

HERBALIFE INTERNATIONAL OF AMERICA, INC.

Moderator: Brett Chapman
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11:00 a.m. ET

Operator: Good morning, and thank you for joining the Third Quarter 2012 Earnings Conference Call for Herbalife Ltd. On the call today is Michael Johnson, the company's Chairman and CEO; the company's President, Desmond Walsh; John DeSimone, the company's CFO; and Brett Chapman, the company's General Counsel. I would now like to turn the call over to Brett Chapman to read the company's Safe Harbor language.

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

We encourage you to refer to yesterday's earnings release and our SEC filings for a complete discussion of risks associated with these forward-looking statements and our business. In addition, during this call, certain financial performance measures may be discussed that differ from comparable measures contained in our financial statements, prepared in accordance with US generally accepted accounting principles, referred to by the Securities and Exchange Commission as non-GAAP financial measures.

We believe these non-GAAP financial measures assist management and investors in evaluating and comparing period-to-period results of operations in a more meaningful and consistent manner. Please refer to the Investor Relations section of our Web site, herbalife.com, to find our press release for this quarter, which contains a reconciliation of these measures.

Additionally, when management makes reference to volume during this conference call, they're referring to volume points. I'll now turn the call over to Michael.

Michael Johnson: Thanks, Brett, and good morning, everyone. And, welcome to our Third Quarter 2012 Earnings Conference Call. We have another record quarter with net sales up 14 percent to 1 billion. Volume points of 1.2 billion increased by 17 percent over the prior year's third quarter, and EPS is \$1.04, a 20 percent increase, our growth, it continues to be broad based.

Each of our six regions experienced strong double-digit volume point growth in the quarter. Four of our regions, Asia, Mexico, China and South and Central America, exceeded 15 percent volume point growth. North America had a 14 percent increase in volume points, and EMEA experienced a 10 percent volume point growth in the quarter.

And, our average Active Sales Leaders increased 22 percent in the quarter. Des will provide more color around these regional results in just a minute. The consistency of our growth in financial results reflects the dedication and hard work of everyone on Team Herbalife. So, thank you to our independent distributors and employees around the world for another record performance.

For more than 32 years, Herbalife products independent distributors and employees have been helping millions of people achieve their weight management and daily nutrition goals. This has always been the culture at Herbalife, and the need for good nutrition, it's never been more important than it is right now.

A fundamental change in our business began 10 years ago with the development of Nutrition Clubs in Mexico. This increased our addressable audience by making our products more affordable to more consumers. Over the last several years, a substantial portion of our growth has come from our distributors around the world, moving to daily consumption business methods, built on the creation of lifelong customers consuming Herbalife product everyday.

We believe that these business methods now generate approximately 40 percent of our volume, with approximately 43,000 nonresidential clubs at the end of the third quarter; Herbalife products are now more accessible to more customers than ever before. The success that our distributors are having throughout our 85 markets continues to be driven by the high touch, frequent contact business methods that are the hallmark of daily consumption business methods.

Mexico, our oldest daily consumption market, has continued to experience double-digit volume point growth. The sustainable growth in Mexico highlights to us similar results that are possible in many other markets that are continuing their adoption and expansion of direct selling methods.

Yesterday, we introduced guidance for 2013 volume growth, earnings growth, and capital expenditures. This guidance reflects our outlook for continued growth in net sales, volume points and EPS. Additionally, we provided guidance for our capital spending needs. The increase in our CapEx in 2013 primarily reflects our ongoing investment in the manufacturing of our top products, expanding tools for our distributors and creating more product access points.

In 2010, as part of our 10-year planning process, we set an (aspirational) goal of 10 billion volume points by 2020, basically tripling our volume from our 2009 base. When we discussed the goal, we were cautious to always use the term (aspirational) because it was just that, a stretch. Every year, we update our 5-year plan and layering in growth we've experienced since late 2009.

Our (aspirational) goal of 10 billion volume points by 2020 is now a number we believe we can achieve and a goal we are implementing plans and the infrastructure to support. Investments in our Seed to Feed Strategy reflect our high degree of confidence in our business and are crucial to supporting our growth. In August 2009, we announced the acquisition of Lake Forest, California Herbalife manufacturing and innovation facility.

Based on our growth expectations in 2009, Lake Forest was designed to produce about 40 percent of our global in our nutrition product. Our growth

has continued to exceed our expectations, and therefore, the facility is now approaching full utilization. Recently, our Board of Directors approved the creation of a manufacturing facility in the US on the East Coast that will have approximately four times the manufacturing capacity of our Lake Forest facility.

We anticipate that this facility will be online producing Herbalife product in 2014. The self-manufacturing component of our Seed to Feed Strategy has enabled us to have faster speed to market and more regionalized product ideation. The seasonal flavors of our Formula 1 shakes are an example. We recently launched the Dulce De Leche in the US and sweet corn in Brazil.

In 2013, we plan to accelerate these new flavors, both seasonally and by region, as well as to introduce additional delivery form such as GMO free shake and a meal replacement soup in certain markets. Our Formula 1 shakes, which comprised 32 percent of our sales, are designed to be the most complete, well-balanced meal you can have any time of the day.

With the right balance of proteins, fibers, and carbohydrates, and the appropriate amount of vitamins and minerals, our Formula 1 shake is designed to do more than help you reach and maintain a healthy weight, it's a nutritious meal. As we discussed last quarter, we've engaged Lieberman Research to conduct consumer research over the next three years. This quarter's results were very similar to those of the second quarter.

Approximately 5 percent of US households reported having purchased Herbalife product in the past three months, which translates into more than 5.5 million households. Of those consumers who purchase Herbalife product, more than 90 percent were outside our distribution network. According to Lieberman Research, the consumer's intent to repurchase was very strong, with two-thirds of those having purchased Herbalife product in the past three months, indicating that they would definitely repurchase Herbalife products.

During the third quarter, Lieberman also conducted research for us in Korea, and their findings were very similar to those in the US market. We also continued to build our brand and our image. This is a process which our

product, our distributors, employees and vendors all participate. Through much sponsorships around the world, we continue to activate and authenticate our brand with a healthy, active lifestyle, both through athletes and sports teams.

We received tremendous positive recognition for our brand this summer through our sponsorship of the Herbalife World Football Challenge, one of the largest and most successful soccer exhibitions ever staged in North America. It's brought together many of the worlds most accomplished and celebrated soccer clubs to play in major sports venues across the U.S.

This year, there were approximately 350,000 people at nine games; the games were broadcast on ESPN, Fox Sports, Univision and in over 20 key markets and territories throughout the world. We also are proud to have more than 50 Herbalife sponsored athletes competing in the London Olympics, with eight of our sponsored athletes taking home medals.

Here in Los Angeles, in September, we are the proud sponsor of the Herbalife Triathlon Los Angeles, where approximately 2,500 athletes participated, including 400 Herbalife distributors and employees. Spending time with our distributors around the world is crucial to our ongoing success. Company-sponsored events are an important aspect of our business as they provide a platform for us to facilitate leadership development among distributors, train on business methods that drive sustainable growth, train on new product launches, and foster an environment for distributors to collaborate among themselves.

The summer was filled with regional extravaganzas, offering the opportunity to spend time with thousands of distributors. This quarter, we saw 22,000 distributors at our three EMEA extravaganzas in Kiev, Ukraine; Barcelona and Istanbul, Turkey. From there, we headed to Macau for events with 12,000 distributors from 12 Asian countries.

Not to be outdone, Mexico held two simultaneous extravaganzas, a first for Herbalife. We had 20,000 distributors in Mexico City and 13,000 for Guadalajara. As we continue to foster the transformation of our business, our

distributors are creating loyal customers and also building solid distributor organizations through daily consumption business methods and systemized training.

They are selling deeper into the communities. They're going city by city, and they're living and activating and wearing the brand. We will continue to make necessary investments to stay ahead of our growth, improve upon our recent success, and as we say here, build it better every day.

Herbalife is built on a strong successful 32-year foundation. The global mega trend of obesity, coupled with our weight management, nutrition products, and of course, our dedicated distributor activity, puts us in a great position to extend our financial success well into the future. I thank you for your time, and now let me turn the call over to Des.

Desmond Walsh: Thank you, Michael, the third quarter is our fifth consecutive quarter of more than 1 billion volume points and was 17 percent higher than last year's third quarter results. As Michael mentioned, we continue to be very pleased with the momentum we see in the underlying trends in our business, as all six regions posted strong double-digit volume point growth.

The main driver of our growth continues to be the consistent execution of the business methods that we have been discussing with you all for the past several years. The adoption and the expansion of daily consumption business methods, augmented with the expanded use of systemized training methods throughout our six geographical regions.

In 2011, we began implementing a localized focus on the business growth with our regionalization initiative, working with the distributor leadership to implement a city by city strategy. We have been seeing meaningful increased per capita penetration in the cities, where we now have unified distributor groups focused on training and brand development on a local level.

Out of the top 3,000 most populated cities in the world, 2,481 of them are located in Herbalife markets. By the end of 2012, we expect to have more than 500 cities with localized strategy and planning teams, with the opportunity to double this number over the next few years. As Michael

mentioned, we estimated in the third quarter 2012 there were approximately 43,000 commercial or nonresidential Nutrition Clubs.

We believe that approximately 40 percent of our overall volume is currently driven by daily consumption business methods. Distributor engagement continues to be strong, as evidenced by the average active sales leader's growth of 22 percent this quarter. This is our seventh consecutive period of greater than 20 percent growth in this metric, which we believe speaks to the sustained momentum in our business.

Now let me provide regional highlights and color on some key regions. The North America region had another strong quarter, posting almost 16 percent net sales and local currency net sales growth and 14 percent growth in volume points, each compared to the prior year period. New distributors increased 5 percent in the quarter, and average active sales leaders increased 14 percent in the North American region compared to last year third quarter results.

We estimate that there were approximately 4,200 commercial Nutrition Clubs in the region. For the quarter, US net sales grew 16 percent and volume points increased 14 percent, versus the same quarter last year. Compared to the prior year period, new distributor in the US increased 5 percent, and average active sales leaders increased 15 percent. The growth in the US continues to be driven by the expansion of daily consumption business methods.

As Michael mentioned, we just completed two North American extravaganzas, we saw more than 10,000 distributors in Long Beach and approximately 10,000 in St. Louis over the past two weekends. These events are the platform for facilitating training on products and business methods. The events are designed to foster and cultivate an environment where distributors can share tactics, ideas, and business plans.

The excitement and level of engagement of the distributors at these recent events was impressive, as they trained on various elements of daily consumption and the successes that are being experienced through implementation of the successful strategies in the marketplace. Moving on to

Mexico, local currency net sales for the quarter increased 21 percent, and volume points increased 17 percent, each as compared to the prior-year period.

For the third quarter, new distributors increased 8 percent compared to the prior year and average active sales leaders increased 21 percent for the quarter. This is the seventh consecutive quarter that the region has posted an increase in average active sales leaders greater than 20 percent over the comparable period of the prior year.

As we have discussed in prior quarters, we are continuing to see more distributors in Mexico adopt a nonresidential Nutrition Club model, which is helping to expand consumer access to clubs and Herbalife products. In Mexico, we estimate that there are currently about the 16,300 nonresidential Nutrition Clubs.

During the quarter, we launched Herbalife24 at the Mexican extravaganzas, and as we have seen in the markets that have had the Herbalife24 products for a few quarters, the excitement generated by the line is attracting younger distributors, more focused on building a customer base around a healthy active lifestyle. The Asia Pacific region continues its strong performance. During the third quarter, local currency net sales increased 21 percent, and volume points grew 17 percent, each as compared to the prior year period.

For the third quarter, new distributors increased 27 percent versus the prior year. The growth within the region continues to be driven by the expansion of daily consumption business methods and the high degree of distributor engagement. Average active sales leaders increased 29 percent in the quarter over the same quarter in 2011.

The success of daily consumption in the early adopter markets within the Asia Pacific region has led to the proliferation of clubs in countries throughout the region, including India, Malaysia, Indonesia, and Vietnam. Within the Asia Pacific region, we estimate that there are about 10,500 nonresidential nutrition clubs.

Local currency net sales in the South and Central America region increased 29 percent, and volume points in the region were up 24 percent, each as compared to the third quarter of 2011. Average active sales leaders in the region increased 29 percent over last year's third quarter. New distributors increased 12 percent for the quarter compared to the prior year period. Fifteen of the seventeen countries in the region posted positive volume growth compared to the prior year.

One of the things that we continue to be pleased with in the South American region is that daily consumption is moving out of the early adopter markets in the region, and is now driving sales throughout numerous countries in the region. We estimate that there are approximately 8,900 nonresidential Nutrition Clubs in the region as of September 30, 2012.

Within the South and Central American region, we need to mention the stability we are continuing to see in Brazil. Brazil experienced volume point growth of approximately 7 percent in the third quarter, as both Nutrition Clubs and traditional business methods continued to experience growth.

Turning to EMEA, during the third quarter, local currency net sales increased approximately 11 percent, and volume points in the region grew 10 percent, compared to the same period in the prior year. New distributors for the third quarter were flat with the prior year period.

Average active sales leaders in the region were up 14 percent in the quarter, compared to the third quarter of 2011. We estimate that there were approximately 1,600 nonresidential clubs at the end of the third quarter, of which approximately 50 percent are located in Russia. Within EMEA, Russia had another impressive quarter. Compared to the third quarter 2011, this quarter's volume points were up approximately 35 percent, with a 14 percent increase in new distributors.

Russia continues to be a market that exemplifies the benefits of a market built on daily consumption, systemized training, a unified distributor leadership group, and a city by city focus. It has had strong volume growth for the past

10 consecutive quarters and new distributor growth for the past eight consecutive quarters.

The strength of these core metrics illustrate the benefits created by building a business on a strong, stable foundation, grounded in daily consumption, coupled with systemized training and a local focus city by city. This quarter, we launched the first automated sales center in Moscow and have been very pleased with the distributor receptiveness and utilization of the location.

We are encouraged by the continued success of weight loss challenges throughout countries in Western Europe and the growth of Nutrition Clubs in more southern markets. And like the US, we believe that we are seeing a more athletic distributor group in Western Europe really embrace the Herbalife24 product and brand through adaptations of daily consumption that embrace the healthy, active lifestyle.

Throughout the second quarter, we had numerous distributor groups from different areas of the EMEA region, visiting (Gen H) distributors in the United States, investigating and learning about their business methods. We are often asked about daily consumption and growth in Western Europe. The UK is a good example of how daily consumption can begin to change a market.

As we have mentioned for the past several quarters, there is renewed excitement about the Herbalife business in the UK. This quarter, we experienced 56 percent growth in volume and a 70 percent increase in new distributors in the UK, our oldest market in the EMEA region, largely driven by the success of the weight loss challenge concept and the distributors focus on a healthy, active lifestyle. Distributors there have also taken the Herbalife Fit Club concept and began implementing it throughout the UK.

Now let's turn to China, where local currency net sales increased 39 percent, and volume points grew 41 percent in the third quarter, compared to the prior year period. While we continue to believe that our sales leaders in China are making progress at (cauterizing) the concept of daily consumption, we believe

that we are still working to fine-tune the nuances of the daily consumption model that will work best in the market.

We continue to see more Nutrition Clubs open, and while we are very pleased with the progress of the business in China, we remain cautious about expecting too much, too soon from this market. We are focused there on building a sustainable business on a solid foundation of long-term customers. We estimate that there were approximately 1,250 Nutrition Clubs in China as of the third quarter.

One of the key drivers to the growth in the region during the third quarter was an increase in productivity of the existing clubs through the expansion of the customer base. Before I turn the call over to John, let me take a minute to applaud our distributors for another very strong quarter.

This quarter's results were a testament to their engagement, their resilience and their continued focus on creating and mentoring new customers for our products everyday, and over time, converting many of those product users through distributors, who then go on to do the same.

We believe that the momentum we have seen in our business due to the tremendous daily consumption based performance of our distributors, supported by enhanced systemized training, and our regionalization initiative, will continue and that there is a long runway of opportunity ahead of us. Now let me pass the call over to John to review the financials.

John DeSimone: Thank you, Des. I'll start my prepared comments with a review of the third quarter results, followed by commentary regarding our guidance. For the third quarter, we reported net sales of \$1 billion, an increase of 13.6 percent compared to the third quarter of 2011.

As you all know, we faced a pretty big foreign currency headwind in the quarter, which had an approximate 700 basis point drag on net sales. Some of the more significant currency headwinds include the Brazilian (reale), negative 25 percent versus the third quarter of last year; the Indian rupee, negative 20 percent; the Mexican peso, negative 7 percent; the Korean won,

negative 4 percent; and FX rates in the EMEA region collectively, were negative 11 percent, versus the third quarter of last year.

Looking to the fourth quarter, the headwind is behind us, as currency is effectively neutral versus the fourth quarter last year. Gross profit margin in the quarter was slightly below last year. The approximately 20 basis point decline on a year-over-year basis was due mostly to the unfavorable impact of FX and country mix, which was partially offset by savings associated with our Seed to Feed initiatives and lower inventory write-downs.

Third quarter operating margin of 15.8 percent represents approximately 100 basis point decline compared to the prior year. The decline in operating profit, as a percent of sales, is due to the negative impact of FX. On a constant currency basis, operating margin would have been slightly above the third quarter of last year.

On a year-over-year basis, SG&A was negatively impacted by approximately \$5 million from the timing of events. One of our larger events that occurred in the fourth quarter last year took place in the third quarter this year. Excluding this timing item, internal service provider payments, SG&A, as a percent of sales, improved slightly compared to last year's third quarter.

Turning to EPS, third quarter earnings per share of \$1.04 was \$0.17 better than results from a year ago. This 20 percent improvement in EPS was achieved despite a \$0.15 headwind from currency. On a constant currency basis, EPS would've increased by more than 36 percent, compared to guidance.

Third quarter EPS was \$0.05 higher than the midpoint of the guidance range provided in July. This beat was primarily caused by higher volumes, as we exceeded the midpoint of guidance range by 33 million volume points. The benefit of higher volume was partially offset by a higher than expected tax rate.

With respect to guidance for the remainder of 2012, we are raising both our revenue and earnings ranges compared to our previous guidance. Volume for the year is now expected to increase by 18 to 20 percent, with net sales

expected to increase by 16 to 18 percent. We are raising our fully diluted EPS guidance range, adding \$0.11 and \$0.05 to the low-end and the high-end of the previous range respectively, resulting in a new 2012 EPS guidance range of \$3.99 to \$4.03.

As I noted earlier, fourth quarter EPS guidance assumes relatively no overall impact from FX compared to last year's fourth quarter, while this year's full year 2012 EPS guidance range includes an approximate \$0.37 headwind from currency compared to 2011.

Moving to our 2013 guidance, we expect volume points to grow in the high single to low double-digit range. Accordingly, we are initiating fiscal 2013 guidance for volume points and net sales growth of 8.5 to 10.5 percent, and 10 to 12 percent respectively. We expect full year EPS to be in the range of \$4.40 to \$4.55 per share.

With respect to our initial 2013 guidance, please take note of our assumptions with respect to Venezuela. As I mentioned in April, sometime following the October elections, we expect a formal devaluation of the (Bolívar). We believe it could happen in the first quarter of 2013 and have incorporated a change to the FX rate in our initial 2013 guidance.

While the timing and value of the devaluation is not known, our guidance assumes a 10 to 1 exchange rate beginning January 1, 2013. Also note that while we assume the higher Venezuelan FX rate for our ongoing performance next year, our guidance does not include any onetime impact from the likely devaluation. Overall, foreign currency, including this impact from Venezuela which I just noted, has an approximate \$0.10 drag on next year's guidance.

Moving to capital expenditure guidance, next year's range of \$165 million to \$185 million reflects the next major expansion in our Seed to Feed Strategy. Our Board approved a new East Coast manufacturing facility that will cost approximately \$130 million. We anticipate that this facility will be complete and operational by the middle of 2014.

We are currently negotiating with multiple sites and/or building locations, and we'll update investors further when we have a definitive agreement. The

majority of the facility capital is expected to be spent in 2013. This new facility is necessary in order to meet product supply needs and to in-source products currently made at third-party contract manufacturers. In addition to ensuring quality production, this should help improve inventory (returns).

Approximately 85 percent of our increasing inventory since last year's third quarter and year-end, and sequential inventory growth since Q2, have come from product made at third parties. This investment in inventory has been necessary, given the significant growth we are experiencing in markets with very long supply chain lead times, plus buffer inventory, necessitated by the execution of our vendor consolidation strategy to reduce the number of vendor partners to those that are capable of scaling with our growth.

With respect to this new facility, we believe that self-manufacturing will reduce lead times to those markets and allow more flexibility with the registration of products in foreign markets. Additionally, this new facility will be approximately four times the size, with a comparable increasing capacity over our current facility in Southern California, including additional room for expansion.

Moving to share repurchase, during the quarter, we repurchased \$181.9 million of stock in the open market. This completed the repurchase agreement announced in May. Two comments with respect to share repurchase, Q4 and full year 2013 guidance assumes \$50 million of share repurchase per quarter. And second, as noted during last quarter's earnings call, the Board authorized a new \$1 billion share repurchase program expiring in 2017.

The entire \$1 billion is outstanding as of the end of the third quarter. Also noted during our last earnings call, was our belief that we have identified a strategy that would allow us to accelerate the repurchases beyond our consolidated US GAAP equity position.

This process is complete, and we now have the ability to repurchase stock beyond our consolidated equity position, should we decide to do so. Thank you, that ends our prepared comments. We will now open up the call for your questions.

Operator: At this time, I if you would like to ask a question, please press star, then the number one on your telephone keypad. Again, that's star, one to ask a question. We'll pause for just a moment to compile the Q&A roster. Your first question comes from the line of John San Marco with Janney Montgomery Scott.

Male 1: Hi, John.

John San Marco: Hi, did you say – just double checking, you said there were 43,000 clubs at quarter-end in total, and is that calculated the same way as the 36,000 number you gave us last quarter?

John DeSimone: It's calculated the same way, and yes, it's just under 43,000.

John San Marco: OK, in that context, I was hoping you could address product mix. The Weight Management product line, you know, growing a little slower than targeted nutrition and energy. Just surprising, given the, you know, all the data we have to addressing daily consumption's growth. Can you help (support) with what's driving the product mix here for me?

Desmond Walsh: Yes, hi, John, this is Des. So I think what you're seeing, John, is that through the Herbalife Fit Club concept, we obviously have an increased adoption of other products beyond the core Nutrition Club products range.

It also speaks to the fact that our Nutrition Club customers are, obviously, are coming every day to enjoy a shake, a tea, an aloe. But in addition, that they're purchasing other products. So, I think what you see is that it's just a broader reflection of more consumer activity, but across a broader product range.

John San Marco: So, it's different products going through the same clubs, or are these new clubs that are opening up that are just focused on, you know, products outside of the...

Desmond Walsh: It's probably both, John. But, what we have obviously is that we've got a whole group of new distributors who are combining the Herbalife Fit Club concept with Nutrition Club concept. And so, in those clubs, you actually have a broader product range, but also, I think you have maturing of existing

clubs with greater focus now on consumption of other products outside the clubs.

John DeSimone: And John, this is John, let me add that 51.4 percent of our volume this quarter came from Nutrition Club (KUs), which compares to 51.1 last year, so, it is slightly up.

John San Marco: Fifty-one (points) for that (C aloe) Formula 1?

John DeSimone: Correct.

John San Marco: OK, very helpful, thanks. And then last question, I was just hoping you could address Western Europe. You know, it seems that of the few soft spots, you know, that you have globally. They tend to be in these markets where the economies are the weakest, does this make you rethink the economic sensitivity of the business model, or is there something unique about 2012, or do I have it all wrong, and you don't view your businesses as economically insensitive?

Desmond Walsh: Yes, so, no, John, what we see is this; obviously, Western Europe continues to be a focus for us. But, here's what we're really excited about in Western Europe, you know, our distributors are entrepreneurs, and so they follow success. If you look at Western Europe, and you look at what's happening in the UK, what you see is that our distributor leadership there, two or three years ago, began to focus significantly on daily consumption business methods and specifically the weight loss challenge concept.

And that concept, obviously, combined with clubs, combined now with Herbalife Fit Club, has really resulted in tremendous growth in the UK. You see that, you know, 56 percent increase in volume points in the third quarter, 70 percent increase in new distributors. So because of that, you know, that concept is, obviously, now being looked at and adopted by leadership throughout Western Europe. So we believe that what's happening in the UK is a leading indicator of what can happen in the other countries in Western Europe.

And so, that's why we're confident that the model is just as productive as ever, and that we're on the right strategy as far as all of Western Europe is concerned.

John San Marco: Great, well that'd obviously be very positive, thanks so much for the time.

Desmond Walsh: Thanks, John.

Operator: Once again, to ask a question, please press star, one. Your next question comes from line of Michael Swartz with SunTrust Robinson Humphrey.

Michael Swartz: (Am I on)? I guess this question is directed to John. I mean, with regards to the 2013 guidance, I mean, if I kind of do the math, it looks like you're guiding for some margin pressure year-over-year. Could you maybe, you know, give us some more color on the moving parts there? Are there any onetime costs from the new manufacturing facility, et cetera?

John DeSimone: The major impact to margins next year is FX. And the major FX contributor is Venezuela, and the assumptions we're making with respect to that market, which is a 10 to 1 exchange rate. Once you get beyond FX, we have pretty close to margin, neutral expectations for next year. There is – I think you had a second question, which was some costs that may be in the model next year for the new manufacturing operation. There are some, it's not very material, so I wouldn't be too concerned about that.

Michael Swartz: OK, great, and then kind of longer term, I guess, with the whole, you know, Seed to Feed initiative and then this new facility that you're bringing online by 2014, I mean, is that facility included or the savings, potential savings from that facility, included in that kind of 100 to 200 basis points outlook you gave, I think, in 2010 regarding Seed to Feed, or is this incremental?

John DeSimone: No, no, it's included. That basis point benefits expectation included in an entire Seed to Feed Strategy that was multiple years. At that point in time, we knew we needed additional facilities, we didn't know where.

We have evolved that strategy to a 1 large facility on the East Coast. The primary objective of that facility is to stay in stock on high-quality products.

We feel that the capacity is necessary given our growth profile. So, that is still the primary objective of that facility. The secondary objective is the financial opportunity.

Michael Swartz: And assuming that facility starts some time in mid-year 2014, you know, when would you expect any kind of cost savings from vendor consolidation to show up?

John DeSimone: Well, vendor consolidation is partially a result of manufacturing, self-manufacturing. But, it was a part of an overall consolidation that took place regardless and independent of self-manufacturing. But, to answer your first question, we're not going to see a benefit from that factory in 2000 – until 2015. This is going to come up in mid '14, and then you've got to ramp it up and then have one inventory turn before we see the benefit.

Michael Swartz: OK, great, thanks.

Operator: There are no further questions at this time; I would like to turn the conference over back to Michael Johnson for any closing remarks.

Michael Johnson: Thank you, all, very much. We realize for all of you, this is probably a pretty tough time, tough time for a call, of course. We hope you and your families are getting through the storm without too much disruption. Our thoughts, of course, are with all of you.

And of course, with our distributors who are in the Middle East – Midwest and the Eastern US, we're hoping that everybody is safe, dry, and getting through this really unprecedented storm without too much harm. And our business is incredibly strong, our momentum continues, our leaders are engaged, our management team's never been more motivated or focused than we are today.

We know this is a tough time to have a call, but we want to thank you all for being on it. We're continuing our momentum, our progression forward. We're looking forward to seeing you next quarter to give you even a better report. So thank you very much, have a great and dry day ahead.

Operator: This concludes today's conference. You may now disconnect.

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