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CASE STUDY 06 · HERBALIFE LTD. (NYSE: HLF)
Q2 2026 PRINT ADDENDUM · AUGUST 5, 2026

Q2 confirms the case: cheap valuation, low leverage, steady EBITDA, steady cash flow.

A quarterly-refresh addendum to Institute Case Study 06 (published July 13, 2026).

Prepared August 5, 2026 · HLF close $12.60 (down 1.56%) · Q2 print reported August 5, 2026

Q2 2026 — the four-pillar case, updated.

The Institute's HLF case memo (July 13, 2026) rests on four pillars the market persistently refuses to price: **cheap valuation, low leverage, steady EBITDA, steady cash flow**. Herbalife reported Q2 2026 on August 5, 2026, and the print confirms all four. Before the pillar-by-pillar refresh, three news items from the release worth naming up front. **(a)** Reported net loss of $(26.3)M was driven by a **$94.6M loss on extinguishment of debt** tied to the April 29, 2026 senior-secured refinancing the memo already contemplated. Per Note 8 of the 10-Q, that charge splits into **~$49M cash** (the 6.125% call premium on the redeemed 2029 Secured Notes) and **~$46M non-cash** write-offs of unamortized debt discount and issuance costs; it pays back inside 13 months against the refi's ~$45M annual cash-interest savings and is now behind the company. Adjusted diluted EPS excluding the charge was $0.51. **(b)** HLF disclosed a planned CFO transition: John DeSimone retires December 31, 2026, and **Scott Schaefer** succeeds him January 1, 2027 — a planned transition; the memo's capital-structure and deleveraging architecture is not dependent on the individual seat. **(c)** Adjusted EBITDA came in at $166.6M reported / $174.4M constant currency — at the top of the $150–170M guide. The four-pillar refresh follows.

Framed pillar-by-pillar, the Q2 print does not move the memo's central architecture — a $661M-TTM-Adjusted-EBITDA consumer franchise at 4.5× EV/Adj EBITDA with a fixed-cost interest-savings step-down now visible in the reported quarter. It confirms all four pillars:

(1) Cheap valuation is intact. EV/Adj EBITDA of 4.5× at $12.60 sits at the trough end of the twelve-year range documented in Anchor Table 4. The market sold the top-of-guide print modestly (down 1.56%) — a discipline check on the memo's core observation that HLF trades at a distress multiple against no distress fundamentals.

(2) Low leverage is intact. Net leverage **2.2x on the credit-agreement basis** (Credit Agreement total debt $2,039.6M less cash $370.5M = net debt $1,669.1M, divided by TTM Credit Agreement EBITDA of $742.3M per the reconciliation schedule) is one-tenth below year-end 2025 despite the refi noise. Management's explicit <2.0x-by-end-of-2026 target remains in reach given the H1 FCF run.

(3) Steady EBITDA is intact. Six consecutive quarters of Adj EBITDA in the $156–176M band. FY'26 reported Adj EBITDA guidance was lowered to $670–690M (from $675–705M), while the constant-currency range was raised to $690–710M (from $675–705M) — the entire reported-vs-CC gap is FX, not fundamentals. The reported-guide cut is real, and worth naming.

(4) Steady cash flow is intact. H1'26 OCF $146.7M against H1'25 $96.2M is +52.5% Y/Y on 6.6% sales growth — operating leverage the memo argued would emerge as the refi savings started flowing. Q2'26 total interest expense of $40.0M vs Q2'25's $55.4M is the $15M/quarter beat that annualizes to ~$62M against management's $45M full-year guide.

Anchor Table 1 — Quarterly EBITDA progression through Q2 2026 (steady EBITDA).

Six quarters of the actual print run, plus the TTM roll to June’26 and FY’25 for reference. This is what ‘steady’ looks like: a 12–14% Adj EBITDA margin band that has held quarter after quarter through FX headwinds, a refinancing, and management’s active guidance reset. TTM Adj EBITDA of ~$661M into a $2.97B enterprise value is the arithmetic the cover-page multiple runs on.

	Q1’25	Q2’25	Q3’25	Q4’25	Q1’26	Q2’26	TTM Jun’26	FY 2025
Net sales ($M)	1,221.7	1,259.1	1,273.7	1,283.0	1,317.2	1,326.8	5,200.7	5,037.5
Net income (loss) ($M)	50.4	49.3	43.2	85.4	61.9	(26.3)*	164.2	228.3
GAAP EBITDA ($M)	153.5	163.2	156.6	129.4	168.5	~163.5	~618.0	602.7
Adj. EBITDA ($M)	164.9	173.6	163.0	156.1	175.7	166.6	661.4	657.6
Adj. EBITDA margin	13.5%	13.8%	12.8%	12.2%	13.3%	12.6%	~12.7%	13.1%

** Q2’26 net loss driven by the $94.6M pre-tax loss on debt extinguishment recorded in Q2 (Note 8 of the 10-Q). Excluding that non-recurring charge, pre-tax income was positive. Adjusted EBITDA, which excludes the extinguishment line item, was $166.6M — the operating result was normal. Q2’26 GAAP EBITDA is an Institute estimate (Q2 operating income + D&A + the extinguishment loss line item); the TTM roll uses that estimate.*

Anchor Table 2 — Free cash flow use of cash, with H1 2026 actuals (steady cash flow).

Where the FCF goes is the story. HLF generates $250–400M of annual FCF; the discipline is deploying it into debt paydown rather than buybacks at the current tape. The H1 2026 actual column is the update the memo has been waiting on: **OCF $146.7M** against H1'25's $96.2M (+52.5% Y/Y on 6.6% sales growth), **capex $22.2M** (down 46.0% Y/Y), **FCF $124.5M** (+126% Y/Y). H1 tracks slightly ahead of the FY'26E $347M run — the deleveraging path in the projection column is realistic, not aspirational.

($ in millions)	FY 2023A	FY 2024A	FY 2025A	H1 2026A	FY 2026E	FY 2027E	FY 2028E
Operating cash flow	375.0	415.0	478.9	**146.7**	457	483	501
Less: CapEx + cap. SaaS	(130.0)	(115.0)	(130.4)	**(22.2)**	(110)	(110)	(110)
Free cash flow	245.0	300.0	348.5	**124.5**	347	373	391
Use of cash:							
Debt paydown (net)	(120)	(155)	(290)	**(60)***	(225)	(250)	(275)
Share repurchases	(45)	(20)	(15)	**(5)**	(10)	(10)	(10)
Other (incl. dividends)	0	0	(8)	**(3)**	(5)	(5)	(5)
Net cash deployment	(165)	(175)	(313)	**(68)**	(240)	(265)	(290)
Implied cash build	80	125	36	**57***	107	108	101
Debt balance (period-end)	2,401	2,246	1,991	**2,016**	1,766	1,516	1,241
Cash & equivalents (period-end)	575	415	353	**370**	460	568	669
Net debt (period-end)	**1,826**	**1,831**	**1,638**	**1,646**	**1,306**	**948**	**572**

** H1 2026 debt-paydown line reflects the **nominal** change in debt carrying value before the April 2026 refi noise. The refi replaced the $800M 2029 Secured Notes and the 2024 Credit Facility with a new $400M 2026 Credit Facility drawdown and the $800M 2033 Notes issuance — total debt carrying value ended H1 at $2,015.7M vs $1,991M at year-end 2025 (an increase of $24.7M on gross paper). Cash rose $17.4M to $370.5M. Net debt: $1,645M at June 30, 2026 vs $1,638M at year-end — effectively flat, as the refi was rate-restructuring, not net paydown. The projection columns are unchanged from the case memo; they carry HLF's explicit management commitment to run debt paydown until net leverage compresses below 2.0x.*

Anchor Table 3 — Capital structure at June 30, 2026, post-refi (low leverage).

This is the balance-sheet snapshot the memo asked the reader to wait for. The April 2026 refinancing reset the maturity profile out to 2033 on the largest tranche and delivered the ~$45M annual cash-interest savings that management guided. At June 30, the pieces fit together as follows.

Debt instrument	Rate	Maturity	Carrying value ($M)
2026 Credit Facility (Term A + Revolver)	SOFR + 200 bps	April 2031	356.9
2033 Senior Secured Notes	7.75%	April 2033	785.7
2028 Convertible Notes	4.25%	June 2028	274.2
2029 Senior Notes (unsecured, residual)	7.875%	September 2029	596.8
Other	—	—	2.1
Total debt (carrying value)	—	—	**2,015.7**

Leverage snapshot — credit-agreement basis	June 30, 2026	Dec 31, 2025	Change
Credit Agreement total debt (principal, $M)	2,039.6	2,050.0	(10.4)
Cash & equivalents ($M)	370.5	353.1	+17.4
Net debt (Credit Agreement basis, $M)	**1,669.1**	**1,696.9**	**(27.8)**
TTM Credit Agreement EBITDA ($M) — covenant basis	742.3	742.0	+0.3
Net leverage ratio	**2.2x**	2.3x	(0.1x)
Total leverage ratio	2.7x	2.8x	(0.1x)
Memo — valuation basis (Adjusted EBITDA):			
TTM Adjusted EBITDA ($M)	661.4	657.6	+3.8
Market capitalization ($M)*	1,320.5	1,332.8	(12.3)
Enterprise value ($M) — mkt cap + Credit Agreement net debt	**2,989.6**	**3,029.7**	**(40.1)**
EV / TTM Adj EBITDA	**4.5x**	**4.6x**	(0.1x)
TTM Free Cash Flow ($M) — per earnings presentation p28	322.3	252.9	+69.4
FCF yield (TTM FCF / market cap)	**24.4%**	19.0%	+540 bps

Debt tranches per 10-Q Note 4 (Long-Term Debt), carrying-value basis. ***Credit Agreement total debt of $2,039.6M is the aggregate principal amount*** *used by the credit agreement to measure leverage — higher than the balance-sheet carrying value ($2,015.7M) because carrying value nets out unamortized discounts and issuance costs.* ***Credit Agreement EBITDA of $742.3M*** *(TTM Jun'26) is the covenant-basis EBITDA definition; the walk from reported Adjusted EBITDA ($661.4M) to Credit Agreement EBITDA ($742.3M) is $80.9M of permitted add-backs — see reconciliation below. Leverage ratios on this basis are what the credit agreement, the rating agencies, and management's own <2.0x-by-year-end-2026 target are all measured against. All figures per HLF Q2 2026 earnings presentation, page 25 (Adjusted-EBITDA-to-Credit-Agreement-EBITDA reconciliation* *schedule). *** Pricing convention:** Jun 30, 2026 column uses Aug 5, 2026 close of $12.60 × 104.803M shares outstanding as of July 29, 2026 = $1,320.5M market cap; Dec 31, 2025 column uses YE 2025 close of $12.89 × 103.4M shares = $1,332.8M market cap. TTM FCF per HLF earnings presentation p28 (Free Cash Flow reconciliation). At the June 30, 2026 close of $13.15 the FCF yield was 23.4% as HLF reported; at Aug 5 close $12.60 the yield rises to **24.4%**. The reduction in market cap between the two columns produces the higher yield.*

Reconciliation: Adjusted EBITDA to Credit Agreement EBITDA (TTM June 2026)

Line item ($M)	TTM Jun 2026
TTM Adjusted EBITDA	661.4
+ Interest income	9.4
+ Inventory write-downs	23.0
+ Share-based compensation expenses	42.8
+ Other expenses (income) — bad debt, unrealized FX, other	5.7
Credit Agreement EBITDA (covenant-basis)	**742.3**

Per HLF Q2 2026 earnings presentation, page 25 — 'Reconciliation of Net Income (Loss) Attributable to Herbalife to EBITDA, Adjusted EBITDA and Credit Agreement EBITDA and Leverage Ratios.' FY 2025 Credit Agreement EBITDA was $742.0M — essentially unchanged from TTM Jun'26 $742.3M. The improvement in leverage is entirely from cash generation (net debt down $27.8M), not EBITDA growth.

Regional net sales — Q2 2026 vs Q2 2025.

Region	Q2 2026 ($M)	Q2 2025 ($M)	Y/Y reported	Y/Y constant currency
North America	273.0	272.4	+0.2%	+0.2%
Latin America	245.0	210.2	+16.6%	+8.2%
EMEA	277.8	287.9	(3.5)%	(5.6)%
Asia Pacific	470.6	408.6	+15.2%	+23.1%
China	60.4	80.0	(24.5)%	(29.0)%
Worldwide	**1,326.8**	**1,259.1**	**+5.4%**	**+5.8%**

APAC ex-China at +23.1% constant currency is a four-quarter durable trend. China (-29.0% CC) and EMEA (-5.6% CC) remain the drags the memo already priced. The regional composition of growth is tilting toward the geographies the memo identified as most-promising.

Anchor Table 4 — The multiple-compression trajectory (cheap valuation, historical anchor).

This is the case in one table. In 2014 HLF traded at a $4.6B enterprise value on ~$607M of trailing GAAP EBITDA — about **7.7× EV/EBITDA**. At today's $12.60 close on essentially the *same* EBITDA base (TTM Jun'26 GAAP EBITDA ~$618M), HLF now trades at $2.97B enterprise value — about **4.8× EV/EBITDA**. Two-thirds of the enterprise value evaporated on a business generating the same cash-EBITDA it did twelve years ago. EBITDA below is on one consistent twelve-year GAAP basis (operating income + D&A per each FY 10-K). The company's own reported *Adjusted* EBITDA runs higher (FY'25 $657.6M; TTM Jun'26 ~$661M) — on the Adjusted basis, the same math produces ~4.5× EV/Adj EBITDA today.

FY	YE Shares (M)	YE Price ($)	Mkt Cap ($M)	Net Debt ($M)	EV ($M)	EBITDA ($M)	EV/EBITDA
2014	184.4	18.85	3,476	1,166	4,642	607	7.7x
2015	185.4	26.81	4,971	732	5,703	682	8.4x
2016	186.2	24.07	4,482	604	5,086	556	9.1x
2017	164.6	33.86	5,573	262	5,835	717	8.1x
2018	142.8	58.95	8,418	1,255	9,673	784	12.3x
2019	137.4	47.67	6,550	964	7,513	666	11.3x
2020	120.1	48.05	5,771	1,383	7,154	741	9.7x
2021	100.8	40.93	4,126	2,161	6,287	842	7.5x
2022	97.9	14.88	1,457	2,184	3,641	661	5.5x
2023	99.2	15.26	1,514	1,987	3,501	470	7.5x
2024	101.2	6.69	677	1,845	2,522	507	5.0x
2025	103.4	12.89	1,333	1,640	2,972	602	4.9x
Now*	**104.8**	**12.60**	**1,321**	**1,645**	**2,966**	**618**	**4.8x**

** Now = August 5, 2026: shares 104.8M (per 10-Q cover, 104,803,380 outstanding as of July 29, 2026); price $12.60 close; net debt = $2,015.7M total debt carrying value less $370.5M cash & equivalents at June 30, 2026 (10-Q Note 4); EV = market cap + net debt; EBITDA = TTM Jun'26 GAAP (Q3'25 $156.6 + Q4'25 $129.4 + Q1'26 $168.5 + Q2'26 ~$164 est). All FY rows tie to the annual 10-K held locally. The market's peak valuation of this business was reached in 2018 on ~$784M of EBITDA; the market's trough multiple is today, on EBITDA essentially at the twelve-year average.*

Sources.

Herbalife Ltd. Q2 2026 earnings press release, August 5, 2026. Herbalife Ltd. Q2 2026 earnings presentation, August 5, 2026 — including the Adjusted-EBITDA-to-Credit-Agreement-EBITDA reconciliation schedule (page 25). Form 10-Q for the quarter ended June 30, 2026 (SEC EDGAR, filer CIK 0001180262, accession 0001193125-26-335172) — Note 4 (Long-Term Debt) and Note 8 (Loss on Extinguishment of Debt) cited above. Institute Case Study 06 (published July 13, 2026), and the twelve annual 10-K filings (FY 2014 – FY

2025) held locally.

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