

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

**HERBALIFE LTD.**

CIK: **1180262** | IRS No.: **000000000** | State of Incorporation: **E9** | Fiscal Year End: **1231**  
Type: **8-K** | Act: **34** | File No.: **001-32381** | Film No.: **05791939**  
SIC: **5122** Drugs, proprietaries & druggists' sundries

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 OR 15(d) of  
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **May 2, 2005**

**HERBALIFE LTD.**

(Exact name of registrant as specified in its charter)

**Cayman Islands**

(State or other jurisdiction  
of incorporation)

**1-32381**

(Commission file number)

**98-0377871**

(I.R.S. Employer  
Identification Number)

**PO Box 309 GT, Uglund House  
South Church Street, Grand Cayman  
Cayman Islands**

(Address of principal executive offices)

Registrant's telephone number, including area code: **c/o (310) 410-9600**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Item 2.02 Results of Operations and Financial Condition**

On May 2, 2005, Herbalife Ltd. issued a press release announcing its financial results for its fiscal first quarter ended March 31, 2005. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

The information contained in this Item 2.02, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits.**

(c) Exhibits

| <u>Exhibit</u> | <u>Description</u>                                    |
|----------------|---|
| 99.1           | Press release issued by Herbalife Ltd. on May 2, 2005 |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 2, 2005

HERBALIFE LTD.

By: /s/ Brett R. Chapman  
Brett R. Chapman  
General Counsel

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**HERBALIFE LTD. ANNOUNCES RECORD NET SALES OF \$372.1 MILLION  
 Net Income Rose 83.3 percent to \$27.5 Million Excluding Recapitalization Expenses**

**LOS ANGELES**, May 2, 2005 – Herbalife Ltd. (NYSE: HLF) today reported record first quarter net sales of \$372.1 million, an increase of 14.8 percent compared to the prior year as the number of new Distributor Supervisors increased 10.4 percent vs. 2004. The company's regions, Asia Pacific, the Americas, and Europe, achieved net sales growth of 30.0 percent, 26.4 percent, and 5.8 percent, respectively, while Japan's net sales declined 10.1 percent during the first quarter. Michael O. Johnson, the company's chief executive officer said, "The sales increase in the first quarter exceeded our expectations, including the U.S., which reported a net sales increase of 4.4 percent vs. 2004." Additionally, the company added 15 new members to its high-level President's Team during the first quarter of 2005 bringing the total to 777.

Excluding the effect of recapitalization transaction expenses in the first quarters of 2005 and 2004, the company's first quarter net income rose 83.3 percent to \$27.5 million compared to \$15.0 million in 2004. Johnson said, "Higher than expected net sales combined with lower than expected SG&A spending, and earlier than anticipated tax benefits related to our corporate restructuring, contributed to the strong performance." Including the pre-tax recapitalization expenses of \$14.2 million and \$15.4 million in the first quarters of 2005 and 2004, respectively, the company reported net income of \$13.3 million, or 19 cents per diluted share compared to a loss of \$0.5 million, or one cent per diluted share in 2004.

### **First Quarter Highlights**

In the first quarter, Herbalife rolled out its Shapeworks™ weight-management program in Japan, Jamaica and parts of Eastern Europe. The company's Niteworks™ product was introduced in Taiwan in the first quarter. Shapeworks™ Formula 1 and Niteworks™ were the company's No. 1 and No. 10 products, respectively, in the first quarter.

The company also continued its global expansion of the Nutrition Club party-planning concept into India, South Africa, Jamaica, Brazil, Indonesia, the Philippines, and Bolivia, while expanding its current presence in Mexico. Additionally, the Total Plan program was rolled out in parts of Europe, Asia Pacific, and the Americas. Formal training programs have been developed for this lead-generation program and the reception by distributors continues to be positive. Greg Probert, the company's chief operating officer said, "We are pleased with the

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acceptance of these programs, and we will continue to nurture and globalize these innovative distributor concepts."

Herbalife continued to motivate and strengthen teamwork amongst its distributor leadership. For example, in February, the company hosted a series of meetings where U.S. President's Team members jointly developed their goals and objectives for 2005. Johnson said, "With more than 70 percent of the President's Team in attendance, we introduced a President's Team promotion, which is intended to stimulate sales and reinforce teamwork."

In support of the company's branding initiative, Herbalife was a main sponsor of the Toray Pan Pacific Open Tennis Tournament in Japan. The courtside signage generated over 19 million impressions, and more than 15,000 spectators sampled Shapeworks™ shakes. In the U.S., the company entered into an agreement with the AVP Pro Beach Volleyball Tour, naming its new LIFTOFF™ product as the official energy drink of the tour. LIFTOFF™, a dietary supplement, is a portable, effervescent energy tablet that dissolves in water. These types of marketing initiatives are intended to enhance brand awareness as Herbalife continues targeting new segments of the market, both from a consumer and product standpoint.

The company continued to strengthen its management team with the addition of Melanie Hayden as general manager of Herbalife Canada. Additionally, the company opened its China headquarters in Shanghai. Along with the company's manufacturing facility in Suzhou, Herbalife now employs approximately 95 people in China.

During the first quarter, the company invested \$4.4 million in capital expenditures, primarily related to the roll out of Oracle and the development of Internet applications. This was less than expected primarily due to timing of projects and the delay of the expansion in China.

As a final component of the initial public offering and recapitalization of December 2004, the company completed its redemption of \$110 million, or 40 percent of the outstanding principal amount of its 9½ percent notes due April 1, 2011. This transaction was consummated on February 4, 2005 at a pre-tax expenses of \$14.2 million. The company also maintains a \$200 million term loan that can be prepaid, at any time, with excess cash from operations.

## Regional Performance

Europe, the company's largest region, reported net sales of \$144.6 million in the first quarter, up 5.8 percent vs. 2004. Excluding currency fluctuations, net sales increased 0.4 percent due to the 2004 Billion Dollar Challenge promotion that was not repeated this year. Total supervisors for the first quarter decreased 6.8 percent vs. 2004. Probert said, "We believe Europe will have difficult comparatives through the second quarter after which time we expect to report more favorable year-over-year sales results."

The Americas reported net sales of \$140.6 million in the first quarter, up 26.4 percent vs. 2004 due to strong performance in Brazil, up 52.9 percent, Mexico, up 71.8 percent and growth in the company's largest country, the U.S., up 4.4 percent. "The increase in the U.S. exceeded our

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expectations, but is consistent with the improvement we have experienced in other markets where we have aligned solid country management with a regional focus to stimulate distributor activity," said Probert. Total supervisors in the region increased 17.9 percent vs. 2004.

Asia Pacific reported net sales of \$60.0 million in the first quarter, up 30.0 percent vs. 2004 due to strong sales in Taiwan, up 55.5 percent, Korea, up 15.6 percent and Hong Kong, up 14.9 percent. Excluding currency fluctuations, net sales increased 23.8 percent. Total supervisors for the first quarter increased 20.4 percent vs. 2004.

Japan reported net sales of \$26.9 million in the first quarter, down 10.1 percent vs. 2004. Excluding currency fluctuations, net sales decreased 12.5 percent. Probert said, "While Japan remains a challenge for us, we are encouraged by the decelerating rate of sales decline reflecting the results of numerous initiatives that have been underway for several months. The attendance of 1,800 Japanese distributors at our 25<sup>th</sup> Anniversary Extravaganza in Atlanta indicates a resurgence of excitement among Japanese distributors." Total supervisors declined 29.7 percent vs. 2004.

## 2005 Key Initiatives and Earnings Per Share Guidance

The company remains committed to executing its five key strategies in the areas of distributors, consumers, products, China expansion, and infrastructure. The plans for investment in these key areas are progressing according to management's expectations. The company expects to test its direct-to-consumer platform during the fourth quarter, which will allow consumers to purchase products directly from the company while preserving the existing relationship between distributors and customers. Johnson said, "The direct-to-consumer platform will provide consumers with immediate access to our products and allow distributors to leverage our infrastructure, while they focus on retailing our products, and recruiting and retaining distributors." The company launched two new products at its 25<sup>th</sup> Anniversary Extravaganza in Atlanta in April; LIFTOFF™ energy drink tablets and the NouriFusion™ skin care line, reflecting ongoing execution of the company's product strategy to maintain a pipeline filled with new, exciting products that enhance its portfolio. "We are very excited about LIFTOFF™, as it allows the company to enter the high-growth energy drink category enabling our distributors to recruit younger segments of the market, which is an integral part of our distributor strategy," Johnson said. The company has also developed a bridge plan to expand its presence in China. The company views China as an opportunity for future growth and will continue to invest in its manufacturing capabilities, infrastructure, hiring of key staff members, and licensing of new products to support this market expansion.

The company provided 2005 EPS guidance range of 19 cents per share to 21 cents per share for its second quarter, primarily reflecting the higher SG&A expenses related to the 25<sup>th</sup> Anniversary Extravaganza and the tax impact of restructuring the ownership of the company's China subsidiary within the global organization. The company raised its full year EPS guidance range to \$1.20 to \$1.25 per share, excluding \$14.2 million of pre-tax expenses associated with the claw-back of its 9½ percent Notes during the first quarter, primarily reflecting the strong first quarter performance coupled with sustained improvement in its effective tax rate.

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### **First Quarter Earnings Call**

The company also announced that its first quarter 2005 earnings conference call will be conducted on May 3, 2005 at 9 a.m. P.D.T. The conference call numbers are (866) 234-7394 for domestic calls and (703) 639-1113 for calls made from outside the United States. Additionally, the conference call will be webcast. The link to the webcast can be obtained on the Investor Relations section of the company's Web site at [www.Herbalife.com](http://www.Herbalife.com).

### **About Herbalife Ltd.**

Herbalife is a global network marketing company offering a range of science-based weight management products, nutritional supplements and personal care products intended to support weight management and a healthy lifestyle. (HLFE)

### **Disclosure Regarding Forward-Looking Statements**

Except for historical information contained herein, the matters set forth in this press release are "forward-looking statements." All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words, "may," "will," "estimate," "intend," "continue," "believe," "expect," or "anticipate" and any other similar words.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed in this press release. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in forward-looking statements include, among others, the following:

our relationships with, and our ability to influence the actions of, our distributors;  
 adverse publicity associated with our products or network marketing organization;  
 changing consumer preferences and demands;  
 the competitive nature of our business;  
 regulatory matters governing our products and network marketing program;  
 risks associated with operating internationally, including foreign exchange risks;  
 our dependence on increased penetration of existing markets;  
 contractual limitations on our ability to expand our business;

our reliance on our information technology infrastructure and outside manufacturers;  
 the sufficiency of trademarks and other intellectual property rights;  
 product concentration;  
 our reliance on our management team;  
 product liability claims;  
 uncertainties relating to the application of transfer pricing and similar tax regulations; and  
 taxation relating to our distributors.

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Herbalife Ltd  
 Consolidated Statements of Operations  
 (In thousands, except per share data)

|                            | Quarter Ended |            |
|----------------------------|---------------|------------|
|                            | 3/31/2004     | 3/31/2005  |
| Europe                     | \$ 136,729    | \$ 144,599 |
| The Americas               | 111,229       | 140,564    |
| Asia/Pacific Rim           | 46,152        | 59,984     |
| Japan                      | 29,942        | 26,913     |
| Worldwide net sales        | 324,052       | 372,060    |
| Cost of Sales              | 63,618        | 75,737     |
| Gross Profit               | 260,434       | 296,323    |
| Royalty Overrides          | 115,856       | 135,168    |
| SGA                        | 107,840       | 110,029    |
| Operating Income           | 36,738        | 51,126     |
| Interest Expense - net     | 27,373        | 22,202     |
| Income before income taxes | 9,365         | 28,924     |
| Income Taxes               | 9,849         | 15,648     |
| Net (Loss) Income          | (484)         | 13,276     |
| Basic Shares               | 52,035        | 68,643     |

|                |    |        |         |
|----------------|----|--------|---------|
| Diluted Shares |    | 52,035 | 71,714  |
| Basic EPS      | \$ | (0.01) | \$ 0.19 |
| Diluted EPS    | \$ | (0.01) | \$ 0.19 |

Herbalife Ltd.  
Consolidated Balance Sheets  
(In thousands)

|   | December 31,<br>2004 | March 31,<br>2005 |
|---|----------------------|-------------------|
| <b>ASSETS</b>                               |                      |                   |
| Current Assets:                             | \$ 201,577           | \$ 103,744        |
| Cash & cash equivalents                     | 71,092               | 69,100            |
| Inventory, net                              | 97,244               | 110,335           |
| Other current assets                        | 369,913              | 283,179           |
| Total Current Assets                        |                      |                   |
| Property and equipment, net                 | 55,390               | 54,777            |
| Other Assets                                | 26,869               | 26,742            |
| Intangible assets, net                      | 329,012              | 323,589           |
| Goodwill                                    | 167,517              | 167,517           |
| Total Assets                                | <u>\$ 948,701</u>    | <u>\$ 855,804</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                      |                   |
| <b>Current Liabilities</b>                  |                      |                   |
| Accounts payable                            | 24,457               | 28,837            |
| Royalty Overrides                           | 85,304               | 84,175            |
| Accrued expenses                            | 114,243              | 105,962           |
| Current portion of long term debt           | 120,291              | 11,402            |
| Other current liabilities                   | 27,174               | 36,284            |
| Total Current Liabilities                   | 371,469              | 266,660           |
| Long-term debt, net of current portion      | 365,926              | 364,553           |
| Other long-term liabilities                 | 146,964              | 144,762           |
| Total Liabilities                           | 884,359              | 775,975           |
| <b>Shareholders' equity:</b>                |                      |                   |
| Common shares                               | 137                  | 137               |
| Preferred shares                            | -                    | -                 |
| Additional paid in capital                  | 74,593               | 76,198            |
| Accumulated other comprehensive income      | 3,923                | 4,529             |
| Accumulated deficit                         | (14,311)             | (1,035)           |
| Total Shareholders' Equity                  | 64,342               | 79,829            |



|  |            |            |
|--|------------|------------|
| Total liabilities and shareholders' equity | \$ 948,701 | \$ 855,804 |
|--|------------|------------|

Herbalife Ltd.  
Supervisors by Market

| Region           | Mar. 31<br>2004 | Mar. 31<br>2005 | % Chg |
|------------------|-----------------|-----------------|-------|
| The Americas     | 79,956          | 94,270          | 18%   |
| Europe           | 73,864          | 68,810          | -7%   |
| Asia/Pacific Rim | 33,712          | 40,588          | 20%   |
| Japan            | 14,463          | 10,165          | -30%  |
| Worldwide        | 201,995         | 213,833         | 6%    |

Herbalife Ltd.  
Volume Points by Market  
(In millions)

| Region           | Quarter Ended |          | % Chg |
|------------------|---------------|----------|-------|
|                  | 03/31/04      | 03/31/05 |       |
| The Americas     | 182.6         | 224.5    | 23%   |
| Europe           | 153.1         | 144.9    | -5%   |
| Asia/Pacific Rim | 58.1          | 72.4     | 25%   |
| Japan            | 22.4          | 18.8     | -16%  |
| Worldwide        | 416.2         | 460.7    | 11%   |

Herbalife Ltd.  
2005 Guidance  
For Quarter Ending June 30, 2005

|                                     | Low      | High     |
|-------------------------------------|----------|----------|
| Net Sales Growth Rate vs. 2004      | 8.6%     | 10.2%    |
| Gross Profit % Net Sales            | 79.5%    | 79.7%    |
| Royalty Overrides % Net Sales       | 35.6%    | 35.8%    |
| SGA % Net Sales                     | 33.5%    | 34.2%    |
| Operating Income % Net Sales        | 9.5%     | 10.6%    |
| Interest Income/(Expense) (\$ mm's) | \$ (6.8) | \$ (7.1) |
| Effective Tax Rate(1)               | 36.0%    | 37.0%    |

|                |    |      |    |      |
|----------------|----|------|----|------|
| EPS(2)         | \$ | 0.19 | \$ | 0.21 |
| Capex (\$mm's) | \$ | 10.0 | \$ | 15.0 |

- (1) Excludes approximately \$4.7 million unfavorable tax impact of restructuring the ownership of the company's China subsidiary within the global organization.
- (2) Includes approximately \$4.7 million unfavorable tax impact of restructuring the ownership of the company's China subsidiary within the global organization.

**Herbalife Ltd.**  
**2005 Guidance**  
**For Year Ending December 31, 2005**

|  | <u>Low</u> | <u>High</u> |
|--|------------|-------------|
| Net Sales Growth Rate vs. 2004         | 9.6%       | 11.3%       |
| Gross Profit % Net Sales               | 79.4%      | 80.0%       |
| Royalty Overrides % Net Sales          | 35.6%      | 35.8%       |
| SGA % Net Sales                        | 31.8%      | 32.4%       |
| Operating Income % Net Sales           | 11.2%      | 12.6%       |
| Interest Income/(Expense) (\$ mm's)(1) | \$ (28.0)  | \$ (29.0)   |
| Effective Tax Rate(1)(2)               | 36.0%      | 37.0%       |
| EPS(1)(3)                              | \$ 1.20    | \$ 1.25     |
| Capex (\$ mm's)                        | \$ 35.0    | \$ 40.0     |

- (1) Excludes \$14.2mm of costs associated with the 40% claw-back of the 9 1/2% Notes in the first quarter.
- (2) Excludes approximately \$4.7 million unfavorable tax impact of restructuring the ownership of the company's China subsidiary within the global organization.
- (3) Includes approximately \$4.7 million unfavorable tax impact of restructuring the ownership of the company's China subsidiary within the global organization.

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