HERBALIFE LTD.
Form 10-Q
July 30, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number: 1-32381

HERBALIFE LTD.

(Exact name of registrant as specified in its charter)

Cayman Islands	**98-0377871**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

P.O. Box 309GT

Ugland House, South Church Street

Grand Cayman, Cayman Islands

(Address of principal executive offices) (Zip code)

(213) 745-0500

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Number of shares of registrant s common shares outstanding as of July 25, 2012 was 111,842,796

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PART I. FINANCIAL INFORMATION

Item 1. ***FINANCIAL STATEMENTS***

HERBALIFE LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2012	December 31, 2011
	(In thousands, except share and par value amounts)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 286,166	$ 258,775
Receivables, net of allowance for doubtful accounts of $2,800 (2012) and $2,250 (2011)	108,633	89,660
Inventories	262,386	247,696
Prepaid expenses and other current assets	131,919	117,073
Deferred income taxes	56,998	55,615
Total current assets	846,102	768,819
Property, plant and equipment, at cost, net of accumulated depreciation and amortization of $224,071 (2012) and $193,735 (2011)	196,787	193,703
Deferred compensation plan assets	23,119	20,511
Deferred financing costs, net	4,222	4,797
Other assets	43,644	41,125
Marketing related intangibles and other intangible assets, net	311,428	311,764
Goodwill	105,490	105,490
Total assets	$ 1,530,792	$ 1,446,209
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 79,031	$ 57,095
Royalty overrides	206,079	197,756
Accrued compensation	71,131	76,435
Accrued expenses	156,672	152,744
Current portion of long-term debt	763	1,542
Advance sales deposits	36,298	31,702
Income taxes payable	16,356	31,415
Total current liabilities	566,330	548,689
NON-CURRENT LIABILITIES:		
Long-term debt, net of current portion	555,051	202,079
Deferred compensation plan liability	27,118	23,702
Deferred income taxes	72,828	72,348
Other non-current liabilities	38,746	39,203

Total liabilities	1,260,073	886,021
CONTINGENCIES		
SHAREHOLDERS EQUITY:		
Common shares, $0.001 par value; 1.0 billion shares authorized; 111.8 million (2012) and 115.8 million (2011) shares outstanding	112	116
Paid-in-capital in excess of par value	288,050	291,950
Accumulated other comprehensive loss	(42,927)	(37,809)
Retained earnings	25,484	305,931
Total shareholders equity	270,719	560,188
Total liabilities and shareholders equity	$ 1,530,792	$ 1,446,209

See the accompanying notes to unaudited condensed consolidated financial statements.

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HERBALIFE LTD.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(In thousands, except per share amounts)			
Product sales	$ 883,068	$ 750,092	$ 1,704,714	$ 1,426,881
Shipping & handling revenues	148,880	129,562	291,409	247,869
Net sales	1,031,948	879,654	1,996,123	1,674,750
Cost of sales	203,737	171,023	399,881	333,816
Gross profit	828,211	708,631	1,596,242	1,340,934
Royalty overrides	335,195	289,232	652,728	553,609
Selling, general & administrative expenses	306,310	266,225	602,703	510,751
Operating income	186,706	153,174	340,811	276,574
Interest expense, net	3,169	855	4,542	3,503
Income before income taxes	183,537	152,319	336,269	273,071
Income taxes	50,169	41,139	94,739	73,872
NET INCOME	$ 133,368	$ 111,180	$ 241,530	$ 199,199
Earnings per share:				
Basic	$ 1.14	$ 0.93	$ 2.08	$ 1.68
Diluted	$ 1.10	$ 0.88	$ 1.98	$ 1.57
Weighted average shares outstanding:				
Basic	116,557	119,007	116,376	118,609
Diluted	121,482	126,617	122,182	126,610
Dividends declared per share	$ 0.30	$ 0.20	$ 0.60	$ 0.33

See the accompanying notes to unaudited condensed consolidated financial statements.

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HERBALIFE LTD.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(In thousands)			
Net income	$ 133,368	$ 111,180	$ 241,530	$ 199,199
Other comprehensive income:				
Foreign currency translation adjustment, net of income taxes	(15,143)	5,256	(3,924)	20,198
Unrealized (loss) gain on derivatives, net of income taxes	528	(98)	(1,194)	171
Total other comprehensive income (loss)	(14,615)	5,158	(5,118)	20,369
Total comprehensive income	$ 118,753	$ 116,338	$ 236,412	$ 219,568

See the accompanying notes to unaudited condensed consolidated financial statements.

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HERBALIFE LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 241,530	$ 199,199
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,613	36,657
Excess tax benefits from share-based payment arrangements	(27,212)	(19,544)
Share-based compensation expenses	12,497	11,103
Amortization of discount and deferred financing costs	572	435
Deferred income taxes	(4,896)	671
Unrealized foreign exchange transaction (gain) loss	(4,909)	5,452
Write-off of deferred financing costs		914
Other	120	899
Changes in operating assets and liabilities:		
Receivables	(21,317)	(26,966)
Inventories	(14,476)	(26,489)
Prepaid expenses and other current assets	(9,367)	(6,391)
Other assets	(3,124)	(4,977)
Accounts payable	22,948	19,411
Royalty overrides	7,932	16,873
Accrued expenses and accrued compensation	(3,516)	(2,995)
Advance sales deposits	5,199	26,323
Income taxes	15,433	16,427
Deferred compensation plan liability	3,416	3,645
NET CASH PROVIDED BY OPERATING ACTIVITIES	257,443	250,647
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(39,719)	(44,428)
Proceeds from sale of property, plant and equipment	43	190
Deferred compensation plan assets	(2,609)	(2,055)
NET CASH USED IN INVESTING ACTIVITIES	(42,285)	(46,293)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(70,310)	(38,689)
Borrowings from long-term debt	806,560	390,700
Principal payments on long-term debt	(454,371)	(408,329)
Deferred financing costs		(5,729)
Share repurchases	(505,636)	(115,287)
Excess tax benefits from share-based payment arrangements	27,212	19,544
Proceeds from exercise of stock options and sale of stock under employee stock purchase plan	10,356	8,280
NET CASH USED IN FINANCING ACTIVITIES	(186,189)	(149,510)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1,578)	9,073

NET CHANGE IN CASH AND CASH EQUIVALENTS		27,391		63,917
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		258,775		190,550
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	286,166	$	254,467
CASH PAID DURING THE PERIOD				
Interest paid	$	5,884	$	4,062
Income taxes paid	$	86,214	$	49,738

See the accompanying notes to unaudited condensed consolidated financial statements.

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HERBALIFE LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization

Herbalife Ltd., a Cayman Islands exempt limited liability company, or Herbalife, was incorporated on April 4, 2002. Herbalife Ltd. (and together with its subsidiaries, the Company) is a leading global nutrition company that sells weight management products, nutritional supplements, energy, sports & fitness products and personal care products utilizing network marketing distribution. As of June 30, 2012, the Company sold its products to and through a network of 3.0 million independent distributors, which included 0.2 million in China. In China, the Company currently sells its products through retail stores, sales representatives, sales officers and independent service providers. The Company reports revenue in six geographic regions: North America; Mexico; South and Central America; EMEA, which consists of Europe, the Middle East and Africa; Asia Pacific (excluding China); and China.

2. Significant Accounting Policies

Basis of Presentation

The unaudited interim financial information of the Company has been prepared in accordance with Article 10 of the Securities and Exchange Commission s, or the SEC, Regulation S-X. Accordingly, it does not include all of the information required by generally accepted accounting principles in the U.S., or U.S. GAAP, for complete financial statements. The condensed consolidated balance sheet at December 31, 2011 was derived from the audited financial statements at that date and does not include all the disclosures required by U.S. GAAP. The Company s unaudited condensed consolidated financial statements as of June 30, 2012, and for the three and six months ended June 30, 2012 and 2011, include Herbalife and all of its direct and indirect subsidiaries. In the opinion of management, the accompanying financial information contains all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company s unaudited condensed consolidated financial statements as of June 30, 2012, and for the three and six months ended June 30, 2012 and 2011. These unaudited condensed consolidated financial statements should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2011, or the 2011 10-K. Operating results for the three and six months ended June 30, 2012, are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

Venezuela

Currency restrictions enacted by the Venezuelan government in 2003 have become more restrictive and have impacted the ability of the Company s subsidiary in Venezuela, Herbalife Venezuela, to obtain U.S. dollars in exchange for Venezuelan Bolivars, or Bolivars, at the official foreign exchange rates from the Venezuelan government and its foreign exchange commission, CADIVI. The application and approval processes have been intermittently delayed and the timing and ability to obtain U.S. dollars at the official exchange rates remains uncertain. Effective January 1, 2012, additional laws were enacted that required companies to register with the Registry of Users of the System of Transactions with Securities in Foreign Currency, or RUSITME, prior to transacting with the SITME, the regulated system, which is controlled by the Central Bank of Venezuela. As an alternative exchange mechanism, the Company has participated in certain bond offerings from the Venezuelan government and from Petróleos de Venezuela, S.A., or PDVSA, a Venezuelan state-owned petroleum company, where the Company effectively purchased bonds with its Bolivars and then sold the bonds for U.S. dollars. In other instances, the Company has also used alternative legal exchange mechanisms for currency exchanges.

During the three and six months ended June 30, 2012, the Company recognized $2.0 million and $4.1 million of foreign exchange losses, respectively, as a result of exchanging Bolivars to U.S. dollars using alternative legal exchange mechanisms that were approximately 41% less favorable than the 5.3 Bolivars per U.S. dollar published SITME rate for both periods. During the six months ended June 30, 2012, the Company has exchanged 53.9 million Bolivars for $6.0 million U.S. dollars using these alternative legal exchange mechanisms. As of June 30, 2012, Herbalife Venezuela s net monetary assets and liabilities denominated in Bolivars were approximately $50.4 million, and included approximately $52.6 million in Bolivar denominated cash and cash equivalents. The majority of these Bolivar denominated assets and liabilities were remeasured at the SITME rate. The Company continues to remeasure its Bolivars at the published SITME rate given the limited availability of alternative exchange mechanisms and the uncertainty in the effective exchange rate for alternative exchange mechanisms. These remeasured amounts, including cash and cash equivalents, being reported on the Company s consolidated balance sheet using the published SITME rate may not accurately represent the amount of U.S. dollars that the Company could ultimately realize. Although Venezuela is an important market in the Company s South and Central America region, Herbalife Venezuela s net sales represented approximately 3% and 2% of the Company s consolidated net sales for the six months ended June 30, 2012 and 2011, respectively, and its total assets represented approximately 5% and 3% of the Company s consolidated total assets as of June 30, 2012 and December 31, 2011, respectively.

See the Company s 2011 10-K for further information on Herbalife Venezuela and Venezuela s highly inflationary economy.

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3. Inventories

Inventories consist primarily of finished goods available for resale and the following are the major classes of inventory:

	June 30, 2012	December 31, 2011
	(In millions)	
Raw materials	$ 22.2	$ 21.7
Work in process	1.9	2.5
Finished goods	238.3	223.5
Total	$ 262.4	$ 247.7

4. Long-Term Debt

Long-term debt consists of the following:

	June 30, 2012	December 31, 2011
	(In millions)	
Borrowings under the senior secured revolving credit facility	$ 555.0	$ 202.0
Capital leases	0.6	1.4
Other debt	0.2	0.2
Total	555.8	203.6
Less: current portion	0.8	1.5
Long-term portion	$ 555.0	$ 202.1

On March 9, 2011, the Company entered into a new $700.0 million senior secured revolving credit facility, or the Credit Facility, with a syndicate of financial institutions as lenders and terminated its prior senior secured credit facility, or the Prior Credit Facility. The Credit Facility has a five year maturity and expires on March 9, 2016. Based on the Company s consolidated leverage ratio, U.S. dollar borrowings under the Credit Facility bear interest at either LIBOR plus the applicable margin between 1.50% and 2.50% or the base rate plus the applicable margin between 0.50% and 1.50%. The Company, based on its consolidated leverage ratio, pays a commitment fee between 0.25% and 0.50% per annum on the unused portion of the Credit Facility. The Credit Facility also permits the Company to borrow limited amounts in Mexican Peso and Euro currencies based on variable rates. The base rate under the Credit Facility represents the highest of the Federal Funds Rate plus 0.50%, one-month LIBOR plus 1.00%, and the prime rate offered by Bank of America.

In March 2011, the Company used $196.0 million in U.S. dollar borrowings under the Credit Facility to repay all amounts outstanding under the Prior Credit Facility. The Company incurred approximately $5.7 million of debt issuance costs in connection with the Credit Facility. These debt issuance costs were recorded as deferred financing costs on the Company s consolidated balance sheet and are being amortized over the term of the Credit Facility. On June 30, 2012 and December 31, 2011, the weighted average interest rate for borrowings under the Credit Facility was 1.74% and 1.89%, respectively.

The Credit Facility requires the Company to comply with a leverage ratio and an interest coverage ratio. In addition, the Credit Facility contains customary covenants, including covenants that limit or restrict the Company s ability to incur liens, incur indebtedness, make investments, dispose of assets, make certain restricted payments, pay dividends, repurchase its common shares, merge or consolidate and enter into certain transactions with affiliates. As of June 30, 2012 and December 31, 2011, the Company was compliant with its debt covenants under the Credit Facility. The fair value of the Company s Credit Facility approximated its carrying value as of June 30, 2012, due to its variable interest rate which reprices frequently and represents floating market rates. The fair value of the Credit Facility is determined by utilizing Level 2 inputs as defined in Note 12, *Fair Value Measurements*, such as observable market interest rates and yield curves.

During the three months ended March 31, 2012, the Company borrowed $112.0 million and paid a total of $86.0 million under the Credit Facility. During the three months ended June 30, 2012, the Company borrowed $692.0 million primarily to finance the share repurchase agreement described in Note 10, *Shareholders Equity*, and paid a total of $365.0 million under the Credit Facility. As of June 30, 2012 and December 31, 2011, the U.S. dollar amount outstanding under the Credit Facility was $555.0 million and $202.0 million, respectively. There were no outstanding foreign currency borrowings as of June 30, 2012 and December 31, 2011 under the Credit Facility.

Interest expense was $4.5 million and $3.1 million for the three months ended June 30, 2012 and 2011, respectively, and $7.3 million and $6.4 million for the six months ended June 30, 2012 and 2011, respectively. Interest expense for the six months ended June 30, 2011 included a $0.9 million write-off of unamortized deferred financing costs resulting from the extinguishment of the Prior Credit Facility, as discussed above.

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5. Contingencies

The Company is from time to time engaged in routine litigation. The Company regularly reviews all pending litigation matters in which it is involved and establishes reserves deemed appropriate by management for these litigation matters when a probable loss estimate can be made.

As a marketer of dietary and nutritional supplements, and other products that are ingested by consumers or applied to their bodies, the Company has been and is currently subjected to various product liability claims. The effects of these claims to date have not been material to the Company, and the reasonably possible range of exposure on currently existing claims is not material to the Company. The Company believes that it has meritorious defenses to the allegations contained in the lawsuits. The Company currently maintains product liability insurance with an annual deductible of $10 million.

Certain of the Company s subsidiaries have been subject to tax audits by governmental authorities in their respective countries. In certain of these tax audits, governmental authorities are proposing that significant amounts of additional taxes and related interest and penalties are due. The Company and its tax advisors believe that there are substantial defenses to their allegations that additional taxes are owed, and the Company is vigorously contesting the additional proposed taxes and related charges. On May 7, 2010, the Company received an assessment from the Mexican Tax Administration Service in an amount equivalent to approximately $86 million, translated at the period ended spot rate, for various items, the majority of which was Value Added Tax, or VAT, allegedly owed on certain of the Company s products imported into Mexico during the years 2005 and 2006. This assessment is subject to interest and inflationary adjustments. On July 8, 2010, the Company initiated a formal administrative appeal process. On May 13, 2011, the Mexican Tax Administration Service issued a resolution on the Company s administrative appeal. The resolution nullified the assessment. Since the Mexican Tax Administration Service can further review the tax audit findings and re-issue some or all of the original assessment, the Company commenced litigation in the Tax Court of Mexico in August 2011 to dispute the assertions made by the Mexican Tax Administration Service in the case. The Mexican Tax Administration filed a response which was received by the Company in April 2012. The response challenged the assertions that the Company made in its August 2011 filing. The Mexican Tax Administration commenced audits of the Company s Mexican subsidiaries for the period from January to September 2007 and the 2011 year. The tax audits are in the initial stages. Prior to the nullification of the assessment relating to the 2005 and 2006 years the Company entered into agreements with certain insurance companies to allow for the potential issuance of surety bonds in support of its appeal of the assessment. Such surety bonds, if issued, would not affect the availability of the Company s Credit Facility. These arrangements with the insurance companies remain in place in the event that the assessment is re-issued. The Company has not recognized a loss as the Company, based on its analysis and guidance from its advisors, does not believe a loss would be probable if the assessment is re-issued or if any additional assessment is issued. Further, the Company is currently unable to reasonably estimate a possible loss or range of loss that could result from an unfavorable outcome if the assessment was re-issued or any additional assessments were to be issued for these or other periods. The Company believes that it has meritorious defenses if the assessment is re-issued or would have meritorious defenses if any additional assessment is issued.

The Company received an assessment from the Spanish Tax Authority in an amount equivalent to approximately $4.0 million translated at the period ended spot rate, for withholding taxes, interest and penalties related to payments to Spanish distributors for the 2003-2004 period. The Company appealed the assessment to the National Appellate Court (Audiencia Nacional). Based on the ruling of the National Appellate Court, substantially all of the assessment will be nullified, but the Company will begin withholding taxes on payments to Spanish distributors for the 2012 year. If the Spanish Tax Authority raises the same issue in later years, the Company believes that it has meritorious defenses.
The Company has not recognized a loss as the Company does not believe a loss is probable. The Company is currently unable to reasonably estimate a possible loss or range of loss that could result from an unfavorable outcome if additional assessments for other periods were to be issued.

The Company received a tax assessment in September 2009, from the Federal Revenue Office of Brazil in an amount equivalent to approximately $4.2 million U.S. dollars translated at the period ended spot rate, related to withholding/contributions based on payments to the Company s distributors during 2004. The Company has appealed this tax assessment to the Administrative Council of Tax Appeals (2nd level administrative appeal) as it believes it has meritorious defenses and it has not recognized a loss as the Company does not believe a loss is probable. The Company is currently unable to reasonably estimate the amount of the loss that may result from an unfavorable outcome if additional assessments for other periods were to be issued.

The Company received an order from a Rome Labor Court on behalf of the Social Security Authority on March 1, 2012, to pay an amount equivalent to approximately $6.8 million U.S. dollars translated at the period ended spot rate, for social contributions, interest and penalties related to payments to Italian distributors from 2002 through 2005. The Company has filed a writ with the Rome Labor Court appealing the order and the Social Security Authority filed a response brief. At a hearing on July 12, 2012, the Social Security Authority announced its intention to withdraw their claim as well as the order to pay the assessment. A hearing on this matter is scheduled for October 23, 2012.

These matters may take several years to resolve. While the Company believes it has meritorious defenses, it cannot be sure of their ultimate resolution. Although the Company has reserved amounts for certain matters that the Company believes represent the most likely outcome of the resolution of these related disputes, if the Company is incorrect in the assessment, the Company may have to record additional expenses, when it becomes probable that an increased potential liability is warranted.

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6. Segment Information

The Company is a nutrition company that sells a wide range of weight management products, nutritional supplements and personal care products within one industry segment as defined under the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 280, *Segment Reporting*. The Company s products are manufactured by third party providers and by the Company in its Suzhou, China facility and in its Lake Forest, California facility, and then are sold to independent distributors who both consume and sell Herbalife products to retail consumers or other distributors. Revenues reflect sales of products by the Company to its distributors and are categorized based on geographic location.

As of June 30, 2012, the Company sold products in 83 countries throughout the world and was organized and managed by geographic regions. The Company aggregates its operating segments, excluding China, into one reporting segment, or the Primary Reporting Segment, as management believes that the Company s operating segments have similar operating characteristics and similar long term operating performance. In making this determination, management believes that the operating segments are similar in the nature of the products sold, the product acquisition process, the types of customers to whom products are sold, the methods used to distribute the products, and the nature of the regulatory environment. China has been identified as a separate reporting segment as it does not meet the criteria for aggregation. The operating information for the Primary Reporting Segment and China, and sales by product line are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(In millions)			
Net Sales:				
Primary Reporting Segment				
United States	$ 218.1	$ 179.4	$ 422.6	$ 341.6
Mexico	119.5	113.9	236.6	217.8
South Korea	112.5	88.4	205.6	150.5
Others	504.7	446.6	997.3	867.8
Total Primary Reporting Segment	954.8	828.3	1,862.1	1,577.7
China	77.1	51.4	134.0	97.1
Total Net Sales	$ 1,031.9	$ 879.7	$ 1,996.1	$ 1,674.8
Contribution Margin(1)(2):				
Primary Reporting Segment				
United States	$ 93.6	$ 77.7	$ 189.0	$ 146.1
Mexico	49.0	51.0	92.9	91.4
South Korea	55.0	44.3	97.0	71.5
Others	226.1	201.3	443.9	393.0
Total Primary Reporting Segment	423.7	374.3	822.8	702.0
China	69.4	45.1	120.6	85.4
Total Contribution Margin	$ 493.1	$ 419.4	$ 943.4	$ 787.4
Selling, general and administrative expenses(2)	306.3	266.2	602.7	510.8
Interest expense, net	3.2	0.9	4.5	3.5
Income before income taxes	183.6	152.3	336.2	273.1
Income taxes	50.2	41.1	94.7	73.9
Net Income	$ 133.4	$ 111.2	$ 241.5	$ 199.2

Net sales by product line:				
Weight Management	$ 646.8	$ 552.3	$ 1,248.6	$ 1,050.9
Targeted Nutrition	241.0	197.3	465.9	377.5
Energy, Sports and Fitness	52.5	43.4	100.6	78.9
Outer Nutrition	37.7	37.0	74.4	73.6
Literature, promotional and other(3)	53.9	49.7	106.6	93.9
Total Net Sales	$ 1,031.9	$ 879.7	$ 1,996.1	$ 1,674.8
Net sales by geographic region:				
North America	$ 224.7	$ 185.2	$ 435.4	$ 352.2
Mexico	119.5	113.9	236.6	217.8
South and Central America	152.5	130.1	318.0	255.4
EMEA				