

FINAL TRANSCRIPT

Thomson StreetEventsSM

HLF - Herbalife Ltd. at Morgan Stanley Global Consumer & Retail Conference

Event Date/Time: Nov. 18. 2008 / 3:00PM ET

Nov. 18. 2008 / 3:00PM, HLF - Herbalife Ltd. at Morgan Stanley Global Consumer & Retail Conference

CORPORATE PARTICIPANTS

Rich Goudis
CFO - Herbalife Ltd.

CONFERENCE CALL PARTICIPANTS

Bill Pecoriello
Analyst - Morgan Stanley

PRESENTATION

Bill Pecoriello - Analyst - Morgan Stanley

HPC Analyst at Morgan Stanley. Against the backdrop of economic challenges, Herbalife has had its share of success stories like the strong US growth, Brazil turnaround, and Korea, and its share of challenges such as the softness in Mexico and Venezuela. Here to talk about the Company's prospects as they transition to a daily consumption model and look for incremental cost saves and manage this diverse global portfolio is Rich Goudis, CFO.

Rich Goudis - CFO - Herbalife Ltd.

Thank you, Bill, and hello everybody. I have some prepared comments and I look forward to taking your questions in a breakout period. But first I'd like to roll the video.

(Video Plays)

Okay, well that is a video that actually started going around the world for Herbalife last week and it's really the theme of what we want to discuss today is why Herbalife and why now, and we want to take those two in two different parts and walk you through why Herbalife, why now.

First, let me just again refer you to our Safe Harbor statement that's in our earnings release, quarterly press releases, and this document. Why Herbalife? You heard in the video, 28 year history, successful financial track record driven by positive megatrends. The megatrends that we track around the world are really twofold. One is the global obesity epidemic and the second is the ability for people to earn part time or full time income on an independent basis. A balanced financial strength. We have strong cash flow. Right now our cash flow yield on an LTN basis is about 17%. High variable cost model. We think these are great models to weather differing tempos in the business, and then a strong balance sheet. Today, we're leveraged less than one time EBITDA.

Unique distribution channel for consultative products in emerging markets. The challenge we have to folks like you, very smart, well educated people, but most of you don't know what you're supposed to take each day as it relates to your nutritional needs. So Herbalife and Herbalife distributors provide that consultative service, that differentiated service that you don't find at the retail shelf. Michael Johnson, our CEO, likes to say our retail shelves talk to you. That's the difference.

Tremendous geographic diversification. We're now in 70 markets around the world. We just opened our 70th market yesterday. About 80% of all profits and sales come from outside the United States, large markets outside the US, for example, Mexico is our number two market followed by markets like Brazil, Taiwan, China, Korea, Japan, France, Italy, Venezuela. Disciplined commitment to shareholder value. Over the last year, we've initiated a share repurchase program, \$600 million authorization and through the third quarter this year we've completed \$460 million of that. Additionally, we started a dividend program a little over a year ago. With today's stock price it's actually closer to almost a 5% dividend yield.

And then lastly a proven management team. As you know, this Company went public in '04. It was taken private in 2002 and new management team really started coming into the business starting with Michael Johnson, our CEO, in the middle of 2003.

Nov. 18. 2008 / 3:00PM, HLF - Herbalife Ltd. at Morgan Stanley Global Consumer & Retail Conference

Michael and several of the executives all came in from the Walt Disney Company. Myself, I came from the nutrition business, Rexall Sundown, most recently.

Just a snapshot at the financial performance, whether it's year-over-year growth in terms of volume or revenue, we've been able to continue to weather the storms of the US economy, at least over the last several quarters. Our earnings per share and our margin expansion have tracked as well as our free cash flow.

Our track record for growth, if you look at the top chart that's net sales over the last ten years. And you can see that the only down year in net sales, actually in the company's history, was in 2000. And that was the year the founder of the company passed away, and that caused a lot of confusion and distraction amongst the distributors who thought, what was going to be the future of their company.

You can see the acceleration of growth when the new management team came in place in '03 and you can see how that's translated into strong levels of top line growth over the last four years. And then on the bottom chart, how that growth and top line translates into significantly more free cash flow as well. A strong cash flow and balance sheet, again here, people always ask us, well what's your guidance for free cash? We don't guide free cash, but as you can see net income tends to be a good proxy for free cash flow. And here again, I would just point out to you in the box the very conservatively capitalized balance sheet, again less than one times EBITDA on an LTM basis.

So that was why Herbalife, and the question to you is why now. And I want to talk to you about the transformation of the business and how distributors are now changing how they go to market in this business. And it really starts with breaking the business down to a daily consumptive model. Historically, when people would try to get you to try Herbalife, they would try to get you on a regimen or a monthly program. And that program could range in price from as simple as \$23, \$24 to maybe \$100 or so depending on how comprehensive you wanted that weight loss program to be.

In this economy, I think we would argue that while there might be a lot of people looking to make supplemental income, there might be fewer people every day that can afford \$100 out of their pocket to try a weight loss or weight management program, or improved nutrition program. But when you look at Herbalife on a daily basis, if you take our meal replacement program, and on a retail price of \$1.43, it compares very favorably to alternatives in the marketplace today that most consumers would potentially participate in, as much as 600% less than what a Denny's Grand Slam breakfast.

So if you look at our top ten products, eight of our top ten products are less than a dollar a day. Comparing the cost of Herbalife Formula One shake to other options allows consumers, we believe, in this economy, to trade down. And we think that our distributors are actually positioned in business to capture that. And they're doing that in the form of what we call daily consumption model, or DMOs, daily method of operation, that are either nutrition clubs, and we'll talk a little bit about that over the next few slides, and also what's emerging as a weight loss challenge.

Very much like the theme of the TV show, The Biggest Loser, our distributors are now going into companies like yours, church groups, social groups, fire departments, police departments, et cetera, and running weight loss challenges. So basically giving those folks the opportunity to have access to the product on a daily basis, getting good product results, strong brand awareness, and good retail sales.

So if you take a look at what that means for us, on the right hand side of this chart, internally what we talked about as far as the opportunity for our business, we talked about penetration. And we talk in terms of volume points per capita. Volume point for us is a unit of Herbalife measure that effectively equals one US retail dollar. So if you look on the far right and the box on the bottom, the company average for volume points per capita worldwide is 1.14. If you look up a few lines and you see the US business, it's almost double that at 2.17. And then if you go down a few lines and read Mexico, it's 5.45.

So why is it that the US is twice the penetration of the company average, and why is Mexico five times? And we would argue it's in the form of how our distributors have evolved their business model from selling on a monthly basis to breaking it down

Nov. 18. 2008 / 3:00PM, HLF - Herbalife Ltd. at Morgan Stanley Global Consumer & Retail Conference

to a daily access, creating more access. So on the top box, those markets that we think are currently underpenetrated, a lot of these are emerging markets, China, Russia, Brazil, Argentina, and Eastern Europe. And then new markets that we expect to open up over the next several years, the single biggest being Vietnam.

So let's take a look at what happens when these countries go through this transformation and this uptake from going from basically a traditional retailing -- excuse me, traditional recruiting type of business model to a more daily consumptive model. So let's start with Mexico where the concept of nutrition clubs was actually created in 2000. There was a period of about three or four years where the business was growing at a nice clip, 15%, 20%, 30%, and it went along that pace until 2004 when the company actually went down. The Company executives went into Mexico to try to understand, what is actually the stimulant in this marketplace. Because traditionally in this business, we don't associated Mexico with being a strong direct selling business.

And what we found was that unlike the traditional business of just recruiting people in the business, trying to get them on the program and having them recruit additional sales leaders, there was a very organic retailing model that was going on called nutrition clubs. And very simply in Mexico it was charging people 20 pesos and inviting them into their home, and giving the Herbalife experience on a daily basis, that Herbalife experience being a meal replacement shake, the Herbalife energy tea, and Herbalife Aloe for digestion. But more importantly, creating a sense of community, a support group, and a network from which people got product results, a discussion of good nutrition and weight loss.

And you can see that inflection point in '04 when that business model was validated, because for the few years before that, within the marketplace in Mexico, this method of operation was actually looked down upon by the traditional business leaders, saying that that wasn't a legitimate business, and there was a lot of infighting. But once the Company validated it and gave it a lot of recognition, you can see the acceleration in the Mexican market. Similarly in the US, when we took the company public just four years ago, the US business was actually in a state of decline, and you can see the turnaround in the US business when we introduced the nutrition club concept.

Four years ago, if I was standing here I would have told you that the makeup of the US business was about 60% Anglo, 40% Latino. Today it's the opposite. Today, 66% of our US business is Latino, 34% is Anglo or non-Hispanic, primarily driven by the embracement and the uptake of nutrition club concept within the Latino population. And in the last quarter, our Latino population in the US was up 27%. The US business overall was up a little over 20% and that was eight quarters in a row of double digit growth in the US business.

Let's take a look at two countries that are in a state of transformation going to this nutrition club concept. So some of you, and I see a lot of faces out there that have been tracking this Company, even since the IPO, and others along that pathway. But about two years ago we started talking about the transformation of Brazil. Brazil was a stereotypical recruiting orientation for their model. The distributor leaders from that market went to our annual honors event in March of '06. Left that event saying, we're going to transform our country. We see what's happening in Mexico. We like that success. We like that higher retention, the higher annuity. We're going to convert our model.

So for the last two years we've been actually telling investors along the way how many people in Brazil were actually uptaking the nutrition club, the amount of people that were in it for over a year and what their volume was. And over a year ago, we predicted that the business in Brazil would turn in the second half of 2008, and in local currency actually grow positive. And that's what you're actually seeing, you see the inflection points on the left.

Korea similarly, but a little bit lagging, they've been the most recent country to embrace nutrition clubs and we're seeing a huge strengthening of the Korean business. And again, more balanced towards retail. So as we look forward, what are those markets that we think are going through these states of transformation? Portugal, very much like Brazil, similarly to shift, similar language, led by the same distributor organization, they are now transforming their business.

So don't be surprised in a year or two if we show you a chart of Portugal and it looks just like the last slide of Brazil where you're going to get this slow down in the business as people retrench, and transition, and train people on how to open up clubs. They

Nov. 18. 2008 / 3:00PM, HLF - Herbalife Ltd. at Morgan Stanley Global Consumer & Retail Conference

have a trial period where they actually cultrate the concept to their marketplace, find a legitimate stability, and then start replicating the business. And that's when you start to see the growth.

Similarly, we believe Turkey is going through the same transformation. Russia, while a very large market, I think ten plus time zones, we're seeing a lot of success in the Eastern part of the country, what is called, and is being cultrated locally, calling breakfast clubs. So not really going after weight loss, but they're going after, have the best breakfast you can have every day. And then similarly Argentina we believe is also starting to go through that transformation.

And you can see it in the numbers down in the box below. Again, directionally this is how many club operators we believe there are in these major markets. So Mexico has been running clubs since 2000. We think there's about 27,000 club operators down to Argentina where we believe there's less than a handful. And you can see that -- look at the US business at 6,500 clubs. There's still ample amount of penetration available, we believe, and you look at that from the earlier slide where we said that the US business was penetrated about two volume points per capita versus Mexico's five.

So again, directionally these map numbers start to substantiate why we think we can go deeper in these existing markets. So what is the up side from this deepening penetration? And if you were inside Herbalife through our business planning process, our five-year planning process, it's always about penetration, buying points per capita. And if you look at on the left of the scenario, if we get just the rest of the world to get to the Company average of 1.14, that's a 40% volume growth for our business. And if we were to get the rest of the world plus China to the company average, that's a doubling of our business. So it gives you a perspective of how we think about the business, how we prioritize our investment, and what we try to invest behind as far as moving the needle to deeper penetration.

Another common question we get is are you guys economically resilient, and while we'll find out over the next year or two as we go through some really challenging times, not only here in the US, but probably globally, take a look at the statistics. On the top bar chart, this is volume, and the last recession that we had in the US, the CAGR over these three years of '01 to '03 was 4%, and our guidance for next year growth in volume terms is 4% to 5%, so very much in line. Similarly in net sales, the CAGR was 7% and that's a time when the dollar was weakening against most major currencies, primarily the Euro and the Yen. And next year our initial guidance for '09 is flat to up 1% given how the dollar has strengthened versus most major currencies over the last couple months.

So what are our focused markets? If you look at our top ten markets in terms of net sales, and this is out on our website as far as net sales by market both in local currency and FX adjusted, it's about 70%, 72% of our revenue comes from these top ten markets. In the third quarter, seven of those top ten markets in terms of volume were up. So again this is X currency. This is just true unit of volume or unit of measure in terms of volume. And we have a high degree of confidence that those same set of markets will continue to show growth as we go into 2009.

We do have challenges in three markets of our top ten, Mexico, Venezuela, and Japan, we believe mostly unique to Herbalife, albeit in Mexico we are hearing the initial commentary that less dollars are flowing back from the US into Mexico. But we don't know yet what if any of that impact will have, but it's something we're starting to hear.

So let's take a look on the right hand side and take a look at some of these markets. So for example, the US business which I mentioned earlier, up 18% in 2006, up 25% in '07, and year-to-date tracking at 16%. So our major initiatives for 2009 is to continue to nurture the replication of nutrition clubs in our Latino business. We still believe we have a lot of penetration left. If you look at the number of clubs as 6,500 versus over 25,000 in Mexico. Continue to focus on going deeper in our top 25 metro markets, and then continue to nurture the weight loss challenge method of operation amongst our Anglo distributors. That seems to be the one that is getting a lot of excitement and a lot of initial success.

In Mexico, if you look over the last couple years, in 2005 it's not on here, but it was up triple digits. In '06 it was up 69%. In '07, down 3%, and down 3% year-to-date. What are our challenges there? And I'll start from the bottom, actually, in August of this year we passed along a 15% VAT and this is a business that was just starting to recover from it being down 3% in '07. And when

Nov. 18. 2008 / 3:00PM, HLF - Herbalife Ltd. at Morgan Stanley Global Consumer & Retail Conference

that 15% VAT went into place, it was very much a catalyst for disruption in the marketplace. Where confidence amongst distributors and their customers was just starting to build on the back of a 2.5% price increase in May, to add 15%, effectively almost a 19% price increase, that was very difficult for this very price sensitive market from a consumer standpoint. It's very much a retail oriented model.

So we have to work our way through that. Our thought process is we probably don't comp positive until we anniversary August of next year. That being said, we're working very hard. We're trying to unify leadership, engage leadership, and excite them that this is still a great opportunity, a great time for Herbalife, like you saw from the message from distributors as we started this program. And then improving access to our business.

We continue to try to mine and go deeper in Mexico. In some markets, as I mentioned the overall average in Mexico was five volume points per capita. There are some states within Mexico that are as high as 18 volume points per capita. So the whole idea is how do we get the entire country up to five, and how do we get some of the larger provinces or states above 5, heading towards 18. So this is a market that potentially could double or triple again in size.

South America, I think the biggest initiative that we have is continuing to support Brazil and the nutrition clubs. That's the single biggest market in South America, and as you saw in the last quarter, on a volume basis it was up 28%. Very healthy, very strong growth, again coming on the back of converting their business to a nutrition club business. Stabilize Venezuela. Venezuela's had a lot of challenges, some of it driven by the Chavez economics, if you will, where about two years ago a curve rate or a black market rate for the dollar started to emerge, and that's created challenges for us. One from having the right economics of price in the marketplace, as well as paying our distributors outside of Venezuela at the official rate versus now what we're moving them to is the black market or curve rate, where we actually get our cash.

And then turnaround Argentina. Again, it's typically in the southern section of South America, the Spanish speaking distributors are pretty unified and they go market to market. So we look at it holistically. Although we report to you country by country, we believe that the unified leadership approach will also help pull these markets through and help turn these markets around.

China, we've just had absolute astounding growth since we effectively entered the market. When I started in Herbalife in 2004, I think we did \$1.2 million in net sales. This year we're tracking towards \$120 million, \$130 million in net sales, far outpacing what we thought then was our five-year plan. But this has given us time now to move into the second phase of the business in China, which is substantially integrating a lot of the concepts we have outside of China, these great retailing concepts of nutrition clubs, a concept internal to China called the preferred retailer program, and start to stabilize that business with a balance of retailing in addition to the strong recruiting that we've seen over the last several years. So you can see the growth rate has gone from almost 500%. Last year was a little over 100% and this year just under 100% year-to-date. We would expect that growth rate to continue to slow down.

And then EMEA. EMEA is really a market of effectively two, east and west, where in the west where a lot of our resources have been and the focus has been, we have some good growth in the Mediterranean market, some very stagnant markets in some of the Germanic market, and the real growth opportunity is in Central and Eastern Europe, and we've started to see very good progress there led by our distributors, led by these breakfast clubs in Russia, or other methods of operation to drive retailing in countries like Poland where we believe next year, hopefully, will be a positive growth market for us in terms of volume.

So why Herbalife and why now? We've been coming out and seeing you since early 2004. You can see how our stock has performed over that period of time. Underneath that, you can look at our earnings per share, whether it be actual, or in the case of '08 and '09, guidance. And I think this next slide really talks about maybe why the stock is where it is. Maybe early on in '05 and '06, and into '07 as the growth rate in that green line in the middle of the volume was growing, people were willing to pay for that growth. Maybe now that that volume growth has slowed, or there's probably people sitting there scratching their heads saying, "Rich what I really want to know is how are you going to grow volume next year 4% to 5% if you're guiding flat to down 3% in the fourth quarter." And maybe that's why the stock has underperformed recently.

Nov. 18. 2008 / 3:00PM, HLF - Herbalife Ltd. at Morgan Stanley Global Consumer & Retail Conference

But again, with these markets or with these models, I should say, with direct selling, they generate a tremendous amount of free cash. In addition, we have a dividend and the yield is quite high given where the price is today, and I think that the model, we don't need a lot of capital to grow this business. Our distributors grow the business. We don't need access to the public markets. We have a little over \$300 million in debt and the last year we bought back over \$460 million of our stock. Effectively, our debt is really had to repurchase some of our stock.

So we're a business that doesn't need access to the capital markets. We have ample capacity on our revolver. Our debt doesn't come due until 2012. So there's a lot of concerns that I know a lot of folks have had over the last couple months that just don't affect us, and what's going on with a lot of other companies you're tracking. And then lastly, our report card, we've been very fortunate to be conservative in how we initially guide. When we went public four years ago, the guidance was \$1.10 to \$1.15. We delivered \$1.52. This is the guidance from somebody like Bill Pecoriello said, don't miss your first couple quarters. But probably ultimately, we're very conservative and we over delivered.

The following year, as we ended 2005 and went into 2006, we guided \$1.80 to \$1.85 and we delivered \$2.06. So kind of dialing our level of conservatism, if you will, and we over delivered. Going into 2007, we guided \$2.40 to \$2.47 and delivered \$2.71. And then a year ago at this time we guided \$3.17 to \$3.23, and even with everything going on in the world, even going on with currency of late, we still guided \$3.50 to \$3.55 for this year. Which leads us to our outlook for '09 of \$3.00 to \$3.20 as our initial guidance. And this is predicated on a 4% to 5% volume growth, effectively flat to up 1% net sales given where currencies are today, a tax rate of 28%.

And I think the most important thing that our CEO, Michael Johnson, conveyed a couple weeks ago on our earnings call when we articulated this guidance was, it is clearly our goal to be more profitable in 2009 versus 2008. But this early on, this far away from even getting into 2009 given what's going on with not only the economy in the US, but worldwide, we're not about to go out there and guide any higher. And in fact what we're doing is we're developing a profit assurance plan that as long as volume comes into that 4% to 5% range and currencies hold where they are today, that we should be able to put ourselves in a position to be more profitable in 2009 versus 2008.

Now, we'll be back here in New York on December 16 to have our annual analyst day and we'll go into that plan a little bit more to give you a little bit better visibility into our thoughts and into the assurance that that \$3.00 and \$3.20 is our promise. And I think our track record speaks well. So with that, we have about 13 minutes in this room. I'll be happy to take your questions.

QUESTIONS AND ANSWERS

Unidentified Audience Member

Rich, is there anything you could do to mitigate the impact of currency, which I believe affects you both on a transactional and a translation basis?

Rich Goudis - CFO - Herbalife Ltd.

What we've done historically is we do hedge. We don't get hedge accounting treatment, so effectively the insurance may use our mark to market type of instrument. So even if we were fully hedged for 2009, let's say three or four months ago, effectively we would have guided the same way for 2009, but you would have seen a great profit improvement or profit pickup in the third quarter as we mark those instruments to market.

So we'll continue down that path, but right now given how volatile currencies have been over the last at least 30 to 60 days, we have not gone to market and hedged more than I think 25% of the first quarter right now. So that's where we are.

Nov. 18. 2008 / 3:00PM, HLF - Herbalife Ltd. at Morgan Stanley Global Consumer & Retail Conference

Unidentified Audience Member

Rich, generally speaking, what impact do you think a slowdown in consumer discretionary spending and a US recession will have on the overall vitamin and supplement category in sector?

Rich Goudis - CFO - Herbalife Ltd.

That's a great question. I really can't comment on the whole sector. The statistics we showed in this presentation today was that at least Herbalife in the recession of the early '90s, excuse me, of 2001, 2002, had a volume growth of 4%. So I think this is a business that, while intuitively people want to be able to earn supplemental income when times are difficult, you have to find a way to sell that product to people. And I think that's why the importance of the conversion of our business to the focus of retailing and daily consumption will hopefully allow people who come into the business find a great way to sell that product through.

Unidentified Audience Member

But if consumer discretionary, let's say, is gone and now the consumer only has money to spend on consumer staples, they're going to buy food and probably they're going to pay for gas and oil. But are they going to spend that extra dollar in a Herbalife supplement, or are they going to go to the doctor and spend it on the medication? How do you make that differentiation and whether or not it's going to be possible to still compete in a market where clearly consumer discretionary is going to slow down or go away?

Rich Goudis - CFO - Herbalife Ltd.

I think one of the slides we showed that on a price per serving basis, or price per experience, I think we're significantly less expensive than the alternatives out there of other items that we might call staples, McDonald's breakfast, or Starbucks coffee and a muffin. So unless those things go away, we still have the opportunity. We put our distributors in a position to be able to sell an affordable meal to people. So we do believe that people can trade down and serve a meal to somebody for \$1.40 is pretty reasonable.

Unidentified Audience Member

The problem I have with that example is it's comparing supplements to food and from what I've seen, usually supplements are compared to medicine, to medication. So let's say you're going to take away that supplement. Instead of taking your weight loss formula, you would take a phentermine, which is a regulated drug. So what I'm trying to see, if you can help me out understanding, is whether the US consumer is going to pay first for the Herbalife supplement, or their medication, or both. Even the food issue aside, because from a food standpoint I think you're going to go eat your hamburger or eat your meal, and I think a supplement is not a substitute to food. I think it's more of a substitute to medication and I don't know if it makes any sense.

Rich Goudis - CFO - Herbalife Ltd.

Yes, the example I gave, maybe it was misleading, that wasn't a supplement. That is a meal, our meal replacement. It's a shake, right.

Unidentified Audience Member

I understand, but you guys make vitamins and you have a whole array of products.

Nov. 18. 2008 / 3:00PM, HLF - Herbalife Ltd. at Morgan Stanley Global Consumer & Retail Conference

Rich Goudis - CFO - Herbalife Ltd.

Listen, we don't sell letter vitamins or individual minerals. Typically, our formulas, we have like Total Control --

Unidentified Audience Member

Right, formulations. I mean you sell a broad array of things.

Rich Goudis - CFO - Herbalife Ltd.

That are designed to sell within programs. So the question more is will people seek to manage their weight in economic times, or challenging economic times. And that's when we go back to this whole idea of this global obesity. Maybe people who are looking for jobs might want to look more attractive and thin down a little bit, and lose some weight.

Unidentified Audience Member

How big is weight loss of a percent of --

Rich Goudis - CFO - Herbalife Ltd.

64% of our business.

Unidentified Audience Member

And the other 36%?

Rich Goudis - CFO - Herbalife Ltd.

About 10% is personal care, and the balance, what we call inter-nutrition. So it's energy, it's fitness products, targeted supplements.

Bill?

Bill Pecoriello - Analyst - Morgan Stanley

Rich, can you give us some benchmarks in terms of this transition to daily consumption model? So in some of the lead markets like a Mexico, US, percent of sales from daily consumption. And we saw about a two-year transition in some of the examples, so should we expect a two-year transition in the next generation, Argentina, Turkey, and what kind of benchmarks would you expect there in terms of the conversion to percent of sales from daily consumption?

Rich Goudis - CFO - Herbalife Ltd.

I think, Bill, we've seen that the larger the market the longer the conversion. And I think that was very apparent in a market like Brazil. Very big market, number three market in the world for us, and I think the reason for the conversion time was initially when the distributor leaders left Brazil, went to Mexico to learn the club concept, they came back and a lot of them failed. Because what they saw operate and be successful in Mexico didn't translate or didn't fit the culture in Brazil.

Nov. 18. 2008 / 3:00PM, HLF - Herbalife Ltd. at Morgan Stanley Global Consumer & Retail Conference

So it was through the strong will of the distributors continued to tweak that model, and what we call cultrate that model is where we started to see the success. And then as our distributors do so wonderfully, they replicate success, and it's our job as management to give rise to that and make sure that people were sharing that story. We're giving it stage time and we're giving it a lot of visibility so that people can then move to that market or move to that model and then help that replication process.

So in a market like Brazil right now, we still say a small percentage of the business has actually made the conversion. It's probably less than 50% of the business but that's enough to pass that inflection point. Markets like Taiwan we think are still converting and Taiwan's a top five market. Korea, I think, is number five or number six, and that is going through a great conversion.

So that's what makes us feel really confident that in those top seven markets that there's going to be real growth next year, because these people are, they're converting their business to a daily consumptive model. They're not going to be as sensitive to the economy or the softening of the economy because they're not trying to go head to head and try to sell \$100 monthly supplies, as an example. They're trying to sell a daily Herbalife experience, and I think that's where the differentiation is.

Bill Pecoriello - Analyst - Morgan Stanley

You're confident that as they adapt to each unique, like you give the Brazil example, that it's not going to take two years, that they're learning from neighboring markets and adapt it quicker?

Rich Goudis - CFO - Herbalife Ltd.

I still think it takes time. I think Argentina will probably be a year and a half to two years. Smaller markets, Russia has picked up a little bit quicker because it's not as -- there's not a large market, and one strong distributor leader has really taken hold of this concept and it started about a year ago, and now we're seeing the last couple quarters Russia's been up 50% plus. I think it's giving way to this and it's mostly Eastern Europe, the Eastern part of Russia, and we haven't even started to penetrate the larger cities within Russia. And that's really the opportunity to maybe see triple digit growth over some period of time.

Yes?

Unidentified Audience Member

Rich, following up on the question that you posed that I think is fair that a lot of the audience is sort of thinking about, how do you reconcile the negative Q4 guidance with the positive 4% to 5% volume you're looking for in '09? I know we're going to get a fuller answer in December, but a preview would be appreciated. And then could you also give us an update on the buyback activity?

Rich Goudis - CFO - Herbalife Ltd.

Sure, let's start, the buyback is an easy one. We're doing what you'd expect us to do given where the stock is and we had \$140 million of authority left as we ended the third quarter. So that's as much as I'll say on that.

As it relates to volume, I think you have to really look at the markets that cause and will cause through this quarter acute pressure on our growth rate, and that is primarily Mexico.

We implemented this VAT in August and September was actually declined more than August. So that's concern for us. And then Venezuela going through a transition. The reason for our optimistic outlook, if you will, as we go forward is we look at the markets and we believe that while Mexico may comp negative in the first half, once we get past August we'll comp positive.

Nov. 18. 2008 / 3:00PM, HLF - Herbalife Ltd. at Morgan Stanley Global Consumer & Retail Conference

Venezuela similarly, we think that the worst comp quarter for Venezuela is actually the fourth quarter, and our hope is that as we get into the first quarter and beyond, you'll see sequential volume increases in a market like Venezuela.

This is a very robust, very entrepreneurial distributor leadership group and a great market down there. So those are the two acutes and I think that's what we need to get through in the fourth quarter. South America had a huge fourth quarter last year. They had a lot of promotions leading up to events in the first quarter, and if you go back and look at our numbers last year, you'll see I think Venezuela was up triple, like over 300%. Argentina, Colombia, Chile, they were all up significantly, Peru. The only down market I think in South America a year ago was Brazil.

Okay, well thank you very much. We have a breakout right after this. So thank you for your participation.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2008, Thomson Financial. All Rights Reserved.