

(BN) Herbalife Audit Will Clear Borrowing for Buyback, Bass Says  
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(Adds Ackman bet starting in fourth paragraph.)

By Saijel Kishan and Leslie Patton

Dec. 5 (Bloomberg) -- Kyle Bass, founder of Hayman Capital Management LP, said nutritional-supplement maker Herbalife Ltd. will be able to borrow as much as \$2 billion and buy back "a lot of stock" after an audit of its business is complete.

Once the Grand Cayman-based company completes its three-year audit in the next 60 days, it will be able to access capital markets and borrow 2.5 times earnings before interest, taxes, depreciation and amortization, he said today in a Bloomberg Television interview with Stephanie Ruhle.

"We're catalyst-driven investors, and in this case the catalyst is coming in the next 60 days when they have their three-year audit done," Bass said, adding that Herbalife is a business that generates "significant" cash flows, has no debt and is growing. Dallas-based Hayman owned about 436,000 Herbalife shares, or 0.4 percent of the stock outstanding, as of Sept. 30, according to data compiled by Bloomberg.

Herbalife has recently been under scrutiny amid allegations by hedge-fund manager Bill Ackman that the company is a pyramid scheme. While Herbalife has consistently denied Ackman's claims, the activist investor last month said he will take his bet against the company "to the end of the earth."

Herbalife fell 0.8 percent to \$75.33 at 12:07 p.m. in New York. The shares more than doubled this year through yesterday, while the Standard & Poor's 500 Index advanced 26 percent.

#### Audit Timeline

The supplement seller, which has reported 16 straight quarters of sales growth, earlier this year hired PricewaterhouseCoopers LP to audit its books for 2010 through 2012 after its previous auditor resigned because of alleged insider trading. Herbalife has said the review will be completed by the end of this month.

Bass, a hedge fund manager who focuses on corporate turnarounds, came to prominence after successfully betting against subprime mortgages. While the world's largest financial institutions wrote off more than \$80 billion in subprime losses, Bass and others racked up billions in profit.

He has about \$2 billion under management, owning securities ranging from secured debt and shares in J.C. Penney Co. to

Argentina's restructured bonds. He has been betting on a Japanese fiscal collapse for several years and on gold as a hedge against inflation spurred by central banks printing money.

The J.C. Penney investment hasn't been a great one as the shares fell 51 percent this year through yesterday. Bass said today that he has sold out of the shares while still holding the company's debt.

Hayman also has taken a stake in General Motors Co., the largest U.S. automaker. General Motors shares gained 34 this year through yesterday.

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