



Herbalife Exhibit

May 11, 2017



Pershing Square Capital Management, L.P.

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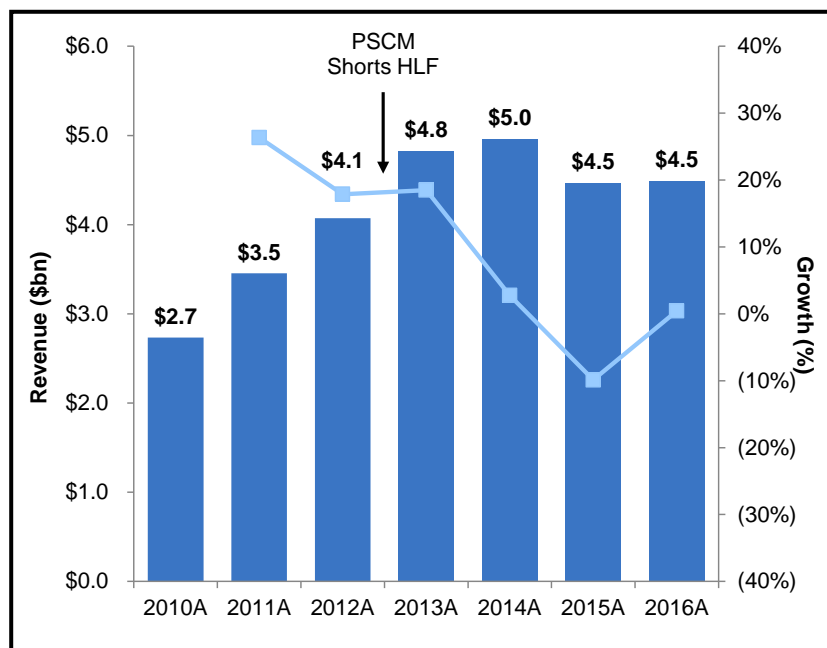
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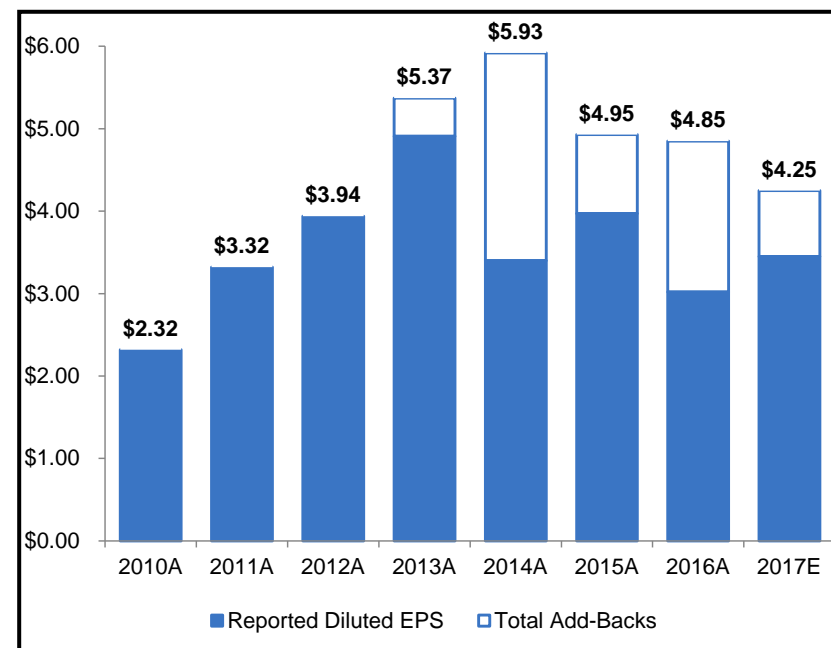
Historical Performance

- ▶ Since announcing our short position in late 2012, Herbalife's financial performance has decelerated

Revenue (\$bn)



Adjusted EPS



Q1'2017 Constant Currency Growth

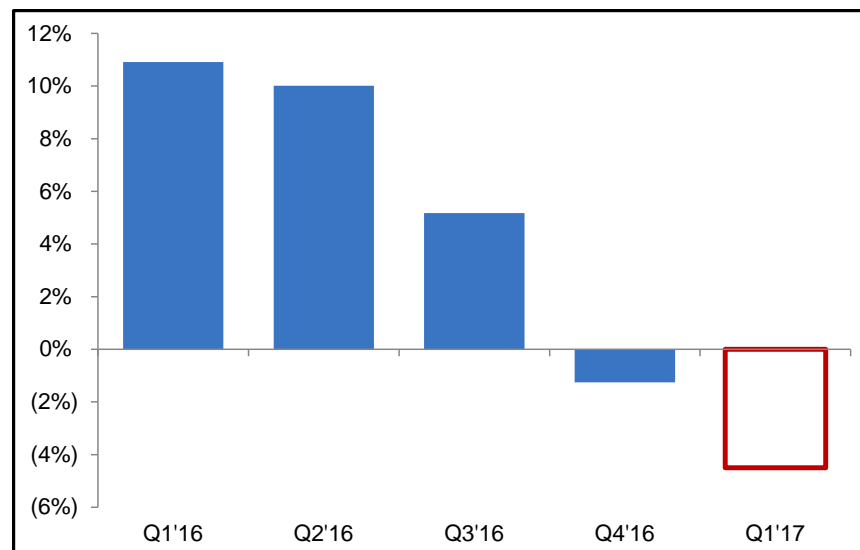
- ▶ Reported results include volume pull-forward in China. Excluding the pull-forward, Herbalife would have reported ~(-4.5%) constant-currency sales decline

Q1'2017 Top-Line Growth

Region	Components of Year-Over-Year Growth (%)				
	Volume	Price & Mix (1)	Constant Currency	FX	Reported
North America	(5%)	(1%)	(7%)	0%	(7%)
Mexico	4%	3%	8%	(12%)	(4%)
South & Central America	(14%)	6%	(8%)	4%	(4%)
EMEA	5%	1%	6%	(0%)	6%
Asia Pacific	5%	(7%)	(2%)	1%	(1%)
China (2)	17%	(13%)	5%	(5%)	(1%)
Consolidated	1%	(2%)	(0%)	(1%)	(2%)
Adjusted (3)	(2%)	(3%)	(5%)	(1%)	(6%)

(1): Includes like-for-like price, product and/or country mix shift.
 (2): Includes volume pull-forward from Q2, described below.
 (3): Adjusts for volume pull-forward in China.

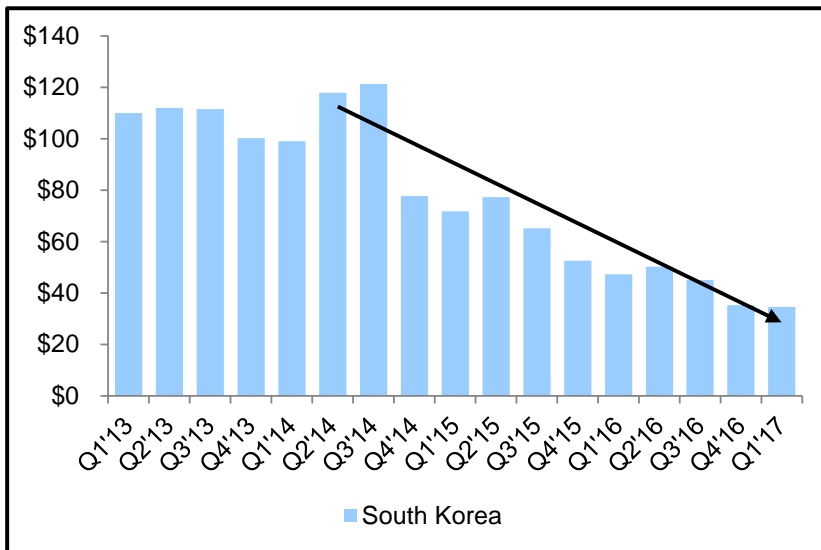
Constant-Currency Growth Trends



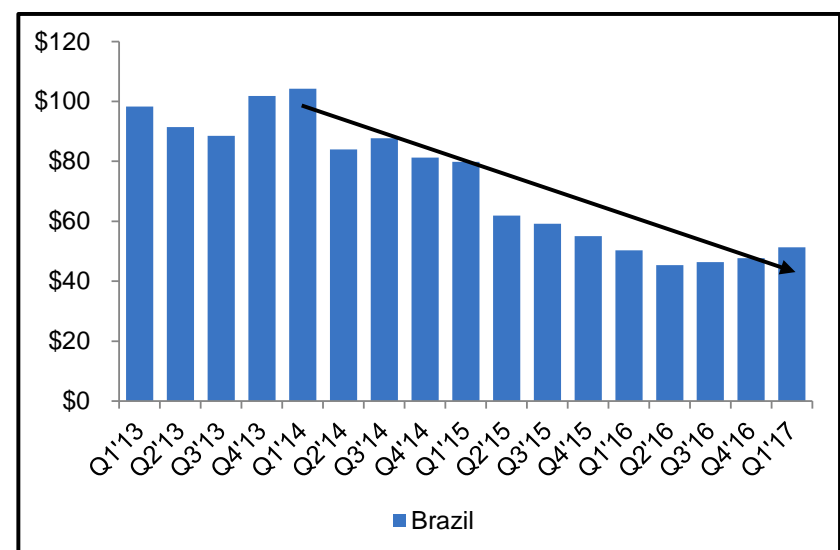
“Pop-and-Drop”

- ▶ While constant-currency sales growth in certain markets (Mexico, EMEA and China) was offset by declines in others (South & Central America, North America, and Asia Pacific), Herbalife’s segment-level reporting obfuscates continued “pop-and-drop” dynamics in individual countries

South Korea

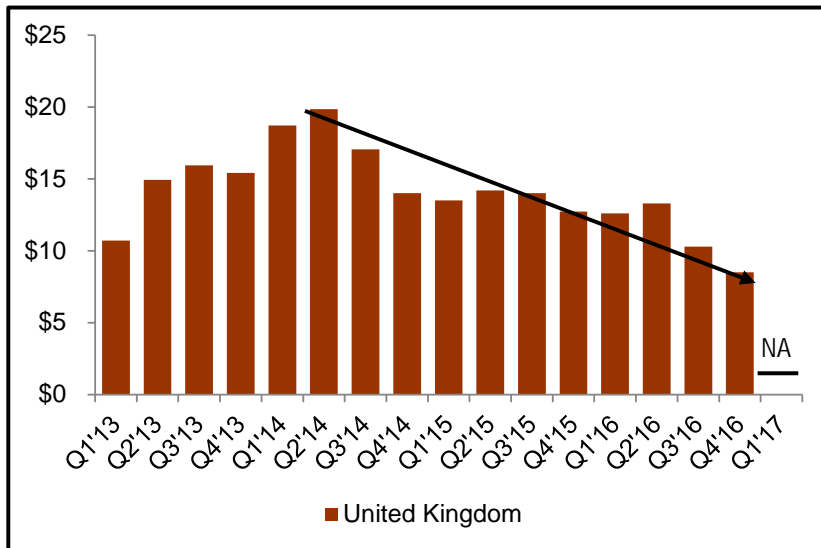


Brazil

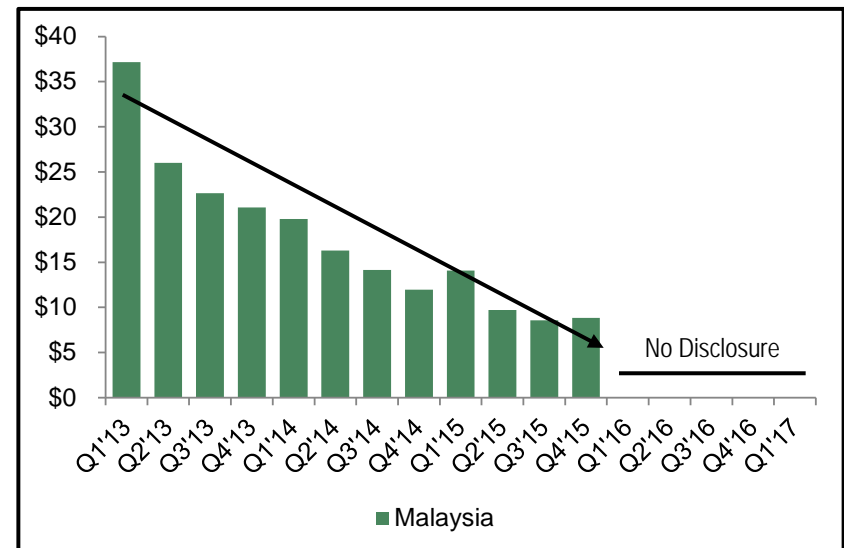


“Pop-and-Drop”

United Kingdom



Malaysia



The dramatic “pop” and “drop” reflected in Herbalife’s individual markets are highly characteristic of pyramid schemes, which achieve accelerated growth until a market reaches saturation. After which, there is a dramatic decline in volumes as participants recognize being a distributor is a money-losing proposition.

“Pop-and-Drop:” Country-Level Disclosure

- ▶ When individual markets experience structural deterioration, Herbalife will often point to temporary factors to explain the decline. Once a market inevitably falls below a certain sales threshold, Herbalife eliminates all disclosure regarding the market.

Evolution of United Kingdom Disclosure

2013

“The UK, our oldest market in EMEA, continues its impressive performance. This quarter we experienced 92% growth in volume, and a 56% increase in average active sales leaders.” - Des Walsh (July 2013)

2015

“Net sales in the United Kingdom decreased \$15.2 million, or 21.8%, for the year ended December 31, 2015... Following significant growth the United Kingdom market in 2013 and 2014, we have seen a decline in 2015. This decline is attributed to the impact of recent changes to the Marketing Plan, including the shift in focus to our longer-term sales leader qualification method to which Members continue to adapt. The underlying business metrics remain solid...” - 2015 Form 10-K

2016

“Net sales [in the United Kingdom] decreased \$9.9 million, or 18.1%, for the year ended December 31, 2016... We are taking steps to improve Member leadership engagement.” - 2016 Form 10-K

2017

Herbalife removes disclosure regarding the United Kingdom.

“Pop-and-Drop:” Country-Level Disclosure

Evolution of South Korea Disclosure

2010

*“During the first quarter [2010], local currency sales were up 69% in Korea, due to their expansion of daily consumption in the market. Average active sales leaders in Korea increased 72% in the first quarter, compared to the prior-year period. **We believe that the momentum in Korea shows no signs of slowing.** The country had an all-time record volume point month in March.”* – Des Walsh (May 2010)

2014

*“And we've seen that in other regions in the past where we've had these resets and we are seeing it now, and so coupled with our very strong leadership there, **we're very confident about the future for Korea.**”* - Des Walsh (November 2014)

2015

*“We also saw a **decline in sales in Korea, as the market continues to adapt to our marketing plan changes** that we discussed on our call last quarter.”* - Michael Johnson (August 2015)

2015

*“So positive trend in Korea, but the reality is it's going to take longer than in the other markets. I think we're really going to see the return to the growth that we've seen in the past in **Korea will be a 2016 story rather than really 2015.**”* - Des Walsh (August 2015)

2016

*“[I]n markets like Korea and Brazil, we continue to see the negative impact which is the direct result of cycling through those [Marketing Plan] changes and **we will see those continue to impact us for the next couple of quarters, certainly.**”* - Des Walsh (May 2016)

2017

*“While most of our markets performed well in 2016, **we continue to work through the challenges in Brazil, Korea and China... In Korea, we face the [sic] number of challenges...**”*
- Michael Johnson (February 2017)

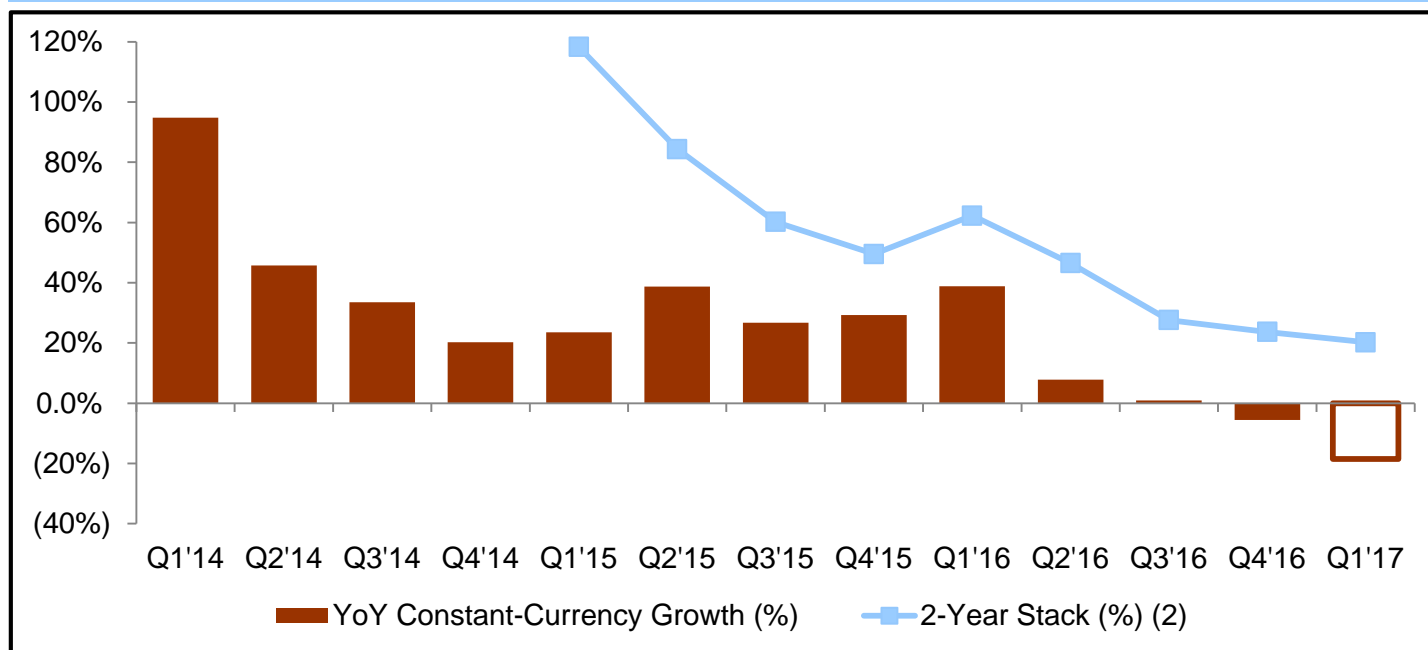
Source: Herbalife SEC filings, Q1'2010 earnings conference call transcript, Q3'2014 earnings conference call transcript, Q2'2015 earnings conference call transcript, Q1'2016 earnings conference call transcript, Q4'2016 earnings conference call transcript.

Note: Emphasis added.

Adjusted Results Represent a Sequential Worsening in China Growth Trends

"China is 1.3 billion people, you can recruit for a long time there before we had what was called the classic 'pop-and-drop' in that marketplace. So we're trying to build in right away a retailing base into that marketplace. I would say initially there is going to be a lot of recruiting, a lot of business opportunity development... I think our opportunity is tremendous in that marketplace for local product development, for some very creative ideas." - Michael Johnson (August 2008)

China Quarterly Constant-Currency Sales Growth Trends⁽¹⁾



Source: Herbalife SEC filings and Q2'2008 earnings conference call transcript.

(1): Q1'17 has been adjusted to reflect the volume pull-forward.

(2): A 2-Year Stack is computed by adding the prior year period constant-currency growth figure to the current period constant-currency growth figure.

Revised 10-Q Disclosure Regarding China Raises New Red Flags

2016 Form 10-K

“[U]ncertainties relating to interpretation and enforcement of legislation in China governing direct selling” – Pg. 3

“Our expansion in China is subject to general, as well as industry-specific, economic, political and legal developments and risks in China and requires that we utilize a **different business model from that which we use elsewhere in the world.**” – Pg. 23

“To allow us to operate under these regulations, we have created and introduced a model specifically for China.”
– Pg. 23

Q1'2017 Form 10-Q

“[U]ncertainties relating to interpretation and enforcement of legislation in China governing direct selling **and anti-pyramiding**” – Pg. 49

“Our expansion in China is subject to general, as well as industry-specific, economic, political and legal developments and risks in China and requires that we utilize a **modified version of the business model we use elsewhere in the world.**” – Pg. 57

“To allow us to operate under these regulations, we have created and introduced a model specifically for China **based on our understanding as to how regulators are interpreting and enforcing these regulations, our interpretation of applicable regulations and our understanding of the practices of other international direct selling companies in China.**” – Pg. 57

Revised 10-Q Disclosure Regarding China Raises New Red Flags (cont'd)

2016 Form 10-K

“We also engage independent service providers who meet both the requirements to operate their own business under Chinese law as well as the conditions set forth by Herbalife to sell products and provide marketing, sales and support services to Herbalife customers. These business model features in China are not common to the business model we employ elsewhere in the world, and based on the direct selling licenses we have received and the terms of those which we hope to receive in the future to conduct a direct selling enterprise in China, our business model in China will continue to incorporate some or all of these features.”

– Pg. 23

Q1'2017 Form 10-Q

“We also engage independent service providers who meet both the requirements to operate their own business under Chinese law as well as the conditions set forth by Herbalife to sell products and provide marketing, sales support and other services to Herbalife customers. **In China, our independent service providers are compensated for marketing, sales support, and other services instead of the distributor allowances and royalty overrides utilized in our global marketing plan. The service hours and related fees eligible to be earned by and then paid to independent service providers are based on a number of factors including the sales generated by them and by others to whom they may provide marketing, sales support and other services, the quality of their service and other factors as well as any potential future sales generated from the recently announced and expanded online ordering platform. Total compensation available to our independent service providers in China can generally be comparable to the total compensation available to other sales leaders globally.** These business model features in China are not common to the business model we employ elsewhere in the world, and based on the direct selling licenses we have received and the terms of those which we hope to receive in the future to conduct a direct selling enterprise in China, our business model in China will continue to incorporate some or all of these features.”

– Pg. 57

Revised 10-Q Disclosure Regarding China Raises New Red Flags (cont'd)

2016 Form 10-K

“The regulatory environment in China is evolving, and officials in the Chinese government exercise broad discretion in deciding how to interpret and apply regulations.” – Pg. 23

“As a result, there can be no guarantee that the Chinese government’s current or future interpretation and application of the existing and new regulations will not negatively impact our business in China, result in regulatory investigations or lead to fines or penalties against us or our Chinese Members.” – Pg. 24

Q1’2017 Form 10-Q

“The regulatory environment in China is evolving, and officials in the Chinese government, **including at the local and central level**, exercise broad discretion in deciding how to interpret, apply, **and enforce regulations as they deem appropriate, including to promote social order. Regulators in China may change how they interpret and enforce the direct selling regulations, both current interpretations and enforcement thereof or future iterations. Regulators in China may also modify the regulations.**” – Pg. 58

“As a result, there can be no guarantee that the Chinese government’s current or future interpretation and application of the existing and new regulations will not negatively impact our business in China, result in regulatory investigations or lead to fines or penalties against us or our Chinese Members. **If our business practices are deemed to be in violation of applicable regulations as they are or may be interpreted or enforced, or modified regulations, in particular with respect to the factors used in determining the services a service provider is eligible to perform and fees they are eligible to earn and to receive, then we could be sanctioned and/or required to change our business model, either of which could have a significant adverse impact to our business in China.**” – Pg. 58

Recurring Use of Questionable Add-Backs

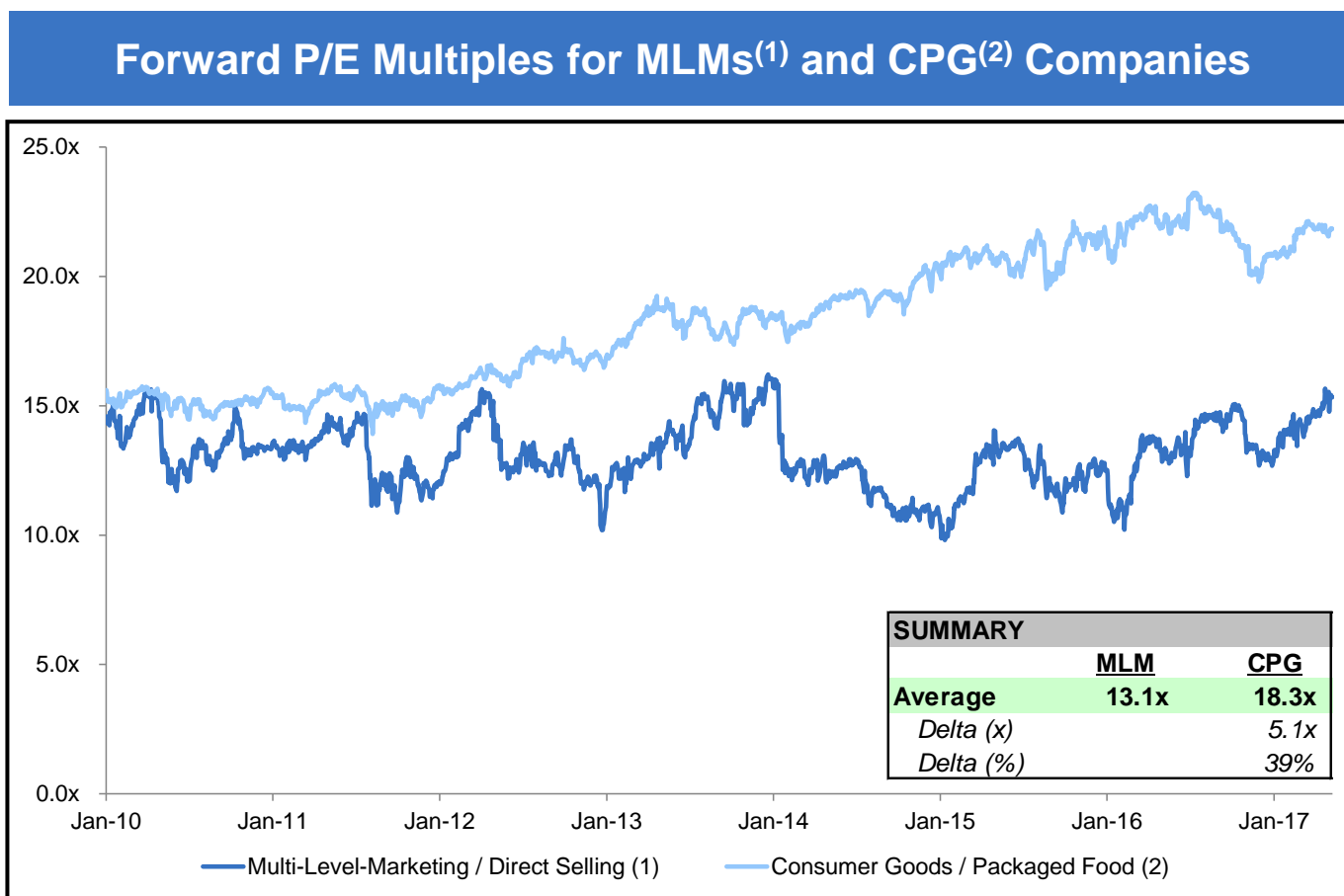
- ▶ Herbalife continues to add-back certain costs which should be considered recurring to the business. Some costs have been added back consistently for the past 4 years

HERBALIFE ADJUSTED EPS						
	2012A	2013A	2014A	2015A	2016A	'17E Mid Guidance
Reported Diluted EPS	\$3.94	\$4.91	\$3.40	\$3.97	\$3.02	\$3.45
Impairment Losses Relating to Venezuela	0.00	0.09	1.68	0.50	0.00	0.00
Nonrecurring Expenses Associated with Member Payments Related to Venezuela	0.00	0.00	0.02	0.00	0.00	0.00
Expenses Incurred Responding to Attacks on the Company's Business Model	0.00	0.23	0.18	0.22	0.14	0.08
Expenses Incurred for the Reaudit of 2010 to 2012 Financial Statements	0.00	0.14	0.00	0.00	0.00	0.00
Expenses related to the FTC Inquiry (1)	0.00	0.00	0.10	0.00	0.00	0.00
Expenses related to the Regulatory Inquiries (1)	0.00	0.00	0.00	0.25	0.19	0.11
Regulatory Settlements	0.00	0.00	0.00	0.00	2.36	0.00
FTC Consent Order Implementation	0.00	0.00	0.00	0.00	0.12	0.12
Expenses Incurred for the Recovery of Reaudit fees	0.00	0.00	0.00	0.02	0.04	0.00
Arbitration Award Related to the Reaudit	0.00	0.00	0.00	0.00	(0.34)	0.00
Noncash Interest Expense and Amortization of Noncash Issuance Costs	0.00	0.00	0.40	0.49	0.52	0.55
Legal Reserve for the <i>Bostick</i> Case	0.00	0.00	0.12	(0.02)	0.00	0.00
China Grant Income	0.00	0.00	0.00	(0.08)	(0.40)	0.00
Impairment of Newly Acquired Defective Manufacturing Equipment	0.00	0.00	0.02	(0.04)	0.00	0.00
Foreign Exchange Loss (Gain) on Intercompany Balances	0.00	0.00	0.00	(0.09)	0.00	0.00
Income Tax Adjustments for Above Items (2)	0.00	0.00	0.00	(0.29)	(0.80)	(0.06)
Adjusted EPS	\$3.94	\$5.37	\$5.93	\$4.95	\$4.85	\$4.25
Total Add-Backs	\$0.00	\$0.46	\$2.52	\$0.96	\$1.83	\$0.80
<i>as % of Adjusted EPS</i>	0%	9%	42%	19%	38%	19%
<i>Adjusted EPS as % of Diluted EPS</i>	0%	9%	74%	25%	61%	23%
Diluted EPS Year-Over-Year Growth (%)	NA	25%	(31%)	17%	(24%)	14%
Adjusted EPS Year-Over-Year Growth (%)	NA	36%	10%	(17%)	(2%)	(12%)

Note: Values may be slightly different due to rounding.
(1): While Herbalife originally termed this add-back as being specific to the FTC it was subsequently broadened to "Regulatory Inquiries."
(2): Herbalife originally provided the add-backs net of taxes but subsequently modified the presentation to be gross of taxes and a reconciling line.

Long-Term Trading Multiples

- Public MLMs have historically traded at a significant discount to CPG companies reflecting their inferior business quality



Source: CapIQ.

(1): Includes Avon Products, Herbalife, Nu Skin Enterprises, Primerica, Tupperware Brands and Usana Health Sciences.

(2): Includes Campbell Soup, Clorox, Coca-Cola, Colgate-Palmolive, ConAgra, Danone, General Mills, Hershey, JM Smucker, Kellogg, Kimberly-Clark, Kraft Heinz, McCormick & Co, Mondelez, Nestle, PepsiCo., Proctor & Gamble, Reckitt Benckiser and Unilever.