

FINAL TRANSCRIPT

Thomson StreetEventsSM

HLF - Herbalife Ltd. at Wedbush Morgan Securities California Dreamin' MAC: Management Access Conference

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CORPORATE PARTICIPANTS

Rich Goudis

Herbalife Ltd. - CFO

PRESENTATION

Unidentified Participant

Well thanks everybody. We'll go ahead and introduce our next company, Herbalife. A pleasure to have worked with these guys. We're a local company actually. Presenting on behalf of Herbalife will be CFO Rich Goudis as well as Andy Speller, been a relatively new head of IR. Rich?

Rich Goudis - Herbalife Ltd. - CFO

Okay, thank you. First let me just start by pointing to our Safe Harbor statement that was disclosed in our last earnings release as a prelude to what we're going to discuss here today.

Why Herbalife? Unfortunately, we couldn't run a video but the video theme is titled, "Why Herbalife? Why Now?" And it's a compilation of about 100 different distributors giving their story of why Herbalife, why now. And as varied as people who have been through soft economic times before and talking about why this has been beneficial to their business in the past and why they have that same outlook today. And that's-- what we're doing more and more is we're creating these tools, which are just basically flash videos and we're using that to give to our distributors to pass along to either their prospects or their existing distribution organization to help continue that motivation and that rally.

But-- so why Herbalife? Over the past 28 years, a successful track record driven by positive megatrends. I think the positive megatrends right now is one of the global obesity epidemic that you're all aware of. And second and more importantly right now is the growing amount of people who are looking for supplemental income, if not more than supplemental maybe full-time income.

A balance sheet that has very strong financial strength associated with it. This is a business that does not rely on the capital markets to grow, does not need credit or access to the credit markets to fund its organic business. It's a business model which has characteristics of very strong cash flow. In fact, people always ask us well what's your free cash projection to be and we don't guide at that level but you can look back at history and look at our net income. It's typically a good proxy for what our free cash flow will be. It's a business model that is high variable cost. So whether it's very strong economic times or soft economic times, the business model sort of rights itself for the majority of the costs. Then it's up to management to handle the rest. And then overall just an under-levered conservatively capitalized balance sheet.

We have a unique distribution channel through 69 markets around the world. Our distribution channel talks to you. If Michael Johnson, our CEO, were here he would say the difference between us and other consumer product companies in our space is that our shelves talk to you. And in the category of health and wellness, we're oftentimes, even very smart people like yourself, you know what stocks to pick, you may not know what nutritional supplements you need. And that's the value of our distribution organization.

We currently operate in 70 markets around the world. The US is approximately 21% of our business. So we have a great geographic reach. And other than the US being 21% and Mexico being about 16%, 17% of our business, the rest of the countries, at least in our top 10, are less than 10% each. Our top ten country-- or top ten countries represent about 70% of our business.

Commitment to shareholder value. In May of 2007, the board authorized its first share repurchase program. To date, we've, through the end of the third quarter, we repurchased \$460 million of our outstanding stock, which at that time was about 15%

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of our outstanding shares. And then we also initiated a dividend, which at current prices is almost a 5% yield. And then lastly, a proven management team. We'll walk you through some slides that talk to that.

While we sync the slides, going to Slide No. 6, Herbalife's performance historically. You can see here again whether it's strong top line growth of double digit over the last several quarters. We've had, just completed our 19th consecutive quarter of double digit top line growth. And also notice that the operating margins have expanded quite nicely over that period of time as well while continuing to invest appropriately and without any type of constraint over spending against our distributor or our sales organization. And as well our earnings with an improving effective tax rate have significantly improved from four years ago. For example, when we took the company public. And again the free cash flow correlation to net income is pretty obvious on this slide.

Going to the next page, talking about a proven management team. This is a slide over the last ten years. When you look at the top one, our net sales, and you can see that the only down year over the last ten years was actually in 2000. And that was more attributable to the loss of the company's founder. If you can go back to that slide please Andy, the loss of the company's founder than it was any economic conditions going on in the US or abroad at the time. And you can see that with the-- with new management that came on in 2003, the top line started to reaccelerate into double digits in the years 2005, 2006, and 2007. Similarly, our cash flow trended with that net sales and grew quite significantly as well.

The next page looks at the balance sheet. Look at the bottom right-hand side of the box and you can look at what our net debt is, is less than one times our free cash. Can very conservatively capitalize on an LTM basis to EBITDA. And again a very strong free cash model and the very characteristic of a direct selling company.

And then why now? I think one of the biggest things that we get asked is this a discretionary spend or is this a staple spend? And I think the answer is somewhere in between, depending on how you are doing the business. How you, as a distributor, are doing the business. What we're starting to see more and more is our more successful distributors and we've seen this in Mexico, we've seen in the US, are starting to transition their business to a daily consumption orientation or model. And when they do that, they start to break down what would be maybe a \$24 monthly supply of our meal replacement shake to a daily consumption of \$1.43 for a shake. Or if you attend a nutrition club, somewhere between \$2 and \$3 for attendance through a nutrition club in the US, maybe 25 to 28 pesos in a country like Mexico.

But I think for people who are trading down in this economy, especially in the US, you look at the comparison of just the Herbalife meal replacement shake at \$1.43. The McDonald's Egg McMuffin meal is 272% more. Starbucks is 300% more. McDonald's quarter pounder with cheese, almost 350% more. And then the Denny's Grand Slam which we all do on the weekends is probably and cheat is over 600% more than the Herbalife meal. That's the concept of trading down and that's where the distributors are trying to capture. In fact, 8 of our top 10 products are less than \$1 a day. And I think that's very important as our distributors try to reach out to people in this soft economic time.

We'll talk about the transformation of the business. And there are really two key methods. One is nutrition clubs, which if you followed the company, started in Mexico around 2000 and what's giving rise in the angle of business in the US now is what's called Weight Loss Challenges. And model very similar to what you see on TV is the Biggest Loser. It is the Weight Loss Challenge. And we'll talk about that a little bit more in a moment.

When we talk internally about how to grow the business, we talk in terms of penetration. Penetration in terms of volume points, which is our internal unit of measure per capita. And if you look at the right-hand side, you can see from our top ten markets from bottom to top, what that penetration is in volume points per capita. So at the bottom you see a company as like Iceland which in fact even given its economic crisis over the last couple months has actually increased from the 16. But the company averages 1.14 volume points or think of it as retail dollars, 1.14 retail dollars per capita on a worldwide basis.

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You look up a few and you look at the US. If we were able to take that worldwide penetration to that of the US, US we've been in business 28 years, that would essentially double the size of the company. That's the way we talk internally. That's how we figure out how we're going to allocate our discretionary dollars of investment.

If you look at a company or a country like Mexico, which is our number two market, it's 5.4 volume points per capita. And then if you were to dissect Mexico amongst its major states, you would see a wide range of penetration, some of the states as being as high as 18 volume points per capita, many being as low as less than 1. So the call within Mexico right now is get everybody to the country average of 5. For us as a company, it's to get everybody up to at least 1, 1.14.

And the key markets that are underpenetrated are in the top left box, countries like China, Russia, Brazil, Turkey, Portugal, and Argentina. And the new markets that we anticipate coming on in line over the next year or so are indicated on the bottom left, the single biggest one being Vietnam.

Let's go back to the theme of daily consumption and why this daily consumption attribute to the dialogue of penetration is I think they go hand in hand. One of the single biggest opportunities we have is to continue to penetrate further in our 70 markets that are open. Yes, we believe that there's opportunity to grow and add new markets. As a comparison, I think Avon's in about 130 markets worldwide. And the United Nations recognize I think 193 countries. So there's ample opportunity to add four or five, six countries a year as a way to build the business. But I think as well there's probably more opportunity to go deeper into our existing countries, especially in markets like the US, like Mexico, like China, like Brazil that have all done well over the last few years with embracing these daily consumption type of model.

So let's take a look at Mexico here on the left. And the whole idea of daily consumption was formed by a distributor, a leadership group in Mexico. And they termed the concept nutrition clubs. Essentially what they did was they broke down the old paradigm of charging somebody for a monthly supply of products. And they broke it down to come to my home for 18 pesos a day, 20 pesos a day. And in that home situation, you'll get an opportunity to have access to Herbalife and the Herbalife experience, effectively one day at a time or-- and that transformed into the meal replacement shake, the aloe product NRT. And what formed that that was a sense of community. And you can see the growth from 2000 to 2003 was very steady and it was like 20%, 30% a year.

When the new management team came in, they asked what's-- what's the phenomenon going on in Mexico? Why is Mexico is very consistently growing the business? We went down into Mexico and found that these nutrition clubs were really the vibrant aspect of that business versus the traditional retailing-oriented component. In early 2004, we validated the nutrition club concept. And you can see that point of inflection where once that was validated and we started to communicate that, put that message on stage, if you will, and create a lot of visibility around the success distributors were having, it really escalated the Mexican business. Similarly, that concept started to migrate into the US in late 2004. And what you saw there was a retrenchment before the build. And over the last eight quarters, the US has been growing double digits.

Similarly with Brazil, the Brazilian leadership subscribed to the nutrition club model in early 2006. Unfortunately, what the distributor leadership in Brazil did they went to Mexico to train on nutrition clubs. They came back and said, we have the idea which was basically the home clubs. And they failed initially in Brazil. And it took time for the Brazilian leadership to acculturate the concept to the Brazilian way of life and the Brazilian consumer. And it gave rise to what is called central clubs, where distributors get together. They share a rented space. And they serve again that same three-- same products but they're giving a sense of community and they're driving weight loss etc. And you can see with Brazil there was a significant decline as people shifted from a recruiting orientation to one of a retailing orientation. And for the last six or seven quarters, we've been basically calling out the Brazil transition or transformation. And over a year ago, we were out pretty publicly saying that we believe that the third quarter of 2008 will be when Brazil will actually pass its inflection point and start to grow positive. And that's exactly what did happen.

Korea is the most recent market to embrace clubs. And you can see again right before the growth spurt was a state of decline.

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And why are these important? Let's look at the next slide. As to the next country that we believe we're going to through or are going through this transition. If you look at Portugal, again same language, same distributor leadership as Brazil. We've seen that curve, if you were to transpose that and put that on that prior page, is tracking exactly the way Brazil did. And next week at our investor we'll do a better job of laying these graphs on top of each other.

Similarly, Turkey we believe is going through the same transformation. And you look at the bottom right-hand box and it gives you an indication of where these countries are with the embracing of clubs and where they can be. So you look at Turkey, we believe right now there's about 10 club operators in Turkey; in Brazil, about 3,700 versus 6,500 in the US and almost 30,000 in Mexico. So that's the kind of opportunity. In Russia, the clubs are called breakfast clubs. In fact, the way distributors pitch that opportunity is come into our club and have the best breakfast you can have all day.

So nutrition clubs are a very important aspect of going deeper in these existing countries. And here what we tried to illustrate is what we talk about internally. Is if we can get, on the left-hand side, if we can get every country, excluding China and I think excluding China and India, up to at least the country or the company average of 1.14 volume points per capita, that's a 40% growth in our volume of our business. And we try to break it down that simplistically. And then we go into a market like Mexico and break it down by state. And we have state challenges and promotions to try to get distributors to strive and to go deeper in their market. It requires investment on our part sometimes by putting sales centers or distribution or access points in those markets, especially in those lower income markets where it's basically the cash-and-carry type of business. And we don't have good like FedEx or internal distribution. And then if you add China to the mix on the very far right, it's almost a doubling of our business if we can get China, which is I think at \$0.05 retail per capita up to that \$1.14, which has a significant impact.

People often ask us, well how does the company do? Are you countercyclical? Do you do well in soft economic times? I'll tell you we went back over 20 years. This is over the last 15 years. We circled in the middle here the last strong US recession if you will and our volume CAGR over those 3 years was 4%. We've guided next year to be up 4% to 5%. On the bottom graph is depicted sales growth which is a 7% CAGR, primarily reflecting the dollar weakening against the Euro during those years. And for next year we've guided flat to up 1% for revenue. So again that's the correlation. That's what we use as a historical guide. I think everybody would agree that with the conditions we're in today, economically are much more widespread, much deeper. And for that matter, to us, more unknown is the outcome.

If we take a look, I think the left-hand part of this is very important because we guided down flat to down 3% in the fourth quarter. And that's given a lot of investors cause for caution. Let's see well you're going to be down in the fourth quarter, how are you going to be positive next year 4% to 5%? And I think as we look at our top ten countries in terms of net sales and they're indicated on the left-hand side, you look at the volume growth in the third quarter, I would expect to stand here a year from now and tell you that those are the same countries growing year over year. I would probably say that other than Brazil, they're probably going to be a slow growth rate. Okay for all, probably independent reasons and then maybe overlay the economy as well as I would probably say the three countries that are declining will probably be declining a year from now, all for again very country-specific issues and maybe overlay on top of that the economy.

And then if you look on the right-hand side, we'll take them kind of big country or market by market. You take a look at the US, what's given rise to the growth 18% top line growth in 2006. It expanded to 25% and then 16% year to date. Again we've come off eight quarters of double-digit growth has been the transformation of the business and the pick up in the Latino segment of our population. Three years ago the Latino population of our distributors was about 35%. Today, it's almost 70% of our business in the US is driven by our Latino distributors.

The top 25 metro markets, we believe that while we've had very strong growth in those top 25 metro markets, the opportunity to go deeper and to get further penetration in the US really resides outside those top 25 metro markets. So it's something that we give you that stat every quarter. But you've seen us recently with some initiatives like the AYSO sponsorship, the American Youth Soccer Association sponsorship, which is our way of trying to create fertile ground for our distributors to then go in and activate these marketplaces. Because AYSO is in a lot of small markets around the country. It gives our distributors the opportunity

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to go out there with an Herbalife tent, have Herbalife product, their business part, and sample and start to drive business in these smaller communities.

And then lastly, we talked about the Weight Loss Challenge. Very much like on the theme of the Biggest Loser. This is our distributors going out and conducting weight loss challenges for you, for your organization, your church group, the fire department, the police station, any kind of social organization. It's very popular. And it's done on a 12-week cycle. And what it does is it allows our distributors to get access to customers, get customers on the product in a trial manner, which is very powerful, and then almost the group itself does our clinical trial, if you will. Cause those people who are more diligent on the product, typically are the ones who lose more weight. So there's success by being on the product. There's an association manner of life to help them get there. And for those people who were maybe cheating or weren't using their Herbalife product, they start to get on the product as the course of the 12 weeks go on because they're seeing that other people are progressing better. So it's a great way to strengthen our brand and our association with having success. And we'll see more and more of that. We're training more on the weight loss challenge. And we've started to take that globally as well.

Mexico, I think it's really key-- three key things. We had significant growth from 2003 through 2006. The size of that market nearly tripled. In 2007, late 2006, early 2007, we kind of hit the wall. Had a lot of growth problems, had a lot of distributor issues. And I think at that time investors were very concerned that the market was going to go into a significant decline. In 2007, the market was down 3%. It's down 3% year to date. We were just at the point I think a point of inflection in the second quarter. We were up 2% in the second quarter this year. And then in August, we passed along a 15% VAT to our Herbalife distributors in Mexico. And that really killed the momentum. It was a very fragile situation to begin with. And that 15% essentially a price increase to them really killed that market and rebounded that market. And we're pretty cautious to think that we're not going to comp positive in Mexico probably until we anniversary this event in August of next year.

So in the meantime, it's unifying leadership. It's getting leadership back in the marketplace. Sharing success stories. Even though the market is down, there are distributor organizations and distributor leaders who are having success, whose checks are growing. So it's the responsibility of management to make sure that we tell that story, tell it on a big stage, tell it in monthly periodicals, give those people access to other distributors so other distributors know that they can get back in that market and it's a very fruitful market to work. And then the challenges from the VAT, which we're continuing to work with local advisors, both political and tax.

South America has also been, over the last couple years, a market for tremendous growth, driven by Venezuela, Argentina. And those countries right now are also in a state of decline. Venezuela, again, very unique and specific in Venezuela. This is a market that we fell behind from a pricing standpoint with the inflation. Knowing it is a Chavez economy if you will. It's-- you have to be very cautious on how you invest in that marketplace. So what we did in the first half of this year is we raised prices twice. We raised it 25% in February and 20% again in May, effectively 50% through the first half of the year. And we saw our volumes come down about 50% over that period of time. Volumes have stabilized and now they're starting to grow again. Now this is the level to say okay, now we can go ahead and invest at this level to make sure that we have good service and good support. And that's what we're doing right now. So again we believe that with Venezuela, we're not going to comp positive in that marketplace until we get through that May timeframe after that second price increase.

Argentina, as we pointed out earlier, I think they're going through very much the same turnaround, trying to shift to a more consumption-based model like we saw with Brazil, like we're seeing with Portugal. And I think it's just a matter of time. We're encouraged that distributor leadership are trying to take that change and that provides a better balancing between retailing and recruiting. And for them it provides them a stronger and more valuable annuity. That's why they do it.

And then support the Brazilian nutrition clubs. Brazil's our number three market worldwide. Brazil, if you look at us compared to like Avon and [Nutura], we're about 10% of what those markets are. So we clearly believe we have a lot of upside. Nutrition clubs has provided us a new avenue for growth and we hope to continue to exploit that opportunity.

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China, whether it's the question mark or the star, depending on I guess what school you went to. For us, it's the unknown opportunity. This is a market that is highly, highly regulated. The government is communist while the people in the market are very capitalist, very much capitalists. So it's a market that we believe we are now transitioning from what we would internally call phase one, which was establishing a base, building a management team, building a product line, expanding into 30 provinces and 90 stores. Now the next phase is to take that sales force that we've effectively recruited and start to teach them good retailing techniques like nutrition clubs that are working now in Taiwan and Korea. And also exploit a section of the Chinese regs which allows for a preferred retail program. We would think of it similar to like a franchise where once you get to a certain level of productivity, you can no longer be an employee or you can have the opportunity to leave the employment of the company and open up your own self-standing store if you will, which is an Herbalife presence. So it'll significantly increase the presence of Herbalife, the access of Herbalife products to people. And for the distributors, it provides them a better financial remuneration. So you'll hear us talk about that and more next week as well.

And then EMEA, Europe for us there's been a real shift in our company that historically we were very Western European oriented. And a lot of our resources and a lot of our focus has been in Western Europe. Over the last year, year and a half, we've started to shift that focus to Eastern Europe and also into Africa. We believe that those areas as well to a degree Middle East, those are going to be the areas for growth. So it's stabilize the Western European markets, nurture those Mediterranean markets that are doing well like France and Italy, and really over invest and take those dollars out of Western Europe and invest those appropriately in Eastern Europe. Russia, Poland have both been up 40% or 50% respectively the last couple quarters and that's the opportunity for growth for us. We're behind the times. We were last to tend to those markets in an efficient manner. And we'll continue to invest in those markets along with these retail concepts like nutrition clubs to grow those markets.

Again, why Herbalife and why now? I take this back to we're just about on our fourth year anniversary of going public. When we went public, there was a lot of uncertainty about Herbalife. And in fact, the US business as you can see from that earlier chart was in a state of decline when we went public. But we went public and I think the street had an expectation of about \$1, \$1.12 in earnings and we went public at \$14. So clearly a better valuation four years ago as an unproven management team with unproven track record. And you look at the earnings per share here from \$1.52 the first full year we went public up to this year, the guidance of \$3.50 to \$3.55. And today where we sit from a valuation standpoint, you know we as a management team we're very focused on the E. We'll leave PE and that valuation you. But rest assure that this management team is very focused on the earnings.

What we tried to do in this slide is delineate between sales and volume. And this is volume with and without Mexico. Because I think there is a correlation. We've had, right or wrong, good or bad, our portfolio of top investors have been very growth oriented and have been a lot of hedge funds. I think some of that is the time we went public and maybe the stereotype of the company at the time we went public. But a lot of people who did their homework fell in love with Herbalife. And a lot of people if you look back at who have the top investors have been, it's typically the same mix of people. What we need to do, Andy and I need to work harder is to get more value people into this business, especially if you look at this last slide given the cash generation of this business. I mean you're looking at today, with today's price of you know 18% to 20% cash yield in this business. And I think that that is often missed by investors. And if you go back and look at that free cash flow chart, it really correlates very high with net income.

So to the last page, which is kind of our track record, if you look at when we went public, I think the estimates on the street were \$1.10 to \$1.15 against effectively this time 4 years ago. We were ultra conservative. I will tell you that, ultra. Kind of like inside the company was by gosh we'll miss a quarter. And we delivered \$1.52. A year later we did a secondary. So we went public at \$14 and a year later we did a secondary I think at \$30 roughly. The guidance on the street was \$1.80 to \$1.85 for 2006. And we delivered \$2.06. So maybe still conservative but less so than the first year. In 2007, a year ago right now, the guidance out there was \$2.40 to \$2.47. And we delivered \$2.71. As we started a year ago, excuse me, \$3.17 to \$3.23 was the guidance that we gave a year ago November and our last guidance that we gave earlier or sorry last month for \$3.50 to \$3.55.

And to establish at least a floor as we believe that we do, our guidance for 2009 is \$3.00 to \$3.20. And I guess it's up to management again to focus on the earnings and whether it's volume, whether it's making sure the currency doesn't affect us too much and

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taking advantage of trimming costs out of this business. And we'll go into a lot more of that detail next week at our investor day. But again this is our track record and this I think is what management is very proud of as it relates to how we deal with the street.

So with that, I'll open up to questions. And for those folks listening, I'll repeat the question.

QUESTIONS AND ANSWERS

Rich Goudis - Herbalife Ltd. - CFO

Yes.

Unidentified Participant

(inaudible-microphone inaccessible)

Rich Goudis - Herbalife Ltd. - CFO

Sure. The question is can you talk more about the nutrition club concept for those who aren't as familiar? Essentially you think about Mexico back in 2000, very hard to get people to buy \$100 monthly supply. And the percentage of that 130 million person population that could afford that was a very small percentage. Distributors very innovate broke that down and said what if I charged people daily for that same experience? The ability to get on a whether it's a weight loss product or a product that just provides them with good nutrition, cause poor people you find oftentimes have very, very poor nutrition habits because of the food that they have access to. So provide them with a meal replacement shake, provide them with the Herbalife tea for energy and then provide them with aloe for digestion. Those became the suite of products along with a sense of community. And there's been a lot of research done that people lose weight together because of that sense of community. And that's what emerged back in 2000 and was dubbed nutrition clubs.

Today we have nutrition clubs, central clubs, commercial clubs, breakfast clubs. Effectively what they are, they are all adaptations or acculturations depending on the country of the same concept which is get people to come together in a convenient location at an attractive price point to experience Herbalife and the Herbalife product on a per serving basis. And it opens up, from that 130 million population and maybe we were hitting the top 5% to 10% to almost mining if you will the bottom of the pyramid. And that's the opportunity for us on a broad basis.

So in Mexico we don't make weight loss claims. If you ask customers of weight loss or of nutrition clubs, why do you come there? A lot of them will rub their stomach and tell them, I was told to come here cause I'd feel better. I mean it's that basic.

In Russia, maybe not as overweight especially in Siberia where our business is really starting to move, but it's for a more healthy breakfast. It's access to very— it's engineered food. It's an engineered meal replacement product. Michael would say it's not meal replacement, it is a meal. And for many of us, that is how we start our day.

So around the world it's taken on different cultural shifts. So in Taiwan for example, it's more of a commercial club. It's in a commercial environment and it's people like yourselves, business people, stopping at a club, having socialization before they start their work day.

Yes?

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Unidentified Participant

(inaudible-microphone inaccessible)

Rich Goudis - Herbalife Ltd. - CFO

Yes the question is, what is the impact of the VAT in Mexico? And I think we were pretty clear that it hit us hard in August. And I think we were down in the teens and I think in September we were down about 20 odd percent. So I think the worst of it is behind us. And now the build has to happen from here. I think it's hurt us in consumption. I think people, back to that affordability, going from 25 pesos up to 28, 29 pesos. While that sounds very small to us, that's material to people that are at that lower socioeconomic level. So I think it's one of getting those customers to come back more frequently. Maybe they were coming three or four times a week. Now maybe they're only coming twice a week. So it's try to get them back in. That's number one.

I think number two is what's hurting us in Mexico is recruiting. And that's been our hurdle really over the last year and a half is to get distributors back into that market to grow that business. A lot of distributors, I mean the market tripled in size from 2003 to 2006. People were making a lot of money in Mexico. And it's one of getting them back into the market. As I mentioned early, if you look at the drastic penetration statistics. We have states in Mexico that are as high as 18 volume points per capita. And we have many that are below 1. So that tells us we're not doing a good job leading distributors to the opportunity and putting in resources in those locations. It's very much a cash-and-carry market. To help them grow those businesses. So we're doing more investment locally and working more hand in hand with distributor leadership to help paint that picture for them of where they should spend their resources and spend their time.

So again I'm cautious. I think that we're not going to anniversary positive until after we get through August of 2009. I think that distributor leaders from Mexico if they were here and our company management team that's working with them, I think they're a little bit more bullish than I am. But I'll stick with my numbers cause that's my promise to you. There's a question here.

Unidentified Participant

(inaudible-microphone inaccessible)

Rich Goudis - Herbalife Ltd. - CFO

Sure, the question is pricing and how centralized is pricing versus local as it relates to Venezuela with the price queues?

I think when-- it depends on the level of qualification of the management team in the country. I think that there was a lot going on in Venezuela. And I think the country leadership just missed that opportunity to continue to raise their prices cause they were going through growth organically. And it wasn't until LA, if you will, looked at that and said, maybe the reason for this explosion in growth is and then you go back and we plotted where our pricing is, where it should be. And we said well, should we invest incrementally millions of dollars in additional facilities and pick-up locations and staff? Is that business real? And it was probably the first time we ever did that in our history where we got smart. And I think the reason for it was because of whose leading Venezuela. I think if it was in Mexico or if it was Spain or you know another traditionally stable political and economic country, I think we probably would have jumped in with both ends as usual and invested behind it. But with that marketplace, it was important to get that value proposition set right, get volume set right, and then work with our distributor leadership to figure out what the right volume is to invest behind. And I think we did that very smartly for our investors as, unfortunately from a growth rate, it's really-- has hurt us. It's a top ten market in decline.

Unidentified Participant

(inaudible-microphone inaccessible)

Dec. 09. 2008 / 6:00PM, HLF - Herbalife Ltd. at Wedbush Morgan Securities California Dreamin' MAC: Management Access Conference

Rich Goudis - Herbalife Ltd. - CFO

Typically are very small. For example, in the US we haven't had a price increase in ten years. In Europe, Pan Europe, we haven't had a price increase since 2002. Typically the price increases are what you suggest, 1.5% to 3%, somewhere in that range. Other than markets that are going through some, I don't want say hyperinflation cause that has an accounting terminology to it, but some higher inflationary than we try to keep pace with that. But we typically lag that probably by six to nine months.

Unidentified Participant

And just a quick follow-up, in the last slide you talked about the Wall Street scorecard, earnings per share versus guidance. I apologize for the ignorance, is that-- what do you guys get paid on, senior management, is it earnings per share or one of the other metrics?

Rich Goudis - Herbalife Ltd. - CFO

One metric, earnings per share. Our belief, when we went public was, you're converting from a private company to a public company, what was the right measure for our annual bonus? And that was to align with you. And it's all on earnings per share. So if you look at our CD&A in our proxy, if you go back, you'll actually see within those ranges where our bonus target was. We tell you that in arrears. We don't tell you that ahead of time. But you can, from our path over the last couple years, you can rest assure that our bonusable objective is probably somewhere in that range of 3 to 3.20.

Unidentified Participant

Your meeting next week, is that here or New York.

Rich Goudis - Herbalife Ltd. - CFO

It's in New York. It's at the stock exchange. It's free.

Unidentified Participant

(inaudible-microphone inaccessible)

Rich Goudis - Herbalife Ltd. - CFO

It's actually next Tuesday, a week from today. So if you want, because it's at the exchange and security is tight, you have to get with Andy Speller. Get him your name. Get him your information because security is tight. It's from noon to 2:00 or 3:00 New York time. It'll be webcast. Yes?

Unidentified Participant

Assuming that the estimates are correct and that the theory holds up that free cash flow essentially approximates net income, can you just kind of walk through what the use of the cash is going to be in 2009? I mean you're paying \$50 million in dividends. What are the other (inaudible)?

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Rich Goudis - Herbalife Ltd. - CFO

The primary investment is in capital and we-- I think we gave a guidance number of around \$60 million. A good portion of that is the conclusion of Oracle and then some fixing of Oracle behind. Beyond investing in our business, which \$60 million is half (inaudible) in a half billion dollar business isn't all that much. Paying down debt comes into mind, although probably just a minimum amount. Given how dislocated our stock is and given the ability that we still have under our authorization, buying back stock is probably going to be right up there at the top. And I think that's what drives that cash yield I mentioned earlier.

Maybe one more question. Yes.

Unidentified Participant

(inaudible-microphone inaccessible)

Rich Goudis - Herbalife Ltd. - CFO

The question is some of the growth in key markets over the last few years have been markets that are commodity-based and what does that look like in the future? That's a great question and I'll answer it with a question. We don't have an answer. I mean for us we need to focus on our distributors, giving them the tools and the capability to do their business one customer experience at a time, to continue to share with them the successes that are happening alongside them. Cause it's very easy in an independent business if your check is down to think that that's the case with everybody. It's like everybody in this room, I'm sure not everybody's portfolio is up, but I'm sure there are some people who are outperforming in this room. And if we were to celebrate that person, you'd probably want to talk to them after the meeting not me. That's our goal at management is to share great ideas and best practices, celebrate those. We have next year-- I think we'll have 13 or 14 major events. It's our goal is to get these people who are leaders, whose checks are up, and celebrate them. And that's what I think we do really, really well.

Okay. Thanks Andy and I around in the hallway if you need us. Thank you.

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