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CORPORATE PARTICIPANTS

Amy Greene *Herbalife Ltd. - VP, IR*

CONFERENCE CALL PARTICIPANTS

Scott Van Winkle *Canaccord Genuity - Analyst*

PRESENTATION

Scott Van Winkle - *Canaccord Genuity - Analyst*

Good afternoon, everyone. I am Scott Van Winkle with Canaccord Genuity. Thanks very much for being here for the Herbalife presentation. From the Company, we have Amy Greene, VP of Investor Relations. Herbalife has had just a remarkable run in the last couple of years in the fundamentals, basically 20% volume growth on top of 20% volume growth, and I'm sure Amy will give you more specific numbers on that. And I think we're going to see a continuous -- we have a very favorable outlook in the stock at reasonable valuation and certainly the fastest-growing direct seller among the major players. Amy?

Amy Greene - *Herbalife Ltd. - VP, IR*

Thanks, Scott. So thanks for coming guys. I've seen a lot of your breakouts. So this is going to be a more kind of high-level run through, but hopefully I'll finish in time you guys can ask some questions.

Safe Harbor statement we all know it and love it. And then let's get through the kind of the key bullet points quickly. So, Herbalife, the growth that we've seen over the last couple of years is dependent on the fact that our products kind of fit three global mega trends. That's going to be underemployment, obesity, and anti-aging. The distributors over the past several years have radically changed the way that they sell the product. The products themselves haven't necessarily changed. We introduced new products here and there in everything, but really it's not a matter of how the distributors are taking it to market. We call it daily consumption in our Nutrition Clubs, and it radically improves or increases the addressable audience and the consumer access. So we'll talk about that.

Over the past couple of years, we've done a lot of work in strengthening the brand through athletic sponsorships and really a focus on the healthy active lifestyle. So, I'll show you some pictures. As Scott alluded to, we've had very strong financial performance. We generated a lot of cash and we return that cash to shareholders through dividend and a large share repurchase authorization. We will look at some of those numbers.

The three key mega trends that we always point to obesity, anti-aging, underemployment. And I choose underemployment instead of unemployment because typically it's the need for supplemental income that will drive someone to a direct selling model rather than the need for total employment. So -- and that seems to be something we see across the board in all 80 countries that we operate in.

Obesity, it's a growing, not, pardon the pun. It's a growing mega trend around the world. When you look at the top five markets, four of the five top markets as far as increases in adult onset diabetes and obesity rates. If you're looking at India, China, Egypt, Mexico, they are not the countries that most people would immediately associate with obesity, but it's a huge and growing problem. China alone, just to give you order of magnitude, only 5% of the Chinese population is obese, but 22% of the Chinese population -- adult population is now overweight. So the Chinese government is becoming very aware that they are staring down the barrel of a very big and looming issue on the horizon.

In the third quarter, I put the slide on here because I think it's important. People think of us -- tend to think of us as a nutritional supplement company. And I think that's a misperception, because 60% of our sales are of functional foods. And by that, I mean, 30% of the sales are of the Formula 1 meal-replacement shake, 15% of our sales are from the Herbal Teas, and another 10% are of the Aloe Concentrate or the Aloe Drink. So those three products, which are the ones that are principally served in a Nutrition Club now account for slightly more than 60% of the sales and are imported in the countries around the world as food items.

Targeted Nutrition, absent the Aloe, so on the right-hand side of that pie chart, that's the rest of what people would think of the supplements or tablets. In the meal replacement business, over the last several years, we've seen a drastic increase in our global market share. So it's a -- Euromonitor says it's a $5.2 billion category globally. We have 33% market share in 2010, up from the 22.6%.

Number two in the space would be Unilever with SlimFast. And number three would be Amway. After that all of the players break down and they become very de minimis very quickly. So, it's a big category. We're taking -- it's growing and we're taking share at the same time.

Now the thing that's been driving all of our growth is the way that the distributors have transformed the way they sell the product. Traditionally, direct selling is categorized by medium-to-high price purchases done infrequently. You don't -- the distributor does not necessarily have a lot of contact with their customer base. They may call them in some cases, there is a new two-week catalog cycle at some companies. Some distributors may call someone to try and get them to plan a party, but it's not a regular interaction.

What our distributors started doing, they -- we still sell products in that way. But the distributors also recognize that there was a growing need for the ability for people to buy it on a per day basis. And we call that daily consumption. So we had a college professor who is a distributor in Mexico, (inaudible) Mexico actually. And he came to us and he said, there is a huge need for the product in Mexico, we love it. The problem is there is about this many people in Mexico that can afford to buy a month's supply. So could you please begin to package in daily sachets, so I can sell it on a per day basis to these people because that's how they get paid and that's how much money they have.

We couldn't do it, we couldn't get the contract manufacturer to package in such a way that the daily -- the price got to that price point that he needed. He said fine, he opened the front door of his house, he began inviting his friends and family members to come in and he charged them a membership fee for coming to his Nutrition Club. And while they are there, he served them an Aloe Drink, a tea and a meal replacement shake. So that started in Mexico in 2003, took off in Mexico, 20,000, 25,000 home-based Nutrition Clubs in Mexico.

The US Latino distributors, because of their close relationship to Mexico saw this growth happening in Mexico, and said, well, we need to do it too. And so Nutrition Clubs began to open in the US. What we see when it happens is an exponential increase in the addressable audience. The number of people that can or will pay $4 a day in the US, which is in a lot of cases what I pay when I go to clubs. $4 to consume the product is so much larger than the number of people that could or would spend $120 on the first of the month to buy a 30-day supply of Aloe tea and shake. So that was a huge driver of the growth. And it's much more efficient for the distributors. Instead of the first of every month me having to get on the telephone and go through my rolodex and smile and dial and call my customers to remind them to reorder.

Now I go to my club, I unlock the door, I go in and I wait for a few minutes and people start coming in to me and they start handing me money and they start asking for their aloe, their tea and their shake. So you turn the model on its ear. And there is also something that's very good about it in that, it creates a forced discipline. And to describe it, when someone signs up as a distributor for a direct selling company, they think they are going to set the world on fire. And that lasts for about a week.

Once they finish calling all of their friends and family members and they've sold whatever product they can, then they have to figure out what to do next. Most people are not their best own boss. And what we find with Nutrition Club is having a fixed location and having a place to show up every day, turn the key, go to work, service customers. It creates a discipline that was absent in traditional direct selling. And it creates a much -- it has tended to create a much more successful distributor. It also creates very long-term customers.

So the frequent interaction, people are coming to the Club very frequently. They are using the products while they are there. That creates product compliance and usage. If a distributor were to sent you home with a canister of shake, they are going to hope that you use it, they are going to hope you make a shake every day, it's a mere replacement. Are you doing it for breakfast? The probability that you have the self-discipline to do it everyday is pretty slim versus going to the Nutrition Club and having it made for you. If you are consistently using the product, you begin to see a product result and that product result keeps you coming back.

The next thing in there would be that the best new distributors are Nutrition Club consumers. So they have been going to a club, they've gotten a product result. If you then invite friends and family members and then they sign up as a distributor and begin working part-time in the Club. So it creates a really nice virtual cycle.

This is per capita penetration of key markets, that were early adopter markets for daily consumption. So if you look at the bottom axis, it very much is a timeline. So the gray bar looks at what per capita consumption in Mexico was in 2003. The green bar looks at per capita consumption at the end of 2010. As I mentioned, what changed is the way they sell the product. Mexico, it started in 2003, the US Latino market adopted Nutrition Clubs in 2006. Then you had Taiwan in 2007, Korean in 2008 and Brazil in 2009. And what you can see illustrated there is you typically see between a 3x and 5x growth in the per capita penetration within that market, principally because the addressable audience has expanded so meaningfully because of the daily price point.

We started doing some consumer survey work last year because as the daily consumption became a bigger piece of the business and we're meeting with more and more investors everyday that are used to investing in consumer companies, and CPG companies and they like having Nielsen and IRI data that we does not have. So we wanted to start doing some work so we could answer your questions about what do these consumers look like? So within the US Nutrition Club, the vast -- 50% of them are under 35, it's 60/40 female, male, and most of them are employed.

Now we'll look at what their visit pattern looks like. Frequency of visit, more than 50% visit their Nutrition Club everyday. One of the more interesting pieces to us was the fact and we were surprised by it because we thought that the number was lower. But more than 58% of those Nutrition Club members say that they spend an incremental $75 a month on products to consume away from the Club. So they are buying -- they are there paying their membership fee to get their Aloe, their tea and their shake. But because of the relationship that they are creating with the distributor while they are there, the distributor has a much better opportunity to then cross-sell them other products that are in the product portfolio or the catalog. And because of the product results that they've been getting, they stay for a long time. More than 40% of the Nutrition Club consumers say that they have been attending their club for more than a year.

And if you have customers that come frequently, spend money and stay for a long time, what that comes out to equal is that you have very successful distributors and not only have we seen our distributor retention, our sales leader retention increased a lot as daily consumption moves into the market, but we also see that the clubs are very successful for distributors and more than 50% of the distributors we talk to had been operating their club for more than a year.

You all often ask us what is the growth cycle or lifecycle look like for Nutrition Clubs? So this is kind of the three buckets that we look at. The inception period is where it's about two years and it's when a country or a market is looking at and trying to figure out the trial and error, what is daily consumption or what the Nutrition Clubs look like for them? Maybe what does the real estate profile look like? I mean what kind of commercial location works best for them. It may be what hours are you open. There is lots of factors that they are kind of working through to figure out. But once they lock in on the model that's successful for them, you begin to see the expansion phase. And in the expansion phase that's where you begin to see rapid duplication and that's where you see club count will increase and the percentage of business being done to daily consumption grows there. And that we've seen is at least three years based on what we've seen so far.

Then the third bucket is enhancement and that's where you are not seeing so much of the rapid growth in Nutrition Clubs, but you're seeing an increase in the productivity and the efficiency that's happening in the markets. And when we look across our 80-ish markets that we are in, when you look at -- let's start with enhancement, the most mature daily consumption markets are the early adopters. So they are going to be Mexico. They are going to be probably Korea and probably the US Latino market, the ones that started earlier. They are now in that enhancement phase. Enhancement, please understand does not mean lack of growth. Mexico grew more than 20% last quarter and it's not because they're necessarily seeing rapid increases in the number of Nutrition Clubs, but they are seeing a lot of increases in the productivity and the volume that's going to those clubs.

Expansion, where you see that influx or you've seen an inflection point and now you're seeing the duplication in clubs. I think India has been a fabulous example of that bucket for us. We've been in India for 12 years. India was an incredibly flat market. We could almost -- we could basically guarantee that it was always going to be the same amount every quarter. Until when a distributor in India went to Taiwan to learn how to run Nutrition Clubs and he took them back and began opening clubs in Chennai.

And so for the past seven quarters I think now, India has been growing between 80% and 120% a quarter. Not anything different other than the way that they are taking it to market. The addressable audience in India that can afford to buy it on a per serving basis is so much larger than what it was on a monthly. To give you an order of magnitude, our math says that on a monthly purchase the addressable audience in India was about

50 million people. When you triangulate cell phone usage, GDP, QSR usage, things like that to get you at an addressable audience, we think at a per day -- at a per serving daily consumption price then you're looking at an addressable audience in India of about 300 million. And we're just kind of starting to scratch the surface of that market.

And then the inception phase, the vast majority, call it 65 to 70 of our 80 some odd countries are probably still in that inception phase. So it's still -- even though we've been putting up great results for the past couple of years, we are so very early in the game as to the countries moving across the lifecycle.

This slide looks at some of the key sponsorships that we've done over the last year just to pictorially show it to you. Lio Messi and FC Barcelona is one of our key sponsorships. We have a car in the Indy 500. This year we were the title sponsor for ESPN's World Football Challenge and that gave us access to the teams, trainers and doctors of all the key top soccer teams around the world, Real Madrid, FCB, they were all there.

But importantly, the great thing about our direct selling business is what we've tried to do corporately is to unlock the brand for the distributors, give them access to the brand tools to begin to deploy in their own markets. So while we may only do large sponsorships like the LA Galaxy and FCB and things like that, a distributor in their local market can now has the collateral material to sponsor their own AYSO soccer teams or to sponsor their own triathlon or 5K, things like that because that really takes the -- gives it a much more grassroots element and expands the marketing dollars.

Recent new product launch, it's in the gift bag. There is a piece of it in the gift bags that you all have gotten today. It's called Herbalife24 and it's 7 SKUs and it is instead of being weight management, it's just supplement focused. This product is geared toward the athlete. So instead of being for the consumer who is looking to lose weight, this is looking for someone that is targeted toward people that already have -- are living a healthy active lifestyle. We launched it in the US in early summer and we launched it in Europe in the fall. So it's very early, but it's very exciting for us because it untaps the opportunity -- it kind of taps an opportunity for an entirely different consumer group. There are a lot of people who don't need to lose weight, there are a lot of athletic people, there are a lot of people living a healthy active lifestyle and this is targeted for them.

And then other quick flythrough on the financials given that they are kind of old stale numbers, now that we're well past third quarter results, but in the third quarter we saw volume grow across all of our six regions, volume grew for the quarter 23.4%. This is not unusual, this is something that we've been seeing for the past couple of years, very strong growth across all of our markets, including the US, and I don't think that there are a lot of consumer companies out there talking about the US being one of their Tier-1 opportunity markets, but we truly, when we look at our high potential markets it's BRIC plus US.

Growth driven by engaged distributors. This graph looks at, what we call, average active sales leaders. It looks -- it's an engagement metric. So what percentage increase or decrease did you see in the average number of distributors that order during the period? So our distributors more involved and more active in their business this year compared to last and in the third quarter of 2011 and what you can kind of see over the last better than a year is a steady increase in average active sales leaders. So you are continuing to see an up-tick in the engagement of the distributor force.

Emerging and established market. I think that a lot of investors and direct sellers think that they are buying emerging market stories and in some cases that may be the case. We are very happy to have a pretty balanced business between the two categories. Our emerging markets grew 27% last quarter, but they represent just about 54% of the business. Our established markets also grew 20%. So we're pretty happy to keep an even mix there. We are not wholly dependent on the emerging market growth to drive the Company.

Net sales and then a constant currency adjusted net sales number for you. EPS increased 45% in the third quarter. And then cash flow, we generate a lot of cash. We returned the cash to you all. So, since 2007, which is when we instituted the dividend and the share repurchase program, we have generated free cash flow of almost $1.3 billion and that majority of it has come back to you.

And what we said about long-term growth and we put this on here because people have often asked about the sustainability of growth. We have said that we wanted to triple the volume points off of our 2009 base to do 10 billion volume points by the year 2020. And to do that, you need to have about an 11% CAGR. And so I put this in here to illustrate that since 2004, that's not an out of the ordinary number for us. Since 2004, we've done a CAGR of 10.8%.

Back to where we started, and I'll leave you with this slide and open it up to questions. Anyone have any questions? You are an easy crowd today.