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EDITED TRANSCRIPT

HLF - HERBALIFE LTD at Barclays Back to School Conference

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Brian Wang *Barclays Capital - Analyst*

PRESENTATION

Brian Wang - ***Barclays Capital - Analyst***

Alright, everyone, I think we're going to try to get started now, please. Alright, great. Thank you. For those of you who don't know me, my name is Brian Wang. I cover the healthy living space at Barclays. We're very honored to be welcoming Herbalife to our conference today.

The company has experienced tremendous growth over the past several years, mostly attributable to their transition to a daily consumption model versus selling bulk orders previously. It is truly a global company with operations in over 80 countries, and only about 20% of sales actually coming from the US We initiated on the company a few months ago with an overweight rating, and believe it's still in its early stages of growth.

So, I won't take any more of their time. With us today, we have the CFO, John DeSimone, and VP of Investor Relations, Amy Greene. John.

John DeSimone - ***Herbalife Ltd - CFO***

Thank you, Brian. Before we get started, I want to let everybody know there are Formula 1 shakes being passed out. Please try one. It is this product line in its various flavors and formulations represents about 30% of our volume. So, it gives you a good idea of who Herbalife is if you're already not familiar with us.

I'll start the presentation with the Safe Harbor Statement. For those listening on the webcast, this statement is available on our website at www.herbalife.com/ir.

This is an outline -- this first page is an outline of our presentation today, and we'll recap with the same slide. We're going to work first with a summary of our business, and our recent performance. By recent, I mean the last five years. So, a broad of scope in just the last couple quarters.

We'll talk about what is driving our growth, and of course, that starts with the product, and that's why we have samples here. Our products are very relevant today. It is a weight management based product line. It's relevant because we address a true mega-trend, which is the increasing obesity in the world. We also -- anti-aging is something that's very relevant, and as people age they gain weight, so they work together. So, we'll talk a little bit about that and lay out our product line. I think most importantly we'll talk about daily consumption.

So, we have a set of products, no different than a lot of other companies. The way we go to market with those products through our independent distributors is very unique, and it's changed significantly over the last ten years. It's gone from traditional direct selling to something that we call, daily consumption. And daily consumption, we define as a business model where a distributor and a customer -- their customer interacts frequently. And we're going to dig a little deeper on that concept.

We'll also present some new -- recently new, consumption related metrics. As a result of some of the questions that have come up on the company over the last three or four months, we've released new data that support statements we've made publicly in past.

And then you'll see city by city -- so when you talk about daily consumption that's the main driver of growth. When we get to city by city, we're going to talk about a strategy of taking daily consumption deeper into the marketplaces in the communities that we're already in. And then we'll talk about the infrastructure that's required to support that city by city strategy.

And then, we'll focus more on recent performance, and the strong financial performance that the company has been able to enjoy for a few years in a row now.

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This first slide looks at EPS, earnings per share, from 2008 through last year, and last 12 months Q2 2012. A couple of points. We did have a stock split in 2011. So the numbers have been adjusted for the stock split. I would say that some of the key takeaways are this has been a very consistent earnings growth model with the one exception of 2009, when the economy collapsed and the dollar strengthened dramatically. On a constant currency basis, we actually had both sales and EPS growth in 2009 during the very difficult economic climate.

In 2010, in the second quarter of 2010, we had an inflection point in this business. From 2010 to current -- excuse me -- we've had nine straight quarters of double-digit growth. Eight of those quarters have exceeded 16%, and five of those quarters have exceeded 20%. That inflection point really was a result of the economic climate difficulties in 2009 that caused more distributors to adopt the daily consumption method of operation, and have success. And that success has helped other distributors switch to this daily consumption model. So, we'll talk about that at length in a few slides.

From EPS to cash flow, this slide has two key points. The first is that net income and free cash flow is almost identical in this business. Free cash flow equals net income. It's a very good proxy for free cash flow, which is unusual in a fast-growing company. And the second point is, we return that cash flow to our shareholders in the form of buybacks and dividends. We do overweight the return total buyback because of our growth trajectory, and what we believe is a long runway in front of us.

Since 2007, we have purchased through July -- these statistics are through June with our earnings call that we had at the end of July. We also announced that we purchased shares in July. For -- since 2007 through July, we've repurchased $1.5 billion in stock at an average price of $28 per share. That exhausted what was the authorized amount at the time. Since that point in time in July, the Board has authorized an additional $1 billion in share repurchase. We have not -- as of the last earnings call, we have not executed on that yet, but it certainly is our intention to do so with the five year authorization. So, we continue to expect to buy back shares in the future, in addition to our dividend of $1.20 per share right now per year.

A couple other additional points. We entered into a new credit agreement, or amended our current credit agreement. Our current credit agreement prior to July was a $700 million credit facility. We extended that with a $500 million term note, so we have $1.2 billion in the credit facility right now available. We had drawn down $555 million of that at the end of the second quarter. So, we still have $650 million available and unused. And we have a $1 billion buyback authorization that's unused, and we will use that as we see fit, based on the facts and circumstances, any given time.

In general, we try to buy back a reason -- a small amount of shares on a routine basis, and then leave some dry powder for a potential overreaction in the stock, which is something we considered that happened in May, when the stock, again we believe, overreacted. We jumped in the market in a big way with dry powder, and we repurchased $430 million, almost $430 million, of stock between May and the end of July as a result of that dislocation. And we expect to use the new authorization in a similar fashion, meaning, a routine piece, and dry powder for an overreaction.

This next slide, slide 6, looks at our capital structure, which is a very conservative capital structure. Total debt to EBITDA was 0.9 times in 2008. Despite the fact that were returned all of our earnings to our shareholders in buyback and dividend, total debt to EBITDA at the end of June was 0.8. It's almost the same it was in 2008.

Same thing for net debt and EBITDA, and then free cash flow as a percent of -- divided by total debt. So, you can see the very conservative balance sheet, a lot of opportunity to lever up, if we feel necessary, with some limitations because of where we're incorporated, but we're working on overcoming that. So, some broad -- a broad look at some financial metrics over a longer period of time.

Now, we'll talk a little bit about the business. Herbalife is a nutrition weight management company. It's not a weight management supplement company. It is a weight management food company. Two-thirds of our product in food, and you'll see that on the next page.

We are thirty-two year old company. I think that's incredibly important for a multi-level marketing director sales company. Longevity is an indication of credibility. There are companies that get in the industry that have rapid growth and decline. It's called a pop and drop. They have a rapid growth and then decline quickly also. So, that longevity is an important point for investors from a confidence standpoint into the business model.

We are in 84 countries. We'll probably be in around 110 in five years, but the biggest opportunity for Herbalife is still to go deeper in the countries that we already operate in. The countries we operate in represent more than 75% of the world's population. The countries we do not operate in are -- the opportunity is a little more difficult to get at. They're countries where our products are required to be sold in pharmacies, or where distributors can't sell if they're not -- or if they are immigrants, things like that. So, we'll talk about new countries, but the real opportunity is in going deeper in the countries that we're already in.

$3.8 billion in revenue the last 12 months, which just puts it in perspective on the size of the company for those who are not that familiar with us. And then, we are a direct selling company. It's a multi-level model -- it's a multi-level marketing model. I think the legacy of the company, and the terminology we use is a little confusing

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to people, and we will change that over the next few months. But, we call everybody who signs up with us a distributor. And that's a legacy issue, because when the company was founded thirty-two years ago, the company only sold the product in case packs. So, you really were a distributor.

In the nineties, they broke that down and were able to sell individual canisters. And, we now sell individual servings through clubs. So, we're getting close to the consumer, and a lot of people that sign up with the company now are, in fact, just consumers. But we still call them distributors, and I think that's been a -- a point of confusion. Most of our distributors, as they're known today, have no downline, have never had a downline, and they're just single-level distributors. And I think that's important, because that's clearly misunderstood in the marketplace. At least it was three months ago.

And then there are, of course, sales builders. We're a push-oriented company. Some of our growth, certainly most of our growth, comes from our distributors that are building organizations, and those that, we call them supervisors or sales leaders, and they represent around 20% of our distributor base.

Moving on to our product portfolio, almost 63% of our sales comes from weight management products. Half of that, about 30% of our sales, come from the meal replacement shakes. So, we are not a contentious oriented weight supplement company. It's not a magic pill. You take a pill, don't eat for thirty days. That's a very unhealthy way to lose weight.

We are about a low calorie delivery form of a meal, of proteins, carbohydrates, micronutrients, and so forth. So, it's a distinction from a traditional direct selling company. And, like I said, two-thirds of our product is classified as food, and not as traditional supplements.

When you move over to tradition -- what we call targeted nutrition, that is, more akin to what you would think of as a traditional supplement. It's condition specific product -- something for heart health. Still not always a supplement. Some of those products are considered food also, and the number one product in that category is a product called Niteworks that represents around 15% of that category, or around a little over 3% of the company's sales. It's a company founded on nitric oxide developed by the only Nobel Laureate in nutrition. He develops products for us, and that's our number one -- number five selling product in the company, number one in that category.

Moving on to sports and energy, it's a very under penetrated category for us. We're new to that category. We launched a completely new sports line last year in the US, and a little -- in some European countries, and we're globalizing it this year and next. It is a great opportunity for us. We brand through sports. We brand around a healthy, active lifestyle. The teams and the players that wear our name on their chest don't use the products, because they don't need to lose weight. So, we are authenticating that branding by creating a line of products for those athletes.

What's interesting is, we are seeing business models be developed around that sports product line. That sports product line, the reason why it's a slow build, it's a different consumer than we have today. So, it's not just running a new product through our current pipeline. It's defining new customers, and, in fact, new distributors that can sell, and are familiar with selling that product. But it is a good long-term opportunity.

And then outer nutrition is skin care. We're pretty under penetrated and underrepresented there. That is a long-term opportunity for us also. We're working on that category.

When we look at how our products are sold, I think this is one of the more important elements of our growth drivers over the last three plus years, which is the product is positioned as a meal, and a meal replacement. And when I talk about daily consumption, you'll understand better how it's positioned.

But it's important to understand that when a consumer is buying a Herbalife shake, the selling proposition to that consumer is a replacement spend. Don't buy McDonald's. Don't buy some other fast food. Come to Herbalife and save money, whereas traditionally you think of a supplement as being a discretionary spend, which is a challenge in a very difficult economic climate. But as a replacement spend, it's positioned as a savings for better nutrition. So, it's an important element that's helping to drive our growth.

Daily consumption, this will be the -- a few minutes on this slide to define daily consumption. So, again, daily consumption, internally, we define as any business method where a distributor sees their customer frequently. So, when you think of traditional direct selling, and you can pick any direct sell you might be familiar with, they almost always have infrequent contact with their customer. It might be once a month. It might be once every couple of months, and they're looking for a meaningful purchase to happen very infrequently.

We're looking for a very small purchase to happen frequently. The benefit of that type of approach is one, socialization. When you see your customer, especially in weight management, consumers lack discipline to stay on a program when it comes to weight management. Not all, but people buy a product, they'll use it for three days, stick it up in the cabinet and not use it again. When you have a physical location to go to meet somebody, it forces that discipline. And when you're meeting somebody, there's a socialization aspect, and in weight management people lose weight better together, when their with somebody.

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So, that socialization is an important element of the business model. That socialization drives that next circle, which is product usage or product compliance. If you use a product properly, you will lose weight. It's a great product. It's got great nutritional value, but the real core of the product is its low calories. And if you replace one of your meals that you're having every day with a low-calorie meal replacement shake, you will lose weight, and that weight loss is an objective result. When you lose weight, you obviously know you've lost weight. But people around you know you lost weight.

And when we talk about nutrition clubs on the next slide, 60% of the consumers that end up at a club found the club through another customer who had a weight loss experience. So, you can see why weight losses is a good product line to sell person-to-person.

So, you've got the frequent interaction drive, socialization which drives product usage, proper product usage. We call that compliance. That will drive a result. That result builds credibility, and builds a long-term customer, and that becomes a circle.

So, those are the key elements of daily consumption. Daily consumption is seen in different forms. We have weight loss challenges. Think of the biggest loser TV show, where consumers get together on a weekly basis and they weigh in. They put money in a pool. Whoever loses the most weight gets the money. If they gain weight during a week they have to pay more. It's a competition. Think of a competition that helps [your end].

So, there is a socialization aspect, that's important. But, hopefully, there's a product result. You're not required to be on Herbalife to do a weight loss challenge. But the objective is to have the people losing weight ultimately be the ones that use the product that helps build credibility. That is an element that works really well in the U.K., of course, and in the US

If I move over to the right, nutrition clubs are just a core business model of our growth. Nutrition clubs, I got to give you -- I got to give a little history. I'm sorry for this for those who are very familiar with the model already. But nutrition clubs was a concept developed by a distributor in Mexico, who said -- Herbalife has great products. People I know need the product, but they can't afford the product.

Because when you buy the product once a month, and you have to come out of pocket $30, $40, $50, or $100, it's hard for people to afford. If you could break it to a daily price point, you could have it be the same price per serving, but now you break it to $2, $3, $4 per day, it becomes very accessible for people. So, it's not more affordable, but it's more accessible.

And this distributor created a nutrition club out of his home, where he charged a membership for somebody to come in, and they would get up to three core products for free as part of that membership. And that started Mexico growing tremendously well. It started in 2003. Didn't spread to much of Herbalife until 2006. It spread to the US Latino market because there's a -- obviously, a close cultural tie to Mexico. That drove tremendous growth in the US Latino. But most of our distributors still weren't convinced this was the right model.

Well, since 2006, we've had Brazil have success with clubs, Korea, Taiwan. India's now having success. Russia's having tremendous success. I visited clubs in China recently. I visit them in Russia. I visit three in India, and I can tell you they all share some core elements, even though they have different formats. We build a foundation for which distributors can use their entrepreneurial spirit to adapt the club to their needs.

So, I'll just talk about India for a second, because I saw three clubs in India, and they had three different formats. The first format, it was very much a home club in a commercial establishment. It was down -- you wouldn't know it was there. It was down an alley in a really small location right below this gentleman's home. And he rented this club, and everybody in the club knew each other. It was very social. The mother -- this person's mother collected the fee, and this gentlemen worked the club.

Then we went to a second club, very similar format, but in a high traffic area in a strip mall. And, same thing, this one gentlemen ran the club, but the customers were kind of grouped, because not everybody knew each other, but they all knew somebody.

And then last, we went to this really big club, where this woman owned a furniture distribute -- office furniture distribution center, and she had a three-story building. And the top two stories were inventory for her office supply business, and the ground floor was a nutrition club. And there had to be sixty or seventy people in it, and there had to be eight or nine distributors that worked in the club, and they all had the different groups. And they all shared the same core qualities, which are an affordable, accessible price point.

They had -- they positioned the product as a meal replacement. So, it's a replacement proposition, not a discretionary spend proposition. They all had socialization. So, they had the key elements that made the model work, but they all were able to adapt it to their customer base, based on their location. So, it is a very powerful model, and that's really what I hope the key takeaway is.

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Daily consumption, we did this at the end of last year, the end of 2011. It's not an exact science, but there's a lot of statistical information and survey information we can use to determine how much of our business is going through daily consumption. At the time, the end of -- the beginning of this year, end of last year it was 34% to 41%, depending on how you looked at it. Probably could have rounded it at 35% to 40%.

But there was actually a lot of analytics that went into this, and these were the numbers that came out, so we thought we'd use them instead of rounding it to make it look like it was less analytical than it actually was. And there's huge upside, because in the markets like Mexico that started daily consumption, 70% to 75% of Mexico's business is daily consumption. And nine years after starting daily consumption, they're still having double-digit growth. So, there's still upside to that model.

In 2010, we did a nutrition club survey, and this was a survey of consumers in clubs. We did it in three markets. We are redoing it this year, and we'll have updates by the end of the year. But there was some interesting statistics. So, in the US, which is the first two boxes, 55% of the consumers in the club went to that club everyday it was open. Hugely powerful to have that interaction. That many touch points with your consumer. And 55% had been attending for more than six months, so it speaks for the stickiness of the model.

In Mexico, it was 50% attend every day, and 45% had been attending longer than six months. In Korea, which was only one year into clubs two years ago, so they were very new, it was still 30% every day, and 30% attending longer than six months.

And there was some other interesting statistics, though the demographics were different. There were in the US more males going to club than -- clubs than we would have thought. There was a lot more take home sales from clubs of other Herbalife product than just what they get as part of their club membership. So, interesting consumer information. It really speaks to the opportunity that is in front of us.

This next slide -- a lot of this is new. So, we went through, obviously, some interesting times over the last three months. And it started with our earnings call in May, where our business model really got questioned. And we had four action items that we took out of that event, or events that followed.

First, we separated the operators of the company from the people that had to deal with the noise that was going on on Wall Street. And that was hugely important, because the most important thing we can do is deliver. We had great results in Q2, and we took guidance up in Q3 and Q4 to mid-teen growth. So, we believe that's worked. That's important. And it's also important to realize that the noise on Wall Street doesn't impact our business. So, those are two important takeaways. But the first thing is we separated the operators from the people that had to deal with Wall Street.

Second, we obviously determined we needed to be more transparent with statistics we had internally. So, what we've done is made a lot more information available to investors, and we also launched consumer research. We hired Lieberman to do the research. We signed them to a three-year deal. Very well-respected consumer research company. They determined through their first research project that there were more than five million consumers in the US of Herbalife product in the last three months. This was from July, the prior three months of July, that were not distributors. So, it's just more consumer information to give investors confidence in this business model.

Now, I'm going to speak to a few on this slide. The first -- our top three products, are the three products that consumers can get as part of their membership in nutrition clubs. In 2002, those three products represented 35% of sales. In the first six months of this year, they represented 52% of sales. Why is that important? Because nobody questions the level of consumptions taking place in clubs. So, to have the core club products grow at a rate that's 50% faster than our overall company rate, speaks to consumption. I think it's a relevant point.

Retention, one of the most important metrics in direct selling, which is how many of your sales leaders are you keeping between every year. And we measure this -- it's, we measure this every January for people that have been in the business at least a year. And in 2002, that retention rate was 27%. In 2011, it was 52%, which we think is industry leading. And I can tell you, we've had daily consumption markets, like Russia, where it was 77%. There was a time when this company's goal was 50%, and now the goal is over 75%.

But 52% is powerful. It's a once a year figure, so you won't get an update on this year until January of next year, February of next year. But I will tell you that, since we transitioned to daily consumption, that sales leader activity rate is a good indicator of retention. Sales leader activity rate in 2002 was 37%. That means, of our sales leaders, how many are ordering in a given month. And that average was 37% in 2002. It was 53% last year. It's 57% year-to-date this year. So, a lot of people that are coming in the business are having success, and they're staying in the business.

Equally as important is we have a new way to qualify to become a sales leader. This can get really complex. Anybody who wants to dig deeper in this, we'll happily do it offline. But it means we are allowing people to build their way up to sales leaders over a longer period of time, which means we're asking people to get in more slowly. And 23% of our sales leaders this year qualified through this method, which didn't exist until 2009.

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And, if I jump to the next line which can't be looked at in isolation, which is how much of our volume is coming from new people qualifying to become a sales leader, which was 27% in 2002, but only 14% through May. This was as of May. I think that number was misunderstood when we first disclosed it in May, because people looked at this and said -- well, you have less volume coming from new sales leaders, therefore, you have less people coming in the business. It must be a leading indicator that your growth is slowing.

Well, the reality is, the reason why new sales leaders represent a less -- less a portion of our volume is because the foundation is so much stronger than it used to be. When you had people falling off, the new people represented a much greater piece of the business than they do today. When you have 52% of your people stable, and it's grounded in daily consumption, and people are coming in more slowly, the new sales leaders -- doesn't mean less new sales leaders are coming in. It just means they represent a smaller piece of the business. The foundation is that much stronger. So, you have to look at that line with the three above it.

And then lastly, we have a buyback policy. This is something that was questioned back in May, which was how do you track the inventory levels out in the field. This is a number of statistical information we look at based on ordering patterns. But we also look at buyback. So, if a distributor gets in this business, and doesn't have success, and wants to exit the business, they put back to us any product they purchased in the last twelve months. Now, as of the end of April, we had a 10% restocking fee. Since April, as part of being more transparent, we've even eliminated that 10% fee, because there just isn't a lot of that going on, and we need to be more transparent.

So, you can see, importantly, that number represented 2.2% of sales in 2002, and 0.3% in the year-to-date period this year. With no changes. There, there's some country mix changes, but the reality -- just if I look at the U.S, the US had 1.8% in 2002, and 0.3% through the first six months of this year, without any structural changes to the program. So, it's just an indication of more people having success with the business, and it's an indication to us of sell through.

And when you combine it with other information we released on this latest call, which is 20% of our volume in the US, we drop ship directly to the end consumer. The distributors put the order into us, but ask us to ship it to somebody else. That's 20% of our volume, 30% of our orders.

Another 30% to 35% of our volume, we know go through consumers in clubs through a lot of the club survey work we did. So, if you exclude traditional direct sales, where visibility on the end consumer is difficult, and just look at the new form of direct sales, which is drop shipping for us, and clubs, you've got 50% to 55% going directly to non-distributor and consumers before you take in those traditional accounts. So, we have a lot more information available than maybe people realized, and we're going to start communicating it more to provide more confidence to investors.

Let's take daily consumption, which is typified by clubs, now how do we take that club model and penetrate deeper into the marketplace. And we've identified -- we have three course strategies, and it's a hierarchy. Daily consumption, taking it city by city. City by city means identifying instead of by country, identifying by city where the opportunities are; look to unified local distributor leadership within those cities by having what's called a distributor leadership group; having them take responsibility for the cities to make sure people are trained properly, so when they get in the business, they would have a greater success -- likelihood of success. And that they share our commitment to the brand.

Our role as part of that, which is the second bullet point on this slide, and I'll come back to you, is to increase the access points to make the products more available to the people in those cities. But before I get to that, let me talk about Seed to Feed. Seed to Feed is another important strategy of the company. It's not so much a growth strategy as much as it is a protection strategy. The categories at which we operate in, the product categories, are regulated from a manufacturing standpoint. But they're becoming increasingly more regulated, which is not a bad thing. They, [I mean I think], help create a barrier to entry and keep some of the smaller players out.

But for us to have a creditable voice during that process, we felt we need to be prime. We need to be self-manufacturing. So, that self-manufacturing is multi-phase for us. So, we've got into manufacturing in the US That one factory made between 25% and 30% of our production of inner nutrition product last quarter.

We have approved on second factory in the East Coast of the US that we will either build or buy. We are in the process of negotiating right now as to where to put that facility. That will be meaningfully bigger than the one we have today to handle not only capacity we have and need today, but capacity we have -- or need in the future. And we'll also look to have some local manufacturing in some key markets, and that will take some time. But that is a strategy.

And lastly, I'd say we have what is called a botanical extraction facility. So there's multiple processes that go in the manufacturing of our product. But one of the key ones that are most challenging from a regulatory standpoint are extracts from botanicals, right. So, it's taking active ingredient out of the plant, and we will do that for all of our product. We partnered with the Chinese government, believe it or not, who built a facility for us that we lease from them. We started production last month -- two months ago, ramping up now, where all of our botanical ingredients for all of our products, whether we package them or somebody else, will come from our facility.

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So, it will be extracted in a way that we're comfortable with, and we will have complete traceability as to what field the product came from. So, it's an important next step for us, and I think if you look at the manufacturing industry that we're in, you'll find the we're now considered leaders in the manufacturing process of these types of products. And we were at an industry event where the person in charge of our manufacturing was given a lifetime award, and there were a couple of government -- speakers from the government who said that more companies need to be like Herbalife.

So, we went from not manufacturing at all -- it's just validation, right. I know I see a smile out there, but it's validation as to what we're doing. We want to be in control of our products in this category, and this is an important strategy.

From an access standpoint, how do we get the products to the consume -- to the distributors quicker. US, not a major issue. As you go around the world and you look at some emerging markets where there is -- a large percentage of the population is cash only, and there's not a sophisticated infrastructure, how do you get them product. And we've in Mexico partnered with the retailer, where our distributors can call up Herbalife, order the product, pay for the product over the phone, and go to this retailer and pick it up, which drives foot traffic for the retailer. It's great economics for us. We pay them a fee, but it's less than we would have paid to ship the product, and they get the foot traffic. So, it's a win-win.

In places like Russia, we couldn't find a partner in Russia. And I came back from Russia recently, and it's a very unique marketplace in that Russia is highly cash-oriented economy right now with high -- especially Moscow, very high real estate cost, and incredible traffic. To go from one side of Moscow to the other will take three hours by car. And we have one pick up center. And that one pick up center, because people have -- generally pay in cash, eliminates a whole segment of the population that can't participate in Herbalife because they don't have a really accessible way to get the product.

Well, this machine just launched in Russia. It's being tested. But it's an exciting machine. This is like an automated dispensing machine. Think of an ATM for a bank. This is an ATM for Herbalife. It's for distributors only, behind locked doors. You need a distributor ID to get in. When you get in, you have an operating screen that you can see on the bottom left where you put in your order, and the machine dispenses the product. So, we can put this up around Moscow, very inexpensively, not have a pick up center with people and lots of real estate. This is an inventory location within our Oracle system, so we can see the movement. And at night, you can go around and replenish these machines, when there's no traffic.

And just as importantly, on the left, where you see that woman standing by a Skype machine, so if she has a problem, she steps on that pad, and a consumer customer rep comes up from Herbalife to help through the process. So, it's a very interesting trial. We have a lot of hopes for this. This is helping us with access throughout a number of emerging markets, and it's being tested in a number of emerging markets. But Russia was the first one to go live, and we'll have updates over the next few months on how this is working. But this is an important strategy for us long term.

Moving on to performance, this is more recent performance. You saw longer-term performance on the beginning of this presentation. When we look at Q2 performance, we have a number of metrics, some financial, some non-financial. On this page, you're looking at only one financial, which is net sales which was up 17%, while volume was up 23%. There was a huge drag, huge headwind from currency as you know for, probably, other companies you follow. So, volume points up 23, new distributors up 26, new sales leaders up 16, which is not as important metric to me as average active sales leader, which is how many of the people in the business are engaged. And then supervisor retention, which we've already talked about. That's an annual number, and that was up 310 basis points.

When we look at second quarter results, I think this is a really powerful slide. You can see the volume growth, incredibly broad based. North America up 18%, and I think it's probably unique for us as a direct seller and a consumer products company to have that kind of growth when you're already a pretty big company in North America.

In Mexico, nine years after daily consumption started, still growing at 17%; Asia at 29%; South and Central America up 30%; EMEA, which is Europe, Middle East, Africa, up 13%, although that's skewing towards Eastern Europe more than Western Europe. And then China which has good growth, but off a very small base, and as you know, for anybody who has spent any time with management at Herbalife, we're always conservative about China. But still, long term, a good opportunity for us.

Average active sales leaders, we talked about this. This is a level of distributor engagement. You can see that we've had a number of quarters in a row, eight here, where we've had double-digit growth; six where we've had in excess of 20% in average active sales leaders. This is the non-financial metric that most correlates to growth in the near term for Herbalife. It's not a perfect correlation, but it is close. It's a metric that we just started disclosing maybe two years ago, two-and-a-half years ago, to investors.

We used to look at new sales leaders, but new did not measure the quality of the person coming in. Didn't measure if they were engaged, or if they just joined and then got disinterested. So, this is a more important metric. This measures who is ordering in a given period of time. You can see we had 24% more distributors ordering in Q2 of this year than we had of Q2 last year.

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Net sales -- net sales were a little over $1 billion. Headwind, you can see it would have been a little over $1.1 billion with constant currency. An important currency matters for us when only 20% of our business is in the US. From an EPS standpoint, $0.88 last year in Q2, this year $1.10. On a constant currency basis it would be $1.23.

And then guidance -- volume point guidance for the back half of this year, the third quarter, and if you did the math, the implicit in the fourth quarter is about the same, 13% to 15% growth in volume in both Q3 and Q4. Net sales, a little less because we have a headwind, although the headwind is mostly Q3. Q4 is not as much of a headwind, because Q4 last year the dollar started to strengthen.

We give you effective tax rate, CapEx. We haven't talked much about CapEx, but CapEx is generally 3% of sales -- 3% of net sales in this business. It is spiky. It was a lot higher than 3% when we put Oracle in in 2008. It might be a little higher with some Seed to Feed strategies in one year, and a little less in another, but that is a good average number to model in.

Adjusted EPS for Q3, $0.97 to $1.01. For the year, $3.88 to $3.98. The only adjustment in there is the write-off of deferred financing cost from the new bank deal, which is only $0.01, so there isn't much. And then, you can see what last year's was, $0.87, or $3.31.

That, I guess will be the last slide. I'm getting the timer. But you can see we've had a long term, sustainable growth when it comes to volume points. 12% CAGR over the last eight years, a strong number, consistent growth over a long period of time.

And then, this is just a summary of -- we talked about the business, educated anybody on the business, if you're interested in the business, please contact Amy. She'll find a way to get you to a club. I think it will help you understand the business model.

Talked about the growth drivers, the products being meaningful; addressing a real need in the world, being delivered through a daily consumption model that is more effective and efficient than traditional direct selling; taking that model deeper with city by city; and building an economically affordable infrastructure cost -- infrastructure to support that city by city strategy. And, of course, our strong financial performance. And the fact that the financial performance has been unaffected by the noise on Wall Street, which I think is an important message for investors.

And I think that's time. So, I don't know if there is q and a, but I think we've got a breakout session for those that are interested. Thank you.

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