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PRESENTATION

John San Marco - *Janney Capital Markets - Analyst*

Good afternoon, everyone. I'm John San Marco, the household and personal care analyst at Janney and it's my pleasure to introduce Herbalife as the next presenter. Herbalife has enjoyed 13% volume growth the last nine years and something a bit better than the last couple of years, which I'm sure they'll explain to us how and why that is now. So just want to thank John DeSimone, the CFO from the Company, and Amy Greene, the head of Investor Relations, for the timely presentation today. Thank you.

John?

John DeSimone - *Herbalife Ltd. - CFO*

Good afternoon. With me today is Amy Greene, our Vice President of Investor Relations. Our first slide is our Safe Harbor statement. It's available on the website for those listening on the internet for the webcast.

So it's been a unique and challenging few weeks for the Company and for management. I think one of the key learnings for us has been that we need to do a better job providing security to our investor base about the model to make sure that the understanding of the model is deep so that what's happened over the last couple weeks doesn't happen again. And today's presentation begins that process.

So we have a new bullet point on this first slide. We're calling it Herbalife 101. It is how the model works. Then we will dig down into what are the drivers of our growth, what have they been, what are they going to be. And then we've added some key consumption oriented metrics. Most of them will be new metrics that have not been released publicly before. A little bit about our city-by-city strategy. Now we go deeper into the marketplace and then we'll end with a summary of our financial performance.

So this first slide, this is a new slide, and this is high level breakout of how the business model works, and this is more of an educational slide. If you could look at the pie chart to the left, we have bifurcated our sales, our distributors into two categories, sales leaders and non-sales leaders and there's a big distinction, a big difference between the two. Non-sales leaders are nothing more than single level distributors. So think of the old Avon model, very similar level. The only earnings opportunity for non-sales leaders is to buy the product at a discount and sell it at a markup. There is no multilevel earnings component to 82% of our distributors. They're not eligible.

Additionally, if you look at the fourth bullet point in that upper right hand box, there is no volume requirement for any of our requirements, which is unique, we believe anyway, to Herbalife's model. Which means you could become a distributor. You buy what's called an international business pack and you can remain a distributor for $10 a year. So there's no forced volume on a distributor base. So the key takeaway is that distributors can be a distributor for nothing more than self-consumption, just like any other single level model, right. It's not even a question from investors or regulators if single-level distributors consume product because of course they do. And there's no volume requirement except for distributors to buy products. So anything a non-sale leader buys is for consumption, whether it's for them or their customers. And last year, a little over 35% of our volume came from non-sales leader purchases.

A little more description on the earnings opportunity. So there are two ways to earn money as a distributor. There's the single level way and that's that green horizontal bar to the left and then there's the multilevel component, which are bonuses and royalties. The single level component represents twice the opportunity, more than twice the opportunity of the royalty component, the multilevel component. There's two important points on this slide. One is that left bar is missed by a lot of investors and press, media over the last couple weeks as to the numerator in how much money is earned by Herbalife distributors.

And it's compounded because on the prior slide, I'm going to go back for a second, the 82% of our distributors that are non-sales leaders, their single level, their only earnings opportunity is that left bar. So when people have done the calculation they've excluded that left bar but they've included those 82% of those distributors. So it distorts the math. And most importantly, I believe, is on the bottom of this slide is that no distributor, whether they're a sales leader or non-sales leader can earn both royalties and retail profit from the same sale. Okay.

And I'm going to use Amy as an example. If Amy is a sales leader and I'm her customer or her distributor, if she buy the product at a 50% discount as a sales leader, as a distributor, based on my volume purchases, I can earn either a 25%, 35%, or 42% discount. If I'm earning 35% discount, she's going to make the 15% retail profit but she makes no royalties. It's only after I become a sales leader and now I'm getting a 50% discount, which is the same discount she's getting so she's earning no retail profit, then she can earn a royalty or 5% of royalty, three levels deep. So you give up the retail profit in exchange for the royalty. You actually make less per sale on royalties, but you have a bigger base. So I think that's an important point that's different than a lot of other plans, compensation plans.

A little bit on our business from a product standpoint and from a daily consumption standpoint and then I'll give you some new metrics. Those are the product breakout by category. So 62.4% of our business, almost 63% of our business is weight management. Half of that is Formula One meal replacement shakes. Targeted nutrition is around 23%. Sports is 5%. Outer nutrition, which is skincare, is a little under 4%, and all other, which includes IVPs, clothing sales, marketing tools, internet fees, 5.5% of sales.

Now, one of the key elements of our growth over the last really ten years starting back in 2003 in Mexico has been from a daily consumption model that focuses on the meal replacement shake substituting for fast food, and the benefit of that approach, of that selling proposition is the product becomes a replacement spend for distributors, not an incremental spend. Right, supplements are generally considered discretionary. In this selling proposition it's a replacement spend.

The method in which our distributors sell the product, there's traditional direct selling and what we call daily consumption. So I wanted to define daily consumption in our vernacular anyway. Daily consumption is any business method a distributor uses to interact with their customer frequently. Okay, there's nothing wrong with infrequent interaction, but we know that frequent interaction drives product usage, drives consumption, and therefore drives a product benefit. The different models, there's a lot of different models distributors use to create that frequent interaction. Sometimes it's a weight loss challenge kind of like the Biggest Loser where people way in once a week and you see your customers weekly. Or have you had your shake today, or the most prominent model, nutrition clubs.

A nutrition club is a social gathering spot where customers or distributors come into the club operator. They pay a social membership fee for that day and they get three core Herbalife products. There's the benefit of that model or really any daily consumption model is depicted on this slide. That frequent interaction drives a socialization or a sense of community, which is important to the model. Because that socialization, that sense of community drives product usage, product consumption. Product consumption is what drives the result and weight loss is a very objective result. We're not a multivitamin. You're not taking it because some doctor said it was the right thing to do and you hope it works. If you lost weight, you and your friends and family know you lost weight. That objective result builds long-term customers. And that long-term customers create the frequent interaction again.

So it's a circle and that's what's been driving our growth. It started in Mexico in 2003. It jumped into the US in 2006 through the Latino Community, Taiwan in 2007, Korea in 2008, Brazil in 2009. And really 2010 where we started having strong double digit growth is because more and more markets are adopting this approach, this frequent interaction between a distributor and the customer to create the product usage in that lifelong customer. And we think as of the end of last year, 34% to 41% of our business is being driven by this type of frequent interaction, not just the three products that are taken at clubs, but all the sales that go through distributors that are employing daily consumption oriented business methods, methods where they see their customers frequently.

A little bit of consumer research that we've done. We've done it in a small number of markets. We're doing it more this year. This is 2010 data. So it's a little dated. We'll have 2012 data by the end of this year. But in the US, the frequency of visits by consumers to clubs, 55% attended every day and if you look to the right, 55% attended it will only have been six months. In Mexico it was 15/45 and in Korea, which is pretty early with clubs in 2010 because it started in 2009, it was 30 and 30. So we'll have these numbers updated at the end of this year, but these are clearly metrics that are indicative of consumption.

A couple of -- so this is a series of metrics on this page. Some are metrics that we've given out before. Some are going to be new. So I'm going to walk you through it so bear with me for a moment. But all of these metrics indicate a higher level of success for our sales leaders, distributors, and an indication of consumption. We have no direct consumption information, very little other than the nutrition clubs surveys and I think that's been a challenge with investors, especially as questions have been raised over the last couple of weeks. However, we've got a lot of indirect data that supports consumption and that's what you're going to see.

So first it's our top three products, those are nutrition club products, which are Formula One, Tea, and Aloe as a percent of overall Company volume. In 2002, which is the left column, you can see it was 35% and in all of last year and Q1 of this year it was 52%. So our volume is more weighted so the nutrition club, which is clearly consumption based than it was in 2002 before nutrition clubs started.

Retention of sales leaders. So that multilevel earnings group, that 18% of our distributors, 27% was our retention rate in 2002. In 2011 it was 52%. It's not applicable on a quarterly basis because we measure once a year. Sales leader activity rate, so of the pool of sales leaders at any one point in time, what percentage of those sales leaders are ordering on a monthly basis. In 2002, it was 37%. In Q1 it was 56%, again, an indication of people having success.

For those who don't know, there are three ways to qualify for a sales leader. So a distributor is single level. They earn their way to a sales leader based on volume accumulation. Not volume they have to purchase, but volume they accumulate through non-sales leaders below them. In the past, you qualified through 4,000 volume points in any one month or 2,500 volume points in any two consecutive months. In 2008, we tested a change in Russia where people could qualify by getting 5,000 volume points in any consecutive 12-month period, accumulate 5,000. So 420 plus volume points a month would get somebody there.

We launched it around the world in 2009, late 2009, and last year that represented 18% of our new sales leaders. In Q1 it was 24%. Now, why is that important? Because that is a change to the marketing plan that promotes a slow build, which is the opposite I think of what's been implied about us in the last couple weeks, which is more putting inventory in the channel. This is more a slow build to help drive success in the marketplace. And I think that approach is even more represented in the next statistic, which has not been made public in the past, which is in 2002 the percentage of our overall Company volume that came from people qualifying to become a sales leader, so think of that as recruiting volume, was 27%. In Q1 of this year, 14%. Last year, 16%.

All right, it's an indication that are business is being driven by successful daily consumption based distributors, not from new people coming in. Yes, new people coming in, important to every business. Every business is trying to get new consumers whether it's Wal-Mart for our new consumers in [Nadol], whatever it may be, recruiting new people, important but not the driver. 14% of our business is coming from recruiting. In fact, you'll see a slide on the next page that talks about ordering patterns but just we call it influence and uninfluenced sales. Influenced by the marketing plan and the majority of our sales come from uninfluenced purchases, uninfluenced sales. We are not driven by the marketing plan. You'll see some stats on that on the next page.

And then of course buybacks. We buy back -- we offer to buy back any product we purchase in the last 12 months from distributors who no longer want to be distributors. So what does that protect against? If a distributor gets in the business and they're motivated for a particular reason on a particular point in time and after they get in it hasn't worked for them, for whatever reason, they can sell us back the product they've purchased. There's a 10% restocking fee, but that's it. Otherwise we'll buy it back. The whole purpose of that program is to protect against somebody getting in the business, finding it not to be successful and having inventory. Okay, that buy back percentage was 2.2% of sales in 2002 and in Q1 of this year and all of last year was 0.4% of sales. So it's down by a factor of five plus, an indication that the trend is showing that more consumption is taking place than ever before in this business model.

And in the US the trend is similar. That's worldwide. All the metrics are from China, which run to different business model. But even in the US specifically, it's very similar. It was 1.8% in 2002 to 0.4% last year and Q1 of this year.

This slide, the more you know about our business model, the more impactful this slide is. Okay, so if you don't understand this slide yet, hopefully you will when I'm done. If not, the more research you do the more you'll understand this slide. So our marketing plan is driven by what we call volume points, which is the Herbalife currency. So if you go back to the very first page, to become a sales leader there's certain volume point requirements you have to do. To earn a royalty, to participate in that multilevel earnings opportunity, you have to do 2,500 volume points in a given month. You don't personally have to do it, okay, but you have to have that accumulative volume in your down line.

Let me set this slide up for a minute. The blue bars are the ordering by size in 2007. Green is 2012. I don't have 2002 like some of the other stats. Otherwise I have it up here. In that far left set of bars, the green bar that represents volume from orders that came in below 499 volume points, now why is that important? Because there is not one element of marketing plan anywhere that anybody benefits by ordering under 500 volume points. Only a few people benefit from ordering over 500, which is a non-sales distributor, zero to 500 volume points you get a 25% discount, 500 to 1,000 you get a 35% discount. But nobody gets any benefit below 500 volume points. Well, 499 volume points or less represented 86% of our orders in Q1 of this year and 47% of our volume, which is up a lot from where it was five years ago with that only representing 31% of our volume and actually 77% of our orders, which is no on here.

So the number of orders represented by this lower ordering volume and the amount of volume it represents overall has grown dramatically. If you jump to 999 volume points, which again is only for -- it only matters for the single level people, which don't have royalties. So they're not buying volume up to 999 if they don't have a need for it. Okay, so even this is not influenced by the marketing plan very much, and that represents 95% of our orders or 66% of our volume.

And I think most importantly, if you go all the way to the right, to qualify for royalties you have to have 2,500 volume points accumulated. If this was just an inventory in the channel gain, you'd buy 2,500 volume points. That would be the nature. That's what we've been accused of in the last couple weeks. 99% of our orders or 87% of our volume comes in under that level. Okay, so again maybe not meaningful to you yet, unless you know the business and know how -- what volume points mean and how the marketing plan works. But once you know, it you'll realize that this is a huge indicator of consumption because you don't purchase 499 volume points or less unless you have a customer or a personal use need.

So the rest of the presentation is going to be some polls from prior presentations and I'll try to end it quickly so we can have a good Q&A session. So we talked about daily consumption. How to we further penetrate daily consumption. Well, it's city by city. Instead of looking at it in a macro sense by country, like Mexico for example, the Mexican organization is looking at it by cities within Mexico to find opportunity and take those opportunities deep.

So they do that through looking for which things are underpenetrated based on zip codes of our distributors and volume points and where product is shipped. Trying to unify local leadership, take responsibility for their own city and the branding in that city, and have meetings and trainings so people who get in the business are properly trained to be successful. Mexico is an example. This is an initiative around the world.

Now, to support the growth we've seen, we have two key infrastructure strategies, seed-to-feed, which is self-manufacturing, which is a protectional regulatory strategy for us as a Company but has some financial benefit also. And I think the second one, which is something we started talking about a year ago, was increased access. So as you drive distributors to purchase more frequently in smaller quantities, they need to have access to the product to make that work. So in Russia, for example, there's 11 time zones. If you had one distribution center it might take 15 days to get product to the other side of Russia. People would order big quantities to compensate for that shipping time. So to have lower order size in support of daily consumption, we need to have more access points and we have a lot of strategies to find access points.

Including in Mexico, we partnered with a retailer. In other countries we're working with electronic solutions like think of like ATN type solutions, which are unique with the accesses unique to distributors, not directly to consumers. So there's more about that on our investor day presentation on our website if you want to dig deeper in that.

And then some financial metrics and non-financial metrics. So net sales, this is just performance-based. You probably all knew this information before you came in the room. Net sales up 21%. Volume points up 24%. We had a little headwind with currency. New distributors up 22%. Sales leaders up 14%. New sales leaders are up below sales growth and that's been a constant now for a long time, but the most important metric, non-financial metric is the second from the right, which is the average active sales leaders, how many people are in the business that are working in it.

Not -- new doesn't mean much if the quality of that new person coming in isn't strong. So if somebody comes in and they don't do anything the next day, it doesn't really add a lot of value to it. So we're looking for people who are working the business and that's why we started disclosing that metric two and a half years ago. We do it every quarter and then retention was up by 310 basis points.

Core based sales growth, you can see every region has growth. North America had 23%, which we think again is unique to Herbalife and most companies are struggling in the US. We have dramatic growth driven mostly by daily consumption. And then I'll point out Mexico because Mexico is where daily consumption started in 2003. Nine years later, 16% growth rate, still going strong.

The distributor -- average active distributors or sales leaders, which is a measurement of distributor engagement. This is the metric I say we started disclosing a couple years ago. You can see that a number of people active in the business is up in the 20s and has been now for five straight quarters.

Net sales, we provide last year, this year, and constant currency. So there's a little bit of a headwind and then EPS, Q1 last year, which was adjusted for $0.01. Our reported number was $0.72. We do very few, knock on wood, adjustments. We did one each for the last two years between GAAP and non-GAAP. Last year was the write-off of unamortized debt financing from a previous debt deal when we did a new deal. So we reported $0.72, but adjusted was $0.71. This year we didn't make any adjustments so it's $0.88. If not for currency, we would have been $0.97. So we had a nine-cent drag from currency.

Guidance, tough to see I think maybe with the shading, but Q2 2012 guidance from a volume point standpoint, 11.5% to 13.5%. Net sales a little below that because of currency. Full year we're looking at 12% to 14% in volume point growth. And then I'll really just jump down to the bottom, which is EPS, which is last year we had $0.88 in the second quarter. This year $0.91 to $0.95 and full year $3.58 to $3.74. That includes a $0.25 headwind versus the prior year.

And then another consistent we said is, I put this slide in the deck and I think it's the single biggest weapon we have against what's happened over the last couple weeks is our cash flow. Net income to free cash about equal with each other and this is since 2007, which is when the Company instituted a dividend and its buyback program. And since 2007 we've returned two shareholders in one of those two forms, 98% of net income since 2007 and we, for those who don't know, we had a billion dollar authorization that started two years ago. We had $428 million remaining on that a few weeks ago when we went through what we went through in the last couple weeks.

We've entered into a commitment to buy that $428 million back between the beginning of May, effectively the beginning of May and the end of July. We did it through our quasi-ASR program and the only difference between what we did in an ASR is our shares are not delivered until mostly through the program. We had shares delivered at the end of the quarter and at the end of July, so not up front. And the shares that will be delivered will be based on the view out over the execution period, what the fee rap is. That will determine the price divided by the dollars, divided by the price, that's the shares we get back.

And then consistency. We have 13% CAGR in volume points since 2004. I think we're a 32-year-old Company. I think the history of the Company along with its performance supports the security of this business. Right, if it was anything but a real business we would have seen it already. You would have seen it already.

That's it. I finished in maybe 25 minutes. We have a few minutes for questions. I'd love to open it up for Q&A.

QUESTIONS AND ANSWERS

Unidentified Audience Member

(inaudible -- microphone inaccessible)

John DeSimone - *Herbalife Ltd. - CFO*

Well, the slowest is Western Europe. Italy is probably the driver of the slowness. So Europe for us -- first of all, Africa is very small. The Middle East is very small. So it's two Europe. It's Eastern and Western Europe. We haven't given the split out, but what's important is Eastern Europe has great growth and it's driven by daily consumption. Western Europe is still more traditional direct sales. Haven't adopted clubs yet, although, again, clubs is starting in portions of Western Europe but it hasn't gained a lot of traction yet.

But in Russia, all the CIS countries, daily consumption is strong. Russian, our retention rate of sales leaders from Russia was 77%. That's with 30% volume growth, which is tremendous. Normally you get one or the other, right. People who have been in the business a while retain. So if you have no growth those people who stay in the business, you have high retention. But to have high retention, when you're bringing people in and growing there's a tremendous story and it's being driven by the 5K program, which is the slower qualify program for a sales leader. 50% or almost half, I think it might be a little under half or a little just under half of our sales leaders from Russia last year qualified through the 5K program. And their retention rate overall was 77%, as I said. So it's a good indicator of what this model is capable when a market adopts the right behavior.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

John DeSimone - *Herbalife Ltd. - CFO*

Italy was the single biggest slowdown we had, but Italy is --

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Unidentified Audience Member

(inaudible -- microphone inaccessible)

John DeSimone - *Herbalife Ltd. - CFO*

Italy was the negative, right. Italy was the biggest negative in Europe, the biggest driver of our slowdown. So again, I'll break it into Eastern and Western because there's two different stories. France is not very big for us. Germany is not that big. Italy is, I think in Western Europe it's Italy and Spain are the two biggest we have.

Yes?

Unidentified Audience Member

(inaudible -- microphone inaccessible)

John DeSimone - *Herbalife Ltd. - CFO*

So the program we've been getting done for a number of months and will be launched shortly. But we did run a test when we launched Vietnam, when we opened Vietnam. We work with our distributors and said, nobody can order more than 1,000 volume points. Then they're require to go to training before they can purchase again.

So the idea is the commitment is small until they have a better understanding of the business and it worked very well for Vietnam. We worked with our distributors on Russia on that concept. They're supportive of it. We want to test it. We want the test just in Russia, but we had other distributor groups come forward and say, I think it's a good idea for our markets. So there's four countries we're going to test it in, Russia, China, India, and Turkey. And the marketing plan is something we should always test before we make a massive change, broad based changes. So we're going to test it in those four markets.

We're confident it will work because we know people get into business more slowly and get training are more successful, but when we have more stats we'll bring them to you.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

John DeSimone - *Herbalife Ltd. - CFO*

The single biggest difference is -- so that's one difference, right. The second difference is they don't allow outside distributors to come in, right. And our model works best when distributors are learning from distributors, okay, instead from the company. So they don't do that in China. They have to learn from the company. We have been and will continue to be cautious in China. It's a highly regulated market, not just the products. We deal with the products in every country from a regulatory standpoint, but also from a business model standpoint.

What we like about clubs is clubs fit the regulatory framework of China better than traditional direct selling, because China really wants businesses to operate out of fixed locations, which is why we have to have retail stores when we didn't have direct selling license. And when you do have direct selling license, you need a return center still in each province so consumers who buy product and want to return it have a place to go. Well, clubs fit that landscape better because it is a fixed location. It's called a sole proprietor. When a person in China wants to open up a club, they have to get their sole proprietor license. They have to tell the government what they're doing, where they're doing it and that's what the government wants.

So is it an opportunity for us long-term? Yes, just be cautious of it. It's China, all right. I mean sometimes it's rule by law, not rule of law. For example, it's an election year this year in China. So they're restricting large meetings. So we can't have meetings over, I don't remember the number of people, but it's -- our ability to now have meetings has been hampered by -- everybody's, right, but maybe it's more important in our business than some other people. So we're going to continue to be cautious in China.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

John DeSimone - *Herbalife Ltd. - CFO*

So for those who don't know, we received eight additional provincial direct selling licenses in China, right. We had 16. We now have 24. I think there's 30 that ultimately would cover the whole country. When you don't have a direct selling license, all transactions have to take place in a fixed location, which is either the Company store or nutrition club. When you have a direct selling license, you can sell away from that fixed location.

Because our focus is on clubs, direct selling licenses, we don't believe is a growth driver. We do think it is a validation. I say that softly because I don't want to speak on behalf of whatever the motivation was of the country. But they go through a detailed review process, the country does and the province does to get you the license. So when they give you the license, it is somewhat of a vote of confidence and so validation of the model more than it is a growth driver.

Unidentified Audience Member

I guess does management have a concern between the stock callability and media scrutiny that some of that starts getting back to distributors and (inaudible) the distributor base on that then?

John DeSimone - *Herbalife Ltd. - CFO*

So the publicity has been very focused on Wall Street, Wall Street press, Wall Street audience, which is not what most of our distributors around the world have focused on. So as of yet from what we've seen, no.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

Amy Greene - *Herbalife Ltd. - Vice President, Investor Relations*

(inaudible -- microphone inaccessible)

John DeSimone - *Herbalife Ltd. - CFO*

So from a weight management standpoint, tons of competitors. It's a huge universe, right. It's a big category. People can do it themselves. They can join a number of organizations that help them lose weight. They can take the magic pill, which again we're all about healthy weight loss, but there are people out there who sell a quicker way. So again, we try to position ourselves against fast food and I know that may sound odd for those who haven't heard it before. But what we're trying to do is sell a meal. We want the shake to be a meal and we want it to be a meal replacement, and we want to go against somebody who's already spending a similar amount of money on a very unhealthy meal and have them come to Herbalife for a healthy meal, right.

It's a great selling proposition because it's a replacement spend, I said that a little bit in the presentation, instead of a discretionary spend. The unique aspect that we have at the clubs is a little bit of a do it for me approach with the socialization. But there's always the option of going to Wal-Mart, and buying Slim-Fast, and do it yourself. So that is a competitor. But again, that socialization helps us to keep the consumer sticky and that socialization, I've described it in other presentations as an element that creates consumer discipline. A lot of people get into weight management, weight loss through a different program, whatever it might be, and that doing it themselves it's hard to stay on the program, right. They'll buy the product, stick it in the cabinet, take it for three days and just lose the motivation, I call it the discipline.

When you have socialization around it, if you have a support system it helps you stay disciplined, stay on the product because that's what you need to do to lose weight, right. That goes back to that circle. If you have that socialization that drives product compliance, we call it, which is product usage, you will lose weight. Why? Because it's a slower calorie form of delivering vitamins, minerals, proteins, nutrients, carbohydrates. Right, it's just lower calories.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

John DeSimone - *Herbalife Ltd. - CFO*

I think there is a great -- so globally, there's just a greater awareness of the need for good nutrition and weight management than there's ever been, with consumers, with the press, with the government. All right, I use this example because it's a little dated now but I was surprised when FIFA was in South Africa and there was bad press on FIFA because they had three sponsors, Coke, McDonald's, and Budweiser, and 56% of the women in South Africa were overweight. And the government is going after FIFA for these sponsorships. So it's at a lot of different levels. People are becoming more aware of the need to control their weight as part of their health regimen.

Amy Greene - *Herbalife Ltd. - Vice President, Investor Relations*

And you asked about (inaudible) expense? So basically, consumer (inaudible) in the US, more than 50% of the nutrition club attendees remember that the (inaudible) incremental $75 on products per month on products related to the club. So take home product spending is pretty good and the other question you had was the category growth, and for Formula One, which is our meal replacement shake, based on your (inaudible) status, that category has grown low single digits. So we have the lion's share of the market share of the category at more than 30%.

Number two would be Unilever with (inaudible), number three is [Amlife] with their protein shake. So while it's growing, we're definitely (inaudible) share.

John DeSimone - *Herbalife Ltd. - CFO*

Or as Michael would say, we're making share in all the cases because we're not just trying to take a meal replacement shake away from somebody who's already buying it. We're trying to take it away from fast food, people who haven't tried the product before.

Is that it?

Unidentified Audience Member

(inaudible -- microphone inaccessible)

John DeSimone - *Herbalife Ltd. - CFO*

Our guidance for this year is 12% to 14%, for the second quarter it's 11.5%.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

John DeSimone - *Herbalife Ltd. - CFO*

So we have an aspirational target of ten billion volume points by 2020. So that's an implied CAGR of low double digits to 11% and 12%. It's -- when we guide, when we specifically guide, we guide through a bottom's up process. It starts with our budget, okay. We have one number, not two numbers. Whatever our budget is, that's what we use to guide. We try to be conservative for two reasons. One is we don't want cost getting out ahead of sales. So when you budget significant sales growth, you budget significant expense growth and the expenses get spent whether the volume is there or not. So what we try to do to manage the process is be conservative in the process and use what we call BER, budget exception request. So when a market wants to spend something that's not in the budget, they have to get sign off from us in that process and we only do it when we have more visibility into the revenue.

Forecast is the same thing. So when you get a forecast, the further out you get in the forecast, the more conservative we will be to manage expenses. And we use that same number for guidance.

Unidentified Audience Member

Could you repeat the question for the webcast?

John DeSimone - *Herbalife Ltd. - CFO*

So the question was, we have 13% CAGR over the last nine, eight years, whatever it was in the presentation but we guide 8% to 10% and I think it was just asking to reconcile that.

Okay, well thank you very much.
