CASE STUDY 06
HLF VALUATION

LIBRARY CROSSWALK - JUNE 2026

HLF Library Crosswalk

Companion to Case Study 06: Herbalife Ltd. Valuation

For each Institute guide where the HLF valuation illuminates a chapter — the lead chapter, the read, and the practitioner takeaway.

Seven guides. Eighteen chapters. One investable opportunity.

DISCLOSURE. The author, Phil Baratelli, has owned HLF previously and intends to invest. This crosswalk is educational. Readers considering an HLF position should consult their own qualified advisors and conduct their own diligence. Not investment advice.

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About this crosswalk

Every Baratelli Institute case study is paired with a Library Crosswalk so the practitioner can move from the observation ("HLF trades at 4.1x trailing EV/EBITDA") to the working framework ("this is the chapter, here is the principle, here is how it applies"). The crosswalk is intentionally short and operational. Each entry names the guide, names the lead chapter, and gives a 2-3 sentence read.

Seven guides are surfaced by the HLF case: First Principles of Master Investing, CFO & Controller's Guide, Private Equity Guide, Tax Strategy Decoded, Treasure Assets / Wealth Psychology Guide, Business Buyers Guide, and the Business Operators Blueprint. The first four are the core analytical pack; the last three are adjacent reads.

FP — First Principles of Master Investing

Lead chapter: *Owner Earnings & the Buyback Walk*

HLF is a textbook owner-earnings case: net income $239.8M + D&A $120M – maintenance CapEx ~$50M + post-refi interest savings $44.9M = ~$355M run-rate owner earnings on 108.4M shares = ~$3.27/sh. The negative book equity (shareholders' deficit of $434M at Q1 2026) is the classic multi-decade buyback signature — book equity went negative because HLF repurchased shares at prices above book for years. The First Principles chapter on owner earnings (Buffett method) and the chapter on buyback walks read this guide-as-textbook-case.

Secondary chapters this case touches:

- **Reverse DCF.** At $12.34 live price, what growth rate is the market implying? The reverse-DCF method (FP Ch on intrinsic value) tests the implied growth against management's +1-5% organic guidance plus Bioniq tuck-in.
- **Margin of Safety.** Working valuation range $14-$28 vs. live $12.34 implies meaningful margin of safety even before factoring upside scenarios. Tests the chapter discipline: pay a price that doesn't require heroics.
- **Circle of Competence.** The MLM model is genuinely complex (FTC consent order, distributor compensation, international regulatory tail). Practitioners should test their circle of competence honestly before committing capital here.
- **Mr. Market.** HLF's 52-week range of $7.36-$20.40 illustrates Mr. Market's mood-swing extremes. The discipline is to act on price, not on the noise that produced it.

CFO — CFO & Controller's Guide

Lead chapter: *Debt Refinancing Economics*

HLF's April 29, 2026 $1.45B senior secured refinancing delivering ~$44.9M of annual cash interest savings is the textbook example of CFO Guide's debt-refinancing chapter applied at scale. The refi extended maturity, lowered coupon, and freed cash — with no equity dilution. The per-share EPS uplift (~$0.41/sh pre-tax, ~$0.29/sh post-tax @ 30%) flows directly into intrinsic value. CFOs and controllers reading the chapter alongside this case see refinancing economics translated cleanly into shareholder-level dollars.

Secondary chapters this case touches:

• **Capital Allocation (Ch. 18).** HLF's capital-allocation history: heavy buybacks over multiple decades, modest M&A (Pro2col, Link BioSciences, Pruvit, Bioniq), defensive refis. The case demonstrates each allocation lever in sequence.

• **Treasury Management.** $451M cash at Q1 2026 vs $1.99B total debt = net debt $1.54B. The CFO Guide's treasury chapter walks the cash-vs-debt management calculus that underlies HLF's liquidity stance.

• **Multi-Jurisdiction Operations.** Cayman parent, US operations, 90+ country distribution = the CFO Guide's case for entity structure planning. The Q4 2024 corporate entity restructuring (yielding $147.3M deferred tax benefits) is the worked example.

• **KPI Selection for Cyclical Businesses.** Constant-currency growth, distributor productivity, regional sales mix, gross-margin defensibility — HLF's KPI dashboard is the reference for any practitioner advising consumer-products clients.

PE — Private Equity Guide

Lead chapter: *Take-Private Feasibility (the LBO Math)*

At $1.26B equity / $2.80B EV / 4.1x trailing EV/Adj. EBITDA, HLF is a textbook take-private candidate. The PE Guide's chapter on take-private feasibility walks the math: predictable $680M cash EBITDA, refinanceable debt structure already in place, brand IP separable, distribution network valuable to a strategic. An LBO sponsor would model 6-7x leverage on $680M EBITDA = $4.1-4.8B debt capacity vs. current $1.99B debt — meaningful headroom. Returns math: $1.5B equity check, 5-year hold, exit at 6x EBITDA (still below MLM peer median) = 20%+ IRR before operational improvement.

Secondary chapters this case touches:

- **Deal Sourcing.** Public-to-private deals in compressed-multiple consumer brands are an active PE channel. The PE Guide's sourcing chapter walks the public-screen-to-pitch sequence; HLF fits the screen on cash-flow multiple, leverage capacity, and stable historicals.
- **Comparable Company Pricing.** MLM peer comps (NUS 5.6x, USNA 5.4x, MED 3.2x) anchor HLF's multiple. Branded nutrition peers (BRBR 16.2x, HAIN 11.4x) define the take-out upside. The PE Guide chapter on comp pricing walks both anchors.
- **Working with Investment Bankers.** Strategic-buyer interest in HLF would likely run through a Goldman/Morgan Stanley/Centerview pairing. The PE Guide chapter on banker engagement walks the typical buy-side-bank involvement structure.
- **Carried Interest & Deal Economics.** A successful HLF take-private at 6x EBITDA / 5-year hold / 20%+ IRR would generate $400M+ carry on a typical 2-and-20 structure. The PE Guide chapter on carry economics translates the deal into LP/GP economics.

TXD — Tax Strategy Decoded

Lead chapter: *Cross-Border IP Migration*

HLF's Q4 2024 corporate entity restructuring — yielding $147.3M of net deferred tax benefits — is a worked example of the Tax Strategy Decoded chapter on cross-border IP migration. The restructuring moved certain IP and operational economics within the Cayman/US perimeter to optimize the post-TCJA / post-Pillar-Two effective rate. Practitioners reading the chapter alongside the HLF 10-K disclosures see the multi-jurisdiction tax-planning framework in operation at scale.

Secondary chapters this case touches:

- **GILTI & Subpart F Planning.** HLF's 90+ country footprint generates a complex Subpart F / GILTI computation. The Tax Decoded chapter walks the conceptual framework; HLF's 10-K tax footnote walks the dollar effects.
- **Pillar Two / Global Minimum Tax.** HLF's effective tax rate guidance (~30% per FY 2026 guide) reflects post-Pillar-Two operating reality. The Tax Decoded chapter on the OECD framework walks why pre-Pillar-Two structures no longer optimize.
- **Cayman Parent / US Operations.** The Cayman parent structure is the textbook 'foreign holding co + US opco' arrangement. The Tax Decoded chapter on multi-jurisdiction entity choice walks the structural trade-offs (and the post-TCJA narrowing of advantage).

WP/TA — Wealth Psychology & Treasure Assets

Lead chapter: *Conviction vs. Consensus (the Icahn-Ackman Trade)*

HLF is one of the most famous behavioral-finance case studies of the last decade: Carl Icahn (long, conviction) vs. Bill Ackman (short, conviction) clashed in public over 2012-2019 with billions of dollars on each side. Both were partly right: Ackman correctly identified the regulatory risk; Icahn correctly identified that the franchise wouldn't go to zero and would generate cash through the storm. Wealth Psychology chapter on conviction-vs-consensus uses this as the canonical case: two billionaires can read the same facts and reach opposite conclusions; the discipline is to know what you own and why, regardless of who is on the other side.

Secondary chapters this case touches:

• **Position Sizing & Conviction Calibration.** Even strong conviction does not justify outsized position size in a single-name regulatory-tail story. The WP chapter on position sizing walks the discipline.

• **Mental Anchoring & Sunk-Cost Thinking.** Author Phil Baratelli's prior HLF position is the disclosure context for this case — readers should test their own anchoring before adopting any of this analysis as their own.

• **Public-Drama as Distortion Mechanism.** The Icahn-Ackman public feud distorted the price discovery process for years. The WP chapter on noise vs. signal walks how to read past the drama.

BBG — Business Buyers Guide

Lead chapter: *Buying a Mature Cash-Generative Franchise*

Although HLF is a $1.26B public-equity story, the structural read is identical to a small buyer's framework: a mature franchise generating predictable cash, with a regulatory discount in the price, where the question is whether the discount is permanent or transient. The Business Buyers Guide chapter on cash-generative-franchise acquisition walks the diligence framework: validate cash generation (yes, 5+ years at $617M-$680M), test for hidden liabilities (regulatory tail, FTC consent order in force), assess management succession (CEO Michael Johnson era transitioned to current team; bench depth is the open question).

Secondary chapters this case touches:

- **Pay for Trough, Not Peak.** HLF trades at multiples typically reserved for declining businesses. The BBG chapter on cycle-trough pricing walks the discipline of paying close to a cycle-trough multiple regardless of stage.
- **Distributor / Channel Economics.** HLF's distributor model is a channel structure; the BBG chapter on channel valuation walks the diligence of any business whose primary asset is a sales-force structure (insurance agencies, real-estate brokerages, direct-sales companies).

BOP — Business Operators Blueprint

Lead chapter: *Capital Allocation Under Stable Cash Flow*

HLF's recent capital allocation sequence — defensive refi (April 2026), targeted tuck-in (Bioniq April 2026), continued buybacks at depressed multiples — is a textbook operator playbook for a mature cash-generative business facing multiple compression. The Business Operators Blueprint chapter on capital allocation under stable cash flow walks the three available levers: re-invest in core (Bioniq personalization platform), return capital (buyback at sub-1x revenue), or de-risk balance sheet (the refi). HLF management is currently pulling all three levers, in sequence.

Secondary chapters this case touches:

- **Multi-Year Strategic Planning.** HLF's personalization-platform pivot (Pro2col, Link BioSciences, Pruvit, Bioniq) is a multi-year strategic build that requires distributor-channel adoption to validate. The BOP chapter on strategic build sequencing walks the discipline.
- **Management of Mature Business in Compressed-Multiple Environment.** Operators of mature businesses periodically face the 'Mr. Market discount': cash flow is fine but the multiple compresses. The BOP chapter walks the operator's playbook (focus on cash returns to shareholders, not on chasing growth that doesn't exist).

Summary — Reading All Seven in Sequence

The HLF case study is unusually rich because it sits at the intersection of seven Institute frameworks at once: it is simultaneously an owner-earnings case (FP), a refi case (CFO), a take-private case (PE), a cross-border tax case (TXD), a behavioral case (WP), an operator-discipline case (Business Operators Blueprint / BOP), and a buying-the-mature-franchise case (Business Buyers Guide / BBG). Practitioners who work through this case study with the seven companion chapters open arrive at a more complete read than they would by approaching the analysis through any single lens.

The valuation conclusions are the conclusions a practitioner reaches by applying all seven frameworks honestly. The disclosure framework is the discipline that lets the practitioner publish those conclusions without overstating their applicability to other readers.

DISCLOSURE

Phil Baratelli, the author, has owned HLF shares previously and intends to invest in HLF. This case study is educational only. The Baratelli Institute does not advise on this stock or any other. Readers considering an HLF position should consult their own qualified advisors and conduct their own diligence. Not investment advice. Not a recommendation.