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## Prominent Expert Economist and Former FTC Advisor Provides Analysis of the Herbalife Business Model

***Estimates That 97% of Herbalife's Products Are Purchased for End-Use Consumption  
Determines That Herbalife's Operations Are Consistent with Legitimate Multi-Level Marketing – i.e., Not a Pyramid***

LOS ANGELES--(BUSINESS WIRE)--Herbalife Ltd. (NYSE:HLF) today released the findings from research and analysis conducted by Walter H. A. Vandaele, Ph.D. of Navigant Economics, LLC regarding Herbalife's U.S. business operations. Dr. Vandaele, engaged by the Company to conduct this economic analysis, assessed whether Herbalife's operations appropriately are classified as a beneficial, legitimate Multi-Level Marketing ("MLM") firm.

Dr. Vandaele is an economic expert with significant experience in, among other areas, the regulation and operations of firms in the consumer goods industry. Among his many professional accomplishments, he has previously served as Economic Advisor to the Director, Bureau of Competition and as Assistant Director for Regulatory Evaluation, Bureau of Consumer Protection at the U.S. Federal Trade Commission ("FTC").

Among his numerous determinations, Dr. Vandaele concluded that, "Herbalife's U.S. business operations are consistent with the socially beneficial MLM model and inconsistent with the socially harmful pyramid scheme model."

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Dr. Vandaele conducted extensive research and analysis to compile his report, which supports Herbalife's U.S. business practices and validates the Company's classification as an MLM. Key findings of his research include:

1. An estimated 97% of Herbalife's U.S. product volumes are purchased from Herbalife for end-use consumption. The vast majority of Herbalife's product volume (80%) is consumed by individuals outside the Member network (39%), or consumed by Members who join the Herbalife network primarily to receive product discounts for their own use or that of their family (41%).

Applying an economic test that would require Member performance payment incentives to be primarily funded out of retail-based product sales to be classified as a legitimate MLM, Herbalife's U.S. business operations constitute an MLM and not a pyramid scheme. Based on this test, at least 62 percent of total Herbalife product purchases would need to be retail-based to represent the primary funding source of Member performance payment incentives (or at least 46 percent based on an alternative definition of Member compensation that includes Members' wholesale purchase discounts).

- As already mentioned, an estimated 97% of Herbalife's product volume is purchased by Members for direct and indirect retail end-use consumption. This percentage significantly exceeds the 62% (and the alternative 46%) retail threshold required by this economic test for classifying Herbalife as a beneficial, legitimate MLM.
- Even if personal consumption by Members who joined primarily to participate in the resale business opportunity were excluded, an estimated 80% of product purchases still would be considered retail end-use consumption, which also exceeds the 62% (and the alternative 46%) threshold for classifying Herbalife as a legitimate MLM.

2. Herbalife products have significant intrinsic value and market demand.

3. The investment required for Members to join Herbalife is not large and is mostly recoverable. Member starter pack purchases,

unsellable inventory, and discretionary training material purchases can all be returned to Herbalife through a 100% money-back return policy.

4. For those who choose to participate, the Herbalife business opportunity offers a reasonable prospect of operating a financially successful business:

- Members have a reasonable prospect of being able to profit from reselling Herbalife products.
- The low participation costs allow lower level Members to resell profitably.
- Many Members who choose to pursue the resale business opportunity do in fact earn performance payment incentives.
- An estimated 32% of those individuals eligible for performance payments with one or more Members in their downline earned at least \$1,000, 7% earned at least \$10,000, and 2% earned at least \$50,000.
- Members can earn significant performance payments in reasonable periods of time. Of the three highest level Members, 64% were only in this position 10 years or less and 26% were Members for 5 years or less.

Dr. Vandaele's findings are based on review and analyses of a variety of information and data sources, which was performed beginning in the summer of 2013. This information includes results obtained from Herbalife-sponsored surveys of its U.S. customers and Members that were undertaken by the market research firms Lieberman Research Worldwide ("Lieberman") and The Nielsen Company, B.V. ("Nielsen"). For the Lieberman survey of Herbalife Members conducted in June 2013, Dr. Vandaele participated in the design of the survey sample, the development of the survey instrument and the analysis of the survey responses.

In addition to survey results, Dr. Vandaele also obtained from Herbalife an extract of profile and financial data for all individuals enrolled as U.S. Herbalife Members at any time during calendar year 2012. These data include for each Member, information such as start and termination dates, level achieved in the marketing plan, number of recruited downline Members, volume of product purchases, and performance payment incentives received from Herbalife for product purchases by their downline. The data did not include any Member's name, address, or other similar identifying information.

#### **Walter H. A. Vandaele, Ph.D.**

Walter H. A. Vandaele is a Managing Director in the Washington, D.C. office of Navigant Economics, LLC, a wholly-owned subsidiary of Navigant Consulting, Inc. Navigant Economics is a consulting firm providing expertise primarily in economics, finance, public policy, and business strategy. Dr. Vandaele is an economist knowledgeable in the fields of microeconomics, industrial organization, econometrics, and statistics. His educational background includes a Licentiaat (MBA) in July 1966 from the University Faculties Saint Ignatius (University of Antwerp), in Antwerp, Belgium, and a Doctorandus in Economics, cum laude, in 1969 from the Tilburg University, the Netherlands. He also received a Master of Business Administration in 1973 and a Ph.D. in 1975, both from the University of Chicago. Dr. Vandaele has held several academic positions in the economics and business departments at the University of Chicago, Harvard University, and the Massachusetts Institute of Technology. He has published two books in the field of statistics and econometrics and has over a dozen published articles on economic subjects.

From December 1981 through January 1986, Dr. Vandaele served with the U.S. Federal Trade Commission as Economic Advisor to the Director, Bureau of Competition, and as Assistant Director for Regulatory Evaluation, Bureau of Consumer Protection. Since 1986 he has worked as a consultant on economic, financial, statistical, and general business issues arising in commercial disputes. This work primarily has involved analyzing competitive issues and estimating corporate damages associated with various types of legal and regulatory matters. He frequently has been designated as an expert witness and has provided expert testimony and/or expert reports that have been accepted in dozens of Federal, State, and International trials and arbitrations.

#### **About Herbalife Ltd.**

Herbalife Ltd. (NYSE: HLF) is a global nutrition company that sells weight-management, nutrition and personal care products intended to support a healthy lifestyle. Herbalife products are sold in more than 90 countries to and through a network of independent Members. The company supports the Herbalife Family Foundation and its Casa Herbalife program to help bring good

nutrition to children. Herbalife's website contains a significant amount of financial and other information about the company at <http://ir.Herbalife.com>. The company encourages investors to visit its website from time to time, as information is updated and new information is posted.

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