

HERBALIFE INTERNATIONAL OF AMERICA, INC.

Moderator: Alan Quan
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Operator: This is conference # 84070531.

Operator: Good afternoon and thank you for joining the first quarter 2016 earnings conference call for Herbalife limited. On the call today is Michael Johnson, the Company's Chairman and CEO; the Company's President, Des Walsh; John DeSimone, the Company's CFO and Alan Quan, the Company's Vice President Investor Relations. I would now like to turn the call over to Alan Quan to read the Company's safe harbor language.

Alan Quan: 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 today'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 that these non-GAAP financial measures assist management and investors in evaluating and preparing period to period results of operations in a more meaningful and consistent manner.

Please refer to the investor relations section of our website, herbalife.com, to find our press release for this quarter which contains a reconciliation of these

measures. Additionally, when management makes reference to volumes during this conference call, they are referring to volume points. I'll now turn the call over to our Chairman and CEO Michael Johnson.

Michael Johnson: Thank you, Alan. We're pleased to report a strong first quarter and a really good start to the year carrying over the positive momentum we reported in the fourth quarter 2015. We are encouraged about our business performance which is driven by an opportunity worldwide to provide better nutrition and wellness in people's lives.

In the first quarter of 2016 our worldwide volume points grew 4.5 percent compared to the same period last year. Over 20 of our markets reported record quarterly volume. Our reported net sales during the quarter were up 1.3 percent at \$1.1 billion. From a constant currency basis our sales increased 10.9 percent versus the first quarter of 2015 with notable performances in the US, Mexico, EMEA and China. Stronger-than-expected topline growth led to a better-than-expected bottom line.

Adjusted EPS for the quarter increased 5.4 percent to \$1.36 per diluted share compared to quarter one 2015. This exceeded the high end of our guidance which was \$1.07. Reported EPS was a \$1.12 per diluted share, an increase of 21.7 percent compared to \$0.92 per diluted share for the first quarter of 2015. John will take you through the numbers in more detail later in the call.

On our last earnings call I talked about our mission and how our nutrition products and members are serving the nutrition needs of customers in all stages of their life. We are more than a product on a retail shelf. Our products come with the caring informed support of an Herbalife member. We'll actually discuss the deeper motivation and opportunity for nutrition in a world where healthcare costs are spiraling driven by obesity and other health and nutrition concerns.

In March, a major study was published in the Lancet, a UK medical journal, that showed that one in eight adults in the world are obese and that based on current trends this number could rise to one in five adults by 2025. The study concluded that the need for healthy balanced nutrition and fitness around the

world remains an urgent priority. Recently the United Nations launched a decade of action on nutrition including tackling obesity and malnutrition. To tackle these [caps] and help the Director of the CDC said initiatives must be targeted within local communities if we are to improve health behaviors.

This has been a priority for us for years. Our members are working hard to improve nutrition through a grassroots community-based network in more than 90 markets around the globe. Our City by City initiative to build a foundation for local leadership, systemized member training, and sharing of daily consumption best practices is running in more than 900 cities worldwide.

This quarter we launched a new sales team education program for our infield sales managers in all of our regions to further support our members and their daily consumption, business building, and customer activities. Meanwhile, our members continue to demonstrate their initiative, for example, using weight loss challenges to get customers to achieve meaningful weight loss goals.

The key to our business, and what no other online nutrition brand or retailer can even approach, is the deep authentic connection that our members and our products around the world have with their customers. We recently participated at our annual leadership event in Macau China, which was attended by over 6,000 Herbalife service providers. China is burdened with one of the highest numbers of men and women with obesity in the world. Our nutrition clubs and preferred customer loyalty program are aimed at engaging Chinese consumers in improving their health and weight through Herbalife nutrition products, activity, and the support of our service providers.

In 2015, in just one day in September, upwards of 100,000 people participated in 5 kilometer races and wellness events we organized and sponsored across 100 cities. Over the year more than 1 million people participated in wellness events we organized across the country. What's happening online is also exciting for our business in China. WeChat is a mobile phone-based application enormously popular among the Chinese who use it daily to manage their busy lives. Our Herbalife China team integrated WeChat into

our online product ordering and into our nutrition education and communication to service providers and customers.

Thanks to these and other customer focused initiatives our China business continues to grow as more consumers see Herbalife as a trusted, convenient, results driven nutrition brand. By getting to know their customers and focusing on their individual needs our members provide nutrition plans that are tailored, that are convenient, and most importantly, that work. Moreover, the member customer relationships provide the community with encouragement and support that is typically necessary for someone to lose weight, get more physically active, or simply eat better.

Many of our markets around the world are clear and sustained consumer trends towards better health. This is particularly true among millennials who will likely comprise over 50 percent of the global workforce in the next five years. According to research, millennial eating habits lean towards low-fat, plant-based protein diets that can be consumed conveniently and often as snacks throughout the day. Our product range of convenient nutrition shakes and protein snack bars are well-positioned for these younger customers who value health, but do not always have the time in their day to prepare a full meal.

A growing preference for plant-based protein is an opportunity also. In 2015, a Lex research report concluded that the growth of alternative protein sources, particularly plant-based, is poised to accelerate. Plant-based protein is the main ingredient of our Herbalife Formula 1. The number one brand in the world for meal replacements. And we are one of the largest sellers of protein isolate in the world. Consistent with this consumer trend we're planning to expand our plant-based protein ingredients early next year with protein shakes and boosters that utilize rice, pea and quinoa.

To further fuel our momentum and opportunity globally, we are providing a wide range of sports nutrition products and support to 53 athletes competing at the Rio Olympics and 19 at the Paralympic games. We also signed sponsor agreements with the National Olympic Committees in Italy, Israel, Vietnam, and Costa Rica. These sponsorships support 20 countries. Our sports and

nutrition scientists will provide nutritional assistance to one-on-one nutrition consultations. We're looking forward to helping these dedicated athletes maximize the benefits of sports nutrition to achieve their optimal performance.

In June we will start launching our CR7 sports hydration drink in the Asian markets. As you know, we created CR7 with soccer superstar Cristiano Ronaldo. He continues to be a passionate advocate for nutrition health in all range of sports and personal nutrition products which he uses daily as part of his training. This week members from a number of our regions will travel to Madrid to meet with Cristiano after winning the trip in local promotion. This is a reflection of his global appeal.

I would also like to give you an update about the FTC. We disclosed last quarter that we are in discussions with the FTC. We have updated our disclosures to report that while there are a number of open issues those discussions have progressed to an advanced stage and the range of outcomes now includes litigation or settlement. We also announced that if a settlement is reached with the FTC it would likely include injunctive and other relief as well as a monetary payment with our best estimate of that payment being \$200 million.

OK, let me pass it over to John for more details on the financials.

John DeSimone: Thank you, Michael. I will start today by reviewing the Company's first-quarter 2016 reported and adjusted results, including key market highlights. I will then discuss the second quarter and our remaining full-year 2016 guidance.

First-quarter reported worldwide net sales of \$1.1 billion increased 1.3 percent, while local currency net sales grew 10.9 percent, both compared to the same period last year. This is the first time since the third-quarter 2014 that we have experienced positive year-over-year reported net sales growth in the period.

Worldwide volume points for the first quarter increased 4.5 percent compared to the first quarter 2015, which exceeded the high end of our guidance range

of 1.5 percent. Four of our six regions, and approximately 70 percent of our markets experienced volume growth in the quarter, with over 20 of these markets setting quarterly volume records.

Adjusted EPS for the first quarter was \$1.36 per diluted share, which increased 5.4 percent compared to the \$1.29 per diluted share for the first quarter 2015 and exceeded the high end of our guidance range of \$1.07. Reported EPS of \$1.12 per diluted share increased 21.7 percent compared to the \$0.92 per diluted share reported in the first quarter 2015.

This quarter marked the one-year anniversary of the most recent marketing plan and changes which were implemented in February 2015. We believe that we have now largely cycled through the impact of these marketing plan changes throughout the majority of our markets.

Moving on to our regional and market highlights for the US, volume points outperformed our expectations and increased 7.2 percent compared to the prior-year quarter. This is the first time since the first quarter 2014 that the US has shown positive year-over-year volume growth in a quarter. We believe that our US members have adjusted well to the marketing plan changes and are focused on building long-term sustainable businesses. This first-quarter performance is demonstrating the benefits of that focus.

Volume points in China increased 36.5 percent compared to the first quarter 2015, due in part to the seasonal product launch of our sweet corn Formula 1 flavor. And that's in part due to the earlier timing of the Chinese New Year holiday compared to 2015. China continues to illustrate stable business fundamentals and sales representatives and service providers have fully embraced the focus on daily consumption throughout their clubs and the encouragement of healthy active lifestyles for the customers.

In the first quarter, Mexico posted approximately 6.1 percent volume growth compared to the prior-year quarter. Members in Mexico continue to adapt to the new 16 percent VAT, which was imposed during the third-quarter 2015. Although this quarter was another strong performance in Mexico, we continue to expect the 16 percent VAT increase to have an impact in year-over-year

sales growth until it is annualized in the third quarter of this year. This is reflected in our guidance.

Over 70 percent of the markets in the EMEA region showed a volume point growth in the quarter resulting in a regional volume point increase of 14.1 percent compared to the prior-year period. With countries such as Italy, Spain, and Belgium displaying positive momentum, volume points for Russia were flat in the quarter due to high comp in the first quarter 2015, and local currency net sales for Russia grew 10.6 percent compared to the prior-year period.

The macroeconomic conditions continue to be challenging in Brazil as volume points declined [20.9 percent] in the first-quarter 2016. Volume in South and Central America region decreased 15.5 percent compared to the prior-year period, however excluding Brazil and Venezuela volume points in the region increased 1.6 percent for the first quarter.

Asia-Pacific volume points decreased 6.2 percent compared to the prior year, driven by a volume point decline in Korea of 28.8 percent. Korea's first quarter performance was within our expectations. Volume points for the Asia-Pacific region, excluding Korea, increased by 1.8 percent compared to the prior-year period. This increase was largely driven by stronger-than-expected results in Indonesia and Vietnam.

Moving on to our financial highlights for the first quarter, as previously mentioned, compared to the first quarter of 2015, worldwide reported net sales of \$1.1 billion increased 1.3 percent and 10.9 percent on a constant currency basis. Worldwide volume points in the quarter increased 4.5 percent compared to the same period last year.

First-quarter 2016 adjusted EPS increased 5.4 percent to \$1.36 per diluted share compared to \$1.29 per diluted share for the first quarter 2015. We've significantly exceeded the high end of our guidance range of \$1.07 per diluted share. Compared to our first-quarter guidance, the increase in our adjusted EPS was primarily due to higher than expected volume and net sales, lower

expenses as a result of our continued focus on cost management, and a \$0.05 favorable impact due to delayed expenses that will be spent later this year.

On a reported basis, first quarter net income was \$95.8 million or \$1.12 per diluted share, which increased by 22.5 percent and 21.7 percent respectively, compared to \$78.2 million or \$0.92 per diluted share compared to the first quarter 2015. First-quarter net income and diluted EPS was negatively impacted by \$27.5 million or \$0.32 per share respectively due to currency fluctuations. Our reported EPS continues to include additional items we consider to be outside of normal Company operations or we believe it will be useful to investors when analyzing period over period comparisons of our results. These adjustments are detailed in today's earnings and press release.

Reported gross margin for the first quarter increased by approximately 50 basis points versus the prior-year period. Gross margins included the favorable impact of country mix of 81 basis points, retail price increases of 66 basis points, cost savings through strategic [sourcing] and [sub] manufacturing of approximately 40 basis points, which were partially offset by the unfavorable impact of foreign currency fluctuations of 170 basis points.

For the first quarter, SG&A as a percentage of net sales was 38.1 percent, a decrease of approximately 90 basis points compared to the prior-year period. Excluding non-GAAP items detailed in today's press release, SG&A was 37 percent of net sales, an increase of 48 basis points compared to the prior-year period. Excluding China member payments in the non-GAAP items, SG&A as a percent of net sales was 27.9 percent, which is a reduction of approximately 155 basis points compared to the prior-year period. This is due to delayed expenses and the continued focus on cost management.

Our first-quarter adjusted effective tax rate was 30.2 percent, which was 20 basis points above the high end of our guidance range. In March 2016, the Company closed a term loan to a final payment of \$229 million. Our current portion of the long-term debt now consists of \$410 million, which is due next March, 2017. In April, the Company [concluded] the \$30 million purchase of 189,000 square foot office building in Torrance California, which we have occupied since 2006, and called Herbalife Plaza.

This was an opportunist transaction that was the result of our execution of our right of first refusal to a sales agreement the landlord had entered into with a third-party. This purchase is representative of our continued commitment to the Southern California area.

Moving on to the second quarter guidance and the remainder of the full-year 2016 guidance, worldwide volume point guidance for 2016 has been updated to a range of 2 percent to 5 percent growth. This reflects a full-year increase of approximately 30 million volume points due to the [beat] in first quarter, partially offset by a larger than previously expected decline in Brazil. Volume point guidance for the second quarter is estimated to be within a range of 1.5 percent to 4.5 percent growth.

Adjusted diluted EPS guidance for the full year has been raised from the range of \$4.05 to \$4.50 to a new range of \$4.40 to \$4.75, which is in part due to the favorable currency movements over the last two months. We have adjusted full-year EPS guidance to reflect the better-than-expected results in the first-quarter of 2016, partially offset by the decline in Brazil due to the macro conditions, as well as the delayed expenses previously noted.

Full-year currency headwinds are now estimated to be approximately \$0.70 per diluted share which is a \$0.10 improvement over the guidance provided a quarter ago. Second-quarter adjusted diluted EPS guidance is estimated to be in a range of \$1.10 to \$1.20 per share, which includes an unfavorable currency headwind of approximately \$0.20 per diluted share compared to the same quarter of 2015

Net sales guidance for the full-year 2016 has been raised from a decline of nearly 0.5 percent to growth of 2.5 percent to a new range of growth of one 1.5 percent to 4.5 percent. This reflects the favorable impact of currency and the better-than-expected results in the first quarter of 2016. On a constant currency basis, full-year adjusted net sales guidance is now looking in the range of 6 percent to 9 percent growth. Worldwide net sales guidance for the second quarter is expected to be in the range of flat to 3 percent growth taking into account the impact of currency.

Our capital expenditures for the second quarter are expected to be in a range of \$65 million to \$75 million, and for the full year, we are now projecting a range of \$145 million to \$175 million, from the previous guidance range of \$105 million to \$135 million. This increase in capital expenditure forecast is primarily due to the \$30 million purchase of the Torrance office facility that I previously mentioned.

Lastly, our affected tax rate guidance remains unchanged in the range of 28 percent to 30 percent for the second quarter and full year 2016. This ends my prepared comments. I will now turn it back over to Michael before taking questions. Thank you.

Michael Johnson: Thank you, John. So to summarize, we're back in growth. We've started the year by exceeding guidance on both the top and the bottom line. Despite the challenging currency environment driven by the strong US dollar, the likes of which we've not seen in a decade, we returned to a year-over-year reported net sales growth for the first time in five quarters and it feels great.

Our updated guidance reflects the confidence that we have for the remainder of the year as we continue to hold the line on expenses while investing prudently towards the future. We were just in Winston-Salem for our Board and annual general meeting, held at our Herbalife innovation and manufacturing facility. It was an opportunity for our Board to see the investment and progress we're making in our Seed to Feed program and the quality and capacity of our [hem] capabilities.

As of March 2016 approximately 54 percent of all Herbalife nutrition products are manufactured in-house at hem facilities around the world. We are a Company in the community that evolves and seeks to get better every single day. The positive momentum in our performance is due to the competence, hard work and the passion of our members and the total value they offer to their sustainable business built to service their customers nutrition needs. Members continue to embrace the marketing plan changes as shown by our results.

The attendance and energy that we see at our member events can often indicate members confidence in our business and it is higher than it has ever been. In March we held our yearly global leadership meeting with over 2,500 members. We saw strong attendance at leadership development events across North America and several cities reported a record number of attendees. We expect 25,000 to join similar leader development events across 11 cities in Mexico in May. In April, an impressive 11,000 members attended the extravaganza in Brazil. Later this month we anticipate high attendance at our Asia-Pacific extravaganzas in Singapore and in Bangalore, India.

We are proud to help people around the world achieve better nutrition, lead healthier lives and achieve their personal goals through Herbalife products and the personalized service of our members. We thank our members, our employees, and our shareholders for being part of this journey and helping build a Company and a community that is really making a difference.

With that, let's go on to Q&A.

Operator: At this time if you wish to ask a question you may do so by pressing star then one on your telephone keypad. If you wish to withdraw your question you may do so by pressing the pound key. Your first question comes from April Scee of CRT.

April Scee: -- for the additional information on the FTC today. And apologies for all the questions that I'm going to ask as a result of that. So first, the \$200 million estimate. Can you just help us understand how that was derived and what your confidence level is around that? And secondly, on the injunctive release -- hopefully you can provide a very broad range of outcomes on that giving your willingness to share such a precise number for the fine, or maybe just comment on it relative to all of the self-regulation that you have done so far?

And then maybe once this is behind you, what the optimal capital structure would be and what your view is on the dividend? And then I have some quick follow-ups that I promise have nothing to do with the FTC.

John DeSimone: Yes, hi, this is John. I will do my best to answer, or in some cases, not answer, but -- [full] disclosure. With respect to the FTC, I think you need to

understand the accounting rules to maybe better describe what is in our disclosure.

We do not yet have an agreement. What we have is the reasonable possibility of an agreement. That's a threshold from a contingent liability standpoint that requires us, when we file a 10-Q, to provide the estimate of the range of a payment we might make. We have provided that and that range is just a number. It is still an estimate, but it is the best estimate that we have now, but we do not yet have a deal. There are lots of things still outstanding and there is nothing more we can say other than what is in the disclosure, and I would read it carefully if I were you and make sure that you understand it.

And then with respect to dividends, we do not really have a comment at this point. That will be a Board decision, probably long after we get through the current phase.

April Scee: OK. That is helpful. And then just trying to understand your FY16 guidance a little better. It looks a little bit conservative, maybe like you are just flowing through the March quarter beat. From our perspective FX has gotten more benign since the end of the quarter. Your organic growth is better than expectations during the March quarter. So I was just wondering if there are other moving pieces we should be thinking about with some of the organic growth timing related or anything else that we should be thinking about as we model through the rest of the year?

John DeSimone: Yes, I think the one meaningful change looking forward from what we are seeing in Q1 that is bringing us down a little bit in the projections is Brazil. We have taken that down quite a bit from what we had previously expected. There is a lot of macroeconomic challenges in that marketplace. I think Avon announced today they were down, I want to say, somewhere around 7 percent in Brazil. Natura, last week, was down 10 percent. So we have taken that number down and that has flowed through the rest of the year and I think that is why it may look to you like we we're conservative the rest of the year, but it's not the case. It's our best estimate at this point.

April Scee: OK. And then just a little more clarity on the acceleration in China in the quarter and what drove that, but maybe more importantly, how much runway is left for that level of growth and just the pushback that we sometimes get from clients on how much visibility you have in that market and the sort of comfort that you can provide that you won't run into some of the issues that other direct sellers have in that market?

John DeSimone: Yes, let me answer this maybe in two parts. First, with respect to Q1, we launched a new product, a new flavor of Formula 1, in China. That had a lot of pipeline fill that helped the quarter out. It probably represented about 1/5 of the growth in China in the quarter.

I think the comps are getting much more difficult and you can see a significantly lower growth rate going forward. I don't think it's sustainable at the current levels and that is reflected in our guidance. Part of that is because, obviously, the comps get a lot more difficult in China.

April Scee: OK. Then just a question on the visibility that you have in the market. I know it is a tougher market to have visibility on even for the bigger more traditional multinational companies. How do you get visibility on the market and how do you have comfort that you are not going to run into some of the issues that the other direct sellers have had in that market?

John DeSimone: I think we have decent visibility. We have a preferred customer program and marketplace for which we see a lot of transactions and that help us model the business, maybe better than companies that do not have such a program. It creates more transactions with the Company. So I think that helps a little bit. I will pass on to Des who might want to augment that answer.

Des Walsh: Yes, I think the other thing we'd add, April, is that China is primarily in [attrition] of market, and therefore for that reason we have significant visibility. We are regularly in clubs. We have a tremendous feel presence throughout China and so through the clubs we have great visibility and contact with direct consumers. So I think that combination of factors really gives us a level of visibility that would be very different from our competitors in the market.

April Scee: OK. That is very helpful. Thank you very much.

Operator: Your next question comes from the line of Tim Ramey of Pivotal Research Group.

Tim Ramey: Not to (inaudible) our friend the skeptic who noticed that the DOJ language had been dropped from your statement in the third quarter and the fourth quarter, so can you confirm that the DOJ inquiry is past tense?

Michael Johnson: I can confirm that the DOJ language has been dropped from our disclosure.

Tim Ramey: OK. So I assume that means that there is no current seeking of information?

Michael Johnson: I think we tend to disclose any kind of material investigation and we have withdrawn that language, so I think that is pretty self-explanatory from our perspective.

Tim Ramey: OK. The overall volume performance was pretty impressive and even in places just like North America where your numbers were pretty good. Is there anything you would particularly point to that is driving results in a big mature market like North America?

John DeSimone: Yes, sure. Certainly, very easy comps. Last year in the first quarter things were down quite a bit in the US and so that easy comp, and the annualization of the marketing plan changed, which had a significant impact last year in the first quarter is one of the key benefits that we get to see in this year's numbers as we get to comp that.

Tim Ramey: And on the evolution of the marketing plan changes, you had been hopeful and projected that we might see that normalize and not be a negative to volume but a positive to volume, would you argue that we're kind of on the other side of that curve at this point?

John DeSimone: Yes. I think in most cases and most markets we have cycled through those changes and things and the members have adapted to the new plan. So, yes, I think that's an accurate statement. There's a little bit of that still in Q1 because

it was the last of the changes when it landed in February last year, so Q2 will be full quarter comp, whereas we had only a partial quarter comp in Q1.

Des Walsh: Yes, I think I would certainly agree with that. The one thing I would say is that certainly in markets like Korea and Brazil, we continue to see the negative impact which is the direct result of cycling through those changes and we will see those continue to impact us for the next couple of quarters, certainly.

Tim Ramey: Sure. Just one more for you, John. On the balance sheet, probably not a lot you can say, but it is in a very clean state and you are at the point where you are sort of quantifying risk with the FTC. Is this a point where you can go back to the banks and talk about a little bit more flexibility and debt to EBITDA or do you really need to see those numbers on a piece of paper?

John DeSimone: Yes, I do not think that we are in that position. I do not think we can rely on that for some time. So we are not managing it accordingly we are keeping the cash, we have to pay off our debt, it's \$410 million due in 10.5 months -- or about 10 months from now. And we need to be in a position to do that and be able to take care of any possible settlement should we go down that path with the FTC.

Tim Ramey: Right. OK, thanks so much. Congratulations.

John DeSimone: Thank you.

Operator: Your next question comes from the line of Ethan Devine of Indus Capital.

Ethan Devine: Hi, good evening. It looks like the US has turned in earnest and that some of the issues in the market were temporary. So if we look at the market that are currently experiencing volume point declines, are there ones that you would categorize as having structural issues or would you think that ultimately they would prove to be temporary factors as well?

John DeSimone: Well, look (inaudible) I'm going to say that there's -- when you look at Brazil and Korea are the two that come to mind. Brazil has macroeconomic challenges that have nothing to do with our Company and you see that across

the industry, but with that, I will pass it over to Des and he can respond on some more specifics in the market.

Des Walsh: I don't believe there is anything structurally significant in either market. What we have taking place in both Brazil and Korea is the similar change and adaptation that we have seen happen in other markets like the US and Mexico. I think certainly in the long run both are addressable and we have leadership strongly engaged with our local management teams in doing so. But, I think that we are going to continue to see the impact of those changes affect us possibly through the remainder of this year.

Ethan Devine: Understood. Thank you.

Operator: Mike Swartz, SunTrust

Michael Swartz: I just wanted to touch on -- you are talking about starting to cycle some of these business plan changes with the first order of limitations and things of that nature. As we look out, call it 12, 24 months, do you have a line of sight to getting back to the high single digit type volume growth that we had gotten used to prior to 2014?

John DeSimone: Hi Mike it is John. I will answer that one. For this year we're looking at, you know what we're looking at for this year, volume growth of 2 percent to 5 percent. That is throughout the next three quarters combined with the 4 percent-plus we had in Q1, so it is kind of stable at this point. I think when it gets to 2017 we will see where we are at the end of this year and provide you some more insight as we move through this year.

Michael Swartz: Then just on the -- apologize, I hopped on late here -- but the average actives this quarter were flat. You have shown growth for most of the -- at least if recent memory serves me right -- what was the biggest driver of that during the quarter?

John DeSimone: Just to be clear before I pass it to Des, we're talking average active sales leaders, OK?

Des Walsh: Yes, Mike, you'll remember that one of the changes in our marketing plan that took place in November of last year was the reduction in the cumulative qualification from sales leader from 5,000 volume points to 4,000 volume point. When we made that change we had a significant number of people who achieved the level of sales leader purely because of the overnight reduction in that qualification amount.

Many of those individuals would not have qualified to become the level of sales leaders and therefore as we go into this year and we go through requalification and look at that number again, it is the elimination of that group, or if you take out that group, that is the primary driver of that number - - that reduced number in certain markets.

Michael Swartz: OK. But in terms of average actives, in the next several quarters we should start to see, I would assume, that improve sequentially.

Des Walsh: I think it depends on the market because obviously we have other factors impacting us, but in general, I think we're seeing that number stabilize and will come back to growth, but again, it is a market by market issue.

Michael Swartz: OK. Then, John, with regards to the update for your guidance, it looks like, again, I apologize I missed some of this, but it looks like you are raising guidance by \$0.25, \$0.35 between the low and high end. Currency is \$0.10 of that. You beat first quarter, by \$0.29 to \$0.39, that tells me that the rest of the year you are taking \$0.14 out of it. I think I heard that Brazil is part of that, are there any other pieces that I should be thinking about?

John DeSimone: There's two pieces to Brazil. So there is around a \$0.10 impact from lower volume in Brazil, but there is also an incremental tax in Brazil. Think of it as the equivalent of AR sales with the [AT] tax that is going to us in by \$0.08 in the last three quarters of the year. This is a new tax that was implemented at the beginning of this year.

Michael Swartz: OK great. That is it.

Operator: Your next question comes from the line of Douglas [Home] of Beacon Value.

Douglas Home: Nice results. Just two questions for me. First, in Mexico there was obviously a 16 percent VAT implemented in the third quarter 2015 leading to your caution that that effective 16 percent price increase would have an impact on volumes, but we haven't seen a headwind materialize yet with volumes up 4 percent last quarter and 6 percent this quarter. So, I guess why are you expecting it to have an impact now and incorporating that into the guidance?

John DeSimone: Yes. So it actually has had an impact. I think the market has done a really good job overcoming it as much as they can. And, of course, Mexico had a meaningful impact from the marketing plan change that we are comping now. So I think the point is that once we lap the VAT in the second quarter and get into the third quarter we're unlikely to see any impact from the VAT going forward.

Douglas Home: Got you. And I also noticed that you guys increased your full-year CapEx by about \$40 million. Is that all due to the California office purchase you referred to earlier in the call? And then maybe you could talk to the rationale for buying the office building?

John DeSimone: Sure. Almost all of it is the building. The rest of it is just FX as the dollar weakened a little, the translation of some capital across the globe when it comes back to the US gets to be a high number, but \$30 million of it was the building. We're not in the business of buying real estate. We tend to not own any administrative buildings. This was more opportunistic and I view it as a chance to actually make a little money.

We had a right of first refusal in our lease agreement. We've been in this location for over 10 years now. We had five years left on the lease. And because we were considered a short-term tenant with only a five-year lease remaining, the sales price on the building which the current owner tried sell to a third-party, was lower than what we thought the market value was, and we exercised our right of first refusal with the goal, likely goal anyway, as we view it at this point in time, is to enter into a longer term lease and do a sales leaseback and make some money on it.

So it is not a shift in strategy. If that gets executed the way that we hope it will, the CapEx number will be what you see, but then you'll see a divestiture number going the other way, hopefully later in this year.

Douglas Home: OK great.

Operator: That is all the questions we have in queue at this time.

Michael Johnson: Let me close the call today by thanking everyone and reminding you, our strategy at Herbalife is actually pretty simple, improve every single day, produce a really great high-quality product, build a business opportunity based on customers and daily use of our products, improve the health and nutrition of all of our communities and bring value to all of our constituencies.

Many thanks to all of our members, employees, customers, and you, our shareholders, for your continued efforts and support. We really appreciate it and we look forward to speaking with you at the end of the next quarter.
Thanks.

Operator: Ladies and gentlemen this does conclude today's conference call. You may now disconnect.

END