, if I might invite up our Director of Sports Performance and Education. She works with athletes and teams around the world -- Olympic teams in Vietnam, individual NFL combine athletes, the LA Galaxy, and many others. She helps oversee our sports performance research programs, where we research and gather information that then gets applied down through our product line and in our nutrition and fit clubs in our work with regular customers. She also helps educate distributors on our products. She is a PhD in physical activity, nutrition and wellness, Dr. Dana Ryan.

Now I'm going to ask a few questions, and then my hope is we can open it up to the larger group. So I would urge you, there's little cards on your tables, if you read them. Sometimes the cellular reception in here is a little spotty. If you're having trouble emailing -- I'm sorry, texting in your questions, feel free to email them as well. There's an email address on that card. All right, welcome. Welcome.

All right. So why don't we start with you, Lisa. So, Lisa is on our product committee here in North America, our distributor product committee. A group of distributors who advise the company on everything from ingredients, products, marketing, pricing. They're a part of the decision on just about every product you've seen today, the committee helped get it to where it is today. So Lisa, give me your thoughts on what is it -- you help identify gaps, you help us identify solutions. What does the role feel like? What's it like to be a member of the product committee?

Lisa Arnold: What it feels like. It's a partnership. We anticipate what works and what will sell. At the end of the day, if distributors don't support a product concept, we won't sell it. We help formulate and plan as to how to sell it. So as a distributor on the product committee, we work closely with corporate on everything, every step along the way from taste, packaging, marketing assets, training materials. For the training materials, Dr. A's team of doctors and scientists, they really make the science behind the products simple to understand, so that for us as distributors, we can go out, we can help train fellow distributors at events and within our organizations. So that way, when a new product launches, we've already embraced it. We know how to position it, we know how to sell it, and we can just hit the ground running.

John Agwunobi: Wow, wow. And they do a great job. And by the way, just to restate, if they don't like an idea, it stops right there on its journey. It goes no further.

All right. So you're an insider, Lisa. You get to see things that others don't get to see until launch. Tell me, as you've kind of worked through recently on products, what's excited you the most?

Lisa Arnold: Oh, wow. The new products that have been coming out have been incredible for us. The new high-protein iced coffee has been amazing to get new customers as well as engage our current customers. Really, I think of it as a gateway product, an introduction to Herbalife Nutrition. Maybe someone's not ready yet to get started on a healthy weight loss program or a fitness plan, but they might want to get started on some high-protein iced coffee because really, who doesn't love a great tasting coffee? It's been a whole new path for us, been absolutely amazing. Also, the new 24 Achieve bars, that's been driving our fitness business like crazy. And then there's the new Mom Booster. I'm a mom of three myself, and I have a lot of mom customers, and they absolutely love, love this product.

John Agwunobi: Thanks, and I know that you're going to keep pushing us in on the product committee to have more powerful products hit faster.

Speaking of hit faster, our CEO and actually the entire team, we've all kind of moved into a new phase of our journey. We believe it's time to speed up. There's a lot of growth out in front of us, a lot of countries, a lot of customers, and we have to figure out a way to get faster. Mike, you're at the point of that spear. What are you doing to help us accelerate speed to market?

Mike Yacilla: Thanks, Dr. A. I think Lisa already touched on the main point, is it's about how do we interface with the distributor leadership faster? In the past, maybe we thought we had it figured out and we show it product committees and they don't like it and now we're all the way back to the beginning, so we figured out it's a lot more efficient to involve them much earlier. We've gotten to the point of going beyond PowerPoint slides to actually making product concepts and sharing them with distributor leadership. We call this the Concept Cafe. We're doing one next week for our global distributor leadership in Athens, Greece. And in doing that, we kind of get a head up on what does it look like, feel like, taste like, and it's very impactful. We can iterate quite quickly from there.

The second part is then working very closely with the product committees. We're taking a group of North America product committee member to the biggest ingredient trade show in the world next week in Las Vegas, and we're going to show them a number of different cutting edge ingredients we think we can work into our products. So if we can get really quick alignment with distributors, that helps us get started.

Then we have our in-house R&D labs. We have six labs, as you mentioned, around the world. All these labs share another Oracle database where we all are seeing the same information simultaneously so that when we learn something from one region via a sensory evaluation or a trade show, every other regional laboratory knows about it right away.

And then from a broader operational standpoint, my boss's top objective this year was how do we get faster? So the entire operations organization from to supply chain, to R&D and every place in between, we've completed a process reengineering, which we expect to reduce our speed to market by 25%. We're doing this through a number of agile processes, including sort of a pod structure. Whereas in the past we would do tasks in series, we get a group of people who do them in parallel and co-own the results.

And then lastly, when we just can't quite do it fast enough, we go find somebody who can do it, and we look for acquisitions, partnerships. Two of the products that Rich featured, the new mom's booster and the high-protein iced coffee, these are both the results of collaboration; one with one of our oldest partners and one with a brand new company that we just met six months ago and we already launched a product.

John Agwunobi: Wow, that's interesting. So we're working with partners, we're working in-house. The one thing that has to hold true across all of those models is quality. It's who we are. It's the promise that we make every day to our distributors when we deliver product. How do you help assure quality?

Mike Yacilla: And quite honestly, that's probably been the biggest challenge in the speed to market program is because the quality, it's never been an issue that that's going to be compromised. So we didn't talk much about it today, but in the past, you saw in the video, we call it a Seed to Feed supply chain. So we control our products from cultivation through botanical extraction to production to distribution. And this is actually the easiest way to control quality because we have traceability of the product at all times.

But of course we test. I think the number -- about 200 individual tests are done on every batch of Formula 1. We have seven labs around the world with 178 analytical chemists and scientists. These scientists test raw materials, they test finished goods. This ensures regulatory compliance, as well as providing confidence to consumers. These are all ISO 17025 certified, so what that means is they're harmonized. The labs share the same exact equipment, the same training methods and the same operating procedures. So we're quite confident the results we get in one lab will be transferrable to another.

And then when we don't have the methods available -- you saw some methods in there that were DNA bar codes -- we develop them. In your handouts, you'll see a selection of some of the methods that we've published, some of the papers that we issued. We're doing this not to just sort of improve our understanding of our key botanicals -- aloe, tea and then the DNA analysis of all botanicals -- but also we're hoping by taking a leadership role in the industry to kind of raise consumer confidence in botanicals across the board, because we think that will help our business ultimately.

John Agwunobi: Super. Thank you, Mike. That was a detailed answer. Wow. Impressive.

Dr. Dana Ryan, you've worked with some of the world's finest athletes. You work one on one testing products with them, helping evaluate the data, helping give that feedback back into the company and on into our distributors. What's it like to work with these athletes? What do you do to help these athletes achieve their peak performance?

Dana Ryan: Sure. So first and foremost, it's always an authentic relationship. Just like distributors work with our customers, we want to build that relationship with all of the athletes that we sponsor. So we're never just going to sponsor an athlete, send him a box of product and hope that they figure it out. We work with them individually to personalize their program, so when they step out on the field, that they know exactly what their body needs and when they need it. With the LA Galaxy, for example, we actually have two sports dieticians that work within the players within the locker room on a daily basis. They prepare personalized pre-workout drinks, on-field nutrition, post-workout products, and then they also work with the chefs to customize food throughout the day. So it's really important for us to understand what these athletes need and give it to them in a personalized manner.

But it's really not a one-way street. It's not just us giving them products, but we learn so much from them. We learn, what are the upcoming trends within the elite athlete community? What do these athletes need? What can we then translate into products in the future?

And that's really where the NSF for Sport Testing came from. Like Rich mentioned, in all of Herbalife 24 products, they're all NSF for Sport tested, and that means that they are free and clear of banned substances. And this is so incredibly important for our athletes. The Galaxy gets tested several times a year. We had 80-plus Olympians in the last Olympics, they are getting tested constantly. So it's very important that we get this feedback from our athletes and translate it into product.

John Agwunobi: 80-plus Olympic athletes in the last Olympics had worked with us, perhaps taken our products?

Dana Ryan: Yeah.

John Agwunobi: Wow, wow. Listen, how does that translate for the distributor into their work in a fit club, a nutrition club, or in their office with their customers?

Dana Ryan: I think it's a great question. It's something that I get a lot is, okay great, you work with elite athletes, but how does that relate to the average person that's starting a workout routine or starting running or whatever it may be to change their lifestyle? And ultimately it comes down to behavior change. So what we learned from these athletes, how we work with them to achieve the results they're looking for, we take this information and disseminate it down to our distributors so that they can use it on a daily basis with their customers.

John Agwunobi: Well, thank you so much. Lisa, let's throw a question at you, and then I think we're going to turn it over to the floor, see if we can get some questions from the crowd here, all right? All right. So all that we've heard, all that we've talked about today, in the end, it's about your relationship with your customer. What are you most excited about as you look at your business and perhaps the broader business of Herbalife out in the future?

Lisa Arnold: Wow. What I'm most excited about would be the momentum. As you all likely know, we had a change in CEO over a year ago. But the beauty of it is for us is that we still have Michael Johnson as executive chairman, but now we also have Rich, who is incredibly passionate about innovation. And some of the things we've heard him talk about on stage at events are already happening, like the new high-protein iced coffee. So it's been amazing. These new products, the new strategies, it creates a lot of energy,

a lot of excitement in the business, and that momentum, that's what I'm definitely most excited about right now.

John Agwunobi: Yes. It's a relationship business, obviously, and momentum is what drives it. So we're going to take a few questions from the crowd. I have a list here that's already popping up, but feel free to email in or text in, using the cards that are on your tables, and we'll see if we can to as many of them as we can in the few minutes that we have left on our section.

So I was looking at some -- you know what, let's throw one at you, Lisa. It says, tell us more about your business. Give us a sense of what does your business look like on a daily basis. What is it? Describe your business to the crowd.

Lisa Ryan: Okay, my business. First I want to share with you guys, personally I have 250 customers, and within my organization we have over 6,000 customers. As far as how many repeat customers, I would say if you're looking for a stat on that, it's probably about 70%.

I'm able -- I work the business through social media, like Dr. A said, and I'm able to really engage current customers on a daily basis, as well as get new customers on a daily basis, regardless of where they live. And thanks to the new tools, the technology tools that we have, the new enhancements coming out, I'm really excited about the future of the business. So for me, I love that here I am; I live in a very small town in New England. I get to be home with my three kids, and yeah, I'm also building this large organization of distributors and customers. And we heard about scalability; for me, that's already happened. And when I think about the future and I think about what's to come, that scalability is going to get even larger for myself. I'm ridiculously excited for my own business and for the business of my fellow distributors.

John Agwunobi: Ridiculously excited. Excellent. There was another question for you. What's been the early reaction to coffee?'

Lisa Ryan: The early reaction to coffee has been "ahh!" Pretty much everyone freaking out. It's been incredible.

John Agwunobi: Amazing. Well, I have one more here and then I think we'll end -- let's-- Dr. Dana, tell me a little bit about, I think it was -- they were wondering what products do athletes use?

Dana Ryan: Sure. So with all our athletes, our goal is create a routine, and so the idea is that we never separate nutrition from their workout. Their workout starts when they have their pre-workout drink, and their workout is not finished until they have their workout shake post-workout. They're always kind of asking to fulfill the needs of those habits that we created with them, so whether it's Herbalife 24 Prepare to start their workout, CR7 Drive to fuel them during the workout, and then their go-to is always the Herbalife 24 Rebuild Strength. It's their favorite. It's definitely the most requested product.

John Agwunobi: Excellent. Thank you so much. So we're running a little late, so I'm just going to end here with a quick summary. I think this is what I hope you took away from the entire conversation so far. Excitement. It's a business of relationships. Momentum. Quality in the products. Excitement about the product launches, but also about the business and its future.

With that, please help me thank our panel. Okay, we're going to take a five-minute break. By the way, high-protein iced coffee is available now in the -- if you want to try

it out. Five minutes, we have to come right back in and start the next panel. Thank you very much.

[Break]

[Video played]

Frank Lamberti:

All right. I'm told we're a little bit behind, so I'm going to go kind of fast today. My name is Frank Lamberti. I'm the Executive Vice President of the Distributor and Customer Experience. I've been with the company 14 years, and 14 years ago, technology was very different than it is today. My first job in the company, in fact, was the Vice President of Investor Relations, so it's great to be back here and see a lot of faces from those early days.

In this section, as I said, we're going to focus on technology. Rich talked about the back end infrastructure that we already have in place, and I'm going to talk about the front end tools and applications that are being built to leverage that technology.

This section is really about putting enterprise-grade technology in the hands of our distributors and micro-entrepreneurs so they can build their businesses in a relevant and fast way. Our tools and applications are designed to maintain a high-touch experience in increasingly high-tech environment. We're going to focus on three key areas, John DeSimone touched on this earlier: scalability of our distributors so that they can service more customers more easily; increased connectivity with their customers in a high-tech way; and overall enhancing the experience. Whether it's the tools that the distributors touch or the tools that they're using with their customers, we want to make sure that that's a seamless experience across the board.

I'm going to cover several platforms. We're going to start with myHerbalife, which is a distributor business based dashboard. GoHerbalife, which is the ecommerce platform between distributors and their customers. We're going to talk about the Nutrition Club Experience, both from the operator's experience as well as from the customer's experience. Bizworks for reporting and analytics. And HN-Connect, which really focuses on digital marketing and the connection between distributors and customers, using customer journeys.

Okay, so let's start with myHerbalife. myHerbalife is a one-stop shop dashboard for distributors. It's a portal where distributors can check their sales volumes, they can learn about events, promotions, and stay connected with their downlines. It's essentially the window to all of the tools that we offer in one place. Distributors receive notifications on the progress of their sales, stay connected with their teams in a very friendly mobile format. It's also a destination where we can share rich content, such as articles and education and training materials from our experts.

In addition, we have a myHerbalife version for preferred members, and what we can do here is present targeted content to preferred members, depending on the goals that they're trying to achieve. So for example, if you're a healthy weight customer, the content that you might see is a Formula 1 shake, perhaps, with the associated articles, recipes, and all the things that you need in a personalized way to help you achieve your goals.

And if you're a preferred member who wants to get fit and build some muscle, you might see content that looks like this, where there's a product offering from our Herbalife 24 Sports line, and the associated articles that you might need to exercise

more and build muscle. So this is the same platform with personalized content that's developed depending on what your goals are, what you're hoping to achieve.

Okay. Our next platform is our GoHerbalife platform. This the ecommerce platform that distributors use to their customers. So when they join the company, right out of the gate, they have the ability to have those online transactions. As John talked about, about 50%-plus of the countries that have it are using it. And what this allows distributors to do is personalize their site -- there we go -- so they can present the products to their customers in an extremely professional way. And as we continue to build out our profiles, the content the distributors can present to their customers will be based on intelligence gathered from purchases, browsing data and other patterns that key our machine learning capabilities.

Customers can also set goals so they can receive targeted content. And by providing just a few key pieces of information, such as current height, weight, activity levels and your targeted weight, we can leverage artificial intelligence so distributors can offer their customers recommendations on the proper amount of protein they need in a day, the maximum number of calories that they should consume in a day, along with healthy meal plans for a balanced diet. All of this is really established to complement the high-touch element that distributors have, providing them the opportunity to continue to follow up with their customers in the high-touch way to augment the high-tech elements.

Next I'm going to cover the Nutrition Club Experience. Our Nutrition Club US tool was really designed to enable nutrition club operators to capture valuable customer data and to facilitate club operations. It's been an iterative process. It's been a year since implementation, and we recognize that there's an opportunity to improve the experience, both for the thousands of distributors that operate clubs, as well as the millions of customers that they serve. We're in the process of designing a more user friendly interface, combined with customized offerings to facilitate faster checkout experiences with fewer clicks at every touchpoint.

Whether it's My Club as a distributor or Your Club as a customer, we want to make sure that you have an amazing experience. So to support that goal, we're developing a customer app that distributors who operate clubs can share with their customers, and what this will allow the distributors to do is offer their customers ordering ahead capabilities so they can avoid long lines during peak hours. They can get in, get their shake and get on their way. They can also receive suggestions based on bestsellers at that club, as well as receive push notifications for healthy recipes or new product introductions, like we just had with our high-protein coffee.

Okay. So now we're going to talk about Bizworks. As we talked about earlier, this is a real-time analytical tool that distributors have to evaluate their business. And Biz Works is a great example of a front end application which leverages the infrastructure that Rich was talking about earlier. It provides real-time visibility for distributors to see what's happening in their business anywhere in the world at any point in time, and we believe this is a unique point of difference in the market.

The tool provides the same level of analytics that we use to run the company, and puts it in the hands of distributors for them to run their individual businesses. They can run reports and trend analysis to evaluate the health of their business, see the activities of their team. Intelligent reports provide notifications to distributors of things going on in their teams. They might have a member who's hitting a certain level or a key milestone, and it's a great opportunity for them to be alerted so they can either recognize that individual, or provide them critical support during those key points in time. And

whether they're on a desktop or accessing from a mobile device, they have access to the information anywhere, anytime.

HN-Connect. This tool puts the power of a CRM, consumer relationship management, in the hands of distributors. It's built on the powerful Salesforce platform, and when combined with our core technology, will enable us to deliver tools across a broad spectrum of needs. Whether on a desktop or mobile device, HN-Connect enables distributors to spend more time with more customers. As John was talking about earlier, if a distributor is helping one customer, they're not doing something else. So this is a real opportunity for them to scale up those relationships in a technology -- using technology. It really is the perfect combination of combining the high tech elements of digital marketing with the high touch value of the distributor difference.

With HN-Connect, it's all about the journey. When a distributor first engages with their customer, they begin a series of communications centered around the unique goals of that customer. The customer will receive rich content over a period of weeks, which helps nurture the relationship, the engagement that we're talking about that's so important. Whether through email, text or other preferred channels of communications, a distributor can send articles, product information, recipes, exercise videos and other value-added content, all with the goal, really, of ultimately driving that customer back to their ecommerce platform to make an incremental sale.

What I'd like to do now is rather than just show you through PowerPoint, I'd like to invite Terry Adams. And Terry's our Vice President of Distributor Technology and Strategy, invite him to the stage. Terry leads the development of all of our digital sales and marketing tools, as well as our predictive analytics. And what he's going to do is just give us a quick demo of the tool so you can get a live experience of what it might look like.

Terry Adams:

Thanks, Frank. So, HN-Connect is a combination of customer relationship management and automated digital marketing. It's not just taking notes about your customers; it's also automating that journey. So we have 130 emails that are pre-built that are going to reach out to someone for each different stage of that lifecycle as a customer. We're also taking all of the information from all of those transactional systems, we're bringing them down into a 360-degree view of that customer for our distributor.

So when we take a look at those journeys, it's automated for each step, but what's really unique about the way that we look at it, we have the high level hero metrics. So for example, if I'm trying to convert a lead to a customer, I know how many leads are converted. If I'm trying to convert someone who's already purchasing, make them successful and get them to make a second purchase, they're going to be on a different journey. So let's take a look at what that looks like inside the tool.

Here I'm getting an overview. I see where I have success, three repeat purchasers. I click on that journey. I can see all of the individual steps. I can click on any individual step and see how that step has performing. I see everybody that's in there. All those numbers are clickable, and I can see who's in it. I click on three people that have not actually opened their emails. I see Doug. When I look at Doug, I have his information; how do I contact him, his phone number, his email, his text, but I see a blue Facebook. His preferred method of communication is Facebook, so I know I'm going to reach out to him in that channel.

We use -- we take all those transactions, and we bring them back down into widget. Here I'm looking at my retail profit over the past 30 days. I'm in the role of a new supervisor just building my retail my business. So I have \$248 of profit from my seven

total purchasers. If I click on that seven, it's the same thing. I get to see who those actual people are, and down at the bottom I can break that out by channel; who's coming into my club, who's visiting my website.

The activity feed. If we take all of those transactions and all of this content and all of this marketing, it all comes back into this activity feed. Sam, Reem, Bill, opening emails, placing orders. When I click on Bill, I go to his record. Again, I have all of that information. I can add him to a new journey, and I see all of the activities specific to Bill. So wherever I'm in the application, I'm getting a context sensitivity based on who I'm actually looking at.

So if you take all of that activity and all of those transactions, we come up with a really important -- it's like, what are you supposed to do? What's your next upcoming action you can take in the next one minute? I can see in here Murali has not opened the last three emails. Using that AI Frank is talking about, based on where he's at in his journey, I get a suggested text. I know that his preferred method of communication is WhatsApp. When I click on the WhatsApp icon, it opens it up and I can start a one-on-one communication with Murali.

So we launched iced coffee, so when we do that, we push out to the distributors a pre-made text message. If you're a distributor and you're trying build your business and you're working with social media, for example, or you're trying to text everybody, if you tell them, oh, I want you to go to your website, copy the URL, add in a text, put in some emojis, so we've done all that for them. Iced plus coffee equals two Herbalife green hearts, love. That's going to take them back to my site. That's what it looks like when the customer receives it. It's got a nice picture of the coffee.

They're going to come to my website. Up at the top, all the ways to communicate with me as a distributor, including all of my social media tools that I use. When they click on it, it goes to an article written by one of our doctors, and then down at the bottom in that order now, we're using AB testing to figure out what's the most common thing people click on. Is it order now, try coffee today? So now when someone clicks on it, if they're already a customer, they can just proceed directly to the cart. If they're not a customer of mine yet, we're going to ask for a couple of details, we're going to take that information that's automatically connected to HN-Connect, adding them to my total database. They will be automatically converted to a lead, to an actual retail customer, and we're going to automatically move them into the next journey.

So that's everything I was going to cover, Frank.

Frank Lamberti:

Perfect. All right. Thank you, Terry. So as you guys can see -- Terry, why don't you stay here because we're going have the panel join us. As you can see, there's a lot of functionality that's been built into this tool, pretty powerful for an entrepreneur just to come into a business and have all of this capability at their fingertips. And if they really start to engage their customers this way, it'll certainly -- the plan is to allow them to stay in touch with some of their customers for much longer periods of time, while they go out and get new customers into the business. So thanks, Terry, for that demo.

At this point, I would like to invite a couple of panelists up here. Panelists. Rich Libby. Rich Libby joined us in January. He is our Senior Vice President and Chief Information Officer. He has global responsibility for the company's technology strategy, and he has deep experience in driving digital transformation for companies, including The Gap.

Heather Schwartz. Heather Schwartz is a full-time independent distributor. She's a 20K Senior Executive President Team member. She's been in the business for 11.5

years, and she works her business through a healthy, active lifestyle. She's based in Los Angeles but has customers all over the country.

How's it going, guys? Thanks for joining me. Happy Wednesday.

Rich Libby:

Happy Halloween.

Frank Lamberti:

Happy Halloween, all right. Heather, let's start with you, Heather. You're a UCLA grad. You've got a degree in psychology. You've obviously built a tremendous business, hitting 20K Pres Team level, so you've got a full-time income. Just tell us more about your story. How did that start for you, and what was your driving moment when you made the decision to join this company?

Heather Schwartz:

Yes. When I think back 11.5 years ago, when I graduated from UCLA, I was six months out of college, trying to figure out what life was going to look like into the future, and was looking for a sports and fitness company. And was really on my way to going back to school for either medicine or education, and was leading a running event for the company, and an Herbalife distributor came down and invited me to a Healthy Active Lifestyle event. And had no idea that going to that beach boot camp that next morning would be really a day that changed my life forever.

Started learning more about what Herbalife was, and it was really way more than I ever imagined, and never really realized I could have a path to be a successful entrepreneur until I found this company. And so it's just been really a dream. I'm so, so grateful. And between getting my own results, losing 21 pounds, 6% body fat, keeping that off now for 11.5 years, and now helping hundreds of people do the same, thousands really, and building an organization all around the country, and now that's spanned across internationally, it's been amazing.

Frank Lamberti:

Great. Thanks for sharing that. And obviously you've been with us a long time, and you were on the HN-Connect development committee, representing distributors right from the beginning. And while we're still in the early stages of HN-Connect, where do you see value in the tool?

Heather Schwartz:

Yes. When I first found -- started building my client base, I didn't have the tools that a lot of people on the corporate side of Herbalife had, so I using Excel spreadsheets and trying to put things in my cellphone. And so to have really an organized tool that's now here, I feel like this is something I've really been wanting. And so now I can just really quickly put someone into a system that's going to create communication and can allow me to really spend more time doing the things that I need to do, like meet people, build my client base, build my distributor base, and not have to think so much about the organization behind it all.

Frank Lamberti:

And do you have any of your new guys that are starting to use the tool that might have started experiencing some success with the tool?

Heather Schwartz:

Yes. As we're starting to work as a team, I was actually meeting with a team member who lives out on the East Coast for lunch the other day and he was like, it's so cool. Just the other day, I realized three orders have gone in for the iced coffee because they were using HN-Connect, the emails were going out, and they're like, wow, we realize we weren't even the ones that necessarily had to be the one to communicate it. And all their clients were like, yeah, I just put in an order for it, so it was totally working.

- Frank Lamberti: Fantastic. So Rich, over to you. You joined us in January. You've had some time to assess our systems and look at the things that we have in place and our plans for the upcoming five years. What excites you most about the technology that we've got?
- Rich Libby: Well, it is a lot. There's a lot there. I think -- well, obviously we saw the commercial for Larry Ellison's yacht Oracle purchases. But that established I think a great baseline for us. It's rare that you walk into a company where the manufacturing and the supply chain and the quality of the products are so buttoned up, that really there's so much upside from there around optimizing things. What I'm really excited about is looking at advanced analytics, the AI stuff, the machine learning that we can feed back into the ecosystem to better inform the distributors. And also make sure that we get the products to the consumers on time and that they're the right quality products. That's a huge, huge win, just -- and walking into that and walking into this team is a tremendous privilege. So all fun stuff for me coming in now. You did all the dirty work ahead of me, so that's great.
- Frank Lamberti: That's right. Terry, now that the infrastructure is in place, and we get to build all those front end tools, I talked in my presentation about the evolution of the nutrition club tools. Can you tell us about the changes that we're making, why we're making them?
- Terry Adams: Yes. Really the things that we were doing in the past with the point of sale tool was really geared towards compliance efforts and the things that we needed to really do in the business. But now we're focused on making the tools something that's really useful for the distributors to run their club, upscaling the experience so that it's something that's really fun to interact with. And then again, adding in that application from the customer side that helps to really work with HN-Connect and our other tools to build that one-on-one connection with our distributors.
- Frank Lamberti: That's fantastic. And so as we kind of get all these data points together, obviously we're capturing a lot of this rich customer data. Can you tell us, what's that like having that in our system, versus in the past having only had distributor data in the system?
- Terry Adams: I think in the past, when our distributors would use our website, they were really using the website to shop for other people. Some of the common tools that everyone would look at, hey, why don't you learn something about how your website gets used, they were using the website for their customers. Now that we actually have that customer data, we can integrate all that together to create more rich profiles, more rich tools and that AI-assisted profiling, and then extend that out to our distributors as well.
- Frank Lamberti: And I know that we've got already, it was on one of Rich's slides that we have this robust cyber program. But what about customer privacy? I know that's a very hot topic these days, and how are you ensuring that we have all the proper protections in place around that?
- Terry Adams: I think if I had -- we spend so much time with privacy and legal, really making sure that the tools that we're building today are really built privacy and security first. So that everything that we're doing really is GDPR and the way that permission-based marketing and all of those things are moving, we're building all that into our tools upfront.
- So I think that it's really going to be a barrier to entry for a lot of other companies because we have that centralized location. I've talked to other people in our space, for example, how do you guys handle opt in an opt out and permissions for your distributors, and it's they have a check box for their distributor that they're responsible for it. So we're providing all of the tools to really help manage that.

- Frank Lamberti: Fantastic.
- Rich Libby: And beyond that, I think the other thing that we need to remember is that we're also focusing a tremendous amount on securing the infrastructure and the applications, and making sure that beyond just the customer preferences, we also are protected against malware and other instances across the company.
- Frank Lamberti: Excellent. All right, Heather, back over to you. We talked about Bizworks and the analytics and capabilities that the tool has. Can you kind of tell us how you use it in your business and the value that it may add?
- Heather Schwartz: Yes. I'm so grateful to say I've built a really large organization, and I could not really imagine how I would know everything that was going on in it manually if I didn't have a tool like Bizworks. So one of my favorite -- and they actually, it flashed up there as the supervisor volume plus report. So I can pull that up, see where different rising leaders that I'm working with are doing throughout the month, and some of them are leading the way. Some of them, if I can see like, oh, it seems a little off this month, I can really call them and dissect what's going on with their business. Is there something going on personally? Is there something going on in the region? And ask them questions also about how their team is doing. Simply with that tool it's been -- I can't even imagine my business without it.
- Frank Lamberti: Fantastic. In the interest of time, we've got one more question. Rich, I'll give this one to you. Big picture, what are you really hoping to achieve in the long run with all the investments that we're making in all these digital tools?
- Rich Libby: Well, there's a couple things. I think Rich touched on it earlier with the three points, sort of, and then John reinforced that, and you also see it in the technology slides. So we have an opportunity to build on that foundation that will help us inform how our products are performing and what the price model is around the world, always fulfilling the distributor promise, right? And then enabling the customer digital experience and feed that data back into how we run the business.
- So what I really am focused on is super charging that ecosystem so that we get feedback, we've made more informed decisions, we improve the customer experience and the distributor experience around the globe. So any time they interact with our brand, it's appropriate for them in the market they're in, regardless of what time of day it is or where their distributor lives. So that's a really good step for us. And we have a lot of the pieces in place, and now we can just sort of supercharge that process.
- Frank Lamberti: All right, fantastic. I'm being told we do have time for two questions from the audience, so I've got one here. Terry, will you be able to roll out HN-Connect in China?
- Terry Adams: China is definitely a different market, and the plan there is different than it is the United States, but it is a gigantic market for us. So this month -- I want to say next month, which starts tomorrow, Rich Libby and I are going to go over and meet with Tom Harms in the China market, and start to assess how we can do the same type of thing that we're doing in the United States in the China market as well.
- Frank Lamberti: All right. And Heather, last one for you, and then we'll conclude here is, how has the technology impacted your new member enrollment?
- Heather Schwartz: Yes. I have kind of -- when a new distributor starts, we have a first 10 steps process that we do with them. And I've definitely been thinking about adding -- now having the

tools such as HN-Connect and lot of the other obviously tools that we have, teaching them how to set up their GoHerbalife has always been one of the first 10 steps for sure, is awesome because it gives them a more professional way right from the start. Sometimes a distributor will get started and they don't know exactly what to say, so to have a structure to put them straight into, which is like, okay, here's an email that you can immediately send, kind of teaching them some of the languaging to use gives them a lot more confidence right from the beginning. So I'm really excited for that into the future.

Frank Lamberti: That's great. So it sounds like they can present themselves in a professional way, and all the time that you spent in the early days creating the content is going to be essentially done for them, so that's fantastic.

Well listen, I want to thank all you guys for joining the panel today, and we're excited about the future here with technology, so thank you guys.

Heather Schwartz: Thank you.

Frank Lamberti: All right. So as you can see, we're really excited about the technology that we have. The back office, the infrastructure is already in place, and now it's the front end tools that we're really excited about. Obviously, collaborating with our distributors is a critically important part of the process to make sure that we're developing tools not only that we think will add value, but they see adding value for themselves and for the new distributors that they're inviting into the company. Combining high-tech tools to support the high-touch value that distributors provide in the marketplaces is key for us.

So at this time, what I'd like to do is invite our next moderator up. He's going to moderate the next panel for the distributor difference panel. Chris Morris, who is our Senior Vice President of Distributor Experience and Chief Innovation Officer, and Chris has been with us for 11 years, so welcome Chris to the next panel.

Chris Morris: Thank you. Thank you so much. Thank you, Frank, and thanks to those of you in the room. So by now, you've heard the term distributor difference I think I counted 1,100 times. So I am thrilled to be the moderator of the panel. We're going to dig into this a little bit deeper and talk a little bit more primarily with our distributors about how that personalized attention drives results.

Now, one of the reasons I'm thrilled about this is I have had a personal experience with the distributor difference. So when I first joined this company 11 years ago, I was a technologist, and what I knew about our distributors could fit into a thimble. And probably like many of you folks, I thought distributors picked up the products, drove them around, delivered them to people. I was kind of thinking of like a Coca-Cola distributor.

And that all was well and good until about two years in, I'm speaking at an event, I come off stage, and a very nice distributor from Hawaii, who was very blunt, came up to me and told me, "Chris, you're fat." So you have to imagine at that point, back then I was probably 50, maybe 60 pounds heavier than I am now, so it wasn't an untrue statement, but it caught me a little off guard. And she said, "Look, I can help you." And she pointed out to me a very important fact. She said, you work for a nutrition products company, and you really aren't doing a great job representing us.

So she sat down with me, built my personalized plan. Did the very embarrassing thing and asked me to take a before picture, which I'm not proud of, and I thought that was going to be the end of it. I went home and I had my plan and I said I was going to do it

and life was good. And two days later, I got the first phone call. "How's it going?" I was shocked. I was like, "Oh, it's going great. I love the plan, everything is wonderful," thinking, okay, that was interesting. Another two days pass, I get phone call number two, and I think you kind of get the message that turned into phone call number 20 and 30.

And after about five weeks, then she asked a very difficult thing. She said, "Hey, can you send me an updated picture? I want to see your progress." So I was taking the products, but I was supplementing them with the occasional pizza and case of beer, so my progress was not where it should be. So she was tolerant when she saw my picture. I think I probably had put on three or four pounds at that point. She called me on New Year's Day at 6:00 AM, appropriately timed phone call, and she said, "Let's have our Come to Jesus meeting." She goes, "I don't think it's going to be great if I start telling people our corporate executive made a commitment that they did not come through on. So I will give you seven days. You work with this program for seven days, and if you do not feel better, you do not have a result, I won't bother you again, we'll part ways, and no one will be the wiser." Five months later, I had lost more than 50 pounds. And I still hear from her six to eight times a year, primarily when she sees me on stage and I look like I've put on a couple, she reminds me to get back on the program.

So this is a very personal experience for me. And I wanted to share that with you before we brought our panel up, but then I also want to ask Dr. Carmona to rejoin me on the stage. We are very blessed to have a board of directors members that is so personally engaged in our company. I'm going to ask Dr. Carmona to actually co-moderate this panel with me, and maybe to share a little bit more detail about the experience, that ah-ha moment you talked about this morning, maybe give us just a little bit more depth there.

Richard Carmona: I'm happy to, Chris. What I see in all of the distributors is really a world of digital health practitioners, ambassadors for the brand, but most importantly, connected within their given communities. And as I said, relating to my own world as Surgeon General where one of the challenges I had was to try and effect sustainable behavioral change, not only in our nation, but in the world and dealing with our allies, that was often difficult to do.

The challenge that I see today is still here, but what I love about our distributors is they take this complex scientific information, stuff that Dana Ryan teaches them and others about the science of physical fitness, the science of nutrition, micronutrients. So think about how complex that is, but their job is to take that complex science, translate it in a culturally competent health-literate manner, deliver it to an end user that is one of our customers in order to do one thing only -- effect sustainable behavioral change. And they do it better than any group I've ever worked with in my whole life. That's why I'm so proud of these distributors, because they are the essence of who we are in Herbalife, Chris, and we're so fortunate to have them.

Chris Morris: Thank you so much, Doctor. And maybe you may want to point out, I think there's a couple of people in the audience that you know here today.

Richard Carmona: I think there are. I think there are. And those distributors, who we'll meet in a minute, were the ones that inspired me. You've heard when I gave my opening remarks today, I was recruited by a lead board member who I'd worked with on other boards, public boards, and said, you have to see this company, and I didn't have time.

What made a difference for me when I went out in the field and I met these two in particular, Jonathan and Angel who will be up here in a minute, they inspired me like all

of our distributors do. As I travel the world, and I travel the world a lot now for Herbalife. I go to extravaganzas, I've been to many, many countries. And what I see commonly is very humble, hardworking, knowledgeable, passionate, committed distributors who are connected to their community in such a unique way that they have immense credibility in that community, and allow them to really be a health practitioner, if you will, to inspire their community to do better.

And a lot of it is through our products, but again, this is bigger than a product. I see it as a global movement. A world that's drowning in disease and economic burden that is totally preventable, and we have an army of gifted, knowledgeable, talented, passionate, committed distributors who are helping to change not only our nation, but the world.

Chris Morris: All right. Fantastic. Thank you so much, Doctor, and please stay. Please stay and stay with us. Before I bring the panel up, and we're about to bring up four distributors that combined represent \$25 million in sales in the last 12 months. I want to give you one more taste of the what the distributor difference is. I told you my story. Dr. Carmona certainly shared his ah-ha moment. And I would love to bring each of you to the same clubs that Dr. Carmona visited. But since that's logistically impossible, I'd like to virtually bring you to one, and kind of show you not just how a distributor affects individuals, but in some cases entire communities. So if you can roll that, please.

Chris Morris: Okay. You have heard it, you've seen it. I think it's time for you to experience it live. So please join me in welcoming, again, four distributors that represent sales organizations, over \$25 million in sales in the last 12 months.

Want to start off with Angel Mariana Franco. Good team member. Been with us for 8 years. Please welcome Angel. And then I want to move into a very dynamic couple, with us for six years, Perez team members, Fabiola Barinas and Alan Rodriguez. Thank you. And then last but not least, also with us seven years, another Perez team member. You've seen him in several of the videos today, Mr. Jonathan Webber.

All right. Let's get started right at the end. Angel, I'll put you on the spot first. You can get the emotional support from Dr. Carmona. You use nutrition clubs to really drive your business, and I'd like you to describe for us how that distributor difference manifests itself in the club.

Angel Mariana Franco: Yes. Nutrition clubs are really hard to explain. You got a little bit of a taste of it outside, kind of the concept. But people laugh at this, but I always explain it, when you walk into a nutrition club, it's always rainbows and butterflies and smiles and we want to give you a hug because we really want to build that relationship with our clients. We go past just knowing them and their goal. It's them, their last name, their parents, their kids. We want to get to know them and their overall wellbeing, so we become a community of support and essentially another family for them.

Just a real quick story, I had an older gentleman who lived in the veteran's home and would come to my nutrition club and help me open every day at 6:30. He sometimes was there earlier than I was and would call me and say, hey, are you coming? So we would open every day. He'd help me, he'd hang out for a couple hours, and was just our routine.

And there was a time where he stopped coming. So it was a few days, one day, two day. By the third day, we started kind of getting worried. So I give him a call. No answer. And then a couple days later -- I leave him a voicemail, I call him back again, nothing. And then a couple days later he calls me back and he says, you know Angel, I'm so sorry I haven't been there. Unfortunately, I had a heart attack and I've been in the

hospital, but thank you so much for your calls. You have been the only person that has called me and thought about me and really wants to know that I'm doing well. So after that, he came back. But those are just one of the many stories that we have that we do care about our clients.

Chris Morris: Fantastic. Thank you, Angel. I think you should all know, Angel is second generation Herbalife. Her father was actually employee number one before he left us after a decade to become a distributor himself. So, interesting how that works out. Not uncommon this day and age in Herbalife.

Fabiola, I'm going to turn to you. You and Alan built an extremely successful business together over the last few years. Give us a little bit about what your approach is to attracting both customers and sales team members.

Fabiola Barinas: Yes. We personally, to keep attracting new clients and customers, we use the tool of social media. We do it by just gaining the trust of our followers, sharing our life, sharing our lifestyle, sharing how great the products are, how amazing they make us feel, sharing our clients' results and our own results as well. And that way, we keep attracting more people on a daily basis. And the reason why -- or a few of the reasons why we actually love this tool is because it give us the freedom to continue to work from wherever we are. For example, we are here today, our business continue to be open, and our kids are here with us too in the hotel. And also it's just -- it allowed us to reach to more people globally by just using the tool.

Chris Morris: Fantastic. Thank you so much. Alan, I'm going to let you build on that a little bit. Again, highly successful business. Last couple years, amazing growth and momentum. Talk a little bit about what's driving that momentum and how you sustain it.

Alan Rodriguez: So Chris, when we got started with Herbalife, really, we tried everything possible to become successful. We tried all the different DMOs. We understood that our success depended on us, our efforts and our hard work. However, like Fabi mentioned, we stuck with social media because it was the most attractive tool to us, gave us the freedom and what we were looking for, really.

Now it's not just the social media aspect of it, because at first, nobody was doing business through social media, so it was something very new. Together with Herbalife, we had to create somewhat of a structure to retain everything, to keep everything together. And for us, really, training and education has been the backbone. We focus so much on training, we believe on training. As a matter of fact, we even put together our own team retreats where the leadership, all the Presidents Teams in the organization, we put a fund together and the guys that qualify, we relieve the investment for them having to come out of pocket to attend this meetings that we have with us in person.

Aside from that, we take full advantage of all the technology, all the innovation that the company provides for us, the enhancements, and we're just really excited about growing our business, but not only just for us; seeing other people grow their business as well.

I think that one of the main factors, especially in 2018, this year, was the 2K qualification. The 2K Supervisor Method made a big impact. Not that it wasn't great before. We were in momentum, too. But ever since that 2K qualification method came out, we've probably averaged over 30 new supervisors per month in our first three levels with a high of 52 in one month. So I think that definitely made a huge impact and segmentation, which goes hand in hand. Now we understand our business better, we have more clarity. So I think that segmentation was probably the most -- the single best

thing that happened to us. So I think that in my opinion, taking it around the world would be great.

Chris Morris: Fantastic. Thanks, Alan. Jonathan, you're obviously the last one that I haven't gotten to yet, but at this point, I think it'd probably best if Dr. Carmona takes over the questioning, since you were such a big influence on his decision to join the company.

Richard Carmona: Thanks for the opportunity, Chris, and both Jonathan and Angel were really the reason that I joined the company. I think what I'd like to emphasize before even asking the question is these are wonderful, phenomenally gifted people, but let's not miss the point that look at the diversity here. They represent their communities. If you look at our board of directors, it's a diverse board because it represents the world that we have the privilege to serve in. And these young men and women represent their communities, and so diversity is a big part of what we do every day.

When I walked into both these places, when Jonathan, because the question was directed to you, I can remember that first day, seeing a tough neighborhood like where I grew up in Harlem where a lot of poor people were struggling. But when I went in, what I saw was hope. And I see that in all the clubs. I saw hope. I saw somebody that was proud of who he was and your partners that were there. And I saw people coming in, I saw commerce. People coming in and out off the street, getting a shake, working out, asking you for advice. And I said, my gosh, this is really what we need in the world today.

And I will add to that because we are a global company. And I give you another example. One of these extravaganzas I was at, sitting at a table with most of the people who didn't speak English real well and we were communicating. And I noticed that two or three of the people who were distributors, and I wouldn't name the companies, but their countries were actually at war with each other. And they were sitting around the table, sharing information so that they can help each other to create healthier communities, in spite of all of the political turmoil that was going on. I thought what a powerful moment that was, and I see it in our communities today.

So Jonathan, tell me, what's the secret sauce there? I saw where you were five years ago. Tell me what's happened in five years, and how do you continue to grow? How do you continue to inspire people to be involved with us?

Jonathan Webber: Wow. Well, thank you for the question. And see, when I first saw this opportunity, one of the first things I realized is that Herbalife makes complex nutrition simple. And so what we'll do is we'll sit down with our clients and we'll build a relationship. We'll start out with a questionnaire, a wellness evaluation, and literally from there, once they get started, we'll go ahead and put them into our communities.

And it's -- I didn't really realize the power of community until starting something like this. People want to be in a place where people know who they are, where they always feel comfortable. And once that happens, it gets really sticky; they don't want to leave. So I guess falling into that and kind of learning and kind of understanding that, people just want to feel amazing, and when you can provide not only great nutrition that makes them feel amazing but also a great relationship, there's just something that I just feel like lasts and continues to grow. And I think that's kind of what's happened. We started with that platform and it just continues to grow from there.

Richard Carmona: You make it sound easy. You make it sound easy, Jonathan. And you know, I think what all of you have in common, you said you make complex stuff simple for the average person who comes in, and they feel at home and they want to come back. It's

sticky. I like these people. And we take advantage of the fact that humanity wants to be part of something. They want to be part of a family. They want to be part of a community. They want to be able to connect. They want to hug once in a while. They want to love somebody. You guys provide that. So it's bigger than just a product. It's actually a safe haven where people come and they are part of a bigger community, and it spreads, it goes viral.

Talk a little bit about the complexity and how you approach it, how you engage, because this is all about individual engagement that creates community.

Jonathan Webber: The environment is in the inner city, I think really across the board in anywhere you probably will go, but that was my first idea of saying, okay great. I know people needed to build trust in anything. So when you walk into a community, the first thing people want is they want to feel like A) they matter, and B) they can trust the surroundings.

So what will happen is that I started to understand that and started making people feel good in the moment. It takes a long time to build trust, but it takes a second to break it. So what happens inside of that is just constant ways where we do things as a community where we support one another, getting to know each other. It's not just them, but their friends and their family and their children and things like that. It literally -- like I said, I would have never known what would have come out of it. So it was funny because I can't say that I knew going in, but again, Herbalife provides us with mentors and sponsors like the one that you saw my sponsor, she was up here earlier, who teaches these things.

Chris Morris: That would be Heather, by the way. I think you forgot her name.

Jonathan Webber: They teach us these things. So it's funny how it just kind of duplicates all the way down throughout the lineages and throughout the world inside of Herbalife.

Richard Carmona: And I guess the secret sauce is really building community, but what I see then is this is not a simple transaction. This is about people with heart who care about their community, who become embedded in the community, they continue to build the community. And of course on the business side, it adds to growth. The company grows, but we make better communities. And every one of you that I've spoken to and the hundreds of other distributors always say in one way or another to me, I've become a better person by working for Herbalife and building these communities, which I think is a wonderful, wonderful sentiment. Chris.

Chris Morris: So, thank you Dr. Carmona, and thank you, Jonathan. Got a couple more questions here. I want to go back to the folks in the center. And by the way, Alan undersold it a little bit with his response. We talked a little bit about the structure they had to put in place. I will tell you, we've experienced the structure this organization has from a training and follow-up perspective and accountability perspective, which is huge, both on the customer side and the sale side. If you could summarize the distributor difference, just a couple of words, both of you -- Fabiola, Alan -- tell me how you'd summarize it.

Fabiola Barinas: To me is the relationships. That's the it of it. Because for us, weight loss is a very emotional journey. So it's not the same thing just buying something and trying to do it on your own versus having somebody there coaching you, guiding you, teaching you, supporting you. And the community that you build around that, sometimes you don't feel that is also in chasing the rainbow, but you have somebody there cheering you up, holding you accountable. And we become more like accountability partner for them,

but beyond that, we become friends. So having somebody there for you makes a huge difference.

Alan Rodriguez: Being that the weight loss journey is something so emotional, and it's not any different. Once they become a business partner, which we like to call it, once they decide, okay, I want to join your distributor team, it's no different. We still treat them the same exact way, just the intention shifts. Now it's not just weight loss goal or health goals; it's also financial goals. So when it comes to that, we really sit down with them, we set goals, we set expectations, we create a game plan, we hold them accountable, and most importantly, we recognize people. Sometimes people do more for recognition than they would do for money, so we understand the power in recognition.

We actually have weekly meetings in person and also online where we -- it's a platform for new distributors to become successful until they get to supervisor where they can be on their own, now they have all the skills that they need. And I think what makes the biggest difference for us distributors is putting somebody else's goal before yours. So we work based on their goals; not just ours. We know that ours will come as we help other people reach their different levels in the company. And that is what drives us every single day -- not us, but the fact that we want to impact as many people as possible to reach the success that we have been able to reach in the last 6 years.

Richard Carmona: Hey Chris, you know what it's interesting, too, I see in all of them and the thousands of other distributors that they represent -- hundreds of thousands all over the world -- is they make it look easy and they're very humble. Oh yeah, I do --. But you know what, listen to how they speak. They're speaking as anthropologists, as sociologists, as community health workers, as digital practitioners of health. And I know that it sounds simple out there, but it's amazing how we've been able to build this culture of community involvement that results in people getting healthier and an economic development that follows with it. It's extraordinary.

Chris Morris: Thank you. I appreciate that add. And in the essence of time, we don't want to hold you folks all day, but I do want to get one question, just a brief response from each of you. First thing that comes to mind, what are you most excited about moving to the future with Herbalife? Angel?

Angel Mariana Franco: Connecting with our club customers or just our customers in general easier, faster and more efficient. How it's now broken down to what their specific goal is and how we can manage that easier. And how if someone comes up their file and we know that they're on a weight loss journey or they're on a fitness journey and that we can communicate to them so much easier and so much faster. So I'm super excited about that.

Chris Morris: Fantastic. And Fabiola, the answer has to be something other than Alan is the --

Fabiola Barinas: Is there anything not to be excited about? That's the question. After this presentation and all the opportunities that we have to tap into new markets, it's like, hello. And I was like, okay, we have to work even harder to see how big of the piece of the pie is going to be ours. So I'm just super excited about the future and everything that's to come.

Chris Morris: Alan?

Alan Rodriguez: I'm just excited to help more people, to show the world the possibility of Herbalife that was gifted to us six years ago. Before that, we had no direction, or I personally had no direction or nothing to look forward to, and I know so many more people out there are in the same place in the same boat. Having just a first semester in college, because I

didn't know what to do with my life, I can now put myself in other people's shoes, how they need this opportunity not only for the products, because obviously the products is the number one thing. It's all about the products. However, we understand that the business opportunity can transform lives.

And not just for the big businesses that we have been able to build, because a lot of people sometimes get confused. They think everybody comes into Herbalife to build this massive business. Well, we didn't even come into Herbalife to build this massive business. We came for an extra \$1,000 that would make the difference for me being able to quit one of my jobs and have a lifestyle together as newlyweds. So I feel that there's different kinds of levels of success in Herbalife among distributors, and our goal is to just help people reach their level of success according to their goals.

Richard Carmona:

Well said.

Chris Morris:

That's fantastic. Jonathan, bring us home.

Jonathan Webber:

Wow. It's really just a combination of what everyone said here. Definitely I'm excited for the new markets, excited for the next generation, the people who have yet to even see Herbalife and don't know about this opportunity. I feel like it's just it's so many people that still have no idea of who we are or what we do. So I feel like I can look at what's happened so far, but I'm really just excited about what's really to come. And even looking at the presentation, it just makes it that much more special. I feel like the future's so bright that we're all going to need sunglasses.

Chris Morris:

An 80s reference. You got to love that. All right. I want all of you to join me in thanking the 17th Surgeon General of the United States and our four distributor panelists. Hopefully as these guys exit the stage, just hopefully a couple of things resonate with you. Community, authenticity, trust. They are living examples of what they are talking to about to their customers and their sales team. They're coaches. They're community builders. So tremendous assets.

And to think about it, you're just seeing a little bit from the United States. Just want to remind you, there's hundreds of thousands of these people all over the world in 94 countries. You're going to hear a little bit about that in the next panel. So at this point, I'd like to bring back John DeSimone who is going to wrap up with our final panel of the day. So big hand for John.

John DeSimone:

Thanks, Chris. Distributors, great job. Look, I hope you feel the way I feel, how special it is to talk to the distributors. To see them, to ask questions. We get to experience every day. We want you to experience it also so you can see the power of the distributor difference.

We're going to move on to some regional results. I'm not going to spend a lot of time on the results. It's public. I'll bring up a couple slides. I think more importantly, we're going to bring up the leaders of the regions, the internal leaders, the management team, so you can ask questions of them.

From a regional perspective, I'll start with just the first slide, which is volume points or volume per region. The thing I want you to take away from this slide is really two things. One is the geographic diversity we have. You can see it's pretty equally spread throughout the world. And secondly on the right, you'll see performance in the latest quarter by region, very broadbased, by the way, very broad based. Some weak points, South America, Brazil, namely. Maybe we'll put Rob on the spot and ask him about that when he's up here. But overall, pretty broadbased growth and broadbased strength.

I have another slide. This looks at the regional highlights for the key distributor metrics that we talked about earlier. You saw these metrics earlier. How many active sales leaders there are. It goes back in time, 2002 to 2007 to 2011 up to 2017 up to latest Q3 2018. I'm not going to read you the numbers. It's available. I think it's more important that we bring the people up.

So this is average active sales leaders, the absolute number, very broadbased strength. The percentage, as you saw earlier, again, great momentum over the last decade.

And lastly our retention rates, almost unbelievable that we could -- there was a point in time when I joined in 2007 where we hoped we could get to 50%. Now we're at 64%, and we have some countries that are above 80%.

So with that, I'm going to bring up the regional executive team, but here's a couple points I want to make first. I've been here 11 years, and I am by far the newest person on this panel. Every dollar of sales anywhere in the world rolls up to somebody on this panel. I think it's important for investors to realize the strength of the people that you're going to meet.

I think Rich said it earlier, there's 100 years of experience on here, on this slide, on this panel. You talk to other companies and they talk about industry experience, and they might say they have 100 years of industry experience. This isn't 100 years of industry experience. This is 100 years of Herbalife experience.

So with that, I'm going to ask you to welcome up the new panel. I'm going to introduce them. First, Edi. Edi Hienrich runs EMEA and India. Edi, 29 years. Tom Harms, 18 years, Asia and China. Rob Levy, 24 years, the Americas. And Ibi Montesino, who runs North America and more importantly this market, and she's been with the company for 21 years. Thanks.

So I think everybody by now knows how to ask questions. I'm going to kick it off. I'm going to ask each person one question. Before you answer the question, introduce a little bit about yourself, give a little bit about your background with Herbalife, and then you can answer the question. So we're going to kick it off with you, Ibi. Your market's been through a lot; a lot of change. You heard distributors talk about segmentation. Maybe you can describe a little bit about what segmentation is and what it's meant for your market.

Ibi Montesino:

Absolutely. So, hi. Ibi. I've been with the company for 21 years. I started when I was 15. I'm just kidding. But I've been in my current position now for seven years. And I think we heard Alan and he shared his excitement over segmentation.

Prior to segmentation, there was one application if you were interested in signing up as an Herbalife nutrition distributor. So now with segmentation, there's two pathways. Basically what segmentation has done, it's given -- or it's provided the intention of why you're signing up. So if you are only interested in becoming a customer, so consuming our products, you sign up as a preferred member. If you're interested in doing the business, you sign up then as a distributor. So basically, segmentation is giving the ability to the company and our distributors to communicate the right message to the right person.

A little, some numbers here. Prior to segmentation, our general emails had an open rate of 14%. Today there's an open rate of 36%. Now that's higher than the industry average, which is 22%. So let's say you sign up as a preferred member. Okay, today

with the company, you're going to receive a series of email communications. We call them journeys. So for those preferred members that sign up and open -- 60% of them who open the welcome email journey place an order with the company. Prior to segmentation, 55% of our new distributors placed or had activity within the first 30 days. Now with segmentation, 74% of our new distributors and preferred members have activity within their first 30 days. So basically, segmentation, coupled with the technology and the tools that you saw here, really give us a competitive advantage. And then you saw our market penetration; well, we're just getting started.

John DeSimone: Great. Thanks, Ibi. Rob. Rob runs the Americas. South America, Central America, North America all report up to Rob. We're going to put you on the spot like we said. Brazil, one of the weaker points, but definitely something we believe in in the future. Maybe you could introduce yourself and talk about some of the activities taking place in Brazil.

Rob Levy: Great. Great. So hi, everybody. I've run every one of the regions that you saw in the chart before. I've run sales, I've run marketing, distributor operations. So between Edi and I, we've opened -- we're open in 94 markets. We've opened probably two thirds of all the markets in the company. So obviously I can't keep a job in Herbalife. They keep moving me around to find a job for me.

So Brazil, Beth, you asked the questions. Where's Beth? There you go, hi. You asked the question on the call yesterday. Obviously -- it's funny; I look at the -- we have a daily sales report; we look at the sales every day. And we're doing great in North America, we're doing great in Mexico pretty good, but Brazil, that's what I look at every day because it's kind of tough spot for us.

We are launching segmentation in Brazil, as John said yesterday. We're doing it in probably April time frame. And really, it's the first market that the distributors came to us, the distributor leadership, and they said, we want what Ibi just mentioned. We want segmentation. We want it because we can see the benefits of being communicated to at the right time and the right place with the right message for the right person. Not everybody is a business builder. Most of our people are customers. They want to be talked to like customers, just like Ibi was talking about. So we're going to do that. We're going to do it in April.

They also want, you saw the technology panel. They want the POS tool, they want HN-Connect, they want all the great technology that comes along with segmentation. So we're very excited about that. And Brazil is not going to be turned around for a bit of time yet, but we think we're taking the right steps, especially with segmentation, to turn it over a long period of time.

John DeSimone: Great. Thanks, Rob. I'm going to jump to Edi. Edi runs EMEA and India. EMEA is our most complex market. It's more than half our countries. It's got dozens of languages, tons of currencies, lots of transaction difficulties. But EMEA's also had 34 consecutive quarters of volume growth. It's an amazing record, given all the complexities. Edi, maybe you can talk about how you manage the complexities to drive growth over such a consistent, long period of time.

Edi Hienrich: Thank you, John. We had 29 years and worked with my colleagues here to -- I started in finance, but we worked together to open a lot of the markets, so I have good familiarity with how they started and how they moved on. Before I went to Europe to run Europe, Middle East and Africa, it is a complex region. If you think about the cultures and the maturity of the markets, some have phenomenal growth and amazing sustainability. Some have less sustainability or less growth. And so we tailor the

programs and the training and the promotions and everything to the countries. We have 50% of the world's countries, but we are working on having 50% of its volume points as well to match with that.

And we have some countries like Russia or Turkey that are mostly focusing on nutrition club, so we're developing training materials and education in that area. Then we have other markets in Western Europe that are more focused on cutting edge technology and cutting edge products, sometimes a little bit more educated, more fit type of community, so we tailor that to them. And then we bring it all together a few times a year for everybody to feel the fact that they belong to a larger community and the large company. And that's how we do it.

We also have -- we also face difficult regulatory environment, which we have the European Union versus some that are not within the European Union. So again, we have to take the product and amend them sometimes until we can launch them in all these markets.

But these are the things that we do every day, and I would say the most important thing is that we work very closely with the distributor leaderships because they are the ones that are right there on the field. They are the one that bring the difference and make the difference. And so if we can facilitate their day and their week and their month to be easier to talk to their customers or talk to the steward organization, then we're there to do anything that will take them in that direction, make them successful.

John DeSimone:

Great. Actually, what I hear when I hear you talk about the infrastructure that you built to be able to deal with the complexities, I actually think it's a big competitive advantage. It's a barrier to entry for a lot of other companies that want to expand globally. We already have that and scalable.

I want to jump to Tom. Tom runs Asia and China. Tom, give a little bit about your background and then maybe you can talk about the demographic profile of our members in China and how it matches up with what Rich said earlier about the --

Tom Harms:

Actually, before 34 quarters of consecutive growth, EMEA was flat, declining, struggling. So that just turned it around and kept it growing. Thanks for coming today. I've been now with Herbalife 18 years. At one point in time, I was actually the new guy, and there was all these people around me that had been here for a while. I've had the opportunity to work in each region of the company as well, and now for the last year and a half been based in Shanghai, covering Asia Pacific and China.

The demographics of China are fascinating. It's a very dynamic market. You saw some of the statistics that we have company wide, but when we look at China, when we talk about Gen Z and we're talking about Millennials, it's over 80% of the new customers that are coming in, over 80% of the new distributors that are coming in. And why that's important is because as a company, we know that we need to build for the future. We need to build something that's going to work for that generation.

And as you've seen from our distributor leaders in the room, in China as well, we have a visionary group of people that they've come to the company and they said, look, we have a lot of decisions to make together. We have a lot of new initiatives that are coming out, whether it's new products or new forms, whether it's new technology. We need to get the younger distributors involved in that decision. So we'd like the company to set up a distributor committee that's just made up of Millennials; ones that have some success and some experience, but let's hear from them. Let's hear what their ideas are going to be.

So that gives us such a fantastic opportunity to really continue to remake our business, remake our opportunity in our company for the future, so it's very exciting.

John DeSimone: Thanks, Tom. So audience questions, we're going to jump to some audience questions. There's really two, Rob, that are connected that are for you. Both of you like the segmentation in Brazil. One is about do we expect disruption from segmentation, and the other is do we expect similar results once it's adjusted in Brazil to what the US accomplished with segmentation?

Rob Levy: We were chatting before, and before we came into today and you said, what do you look for? What metrics do you look at? And I answered it sort of like how I'll answer this, which is we look at the metrics and we look at the relationship between the company and the distributors. We've talked about a lot today about distributors and their customers. We have a very close, as you can all see today, a relationship with our distributors.

When a market has momentum like the United States has, and obviously like EMEA, the markets in EMEA, it's never one thing. It's a multitude of things. And one of the most important things is the distributor psyche. How are they feeling about the business? Do they feel like all these guys said today, "We feel great. We feel really great."

So in Brazil they don't feel so great. So are we going to see the same results immediately from segmentation? The answer is no. We're not going to see the same results immediately from segmentation because it's a long-term project, and there's-- once again, the 2K is one of the biggest drivers of momentum in the United States. So there's a number of factors that we're looking at, segmentation being a very important one that will help eventually drive growth in Brazil.

John DeSimone: Great. Thanks. Edi, I'm going to jump to you because the next question is, what is driving the strong growth in India?

Edi Hienrich: Yes, it's going to sound funny, probably, because everything that drives India doesn't drive Brazil, in a way. It all comes to confidence, and there's multiple of reasons why India's growing fast. Obviously, it's growing fast because distributors are very focused, working hard and feel confident. India came out of something similar to what the US went through. There was a decree named Direct Selling Guidelines that was introduced, which our company actually welcomed. It includes segmentation. It included some of the elements that was implemented in the US, but not all of them, but it was implemented over a period of about 3 months, so it was quite challenging. I think the confidence the company showed, the confidence of the leaders, just gave overall confidence to everyone.

Along with that, some changes in product regulatory compliance, so it allowed us, actually, in the last couple of years to launch a number of product that equals same as we launched seven years before. So another element of confidence.

And the third one, which is probably very important, is access. India is a huge country with a lot of people, and accessibility is very important. We increased significantly and tremendously the access points that distributors have to get the product and so on. And so all these together, and obviously, overall overarching is the confidence that they have are the reasons behind India's growth. We're very--it's very different, so I run, this is Herbalife geography, right? You run Europe, the Middle East and Africa on the one hand, and India. But it's amazing how much you can get from sort of sharing best

practices in Europe to India and vice versa. It's quite an interesting ride that we have, too.

John DeSimone: It's funny you talk about sharing best practices. I think it's one of the strengths of our business, not just distributors sharing best practice, but management sharing best practice and being able to communicate with distributors in a way that allows them to push down best practices. But more importantly, distributors identify the good practices and bring them up to us. And so we can help globalize this. It's one of the strengths, and I think having such a long-term, effective working relationship amongst ourselves helps facilitate that strength.

Edi Hienrich: Sure.

John DeSimone: I'm going to jump to Tom, because the next question is, tell us more about the China investment program.

Tom Harms: Well, you've already described sort of it's, how it was initiated, but it's come primarily through tax subsidies from the district level within Shanghai. And now, essentially, we've been able to free up that money to start to use it. And so we have areas of focus that are related to some of the challenges that we have in China.

So one area of focus is over the last year, I think you've seen we've really made a strong effort to raise our relationship with the government, more CSR activities, higher level meetings. Alan Hoffman's hired and brought in an entirely new team with a very strong background that's made a lot of that possible for us.

Product is another area. It's very difficult to get functional foods registered, so we are looking at products in terms of product acquisitions, products that already have what's called blue hats, so registrations.

But also growth. So digital is fundamentally important in China. They are so much more advanced than we are here in the US and everywhere else in the world. So we see a very big opportunity, and also what I described demographically, we see a big opportunity of really taking a leap forward on the digital side. So Terry and Rich are coming over in a few weeks and we're having a visioning session there in China. We're going to include our distributors in the process, but we'll see some of that investment fund going into sort of advancing our digital platforms as well.

And they're right, these are different platforms. They've developed them unique to China for probably reasons you understand, and so we probably are looking at unique solutions there.

John DeSimone: Great, thanks. So just as a reminder, we've got this fund that was built from government grants that are effectively tax incentives. And that fund is something that we carved out our results, and when we spend that money, any expenditures that are not part of the go-forward operations, we'll also identify for you guys going forward so you can model properly.

So that was the last--actually, we're out of time, so that's going to be the last question this panel--the last question we answer. Definitely want to appreciate everybody up here for coming and being so accessible, and they're accessible after the meeting to the room.

We're nearing the finish line. I know it's been a long day. We provided a lot of information. There's only two things left: Dr. A and Rich are going to come up. We're

going to do an open Q&A with a mike, not texting, maybe for 15 minutes, and then Rich will do a brief close. And so thank you and get ready for the next session.

- Rich Goudis: Okay, if you have a question, raise your hand, and I'll try to moderate. We're going to bring a microphone to you so you can be heard not only here, but also online. So Tim Ramey, it looks like you have your first.
- Tim Ramey: Thanks much. This was sort of a follow-on to the China dialogue we had a minute go. I understand there's an initiative in China to sort of track your digital citizenship, sort of giving you positive points for doing positive social things and negative points for negative social things. Perhaps the Health 2030 campaign will fit into that as well. Do you know anything about this, and is this likely to impact the willingness of Chinese consumers to use the digital platform?
- Tim Ramey: Well, listen, that's a great question, Tim. I honestly don't know specifically about what you're talking about, but I understand China--I think they understand what all their citizens are doing all the time, digitally or not.
- John DeSimone: We'll find out. We'll follow up. I am also unfamiliar with the program you're talking about. Tom will--
- Unidentified Participant: Let's ask Tom.
- John DeSimone: Well, maybe--
- Rich Goudis: You want to go ahead, Tom? Go ahead.
- Tom Harms: Yes, it's true. It's kind of like when you rate your Uber driver and the Uber driver rates you, so it's sort of that on steroids. So it's really just--they're trying to promote good behavior. So they're trying to promote good behavior on social media. We don't think it's anything that's going to get people off of social media. In fact, you've never seen--it's ubiquitous. I mean grandmothers are on WeChat, texting other grandmothers and their children and everybody else. So yes, I don't think it scares anybody off it.
- Rich Goudis: Next question is right up front here.
- Hale Holden: Hi. Hale Holden, Barclays. I was wondering when you talk about keeping your debt level flat and then the convert that's maturing in August and the potential to refinance that, where in the capital structure would you put that? Is that another convert, or would you have the bonds?
- Rich Goudis: So I think John was talking about the percentage of debt around that 3%.
- John DeSimone: Well, the leverage ratio I was saying is that 3% leverage ratio is something that we're very comfortable with and over time we'll maintain. So as EBITDA grows, there's opportunity to take on more debt, and that was an image we wanted investors to both understand and model.
- When you're talking about the mechanism we'll use to refinance the \$675 million convert, we have not made public what our intentions are. We will--I mean, it's not callable. It's due next August. We will--our intention is to refinance it. I don't want to get into the specifics of the timing. We'll do what we think is in the best long-term interests of our shareholders, and that will include the mechanism and the pricing associated with the mechanism. There can be market conditions that can impact that.

There's a lot of things that can impact this, so I don't want to make a commitment just yet.

Hale Holden: Thank you.

John DeSimone: Thank you.

Rich Goudis: Right also here right up in the front.

John Agwunobi: Then in the back.

Rich Goudis: Then I'll go in the back.

John Agwunobi: One in front, and then you, sir.

Akshay Jagdale: Akshay Jagdale of Jefferies. Thanks for the question. My question's on technology and data. It seems like on the distributor side, it's a little bit more earlier days than it is on the company side. Maybe you can comment on that. But can you just share with us, high level, what are some of the data points that you've received and have been looking at and analyzed over the last year or so? And what do they tell you about your business model? I mean I think you now have actual customer data, which is very rare in the consumer space. Over time, you can monetize that in different ways. But first, what does that customer data tell you about what you knew about, or what assumptions you had made about your business model before, and then how do you think about monetizing that over time? Thanks.

Rich Goudis: Yes, so it's a great question. So until we turn that on, that functionality you're talking about, in May of 2017, all we saw was what we sold to distributors. That was the visibility we had. What they did with that, what they sold to the customers, what they sold it for, we didn't have that tracking visibility. Now today in the US, we capture almost 1.5 million individual consumer receipts every single month. So we know exactly who the consumer is, where they live, what they pay, what they bought, what they bundled. And right now I would just say we're in amazing data collection mode, and the AI that Frank alluded to earlier that's driven by the Salesforce module, is starting, really now, the data crunch of it.

I think you heard the tip of the iceberg, if you will, from Heather and from others, where just by turning on the journeys of their customers, the AI is starting to act, whether it's the new iced coffee that you heard about, orders that are coming from people who they hadn't heard from in a while. I think this is what gives us the excitement that the investment's the right investment, that the tool's the right tool. We're partnering with our distributors to make sure it's not only highly functional for them, but most importantly, it creates a great consumer experience so that a consumer stays with us.

And then from Dr. A's side, maybe you could talk about the amount of content that we're trying to develop to create a more robust experience--fitness applications, meal prep and meal planning and using our nutritionist. And then just the education and training on product. You heard it several times today. What we do really well is take Dr. Dana's big brain, Mike Yacilla's big brain, and we skinny that down so that the average person can articulate why should they have this protein-enriched shake? What should they have during the day? And that's the real power, and that's the difference that we're going to continue to expand upon, not only with our distributor, but with the toolset that represents the distributor.

- John Agwunobi: Just to build on that, so as was mentioned, this notion that I can tell what you bought and I can push information just in time so that you have not only product if you're a distributor, but you are given the tools knowledge-wise to be able to then pass on that product to your customers. But it would be interesting, one of the things we're also going to be able to gather is when you receive that information, we're going to get feedback on how did that impact sales? So not just the quality of the products and bundles and pricing, but also the quality of the information. Is it driving second sale? Is it driving add-on sale? Is it increasing the size of your basket if we send you a piece of information? It allows us to not just design information packages for distributor versus customer, the whole advantage of segmentation, but actually within a customer base to figure out what works best in terms of driving second sale and so forth.
- Rich Goudis: In the back, Andrew.
- Andrew McQuilling: Hi, thank you very much. Andrew McQuilling, UBS O'Connor. I had another question for Tom Harms. I was wondering if you could talk about the structure of the China market when you got there a year and a half ago, how the DMOs worked and how you see China evolving over the next five to seven years.
- Tom Harms: So the DMOs are definitely evolving. When I got there, certainly there had been a jump in the social media that was not combining social media with that personal touch, as you heard today that some of our successful distributors here have been able to accomplish. But that was a transition. So they've corrected that. Really, the leaders in that area have really combined an online/offline approach to how they work with their customers and their distributors. So we've already seen a really good correction there.
- I think there were some questions around nutrition clubs, and they had been in decline. Those are growing again. They're up about 17%, so nutrition clubs are an extremely important part of the business. That being said, we're giving it extra focus because we think the model needs to evolve even further. So the nutrition club model that's worked well in China, we think it can work better by introducing a lot of the best practices that I've personally seen, that the company has seen from around the world. So we do see it evolving and for the opportunity involved.
- And I guess just the third part of it that's related is really, we've been primarily in those Tier 1 cities, and that sort of has shaped even the nutrition club model we have. It's almost been shaped because of that. We're now looking at how do we push into Tier 3 and Tier 4 cities, and that's really going to necessitate more of an evolution, and some of our distributors are already out in front of us testing things out. So it looks good.
- Unidentified Participant: Thanks, Tom.
- Rich Goudis: Any other questions? Doug Lane, right here in the front, and then we'll go back over here.
- Doug Lane: John, back on the China grants, I understand breaking out the income, because it's kind of just free money that shows up on the P&L. But why are we breaking out the expenditures? Aren't these things that you're investing in going to have a return in the P&L eventually?
- John DeSimone: Well, we certainly hope so. But it's a requirement that these grants become incremental investments in China. That's a requirement of the grant. You can't take that money out of China. So we want to--we're going to invest above and beyond what we'd normally invest because it's a requirement. And so once the investment fund is depleted, we will no longer be at that level of investment. So if we don't pull it out, it's going to look like

we've got a bunch of--no credit for the income, a bunch of debits for the expense, and no matching. So we're going to identify it for you so that you can know that once the funds are gone, the expense will all go away. But it needs to be returned. That's our objective. But it's above and beyond normal run rates.

- Doug Lane: Right. These are expenditures in your business that should generate future growth, right? These aren't just public works or--
- John DeSimone: You've got the freedom to honestly model it any way you want. That's your role. And if you think you need to include it, that's fine. There will be incremental expenditures above our normal run rate because it's required. That will, hopefully, drive growth. That's opportunity. But just know we're going to identify it so that once the money's gone, you can see what the normal run rate of expenses are in China.
- Rich Goudis: And Doug, was that your question, will these be ongoing expenses even after the fund runs out?
- Doug Lane: No, my question is why we're breaking out the expenditures. I get we're breaking out the income, because it's just free money that showed up and there was no real expenditure to get that money. But now that you're spending it back in the market, these are investments in your company's growth, so we should get a return on those investments. So I understand why you're breaking them out because you have to show that you're spending the money that you got in the first place.
- John DeSimone: Well, I can show different ways to the government. I think I'm showing it for investors, because you're going to see spikes in spending in China coming from that fund. And those spikes, you need to be able to identify that it's not part of the normal run rate.
- Doug Lane: Okay.
- John DeSimone: You can still expect a return, and you should expect a return, and we expect a return. But it's not part of the normal run rate.
- John Agwunobi: Doug, you'll see the lines.
- Rich Goudis: Beth?
- Beth Kite: That's great. Thank you. Beth Kite from Citi. Tom, if I could just go back to you for one more quick one on China and then to the gentleman up front. The response you gave to the prior question was so helpful, I had just one extension on that, and that's related to the concept that I think that weight loss programs were pretty heavy in China versus daily consumption. About a year ago, that was a topic of discussion. So how are you evolving, because I think that was the intent, to get more daily consumption versus the weight loss programs.
- Tom Harms: Yes, so the practice of really selling programs was something that had sort of been in place for quite a few years. We don't think it leads to the type of long-term customer that we want and which we enjoy in most of our markets. So it is a transition that we've already started on two fronts. A lot of our rising distributors, the ones that are growing, have shifted. So they were selling 3-month programs. Now they're selling 1-month programs, usually with a 7-day trial. That seems to be working out quite well. And obviously, when you sell 1 month at a time, you have that incentive to really work with the customer and gain their loyalty, as we do so successfully around the world. So that transition's taking place.

And then around nutrition clubs in terms of daily consumption, that's something that was tried in the early days. It didn't seem to work too well. Again, I do attribute some of that to the high real estate costs that we have in our Tier 1 cities, especially over the last 3 years. Real estate's just been ratcheting up and the costs associated with that. And that's where we think we need to take a different approach and different model, some of it going into Tier 3-Tier 4, but just proving out the daily consumption model is part of that focus that we have right now.

We actually are trying to complete a trip this year where we're taking a group of our very interested distributors on a tour up to Russia. So Russia has a fantastic performance, fantastic model. So we're trying to get them to see it in person. Every time we have our new GSP members come to Los Angeles for the GSP experience, we're now taking them on a tour of nutrition clubs in Los Angeles, where they see the dynamic environment of what's happening in these daily consumption models.

So you have to witness it, see it, believe it, then learn it, and that's sort of the process that we're going through right now. But that is our direction, for sure.

- John Agwunobi: GSP is Gold Service Provider. It's the equivalent in China.
- Beth Kite: Excellent. Thank you so much. And then I guess, maybe, John, to you just real quickly. In light of the new buyback authorization announced last night, can you just give us the latest thoughts of the consideration the Board gave to a dividend? And are we to take maybe the new authorization to mean the dividend might be not something looked at for a couple of years? I just think some investors are interested in the dividend policy. Thank you.
- John DeSimone: Yes, so we used to have a dividend. I think most of you are aware. It was a modest dividend. I do think that our company has a philosophy that the best way to return money to shareholders for a growth company like ours is through a buyback. Doesn't mean it's at the exclusion of a dividend, but right now we're focused on buyback. We may add a dividend at some point in time, and it doesn't have to be a couple of years. It could be a couple of quarters; we don't know. At the end of the day, we evaluate that very frequently at the board level. I don't think our current investor base values dividends as much as they value buyback, and I'm sure you're all shaking your heads at this point, agreeing with that. So right now we're going to focus on buyback, but that could change and we could augment it with a dividend.
- Rich Goudis: Okay, back to Tim for the last question. We've run out of Q&A time, but management will be around after the session as well. Go ahead, Tim.
- Tim Ramey: So thinking back just two years ago, I think we were all trying to learn John's amazing flowchart on what was personal consumption, what was preferred, what was--these buckets. And the whole compliance question loomed super-large then. We didn't hear anything really about that today. Maybe this is a question for E.B., I don't know. But if it's gone this smoothly, congratulations. But I assume that compliance is an ongoing concern and something that is a big focus. But we didn't hear a lot about it today.
- Rich Goudis: Sure. I think that's a good thing. The US business just had two of their best quarters ever. You heard from some of our distributors saying that segmentation is amazing. And to us, compliance is just a way of life now for the next 5.5 years, 3 days and 2 hours.
- John DeSimone: By the way, compliance has always been a focus of this company. The goalpost changed on us a little bit and we agreed to that. I think the core of what changed was

paying our rewards in the US based on when product gets to the end user instead of when the distributor buys it. That was the core. Everything else in compliance is built around that core, and all the segmentation and documentation has created an ability to do that effectively.

But I think what you've heard today is it also has given us some positives, some things that we didn't have before, which is the visibility to the consumer, the ability to communicate more effectively to the consumer, based on how they want to be communicated with. So it's a lot of -- we didn't talk about it, but clearly, it's always been something we've been focused on, and it's a way of life, like Rich said.

Rich Goudis: And listen, for the new people coming in the business, as our distributors will say, they know nothing different. And in fact, they see us, and I think we versus our peers, we're getting a first mover advantage here in leveraging this technology, the consumer insights and data, and now we just want to be a little quieter and not reveal too much to you, and go fast and create more distance between us and the competition.

Unidentified Participant: 2K would never have happened without --

John DeSimone: No. For those who don't know what 2K is, it's -- there's different ways to qualify to become a sales leader. In the past, it was all based on the volume that you purchased with all the backend protections to make sure it was sold through. Now with documentation, it's all based on your sales; it doesn't matter on purchases. And it actually becomes a safer way to qualify, and you can actually have a quicker pathway to becoming a sales leader. So there's a lot of benefits that came from 2K also, and you heard it from the panel, distributor panel, that would not have happened if we didn't make the changes that we made over the last year and a half.

Rich Goudis: So with that, let me just say thank you to Dr. John and Dr. John, and we're just going to head into close here.

So first of all, thank you for being so patient. Can we put up the closing points slide? I don't know if -- there we go. Thank you. So I want to end today with where I started, and hopefully now you understand and feel the three takeaways we wanted for you. Number one, we're a growth company. And underlying that, hopefully you now have better visibility into what are those trends that are driving the growth opportunity. What are the demographic and the alignment we have with this demographic opportunity with Millennials, the category growth. But most importantly, where our distributor difference lives, it's in that right model. The alignment and the intersection between being a global nutrition company and taking care of consumers on a global basis.

The management team you met today, hopefully now with understanding the strategies of growth strategy of product, technology and the distributor difference, you had first-hand experience of the talent and the depth of management that's going to execute that, along with our distributors.

And then lastly, John sort of revealed I think for a lot of you, you knew the financial strength but now you have a better understanding and visibility into our financial policy as it relates to where we can go and the use of that free cash.

So I want to leave you sort of with my takeaway. I've been in the nutrition space since 1998. This is the third company in the nutrition industry I've worked for. And if we project forward, and I firmly believe that we have that opportunity to double and triple the revenue of this company over the next decade because of all of these macro trends. But if you ask me, Rich, 10 years from now, what's the industry going to look like? I'm

going to break it down to you in four buckets. To still be in this industry, I think companies are going to have to have an amazing commitment to science, and they're going to have to have world-class facilities. I think you saw us demonstrate that today.

Second, to grow with the categories, to grow with the categories, the companies are going to have to have a demonstrated commitment towards innovation. I think you saw a little bit of that today, you're hearing it from our distributors, you see it from Mike and what we're trying to do and accelerate that.

Third, the companies that are going to be able to take share over the next decade in those categories that are growing, those companies are going to have to have a broad enough portfolio to provide personal solutions to their customers.

But lastly -- and this is where I believe we shine -- to win. To be the recognized leader a decade from now, it's going to be the company that can do all of those three things I just said, but then also bring it together in a personalized experience for their consumer that leverages a trusted relationship, and you saw that today with that distributor difference.

So with that, listen, we're very thankful for you. We hope today you're going to make a healthy choice and invest in a company that's trying make this world healthier and happier. Thank you.