FINAL TRANSCRIPT

Thomson StreetEvents℠

HLF - Q3 2006 HERBALIFE LTD Earnings Conference Call

Event Date/Time: Nov. 07. 2006 / 11:00AM ET

CORPORATE PARTICIPANTS

Brett Chapman
Herbalife LD - General Counsel

Michael O. Johnson
Herbalife LTD - CEO

Greg Probert
Herbalife LTD - President and COO

Rich Goudis
Herbalife LDT - CFO

CONFERENCE CALL PARTICIPANTS

Michael Lasser
Lehman Brothers - Analyst

Doug Lane
Avondale Partners - Analyst

Andy Speller
A.G. Edwards - Analyst

Chris Ferrara
Merrill Lynch - Analyst

Javier Escalante
Morgan Stanley - Analyst

Rommel Dioniso
Wedbush Morgan Securities - Analyst

Scott VanWinkle
Cannacord Adams - Analyst

PRESENTATION

Operator

Good morning and thank you for joining the third quarter 2006 earning conference call for Herbalife LTD. On the call today is Michael O. Johnson, the Company's CEO; Greg Probert, the Company's President and COO; and Rich Goudis, the CFO. I would now like to turn the call over to Brett Chapman, the Company's General Counsel to read the Company's safe harbor language.

Brett Chapman - *Herbalife LD - General Counsel*

Good morning, before we begin, as a reminder, during this conference call comments may be made which include some forward-looking statements . These statements involve risk and uncertainty and, as you know, actual results may differ from those discussed or anticipated. We encourage you to refer to yesterday's earnings release and our SEC filing for a complete discussion of risks associated with these forward-looking statements and our business. In addition, during this call certain financial performance measures may be discussed that differ from comparable measures contained in our financial statements prepared in accordance with US generally accepted accounting principles, referred to as non-GAAP financial measures. We believe that these non-GAAP financial measures assist management and investors in evaluating and comparing period to period results operations in a more meaningful and consistent manner. Please refer to the investor relations section of our website, herbalife.com, to find our third quarter press release containing a reconciliation of these measures. I'll now turn the call over to Michael.

Michael O. Johnson - *Herbalife LTD - CEO*

Thanks, Brett. Good morning, everyone. I'm sipping my Herbalife Formula 1 shake, which more people in the world are doing today than ever in our history. I thank you for joining our conference call. I begin with some brief highlights from our third quarter, including an overview of our key business accomplishments. Our President, my friend and Chief Operating Officer, Greg Probert will give an update on the progress of our realignment for growth. These initiatives and our key business initiatives underline our outlook for 2007 and Rich Goudis will walk you through our third quarter financial results, provide guidance for the balance of 2006 and for the full year of 2007.

Our third quarter performance exceeded our expectations. Third quarter net sales of $476 million are 19% higher than 2005, stretching our string of consecutive double digit growth quarters to 11. EPS was up 53%. This reflects our on-going commitment to the three R's - recruiting, retailing and retention, as well as an increased focus on supporting successful distributor Daily Methods of Operation, which we call DMOs.

Let's run through a few of our third quarter highlights. Our total distributor base increased 28% versus 2005 to just over 1.5 million. Our new supervisors increased 19%. The total number of supervisors rose 24% to 359,000 which is the highest quarterly growth percentage we've experienced in six years. We've also added 34 new members to our President's Team during the third quarter, a 17% increase over 2005, bringing our total Pres Team number to 958. Furthermore, through the first nine months of 2006, we've experienced over 25% growth in new distributors at every recognition level, leading up to the President's Team which reflects vitality and momentum within our distributor organization. Just last month, it was our pleasure to welcome our third Chairman's Club member from Mexico, bringing the total worldwide Chairman's Club distributorship's to 30. Our Chairman's Club has grown 50% since 2002, which is inspiring for our distributors because these are people achieving their dreams. The continuing growth of our Founder's Circle and Chairman's Club over the past four years encourages other distributors to dream big and make Chairman's Club a real goal. Herbalife is 26 years young and we continue to grow at the very top levels of our distributor organization. Inspiration, aspiration, dreams come true.

Let me know provide a brief overview of our third quarter business accomplishments. During the quarter, we hosted over 50,000 distributors at more than 40 local and regional events. We held three regional Extravaganzas. They were in Los Vegas, Athens, and Mexico City. More than 40,000 of our distributors were in attendance from over 40 countries. On this call, and on all of these calls, I would like to say hello to the distributors who are with us today because I know many of you were in Vegas, Athens and Mexico for these events. Our distributors are, and will always be, our key focus in this company.

More than 3,000 distributors attended our three-day Summer Spectacular in South Africa. We also hosted numerous leadership and training events across all of our regions. During the third quarter, we continued the execution of our branding strategy with a variety of worldwide events, including the JP Morgan Tennis Tournament, the Nautica Malibu Triathlon - which were both here in Los Angeles - the Moscow Peace Marathon, the London Triathlon and the Mexico City Marathon. These sponsorships associate our brands with a healthy active lifestyle and support the three R's. They also offer our distributors opportunity for enhanced activation through sampling efforts, as well as participation in these events. As an example, we had over 1,000 distributors and employees on Team Herbalife between the Moscow Marathon, the London and Malibu Triathlons. Additionally our distributors are taking our brand into the marketplace into their own hands by sponsoring local community activities and sports events, even international events such as Peace Jam's 10th Anniversary and Celebration in Denver, an educational program where more than 3,000 high school students from all over the world had the opportunity to meet with Nobel Prize Laureates, including the Dali Lama, Archbishop Desmond Tutu and President Oscar Arias. All of these 3,000 students returned to their homes with branded Herbalife backpacks and product samples. As a company, we are supporting our distributors by developing marketing tools and materials, such as Herbalife tents and sportswear to assist them in their recruiting, retailing and retention efforts. These promotional efforts done locally are sponsored by distributors and supported by Herbalife.

On our earnings calls we typically provide updates on our five strategic initiatives. Our distributor, product, customer, China and infrastructure strategies. What we have increasingly become more focused on, however, is how to align these strategic initiatives with existing Daily Methods of Operations and how to make prudent investments that will accelerate the globalization of these business systems and methods.

So today I'd like to walk you through a few of our distributor successful Daily Methods of Operation and give you an update on what we did during the quarter to support these methods. Let's begin with Customer Clubs. Clubs have experienced strong growth and penetration in several markets, including Mexico, the US and Jamaica and are gaining traction worldwide. A key indicator of this acceptance is the fact that in the past few months, various members of our Chairman's Club and President's Team has invested their own time and resources to travel to Mexico and Jamaica in order to understand the key ingredients that make this method so successful. Now they are back in their own markets, blending the Club experience into their existing DMOs, which we believe is a positive indicator about the opportunity for further expansion of their business.

During the quarter, we hosted several events where more than 11,000 distributors were trained on Customer Clubs, additionally thousands more were trained at distributor-sponsored events, which were led by some of our top leaders throughout the world. The sport retailing within our distributors nutrition clubs in Mexico, we introduced a five serving Formula 1 Pack, we call F1 Cinco. This was released at our Mexico Extravaganza in September. We are enhancing the packages of our existing products to support our distributors Methods of Operations. F1 Cinco is a great example of this strategy. The new packaging and size make it easy and affordable for club members to enjoy a second healthy meal away from the club. It also helps our distributors increase their daily rings per customer.

Another successful DMO, especially in our US business, is product sampling. This is a great way for distributors to introduce Herbalife products to their customers immediately and potentially get them started on one of our programs. During the quarter, we introduced samples of all 12 products of our NouriFusion Personal Care line, as well as weight management sample packs that include several of our top-selling products, LiftOff, a low cost sampling product in 10 of our European countries and at our North American Extravaganza in July, we launched Formula 1 Instant in our US market. These sample products are also effective lead generators for both Personal Wellness Evaluation and Total Plan DMOs.

In addition to developing specialized product packaging to support distributor business methods, we believe it's also important to launch innovative, door-opening products for our distributors to create excitement and drive momentum. Two weeks ago, we launched our new immunity defense product called Best Defense at our Herbalife University and Leadership Development Weekend here in Anaheim. The US adult cold and flu category generates more than $2 billion in annual sales. Therefore, this product will provide new sampling and retailing opportunities for our distributors. Best Defense is an effervescent drink containing powerful combination of immune boosting ingredients, including Echinacea, zinc, Vitamin C and suzandra.

Now, let me pause here for a second because, as you know, this is the sneezy wheezy season and it wouldn't be me on a call unless I pitched one of our products. So, everyone of you, I want you to get with your local Herbalife distributor and get on Best Defense. We need you healthy throughout this winter season.

We also expanded our presence in the multi-billion dollar anti-aging category in the introduction of five new products in our skin activator line, each containing a glucosamine complex clinically shown to firm and smooth skin while reducing the appearance of fine lines and wrinkles. Not only do we want you healthy, we want you pretty. This line is available in the US, so we plan to develop samples on all five of these products.

During this quarter, we also introduced products that enhance retailing opportunities for our distributors because they are easier to sample, more convenient to use and more affordable. The example is our reformulated version of Garden 7. This is a fruit and vegetable vito-nutrient supplement that has the same nutrients in fewer tables, more convenience packaging and at a lower price point. We introduced the new Garden 7 in mid-July and third quarter sales in the US were up almost 60% versus the same period last year.

Over the next year, we plan to significantly increase our activity in specialized product packaging and our investment in promotional tools and literature to further support our distributors in their recruiting, retailing and retention efforts. As I said before, this is a company about distributors. Distributors business methods and Daily Methods of Operation are vitally important to us.

With regard to our consumer strategy, we remain optimistic about the future prospects of our new eCommerce platform because we will be able to better serve the needs of distributors in supporting them in attracting, servicing, and retaining customers. This has always been the number one objective with this platform. Based on feedback we received from our distributor leadership, we decided to modify the first phase of our direct consumer roll-out and eliminate the risk of channel conflict. We delayed the launch of our consumer site to insure its seamless integration with existing distributor DMOs and expect to complete the modifications to launch the new site by the end of the first quarter of 2007.

That's a brief overview of our third quarter activities. Once again, a fabulous quarter. And as I have said many times before, and I know the staff and all of our distributors worldwide believe this, we are just getting started.

So let me know turn it over to Greg, who will give you an update on the progress of our realignment for growth initiative and our underlying 2007 business strategies. Greg?

Greg Probert - *Herbalife LTD - President and COO*

Thank you, Michael. Good morning, everybody. In our last earnings call, we announced an important realignment initiative which began back in July. Our primary objective was to flatten the organization in order to be more responsive to our distributors and also improve the return on invested capital of our business strategies. The first phase of the realignment was to change our regional structure because we wanted to be close to our markets in order to accelerate decision making and capitalize on specific growth opportunities. As a result, all of our regional GMs now report directly to me and we have increased the number of geographic units from four to seven. These are North America, Mexico and Central America, Brazil, Europe Middle East and Africa, North Asia - which includes both Japan and Korea, Greater China and South America and Southeast Asia or SAM/SEA.

We also just began phase two of this initiative which is geared toward refining our core processes, internal organizational structure and operating model that further streamline decision making and bring us closer to our markets and distributors. As a result, we plan to incur approximately $8 to $10 million in employee-related costs relating to this realignment, most of which is expected to be incurred over the next three to six months.

Now let me walk you through a few key business strategies underlying this realignment initiative and the growth opportunities that we believe will enable us to sustain double digit top line growth into 2007.

In Mexico, our number one market, successful Nutrition Club DMO continues its expansion and has contributed to very strong volume growth over the past several years. However, we have not even scratched the surface on the true potential of the market because our distribution systems and infrastructure limits our penetration to less than 1/3 of the total population. This is critically important in Mexico because over 80% of all distributor sales transactions are conducted at walk-in centers. Therefore, in the fourth quarter, we plan to open six new sales centers in Mexico and in 2007, we plan to expand our distribution outlets in key cities around the country in order to increase access points for our distributors who are continuing to work closely with them to expand the reach of nutrition clubs. Furthermore, we plan to increase the development of products, literature and promotions to support and leverage the success of this innovative DMO and build upon the momentum within our distributor organization.

In the US, two very distinctive distributor groups have emerged over the past 12 months our Latino distributors now account for approximately 50% of our US business, up from 38% two years ago. Similar to their Mexican counterparts, these distributors have quickly adopted and experienced success with the Nutrition Club DMO which we estimate has expanded to more than 1500 clubs nationwide. The second large distributor group is focused on product sampling and the leaders of these organizations represent some of our top US distributors.

Looking ahead to 2007, we plan to continue working with our US distributors to provide training tools for Nutrition Clubs and enhanced product development and support for our sampling DMO. We also plan to launch our new children's line and fitness line next July at our North American Extravaganza, which we believe will enable to penetrate new distributor and customer segments, such as stay-at-home moms, fitness enthusiasts and personal trainers. We believe these actions coupled with a keen focus on the DMOs generating growth within the US distributor organizations help us sustain the double digit volume growth that we have experienced the first nine months of 2006.

Turning to Brazil, an important transition is occurring from historically a recruiting DMO market to a more sustainable customer club DMO model. Beginning in the second quarter, our Brazilian leadership embraced the Customer Club concept that has fueled growth in Mexico and has decided to implement this business method as a means to create a healthier balance between the three R's in this market. Although third quarter grew only modestly versus 2005, we accelerated to 9% year over year growth in both August and September after a transition month in July when volume declined double digits.

Additionally, your five-year strategic plan revealed that we only compete effectively with the nutrition segment of this market, which is only about 1/10th the size of the personal care market in Brazil. Therefore we have developed plans to refine our product portfolio and compete more aggressively in the personal care industry by leveraging our product knowledge and the Total Plan, the successful DMO in Brazil which has contributed to the strong double digit growth we experienced in the market over the past few years.

In South America, we have achieved healthy volume growth across many of our focus markets, including Columbia up 184% during the quarter, Argentina up 68%, Bolivia up 96% and Venezuela up 53%. Last week we announced that we plan to open Peru as our 63rd market in December and over the next year we will increase investing in South America to further support the expansion and penetration of numerous DMOs, including Nutrition Clubs.

In Southeast Asia, we have historically underinvested in the region and haven't given enough attention to the training and development of our distributor or to the implementation of successful business methods and the proper positioning of our products in the marketplace. With an aggregate population exceeding 1.5 billion people, these emerging markets in Southeast Asia remain a key focus area for us and provide us with a compelling growth opportunity. As a result of this realignment process, we are now able to respond more quickly and effectively to the challenges that we face in this reason and have begun developing target strategies intended to return the region to strong double digit organic growth. Our longer term objective in Southeast Asia is to substantially increase our business in India over the next several years.

In Europe, we worked closely with our distributor leaders to revive several of our core markets and increase investment in supporting expansion and successfully led generated DMOs that have driven top line growth in several of the regions of the market, including Portugal, Spain, Italy and France. We have also identified several high potential markets in Europe, such as Russia, Poland and Turkey in which we are substantially under penetrated. Over the next 12 months, we plan to develop detailed strategic plans for these high potential markets and provide our distributors with the tools and training to implement and accelerate successful DMOs in to these markets.

In China, we will continue to expand our retail presence. We opened five new stores in three provinces during the quarter, bringing the total to 33 stores in 20 provinces as of September 30. We also continue working closely with the Chinese government during the licensing process. Timing, however, remains uncertain. We have continued to enhance our product portfolio and remain focused on ensuring that we have the proper infrastructure and strategy in place to capitalize on a long term potential in this important market. In the fourth quarter, we plan to open an additional 9 stores and by the end of 2007, we plan to operate more than 100 stores in approximately 30 provinces. Our fiscal 2007 guidance reflects a very conservative outlook for China until such time as we receive our direct selling license.

In Japan, it appears that the market has stabilized somewhat from the massive double digit declines we experienced from 2000 to 2004. Over the next 12 months, we plan to remain focused on reinvigorating our distributor leadership and exporting successful DMOs into the market, which should create a sustainable customer base and a healthier balance in the three R's.

That concludes the overview of our 2007 regional business strategy. As Michael mentioned earlier, we had another remarkable quarter; however our management team remains focused on the future by making strategic investments in our distributors which will sustain the momentum we have generated over the past several years and by streamlining our organization we'll be able to create better margin expansion in 2007. I'll now turn the call over to Rich to run you through the financial update.

Rich Goudis - *Herbalife LDT - CFO*

Thanks, Greg. Let me walk you through the financials that were contained in the press release issued yesterday, along with giving you guidance for the balance of '06 and first time guidance for the full year '07. During this section, let me remind you that all references to sales are to net sales.

In the quarter, net sales were $476.4 million, up 18.8% versus the third quarter in '05, reflecting continued strong volume and supervisor growth in our top markets. FX had a 1.3% favorable impact during the quarter. On the year to date basis, net sales increased 20.8% to just under $1.4 billion.

Gross profit in the third quarter was $379.2 million or 79.6% of sales. On the year to date basis, gross profit margins remained essentially flat at 79.9%.

Royalty expense for the third quarter was $168.7 million or 35.4% of sales compared to 34.6% in the third quarter last year. Excluding the $4 million non-cash royalty adjustment in the third quarter of '05, royalty expense as a percent of sales increased a modest 16 basis points year over year. And year to date royalty expense increased to $501.3 million or 35.9% of sales, essentially flat with the 35.8% reported in 2005.

SG&A as a percent of sales increased 34 basis points to 30.7% during the third quarter. The increase was primarily attributable to the timing of distributor events as we had three major Regional Extravaganzas during the quarter compared to no major events during the third quarter last year. Additionally with 2006 being a critical investment year for the Company, we have incurred additional expenses related to the expansion of our retail presence in China, the development of our consumer platform and incremental expenses related to the adoption of FAS 123R. On a year to date basis, SG&A expense as percentage of net sales remained flat at 30.2%.

Operating income was $64.5 million or 13.5% of sales, this primarily reflects the lower gross margins and higher SG&A that I just mentioned. On a year to date basis, operating margins remained essentially flat at 13.9% of sales.

On a reported basis, third quarter interest expense increased $17.9 million to $25.9 million versus '05. The increase was primarily attributable to $22.9 million in pre-tax expenses we incurred during the quarter related to our debt refinancing back in July. Excluding this charge, interest expensed declined $5 million to $3 million reflecting the lower average debt balance during the third quarter of this year. On a reported basis, year to date interest expense declined $800,000 to $36.8 million; however, again excluding the Recap expenses incurred in both '05 and '06, interest expense declined by $9.4 million to $13.9 million during the first nine months of '06.

On a reported basis, third quarter effective tax rate was 31.5% compared to 49.1% last year. However, excluding the impact of a $2.7 million tax benefit relating to additional tax deductions from our refinancing activities and the tax effect of debt recapitalization expense that I just spoke about, our third quarter effective tax rate was 38.1%, just at about 140 basis points lower than the low end of our guidance range, which resulted from a corporate tax refund we recognized during the quarter which benefited us about a penny.

We project the full year effective tax rate of approximately 39.1%, excluding the $6.4 million in tax benefits realized during the first nine months of the year which is about 130 basis points lower than our effective tax rate of 40.4% in 2005.

Net income on a reported basis was $26.5 million in the quarter compared to 427.1 million in the third quarter of '05, primarily reflecting the $14.3 million after-tax recap expense. Year to date net income increased 60.6% to $101.5 million.

On a reported basis, third quarter earnings per share were $0.36 versus $0.37 in 2005. However, on a normalized basis, excluding the $14.3 million recap charge and the $2.7 million tax benefit recognized during the third quarter of '06 and a $4 million unpaid royalty adjustment last year, third quarter earnings per share on a normalized basis improved 52.9% to $0.51 versus $0.34 in the same period of '05.

So, in summary our third quarter net sales were 18.8% and our adjusted EPS growth was 52.9%.

Now turning to the balance sheet, we enter the third quarter with $123 million in cash, up $35 million compared to the ending balance at December '05. Inventory increased $14.4 million to $124.2 million compared to $109.8 million at the end of December.

Mexico accounted for approximately $12 million of this increase which was the result of strategic decisions to accelerate inventory purchases to support the rapid growth in this marketplace and to prepare for the border shutdown in Mid-December. A similar situation occurred in third quarter last year when Mexico began growing strong triple digits. However, we expect these levels to normalize in relation to our sales growth over the next several quarters.

CapEx of $23.5 million in the quarter reflects the continued investment in our infrastructure, primarily related to the creation of a new regional office in Los Angeles which opened last month, the development of a consumer platform, the global roll-out of Oracle and additional investments in China.

Now turning to guidance for 2006. Let's discuss the fourth quarter and please note that the fourth quarter guidance contained in yesterday's press release excludes the expenses that Greg just mentioned which are potential realignment costs that will hit our fourth quarter and first quarter.

In summery, our top line growth for the fourth quarter will be between 18 and 20%. An effective tax rate of 39 to 39.5%. Our EPS will be between $0.52 and $0.55, which shows a full year EPS in the range of $2.00 to $2.03. Our fourth quarter CapEx should be in the range of $10 to $15 million.

Let me briefly walk you through our 2000 [sic] full year guidance, as we mentioned in our press release yesterday, the EPS estimates exclude expenses expected to incur related to the realignment for growth initiative. And this being the first time giving 2007 guidance, I just want to reiterate that what we said in August, that we're going to start to slim and streamline the level of detail that we provide in our guidance. So, with that, net sales top line growth rate, '07 over '06, is 10 to 15%. Our effective tax rate we expect to improve to between 36.5% to 37.5%. Our EPS should be in the range of $2.40 to $2.47 and our CapEx should be in the range of $35 to $45 million. That concludes our financial recap for the third quarter and we will now open it up to your questions.

QUESTIONS AND ANSWERS

Operator

[Operator Instructions]. Your first question comes from Michael Lasser from Lehman Brothers. Your question please?

Michael Lasser - *Lehman Brothers - Analyst*

Congratulations on continuing the strong momentum. Can you provide an update on the status of the application for a direct selling license in China? What is the nature of the dialogue taking place with the Chinese government, have they requested to see any additional information and do you have an update on the time frame of when you might think you'll get a license?

Greg Probert - *Herbalife LTD - President and COO*

Okay, this is Greg. A lot of questions in there. Let me just give you a brief update. Yes, we have submitted our application for a license and we are going through that process of getting provincial and state government approval. They have - I think similar to other companies - have come back asking us numerous questions on the application but again, we don't foresee anything in those questions that would be problematic for us ultimately getting our license. In terms of timing, you just never know. We are going through the process, we are very diligent about it. Actually I'm flying over to China tonight to meet with some government officials and move the process along. Percy Chin, who is our general manager spends an incredible amount of his time in Beijing working with Central [Moth Con] and FAIC as well as with provincial government, so we are happy with the progress and don't see any problems with getting a license. The timing is always questionable.

Michael O. Johnson - *Herbalife LTD - CEO*

This is Michael. I just want to add a couple of comments to that real quick. I was in China last week with the whole China team and while I'm excited about the future China, I'm going to continue to downplay China. I think it's a great market, it's a great opportunity but I think we're still two years out from looking at real opportunity in that marketplace. It is a confusing, tough place to do business. I think you've seen it in some of our competitor's numbers, it's softened in that marketplace. My expectations of China are strong but they're going to be well - they are going to be very, very conservative for some time to come. I've been doing business in China since 1985. I've been throwing up red flags about it, we all have, since day one with the investment community just saying, let's be cautious, let's be smart here. We've got tremendous growth going in a lot of places in the world, United States, Mexico, Latin America we're very excited about. We think Europe is going to turn around at some point in the next year. We are seeing a lot of distributors from Europe get into Mexico and get things going. Excited about China, but China to me is a couple of years away from strong growth.

Michael Lasser - *Lehman Brothers - Analyst*

Okay. Based on that, given that some of the other direct selling companies have received their license, do you feel that you'd be at a competitive disadvantage to those that are already operating there using the direct selling model and if so, how might you catch up?

Michael O. Johnson - *Herbalife LTD - CEO*

I think that the method that we're using right now is single level operating out of stores. That is an accepted methodology with the Chinese government. We have got a nice momentum going with the number of stores that we've opened there. I think that some of our competitors who are in different fields, not in the nutritional fields, the cosmetic field, may have a slight advantage because they got their license earlier. I think that one of our competitors who is in the nutritional products business has a license for a very small part of China, so I'm not worried that they are that far ahead of us. Again, we don't know when we'll get our license so it's hard to gauge exactly what the impact will be but let's, again, be realistic about the size and the scope of China on everyone's bottom line. This is barely a top ten market for us.

Michael Lasser - *Lehman Brothers - Analyst*

Okay. And then could you provide an update on how the newly launched products contributed to growth during the quarter? There was discussion last quarter about delaying some of the sales order given the launch of new products and is part of the strong growth in the US associated with the catch-up from the last quarter?

Greg Probert - *Herbalife LTD - President and COO*

Yeah, Michael, I think the new products we launched, primarily at the North American Extravaganza were enthusiastically received. The Instant Formula 1, we saw very big sell-in and what we have seen since on the reorder - a little bit cannibalistic to our core Formula 1 but overall, we think that long term that will improve sales as people are more compliant with their weight management goals because of the convenience of Formula 1. On the Garden 7, which we also reformulated and repackaged, we've seen about a 60% improvement in sales in that product because of the lower price and the improved packaging. So, we are real enthusiastic about the reaction from the distributors and, as Michael mentioned, most recently, just a few weeks ago we introduced Best Defense, which is a knock-off and better product than what's out there in the market, say from a retail standpoint.

Michael O. Johnson - *Herbalife LTD - CEO*

I wouldn't call it knock-off. I'd call it an improvement.

Greg Probert - *Herbalife LTD - President and COO*

Thank you. A much more robust, efficacious product than …

Michael O. Johnson - *Herbalife LTD - CEO*

Not to step on your answer.

Greg Probert - *Herbalife LTD - President and COO*

And I think that the distributors, again the $10.00 price point, it's a door opener for people to go back and talk to customers who they may have not heard from for awhile so, again, it helps the sampling method as well.

Michael Lasser - *Lehman Brothers - Analyst*

Okay. What was the feedback on the direct to consumer platform that prevented you from moving forward there. Obviously it's about cannibalization but given that, would it prevent you from rolling that out at some point in the future?

Greg Probert - *Herbalife LTD - President and COO*

This is Greg again. No, it won't. We plan on rolling it out first part of next year, of Q1, hopefully. There's just some concern amongst distributors as to whether this would create some channel conflict and our distributors have looked at what happened to other companies when they have launched similar platforms and we just wanted to make sure that we address those concerns with our leadership in the US and that we went slow and, frankly, delaying the launch for a quarter isn't going to effect the ultimate valuation of that initiative, but we want to make sure that everyone understood exactly what we are doing. The embraced it and supported it so we thought it more prudent to take a couple of months and meet with the leadership and make sure that we have addressed all of their concerns. Again, ultimately it won't impact the value of that initiative or the functionality of the eCommerce platform.

Michael Lasser - *Lehman Brothers - Analyst*

Okay, and last question. Since the company should probably have a net cash balance at some point in 2007, what are your updated thoughts on how you'll send excess cash? Is acquisition a priority and if so, what might be a target?

Michael O. Johnson - *Herbalife LTD - CEO*

We are in extraordinarily active discussions with our board and among ourselves about the best use of cash in this company right now. We are just not at liberty to discuss those opportunities but we believe that there are some very strong opportunities in front of us in the near future.

Michael Lasser - *Lehman Brothers - Analyst*

Okay. Thank you very much.

Greg Probert - *Herbalife LTD - President and COO*

Thanks, Michael.

Operator

Our next question comes from Doug Lane of Avondale Partners.

Doug Lane - *Avondale Partners - Analyst*

Hi, good morning everybody. Thinking on China, real briefly, can you give us an update on what you expect your sales level to be in China this year and profitability and the same for next year?

Rich Goudis - *Herbalife LDT - CFO*

I'll answer on this year, Doug. When we initially guided for '06, we thought China would be somewhere between $30 and $50 million top line. Halfway through the year, because of the delay in receiving the license, we said we thought net sales would come in closer to the lower end of the range, as well as when we originally guided, we thought there would be a net loss of $8 to $10 million. We also thought that would come in at the lower end of the range. Right now, I think net sales have come in somewhere between $30 and $35 million for the year for China. And probably a net loss of maybe $2 to $3 million. In fact, we saw the last month or two we've just about broken even or broken even on our existing footprint in China. So, we are very enthusiastic. The China management team has been extremely dynamic and shown their experience in penetrating that market really effectively and using the cash and investment wisely. Net sales at the low end of the range, again, is what we expected. As for 2007, I think Greg really mentioned that we are being very conservative. Internally, we are assuming that - in our internal plans - worst case that we don't get a license and we are budgeting that accordingly and that's what is reflected in our guidance. So, with that, we would probably expect somewhere between the 20 and 25% growth, excluding a license.

Doug Lane - *Avondale Partners - Analyst*

And profitability, you'll break even?

Rich Goudis - *Herbalife LDT - CFO*

That one I'm going to dance a little bit around because we are going to do the right thing from an investment standpoint, so it could be minus to plus a couple million dollars, depending on what Percy believes is prudent and what Greg thinks is the right thing to do and the timing of when we potentially get a license.

Michael O. Johnson - *Herbalife LTD - CEO*

We will be very pragmatic about China in the next year.

Doug Lane - *Avondale Partners - Analyst*

It sounds like it. It's good to know that your budgets don't assume a license. I assume, then that if there is an announcement there, you will give us an update on the following conference call?

Rich Goudis - *Herbalife LDT - CFO*

Absolutely.

Doug Lane - *Avondale Partners - Analyst*

Okay. Just stepping back, looking at the company and the top line growth where you have gotten into the channel of better than 20% growth in your supervisors, something around 20% growth in your sales, just get us to where we are today, to the 10-15% top line growth you are looking for in '07.

Greg Probert - *Herbalife LTD - President and COO*

Hi Doug, it's Greg. How you doing?

Doug Lane - *Avondale Partners - Analyst*

Hi, Greg.

Greg Probert - *Herbalife LTD - President and COO*

I think we have experienced great growth this year, like you said, a little higher than we are guiding next year. I think a couple of reasons. One is, the comps are getting very difficult and it's hard to grow 20, 25% every year. Also, we just want to be conservative. Mexico has been a key driver of the business and make sure that we continue to do that. I addressed some of that in my comments about increasing the infrastructure build in Mexico to increase penetration against our addressable population but we want to see the impact of that before we get too crazy about our numbers in Mexico. So, again, I think it's, largely Europe, which we do believe we probably under invested a little bit and if you look at the realignment for growth, it's one of our targets in really getting a lot more focused on high potential markets in Europe, like we talked about Poland and Russia. So again, I think we are just making sure that we can guide to a number that we feel comfortable that we can hit.

Doug Lane - *Avondale Partners - Analyst*

And conversely, it looks like we're looking for more margin expansion next year. Is this mostly coming from your realignment initiatives or is there something else going on there?

Michael O. Johnson - *Herbalife LTD - CEO*

Well, Doug, I am the mad man about margin in here. Everyone knows it and I believe that we can operate more efficiently now. The troubling place is that costs of goods for us, we are looking for efficiencies but as the oil prices jump around, transportation prices jump around, the other things, the variety of DMOs, the radiation, all the things that we are faced with now in our industry, maybe some of the cost of goods savings aren't going to come as quickly or as deeply as I had hoped. I believe that in our realignment, we are going to have some cost savings. I think we are, unfortunately we had a tough day here yesterday. We let some people go out of our company but we are going to replace those bodies closer to the marketplace with people who are more functional, if you will, to distributors, distributor facing, so we may be taking someone out at the Vice-President or Director level and it may end up being a cashier in China. So, we want to make sure that we are putting the right people in the right place, keeping headcount as intelligent as we possible can. And also with a keen eye on margin expansion in this business, so I'm all over that. Rich is all over it. Greg is all over it. It's a high priority in the company. But it'll come over a period of quarters, semesters and years.

Doug Lane - *Avondale Partners - Analyst*

All right, thank you.

Operator

Our next question comes from Andy Speller with A.G. Edwards.

Andy Speller - *A.G. Edwards - Analyst*

Thanks, good morning. Michael, I missed your comments about the delay of the roll-out of the consumer website. Can you just repeat what you said there?

Michael O. Johnson - *Herbalife LTD - CEO*

It was Greg who spoke about is, so I'll let Greg continue his comments. I'll be happy too, but I'll let Greg.

Andy Speller - *A.G. Edwards - Analyst*

Sorry, Greg.

Greg Probert - *Herbalife LTD - President and COO*

No problem.

Michael O. Johnson - *Herbalife LTD - CEO*

We must start sounding alike at some point.

Greg Probert - *Herbalife LTD - President and COO*

We were just talking that we had some distributor feedback about the issue of potential channel conflict of the eCommerce platform of what our distributors do in the field, so we delayed it, the roll out for a couple of months while we met with - we are currently meeting with distributor leadership to make sure that we address their concerns and we want to make sure that when we do launch this, that there is absolutely no issue with distributor leadership, so again it's just a few month delay while we address those issues. Last comment I made was that delay will not impact the ultimate valuation of this initiative. We are still very bullish that this initiative will empower our distributors to better manage their customers and increase their average ring per customer and help them with retention and tracking of customers, so again we think it's a very, very important initiative but we want to make sure that we do it right.

Andy Speller - *A.G. Edwards - Analyst*

Can you give us some flavor about what you are specifically talking about because I thought you had been working with some of your top leaders in the field as you were beta testing it, so what sort of issues did the masses have that maybe the top leaders weren't so concerned about?

Greg Probert - *Herbalife LTD - President and COO*

It's a great question. It's a little bit of a learning experience for us that when we do beta testing, we probably need to go to a little bit larger audience, earlier before we get to launch date. I think the concerns are really about customer acquisition. If you really look at it, there are two components to the customer issue and one is acquisition of customers and the other is CRM or maintaining and maintenance of those customers. Certainly there was no issue with the latter part. It was just how do we work with our distributors at going out and helping them acquire customers and make sure that something we're doing at a corporate level, for instance, a sports sponsorship or online, herbalife.com, is not interfering with what they're doing, so it's really aligning what marketing strategies we are using on and off line with what they're doing in their individual businesses. Again, I think it's a small tweak that will only take a couple of months to address.

Andy Speller - *A.G. Edwards - Analyst*

Okay. Thank you for that and then, also along some of the training and marketing side of things, as you are – it looks like – redefining DMO move to market with the distributors, can you just give us some flavor, what specifically you are investing in there and what you've learned from maybe a couple of years ago?

Michael O. Johnson - *Herbalife LTD - CEO*

Let's talk about the topic from the top and then you can talk about the investments. Here's what we've learned. The product packaging is as important as product. That some of our distributors are operating a sampling style business, where they go out and they can get the customers immediately on the product by offering them a sample pack of Formula 1, of LiftOff, of NouriFusion, getting them introduced to these products immediately rather than have to wait a week for delivery or shipment, they can just say, "Here, try this, check this out. Here is my card." Attach it to it. That's a business - that's a Daily Method of Operation and distributors who are using this are seeing a nice up tick in their business. When you look at the packaging in the Cinco pack - one of the ideas is that in Mexico, we have a $24.95 Formula 1 shake product. That's a little thick for the typical Mexican consumer who is coming in and buying an individual shake from us on a daily basis. But the distributors down there said if you give us a five pack at a more reasonable price, we may be able to uplift retail opportunity there. Garden 7 is a great example. We came out with a product that is actually 8 tabs because we had two broccoli tabs in there but it was - we felt by a lot of distributors and a lot of people that that was a lot of tabs and it was an expensive product. Steve Henig and his team reengineered that product and actually gave us as good, if not a better product, in one tab three times a day that gives the vito-nutrients from 7 fruits and vegetables at half price. So these are huge opportunities for us to improve the business. These are about packaging, realignment. Steve's got a great background in understanding this. We have got our marketing team now underneath Steve. We have made a realignment there so product and marketing are together. They are listening, they are talking to distributors more frequently, getting to understand how those business practices in the field can be impacted by better decisions here at corporate in packaging, in the product that we go forward with. Steve leads the team that works with distributors on what are some of our next products out? In defining those products, we are looking at a subtle change, if you will, but not a huge one, in making sure that manage our product releases around big events and not go off schedule with those so that Greg works with Steve to make sure that when we are having an Extravaganza or World Team School that we launch products around them. There are products that are seasonal and smart in nature, just like Best Defense is coming out just in this season right now to make sure that we are very true about getting into the market at the right time, the right place, the right price. This may sound simple to you, but this is a change in the environment around here.

Rich Goudis - *Herbalife LDT - CFO*

And, Andy, what I'd add is we did a realignment under Greg and the seven markets that report now into Greg, we're going to develop plans, similar to what you saw us do with China, very definitive investment plans with very far-reaching goals and, for competitive reasons, we are not going to disclose that on the call, but over time you'll hear us talk about aspects of those plans in those. Most definitely you'll probably hear us talk a little bit about our initiatives in Brazil which are probably further than most along. But I think you'll also hear us talk about finalizing plans in countries like Russia, India, Mexico - Greg touched a little bit about on the call, but we have to say we are going to make investments prudently where we think we can get double and triple digit growth.

Andy Speller - *A.G. Edwards - Analyst*

Okay. Thanks a lot, guys.

Operator

Our next question comes from Chris Ferrara of Merrill Lynch.

Chris Ferrara - *Merrill Lynch - Analyst*

Hey, guys, I just wanted to ask about margins. First and foremost, especially when you look at the US as Clubs have really started to take off and really account for a large portion of the growth, can you dig into a little bit more what the margins look like in a Club-driven business versus the more traditional?

Rich Goudis - *Herbalife LDT - CFO*

To us, Chris, the margins are exactly the same. For the distributors, possibly a little bit enhanced because when they run the clubs, they basically charge full retail on that per serving or per visit basis. So, distributors, they probably experience a little bit better margin on average. For the company, it's the same.

Chris Ferrara - *Merrill Lynch - Analyst*

So your Formula 1 in T-margins are the same as your broader product line in general?

Rich Goudis - *Herbalife LDT - CFO*

Between categories, I think we've been on record saying that our weight management category is our lowest margin category. That's why we talked a little bit about margin mix in gross profits, but maybe 100 basis points lower than our inner-nutrition products and those are about 100 basis points lower than our personal care, so it's pretty tight range, but I think always we've been on record talking about that before.

Michael O. Johnson - *Herbalife LTD - CEO*

Well, I just want to add to that, Chris, is that one thing - again a little point for Steve Henig and what he's doing - his team. They are margin sensitive. They sit with Greg - I was in a meeting a couple of weeks ago and we were talking about products and we wanted to bring a new product to the marketplace and the first discussion, and I was very impressed, among the product group was margin. That was the opening statement. They were looking at -- efficacy is vitally important but we are starting with the first look and we couldn't achieve the margin we wanted and so we killed the product.

Chris Ferrara - *Merrill Lynch - Analyst*

Okay, and when you do something in Mexico, like go to a five-pack, what's the average price per pack relative to the larger packs? Is it the same? Higher, lower?

Rich Goudis - *Herbalife LDT - CFO*

A little bit higher.

Greg Probert - *Herbalife LTD - President and COO*

There's a slight premium but it's not really that important. The issue there was, like Michael said, they are doing single serving and for the 22-serving can, that costs around $25.00, was fine, but we are missing the second meal. A lot of the people that are attending the Clubs want to take samples away to give to their spouses or have their second meal at home and so we came up with the Cinco-serve, I think which is a good compromise between enough servings that we could get cost efficiencies in the pricing and the cost of goods, but small enough retail ring where the customers could afford to buy it. Very successful product that will, again, help the growth and sustainability of the Nutrition Clubs in Mexico.

Chris Ferrara - *Merrill Lynch - Analyst*

Got it. So the price is a little bit higher per serve but the margin's a little tougher on you guys to get the efficiency out of it.

Greg Probert - *Herbalife LTD - President and COO*

Our margins are identical. We didn't take a margin hit. The premium on the pricing was picked up by a slight price [inaudible].

Chris Ferrara - *Merrill Lynch - Analyst*

And, finally, Greg, it hasn't been that long a period of time, but now that you have seven regions reporting directly up to you, what's changed in how you look at things and what have you learned? What's different with this new reporting structure so far?

Greg Probert - *Herbalife LTD - President and COO*

I think one was the whole concept of really aligning what we do at corporate in product and events and promotions with the DMOs and really getting much closer to the markets, especially in some of the countries that didn't report to me before, like Mexico, Brazil and the US. Really to look at what's driving the business and that's generally a DMO and that aligns by distributor organizations so it's real easy to meet with those leaders, find out what's driving their business and really talk very specifically about what their needs are in their organizations, for events and products and promotions and training and then aligning our corporate investment with those. I think that's probably the single biggest thing that we've learned as a company. And Michael talked about that a few minutes ago.

Michael O. Johnson - *Herbalife LTD - CEO*

Let me just, Greg is being humble here. Let me add a plug for this. Greg has been to Mexico three times in the last three months. Sergio directly reports to Greg now. There has been some issues down there and maybe sometimes those issues get lost in translation between someone who reports to someone who reports to someone who ultimately reports to Greg. Greg sees for himself, that's not to downgrade anybody who was reporting before - they are very good executives, but sometimes the urgency doesn't get understood. I think that Sergio understands the urgency we feel about Mexico, we understand the urgency we feel towards them. We want to be more responsible to distributors in those marketplaces and having distributors sit down with Greg and the President's Team down there as well as the Chairman's Club, to say, hey, we have an issue in delivery in this marketplace and the way we were trying to solve it before, maybe we needed a fresh set of eyes to come in and say, you know something, what's another model for this? Can we go outside? Is there third party sourcing? Can we flatten the world a little bit, if you will, and take some lessons from other marketplaces and put them in there. This is a way for us to be more efficient, to cut out some cost layers in what we're doing and to be closer to the bigger markets.

Chris Ferrara - *Merrill Lynch - Analyst*

Thanks a lot. I appreciate it.

Operator

Our next question comes from Javier Escalante of Morgan Stanley.

Javier Escalante - *Morgan Stanley - Analyst*

Good morning, everyone. Actually, I wanted to go back to the US and if you can talk a little bit more about the drivers of the acceleration in the quarter. Have you guys tried to understand how much it is the timing of the Extravaganza now falling in the third quarter over the second quarter last year or try to understand how much exactly is driven by Nutrition Clubs. If you can help us understand the drivers, it would be helpful.

Greg Probert - *Herbalife LTD - President and COO*

Hey, Javier. This is Greg.

Javier Escalante - *Morgan Stanley - Analyst*

Hi, Greg.

Greg Probert - *Herbalife LTD - President and COO*

I think if you look at the US business, you really have to break it down into the Hispanic business, which is about half of our business now. It's growing at about a 50% rate. I think largely that's driven by two things. I think the traditional business has always been very strong in the Hispanic business and, in addition, what we are seeing is - I think we're past the sticking point of Nutrition Clubs in the US. We now believe we have about 1500 Clubs in the US and so I think that we have gone past the inflection point and that's really driving a large part of that growth in the business. Think about 1500 Clubs. In Mexico where we have 34,000, last year at the same point, we had about 19 and the year before that we had 6,000 Clubs, so once they get to the point where, maybe over 1000 to 2000 Clubs, you really start to see exponential growth, so I think that's one thing really driving the Hispanic side of the business. On the non-Hispanic side, which is the other 50%, we are seeing about 14% growth. As I said in my prepared comments, that's really driven largely by the sampling DMO that four of our top distributor leaders in the US have adopted and that's proving to be very, very successful at acquiring and keeping customers and we're also seeing in those organizations is that not only are they breaking supervisors, but they are moving people up the marketing plan. So, they are retaining those supervisors and moving them up to [inaudible]. So very successful DMO and I think those two things combined is what's driving the US business.

Javier Escalante - *Morgan Stanley - Analyst*

And, Greg, at these Nutrition Clubs, you have more openings. Basically what we should be seeing, basically revenues continue growing ahead of the number of supervisors, or distributors, which is what we saw in the quarter, right? Like getting more retail instead of recruiting going forward.

Greg Probert - *Herbalife LTD - President and COO*

If you really think about it though, a Nutrition Club equals a supervisor more or less because once you get to that point of about 1500 volume points a month, then you become a supervisor organically. But it does lag a little bit. And then also there are some Nutrition Clubs that start out at distributors and then move up organically to supervisors. It's a little bit of a lag, like you saw this quarter.

Javier Escalante - *Morgan Stanley - Analyst*

And basically, my question is very similar in Brazil. Right? There you are talking about a reacceleration in August and September and we know that you have been in a transition between the Total Plan and Nutrition Clubs, so what drove the acceleration? Was it that the Nutrition Clubs are gaining traction or is it this pushing to personal care that you guys are talking about ?

Greg Probert - *Herbalife LTD - President and COO*

It's really, I think, the inflection point again of Nutrition Clubs in Brazil. We haven't yet implemented the beefing up of the product line in the personal care side so that's not - that's in the '07 plan to sustain and accelerate growth in Brazil, but it's really, I think we went through the transition period in July and you saw us go back to strong double digit growth at the end of the quarter and I would expect to see similar growth in Q4 into 2007.

Javier Escalante - *Morgan Stanley - Analyst*

And, Greg, my understanding is that the Clubs in Brazil are a bit different than in Mexico. That they look more like traditional retailing. Is it a thought that this would create a higher investment portfolio for distributor and then basically the Club in Brazil probably would be less, the inflection point would be a little bit less pronounced than in Mexico? Is that why you think that way or you think that that's not an issue?

Greg Probert - *Herbalife LTD - President and COO*

I don't think it's an issue, really, Javier. I think in certain organizations, they are taking the Clubs very up market but you see that in the US, too. We are seeing strong Club growth in the Anglo market in the US and that tends to be a little bit more up market, more like a quasi-retail type of environment, but you really look at Brazil. And we are actually talking to our number one distributor in the world who lives in Brazil and he was talking about how many villages and small towns there are with poverty and population of 50 to 100,000 people. So I think you see a lot of the same type of footprint that you see in Mexico. So, I think you'll see very traditional Clubs or the Mexico model being very effective also in Brazil.

Javier Escalante - *Morgan Stanley - Analyst*

And also, back in Brazil, just to understand your plans going to '07, you guys are going more into personal care and we know it's a big market, but also you have the competitors there - you have Avon and Natura, so I know that you probably will limit your comments for competitive reasons, but what would be the competitive advantage that you guys are going to be bringing to the table? Is it more like the business opportunity, is it that you are going to be bringing new product lines, so if you can just give us some sense of where you are thinking for Brazil in personal care, going into '07?

Greg Probert - *Herbalife LTD - President and COO*

Like you said, it's a much bigger market and personal care is about 10 times larger of a market as nutrition is and if you know a very preferred way of buying personal care items in Brazil is through direct selling, evidenced by the size of Avon and Natura down there. So I think, part of it is product and part of it is that we have the best distributors in the world. They have proven over and over again that they can outsell and out recruit distributors from other companies and I think having that distributor base, they have a very motivated and large distributor base down there and given them the right products to get into that market, I don't see any problem with penetrating that $9, $10 billion market.

Javier Escalante - *Morgan Stanley - Analyst*

And, Greg, do you have any sense of how much overlap for your distributors is with Avon and Natura, basically. What percentage of your existing distributor base also sells Avon or Natura products?

Greg Probert - *Herbalife LTD - President and COO*

I don't know that number. We don't track that, but once people get to our tap team, they have to be exclusively the Herbalife. Our agreement says that once they get up to that level, they become exclusively to Herbalife.

Javier Escalante - *Morgan Stanley - Analyst*

And, finally, on China, I understand that you guys don't have the direct selling in the '07 targets, that that is outside but basically what drove the acceleration in the quarter basically? It is -- because you only opened a few, a handful of stores, and the number actually built up nicely relative to the second quarter. Is it that, can you give us a sense of what is the same store sales growth in those stores that you guys opened back in 2005 and what is backing up your strategy of expanding further into retail going into '07?

Greg Probert - *Herbalife LTD - President and COO*

Well, we aren't going to disclose same store sells. We don't think that's a metric that's necessary because it's not the [inaudible] retail environment, but I think that what you're seeing is the choring of stores, so we opened up additional stores, but the momentum from opening stores in the prior quarters, now you are starting to see the more full-year impact of that which is carrying the momentum into --carrying them throughout the third quarter and that's all we expect next year without a license, to be up 20 to 25%.

Javier Escalante - *Morgan Stanley - Analyst*

So, the acceleration is more kind of like a store openings in the last six months, basically.

Greg Probert - *Herbalife LTD - President and COO*

Correct.

Javier Escalante - *Morgan Stanley - Analyst*

Okay. Well thank you very much guys.

Greg Probert - *Herbalife LTD - President and COO*

You're welcome, Javier.

Operator

Our next question comes from Rommel Dionisio of Wedbush Morgan Securities.

Rommel Dioniso - *Wedbush Morgan Securities - Analyst*

I have a question on the Nutrition Clubs. You mentioned 40,000 worldwide and you've trained thousands of distributors. Other than some of the markets that you've talked about, like the US and Brazil, other than Mexico, what are some of the key markets where you expect to ramp up, these markets to gain some critical mass shortly?

Greg Probert - *Herbalife LTD - President and COO*

In Nutrition Clubs?

Rommel Dioniso - *Wedbush Morgan Securities - Analyst*

Yes.

Greg Probert - *Herbalife LTD - President and COO*

You mentioned a few of them, US critical, Brazil we are seeing a strong ramp up. It's not a big market, but Jamaica is very, very positive with Nutrition Clubs and I think - the sticky wick in Jamaica is that it's not going to drive the top line tremendously, but there are a lot of key learnings from Jamaica about how culturate the concept in a different environment and we actually had a lot of US distributors, our African-American distributors in the US go down to Jamaica to see how the Club can be brought into this country. I think big push in South Asia. Rob Levy who ran Mexico and the EMEA is very familiar with the concept now runs Southeast Asia and South America and so he is going to really push that concept of Nutrition Clubs in Southeast Asia and he was just over there a couple of weeks ago. There is a lot of - you are looking at a lot of countries like the Philippines and Indonesia, with large populations and we think those can be very, very successful for Nutrition Clubs.

Michael O. Johnson - *Herbalife LTD - CEO*

Let me just add one thing to that. Mexico, it took almost four years. We say three, but it took almost four years from concept, identification in the market to see if grow up to where it is today. Greg and I had a very interesting call, and this might be anecdotal but I think it's also informational in a sense that it probably is a prognosticator of what could come and I said what could come but one of our top Chairman's Club members from Europe went to Mexico and he had expected to stay there for five or six days and ended up staying for 14 days in Mexico. And the thing that was the most valuable to him coming off this tour was not just the Nutrition Clubs. That was very interesting to him but it was how to apply Nutrition Clubs with a distributor who has an existing business model. Now that is a changed management opportunity in the distributor ranks. So he has to go back and guide and lead his organization to say, there's a wonderful opportunity here. We don't want you to lose momentum on what you're doing but we need to take the opportunity to apply this in the communities in our country that may exist, whether it's a minority community - a Turkish community or a Chinese community - or whatever it is in that marketplace. Can we go after that community which may have a social framework that's tighter than the majority community in that marketplace. Now, if that's making sense to you, I'll just try and simplify it and say it's adapting a new model to an existing model without hurting the existing model. The same is true, as we see in Russia. We think there is a lot of opportunity there but to grow some Nutrition Clubs is going to take a little while. It's going to take a while to adapt it into the community environment of the apartment buildings that are there, to make sure that we are doing things properly with all the local authorities that take place and so it takes a little time and we may be saying this for a year or a year and a half on these calls, as these thing adapt in the local markets, but I was greatly enlivened by the discussion that we had with this gentleman because he is a very methodical, sensible, thinks very hard about these things and didn't just want to see the energy and the excitement but wanted to understand the application and how he would bring it into the marketplaces that he has large organizations in.

Rommel Dioniso - *Wedbush Morgan Securities - Analyst*

Great, thanks very much.

Greg Probert - *Herbalife LTD - President and COO*

We can maybe take a couple more calls, questions.

Operator

Our next question comes from Scott VanWinkle of Cannacord Adams.

Scott VanWinkle - *Cannacord Adams - Analyst*

Hi, congrats, everybody. Just one quick follow-up. On the Nutrition Clubs, is there any measurable between the experience you see in the Latino community in the US versus what you see in Mexico on a per club basis. I don't mean just margins, but the productivity of them. Are they tracking the same way? Is there any -- a comparison would be great if you could, if it's not too early.

Greg Probert - *Herbalife LTD - President and COO*

I think the Nutrition Clubs have been refined so I think they are getting a lot more productivity per location. The locations in the US are still, I would say, in the startup where the Clubs aren't full yet and maybe you're getting 10 to 12 people at a Club where maybe capacity, closer to 18. So, that's the upside and I think the next thing we're seeing now, and the Cinco-serve is one of that, that they are learning to upsell their existing customers. They're -- the way we would use that is we would say same store sells. They are looking and saying how do I get more money from the existing customers. I think that the process will continue to reinvent itself as only we would experience from our distributors. They are very entrepreneurial, very creative people and they create all these concepts and it's just up to us to nurture them and share those with other distributors around the world.

Scott VanWinkle - *Cannacord Adams - Analyst*

Okay. Thank you.

Operator

Thank you. At this time I show no further questions.

Brett Chapman - *Herbalife LD - General Counsel*

Okay. Well, then I'll have the closing remarks from Michael then.

Michael O. Johnson - *Herbalife LTD - CEO*

I want to thank you all very much for being on the call today. Thank you for your questions, the opportunity for us to explain our business a little more thoroughly to you. Obviously we are excited about our company. We learn something every day about running this company efficiently, better, and more distributor focused. The vitality in our company is due to our focus on our number one asset, which is our distributors. Making sure we align our products, our packaging, and our promotions very closely to their business methods so that we can identify with them on a daily basis. It goes in everything we do, rather we are rolling out an eCommerce platform or whether we are rolling out a new product, whether we are rolling out a new promotion, how we align our staff and our management. It's all about our distributors. The more time, the more focus, the more energy we spend with them, the more pleasing these calls will be with you. So we look forward to spending more time with you in the future with you - seeing your conferences, seeing you close up and personal. You are always welcome in our offices. Come and see us. Come and see our new operation center in Torrance where you'll see our science center, our human performance lab, see our distribution center down there. It's a fabulous, fabulous new operation we have down there. We had over 500 distributors go through it at our event in Anaheim, so we look forward to seeing you, hearing from you, and onto the next great quarter. Thank you, Ladies and Gentlemen.

Operator

Ladies and Gentlemen, thank you for participating in today's conference. This does conclude the program. You may now disconnect.