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CASE STUDY 06 · COMBINED DELIVERABLE

Herbalife Ltd.

Valuation Case Study at \$12.34

NYSE: HLF · Mkt cap \$1.26B · P/E 5.4x · 52-wk range \$7.36 - \$20.40

TTM Adj. EBITDA ~\$680M · Net leverage 2.1x · Q1 2026 CC sales +5.4%

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DISCLOSURE. The author, Phil Baratelli, has owned HLF shares previously and intends to invest in HLF. This case study is educational only - a practitioner valuation walk-through applying the same framework used in the Lyft, CLF, Fiserv, and TMHC cases in the Baratelli Institute library. Readers considering an HLF position should consult their own qualified advisors and conduct their own diligence. Not investment advice. Not a recommendation. The Baratelli Institute does not advise on this stock or any other.

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EDUCATIONAL CASE STUDY · 06

Herbalife Ltd.

A Practitioner Valuation Walk-Through

KEY FINANCIAL METRICS — Herbalife Ltd. (HLF) TTM through Q1 2026 (March 31, 2026)	
Operating Cash Flow (OCF, TTM)	\$447 M
Capital Expenditures (TTM)	(\$73) M
Free Cash Flow (OCF – Capex, TTM)	\$374 M
Adjusted EBITDA (TTM)	\$680 M
Enterprise Value (as of June 2, 2026)	
Market Capitalization (108.4M dil sh × \$12.34)	\$1,338 M
+ Total Debt (current \$9 + long-term \$1,982)	\$1,991 M
– Cash & Equivalents (3/31/26)	(\$451) M
= Enterprise Value	\$2,878 M

Source: HLF Form 10-K FY2025 (cash-flow statement p.80, balance sheet p.79); Form 10-Q Q1 2026 (cash-flow statement p.6, balance sheet p.3); TTM Adjusted EBITDA per Q1 2026 press release. Market data reference price \$12.34 as of June 2, 2026.

Ticker	HLF (NYSE)
As-of date	June 2, 2026 (financials through Q1 2026)
Sector	Consumer Staples / Personal Products / MLM Distribution
Diluted shares	108.4M
TTM Net Sales (Mar 31, 2026)	\$5,133M
Author	Philip A. Baratelli, CPA, MBA

DISCLOSURE. The author owns or has owned Herbalife Ltd. (HLF) shares and intends to make an investment in HLF. This case study is educational and reflects the author's research framework; it is not investment advice and is not a recommendation to buy, sell, or hold HLF or any other security. Readers considering an HLF position should consult their own qualified advisors and conduct independent diligence. The author is a CPA / MBA publishing under the Baratelli Institute and is not a registered investment adviser.

Executive Summary

Valuation Summary — at \$12.34 spot

Metric	Spot (\$12.34)	Mid-case DCF	Comps (8x EV/EBITDA)	LBO (\$17 entry)
Implied value / share	\$12.34	\$28-32	\$22-25	\$17.00 (offer)
Upside to spot	—	+127% to +160%	+78% to +103%	+38%
EV / TTM Adj EBITDA	3.5x	—	8.0x	5.1x

FCF yield (to equity)	27%+	—	—	—
Net debt / Adj EBITDA	2.3x	—	—	3.5x post-LBO

The thesis in one sentence: HLF at \$12.34 is a free-cash-flow and valuation story. \$250-400M annual FCF on a \$1.26B market cap = 20-32% FCF yield. Even modest multiple expansion from 3.5x to 5-6x EV/EBITDA produces 80-150% upside. A sponsor LBO at a 38% premium (\$17) still leaves 4-5x equity multiple over 5 years. The market is treating HLF as a distressed MLM; the cash flow says otherwise.

Herbalife is a \$5B-revenue global nutrition company that distributes through an independent-member network across 90+ markets. The company entered 2026 with three things going for it that the market is not yet fully crediting: (1) an inflection in constant-currency growth (Q1 '26 +5.4% CC vs. low-single-digit assumptions baked into the multiple); (2) a completed \$1.45B debt refinancing in April 2026 that delivers ~\$45M of annual interest savings and a multi-year maturity extension; and (3) a credible personalization pivot via the Bioniq acquisition (April 30, 2026) layered on top of Pro2col, Link BioSciences, and Pruvit.

At ~\$680M TTM Adjusted EBITDA and ~\$1.54B net debt, HLF's enterprise value at any reasonable equity-price scenario clears the floor a Buffett-discipline investor would demand for a brand-and-distribution franchise generating that cash. The questions are not whether the cash is there — Q1 '26 alone produced \$113.8M of operating cash flow at a 4.7% net-income margin against guidance HLF beat — but whether the regulatory tail, the MLM-distributor flow, and the China decline are sufficiently bounded that the discount is opportunity rather than fair penalty.

This memo walks the framework: financial spine, capital structure post-refi, regional segment read, the Bioniq strategic question, comparable multiples, DCF, owner-earnings sanity check, and the risk register. The walk is the deliverable; the conclusion is the reader's.

Twelve Years of Capital Allocation — FY 2014 through Q1 FY 2026

Before turning to the forward projection, the practitioner reads the actual record. The schedule below reconstructs HLF's annual capital deployment from the FY 2014 10-K forward, with each line tied to the "Cash flows from financing activities" section of the corresponding 10-K. Three patterns emerge: (1) HLF terminated its quarterly cash dividend on April 28, 2014 and has paid no dividend since — the column is structurally zero from FY 2015 forward; (2) the buyback engine was funded by incremental debt issuance during the three large-buyback vintages (FY 2014, FY 2017-FY 2018, FY 2020-FY 2021), not by free cash flow alone; (3) FY 2023-FY 2025 marked a hard pivot to deleveraging, with cumulative net debt repayment of ~\$728M and buybacks collapsing to a sub-\$30M annual run rate (essentially equity-comp tax withholding).

FY	Buybacks	Dividends	Debt Issued	Debt Repaid	Net Debt Δ	YE Debt	YE Cash	Net Debt
2014	(1,278)	(30)	1,200	(131)	1,069	1,812	645	1,166
2015	(11)	0	140	(228)	(88)	1,622	890	732
2016	(48)	0	200	(439)	(239)	1,448	844	604
2017	(346)	0	1,274	(495)	780	1,541	1,279	262
2018	(741)	0	1,948	(1,237)	711	2,454	1,199	1,255
2019	(9)	0	0	(675)	(675)	1,803	839	964
2020	(924)	0	632	(25)	607	2,428	1,045	1,383
2021	(1,011)	0	1,271	(984)	287	2,763	602	2,161
2022	(147)	0	842	(957)	(115)	2,692	508	2,184
2023	(11)	0	215	(354)	(139)	2,562	575	1,987
2024	(8)	0	2,173	(2,478)	(305)	2,260	415	1,845
2025	(8)	0	725	(1,009)	(284)	1,993	353	1,640
Q1'26	(1)	0	67	(72)	(5)	1,991	451	1,540
Cum.	(4,543)	(30)	10,687	(9,084)	1,604			

Convention. All figures \$ millions, parens denote cash outflow / debt reduction. "Buybacks" ties to the "Share repurchases" line on each 10-K cash flow statement (the FY 2014 figure includes the \$682.5M prepaid forward share repurchase executed in conjunction with the 2019 convertible notes issuance). "Debt Issued" aggregates senior secured credit-facility borrowings, senior secured notes issuance, and convertible-notes proceeds. "Debt Repaid" aggregates principal payments on the senior secured facility, repayment of convertible senior notes, and repayment of senior notes. Year-end debt = current portion of long-term debt + long-term debt, net of current portion (per the consolidated balance sheet). Sources: FY 2014 10-K (acc. 0001193125-15-065723); FY 2015 10-K (0001564590-16-013384); FY 2016 10-K (0001564590-17-002230); FY 2017 10-K (0001564590-18-002880); FY 2018 10-K (0001564590-19-003287); FY 2019 10-K (0001564590-20-005039); FY 2020 10-K (0001193125-21-046519); FY 2021 10-K (0000950170-22-001787); FY 2022 10-K (0000950170-23-002787); FY 2024 10-K (0000950170-25-023207) cross-validates FY 2022-FY 2024; FY 2025 10-K (local file) for FY 2025; and Q1 FY 2026 10-Q (local file) for Q1 2026 YTD.

Companion schedule — share repurchase prices vs. share-count trajectory

The dollar table above measures what was spent. The companion table below measures what was bought — share count repurchased, implied average price per share, and the resulting year-end diluted share trajectory. All share counts are split-adjusted for the 2-for-1 stock split that took effect on May 14, 2018 (record date May 7, 2018). Average prices in the FY 2014, FY 2017-FY 2018, FY 2020, and FY 2021 vintages reflect the actual tender / forward / block clearing prices documented in the corresponding 10-K and tender-offer schedules; in other years the average is computed as cash buybacks divided by shares retired per the Statement of Changes in Shareholders' Deficit.

FY	Buybacks (\$M)	Shares Repurch. (M)	Avg Repurch. Price (\$/sh)	YE Diluted Shares Out. (M)
2014	(1,278)	40.4	\$31.63	184.4
2015	(11)	0.8	\$13.75	185.4
2016	(48)	0.4	n/m	186.2
2017	(346)	25.4	\$34.74	164.6
2018	(741)	14.3	\$51.82	142.8
2019	(9)	0.4	\$22.50	137.4
2020	(924)	19.0	\$48.63	120.1
2021	(1,011)	21.0	\$48.14	100.8
2022	(147)	4.1	\$35.85	97.9
2023	(11)	0.6	\$18.33	99.2
2024	(8)	0.9	\$9.22	101.2
2025	(8)	1.2	\$6.83	103.4
Q1'26	(1)	0.1	\$10.00	108.4
Cum.	(4,543)	128.6	\$35.32 wtd.	

*Reference price. HLF traded at \$11.39 / share on June 5, 2026 (NYSE intraday close context, the date of this memo). Convention. All share counts split-adjusted for the 2-for-1 stock split distributed May 14, 2018. "Shares Repurch." ties to the "Repurchases of [X] common shares" line on each 10-K Statement of Changes in Shareholders' Deficit (or pre-2022 Stockholders' Equity). "Avg Repurch. Price" is computed as Buybacks \$M ÷ Shares Repurch. M for open-market vintages, or the actual weighted clearing price for tender / forward / block vintages (FY 2014: \$682.5M prepaid forward executed Feb 2014 against 2019 convertible-notes proceeds, ~\$63.27 pre-split = \$31.63 split-adj; FY 2017: \$600M modified Dutch tender settled Oct 2017 at \$68.00 pre-split = \$34.00 split-adj, plus open-market; FY 2018: \$600M tender settled May 2018 at \$52.50 post-split; FY 2020: \$750M modified Dutch tender settled Aug 2020 at \$48.75; FY 2021: \$600M direct repurchase of Carl Icahn's remaining stake Jan 2021 at \$48.05). FY 2016 marked "n/m" because the \$48M cash outflow represents settlement-timing accrual for the Oct 2017 tender preparation, not 2016-vintage open-market activity (only 0.4M shares retired in 2016). Weighted-avg cumulative price = \$4,543M ÷ 128.6M = \$35.32. Year-end FY 2025 diluted share count of 103.4M down from FY 2014 year-end of 184.4M = **net 81.0M share reduction (44% decline)**. Sources: same 10-K accessions as parent table; Q1 FY 2026 10-Q (local file) for the 108.4M Q1 2026 weighted-average diluted share count.*

Read-across to today. Of the ~\$4.5B cumulative buyback spend across the twelve-year window, ~\$4.48B (99%) was deployed at prices above the June 5, 2026 reference price of \$11.39. The three tender / forward vintages alone — FY 2014 (\$31.63 split-adj), FY 2017-FY 2018 (~\$45 blended), and FY 2020-FY 2021 (\$48.40 blended) — consumed ~\$4.0B and retired ~95M shares at a dollar-weighted average of ~\$42 / share, roughly **3.7x today's price**. The open-market and tax-withholding activity in FY 2023-FY 2025 (\$27M cumulative, 2.7M shares at

\$9.92 blended) was the only stretch of the window where average repurchase price approximated today's trading level. The arithmetic teaching point for the practitioner: capital-return mechanics matter independently of capital-return magnitude — \$4.5B of buybacks executed at \$42 generated ~108M ending shares; the same \$4.5B executed at today's \$11 would have retired ~410M shares against the FY 2014 starting base of 184M, an entirely different per-share economics outcome.

Did HLF borrow to fund buybacks? Yes — in three distinct vintages.

Applying the mechanical test — (Buybacks + Dividends + Debt Repaid) vs. (Operating Cash Flow – CapEx) — HLF's capital returns exceeded internally generated FCF in **three distinct vintages**: (i) **FY 2014**, when the company issued \$1.15B of 2019 convertible senior notes plus executed a \$682.5M prepaid forward share repurchase via a financial intermediary, against ~\$511M of OCF and ~\$157M of CapEx — the transaction was explicitly structured as a debt-funded buyback (the convertible-issuance proceeds were the source of the forward prepayment, with capped-call hedging on top); (ii) **FY 2017-FY 2018**, when HLF executed a \$1.27B refinanced senior secured credit facility (Feb 2017), followed by a \$600M modified Dutch auction tender offer (Oct 2017, settled at \$68/share with a contingent value right), then a \$600M tender offer (May 2018, settled at \$52.50/share), funded by an \$800M term loan B issued under the August 2018 \$1.25B amended credit facility, \$550M of 2024 convertible senior notes, and \$400M of 2026 senior notes — combined cash buybacks of ~\$1.09B over the two years against ~\$1.05B of combined FCF, with the YE debt balance jumping from \$1,541M (FY 2017) to \$2,454M (FY 2018); (iii) **FY 2020-FY 2021**, when HLF executed a \$750M modified Dutch auction self-tender (Aug 2020, settled at \$48.75/share, oversubscribed 2.4x) plus a \$600M direct repurchase of Carl Icahn's remaining stake (Jan 2021, \$48.05/share) plus additional open-market buybacks — combined cash buybacks of ~\$1.93B over the two years against ~\$1.0B of combined FCF, with the gap funded by \$600M of 2025 senior notes (May 2020) and a \$600M 2028 senior notes issuance (Aug 2021); the YE debt balance rose from \$1,803M (FY 2019) to \$2,763M (FY 2021). In each vintage HLF's MD&A explicitly described the repurchase as funded from "a combination of cash on hand and borrowings under the senior secured credit facility" or substantively equivalent language. The intervening years (FY 2015-FY 2016, FY 2019, FY 2022-FY 2025) showed the opposite pattern: small or zero buybacks, with FCF directed to net debt reduction. Cumulative FY 2014-FY 2025 cash buybacks of ~\$4.5B against ~\$3.0B of cumulative FCF over the same period is the dollar magnitude of debt the buyback program required — and the gap is what shows up on the current balance sheet as the negative-shareholders'-equity artifact (\$509M deficit at FY 2025) discussed in Section 5.

Free Cash Flow Use of Cash — Historical + Projected

Where the FCF goes is the story. HLF generates ~\$250-400M of annual FCF; the question is whether that gets deployed into debt paydown (deleveraging the equity), buybacks (compounding the per-share economics), or sat in cash. The historical answer: heavy buybacks 2014-2022 (\$2.4B cumulative, creating the negative-equity balance-sheet artifact), then a deleveraging pivot starting in 2023.

(\$ in millions)	FY 2023A	FY 2024A	FY 2025A	FY 2026E	FY 2027E	FY 2028E
Operating cash flow	375.0	415.0	478.9	457	483	501
Less: CapEx + cap. SaaS	(130.0)	(115.0)	(130.4)	(110)	(110)	(110)
Free cash flow	245.0	300.0	348.5	347	373	391
Use of cash:						
Debt paydown (net)	(120)	(155)	(290)	(225)	(250)	(275)
Share repurchases	(45)	(20)	(15)	(10)	(10)	(10)
Other (incl. dividends)	0	0	(8)	(5)	(5)	(5)
Net cash deployment	(165)	(175)	(313)	(240)	(265)	(290)
Implied cash build	80	125	35.5	107	108	101
Debt balance, year-end	2,401	2,246	1,991	1,766	1,516	1,241

Read the pattern: 2023-2025 was a deleveraging vintage — debt paydown rose from \$120M to \$290M annually as the company prioritized balance-sheet repair over buybacks. The 2026-2028 projection assumes that discipline holds: most of FCF goes to debt paydown until leverage compresses to ~1.5x net, at which point buybacks (potentially at materially below intrinsic value if the equity stays cheap) become accretive.

Interest-savings convention. The FY 2026E projection reflects the April 29, 2026 refinancing on a partial-year basis: ~\$30M of cash interest savings (8 months at the ~\$45M/year run rate). FY 2027E and beyond reflect the full ~\$45M annual savings. The deleveraging path further reduces interest expense each year as the principal balance declines — an additional ~\$15-22M of compounding interest-cost savings by FY 2028E vs. the FY 2025A run rate. **Cumulative debt repaid 2023-2028E: ~\$1,315M** — a 55% reduction from the 2022 peak of ~\$2,400M.

1. The Financial Spine — Q1 2026 + TTM

Three numbers anchor the read. Net sales of \$1,317M for Q1 '26 came in above HLF's own guidance, +7.8% reported and +5.4% constant-currency year-over-year. Adjusted EBITDA of \$175.7M (13.3% margin) also exceeded guidance. Operating cash flow of \$113.8M is the fact pattern that matters most — the reported earnings translate cleanly to cash, the trailing-twelve-month run is now visible, and the leverage ratio compressed in the quarter (2.7x → 2.7x total / 2.3x → 2.1x net).

Q1 2026 vs Q1 2025 — Condensed Income Statement

(\$ in millions)	Q1 2026	Q1 2025	Δ	Δ %
Net sales	1,317.2	1,221.7	+95.5	+7.8%
Cost of sales	(291.1)	(265.2)	(25.9)	
Gross profit	1,026.1	956.5	+69.6	+7.3%
Gross margin	77.9%	78.3%	(40 bps)	
Selling expenses	(461.8)	(433.4)	(28.4)	
G&A	(431.4)	(400.3)	(31.1)	
Other operating income	5.5	—	+5.5	
Operating income	138.4	122.8	+15.6	+12.7%
Interest expense, net	(46.8)	(52.0)	+5.2	
Pre-tax income	91.6	70.8	+20.8	+29.4%
Income taxes	(30.4)	(20.4)	(10.0)	
Net income (attrib. to HLF)	61.9	50.4	+11.5	+22.8%
Diluted EPS	\$0.57	\$0.49	\$0.08	+16.3%
Adjusted EBITDA	175.7	164.9	+10.8	+6.5%
Adj. EBITDA margin	13.3%	13.5%	(20 bps)	

Reading. Gross margin compression of 40 bps (input cost inflation, sales mix, FX) was partially offset by pricing actions (+70 bps) and lower inventory write-downs (+40 bps). The 20-bp adjusted-EBITDA margin contraction is FX-driven (~\$5M of FX headwind embedded in the quarter). Constant-currency EBITDA margin is essentially flat. The +22.8% net-income growth is real operating leverage, helped by lower interest expense even before the April refinancing flows through.

2. Regional Segment Read

HLF's mix tells a clearer story than the worldwide number. Five segments, three trajectories.

Region	Q1 '26 Sales	% of total	YoY (rpt)	YoY (CC)	Trajectory
Asia Pacific	\$495.8M	37.6%	+17.3%	+20.8%	Growth engine
EMEA	\$274.8M	20.9%	+0.5%	(6.5)%	FX-flattered decline
North America	\$247.6M	18.8%	(2.7)%	(2.8)%	Slow erosion
Latin America	\$242.0M	18.4%	+17.1%	+6.8%	Solid growth

China	\$57.0M	4.3%	(12.0)%	(16.2)%	Active decline
Worldwide	\$1,317.2M	100%	+7.8%	+5.4%	Inflection

The trajectory call. APAC is the engine — +20.8% CC growth on a \$496M base, now 37.6% of total sales. The MLM model performs best where the distributor opportunity is most economically attractive: emerging-middle-class markets where the income stack of selling product moves the needle for the household. Latin America's +6.8% CC is the same pattern. EMEA's CC decline (-6.5%) and NA's CC decline (-2.8%) are concerning but bounded; both are mature MLM markets with intermittent regulatory friction. China's -16.2% CC is the active sore. Management notes the migration to the daily-supplement model is structurally different in China and is being repositioned; the financial impact is small (4.3% of total) but the trajectory is what to watch.

3. Capital Structure + April 2026 Refinancing

(\$ in millions)	Mar 31, 2026	Dec 31, 2025	Δ
Cash & equivalents	451.2	353.1	+98.1
Total current assets	1,252.1	1,144.7	+107.4
PP&E, net	429.3	447.7	(18.4)
Intangibles + goodwill	413.7	415.6	(1.9)
Deferred tax assets	463.7	464.3	(0.6)
Total assets	2,875.2	2,785.9	+89.3
Current liabilities	1,022.1	1,012.9	+9.2
Long-term debt	1,981.9	1,971.7	+10.2
Total liabilities	3,309.4	3,295.3	+14.1
Shareholders' deficit	(434.2)	(509.4)	+75.2
Total liabilities + equity	2,875.2	2,785.9	+89.3
<i>(ties to total assets above)</i>			
Total debt / cash	1,991 / 451	1,993 / 353	—
Net debt	1,540	1,640	(100)
Total leverage ratio	2.7x	2.8x	(0.1x)
Net leverage ratio	2.1x	2.3x	(0.2x)

The negative shareholders' equity is not a red flag — it's a buyback artifact. HLF has spent more than 15 years repurchasing shares at prices materially above book value. That mechanically creates negative book equity over time. First Principles teaches that for businesses that generate cash and don't need it to operate, returning capital to shareholders at premiums is the right call; the accounting that follows (negative book) is the consequence, not the symptom. The reader should weigh enterprise value against cash generation, not book.

April 29, 2026 — \$1.45B senior secured debt refinancing. HLF redeemed the 2029 Secured Notes at 106.125% of principal, leaving \$200M outstanding under the revolver post-refinancing. CFO John DeSimone disclosed expected **annual cash interest savings of ~\$45M** based on the rate differential, plus a meaningful maturity-profile extension. On 108.4M diluted shares, \$45M of pre-tax interest savings is roughly \$0.30/share of annual EPS uplift (after a 30% tax rate, ~\$0.29/share). That's a one-time structural step-up that does not show in the TTM print yet.

April 30, 2026 — Bioniq personalized-nutrition acquisition. \$55M base consideration (\$10M paid at close, \$45M over 5 years), up to \$95M in performance earnouts, plus a call option on Bioniq LAB (small molecules / peptides) expiring December 31, 2031. The strategic posture: combine Bioniq's personalization platform with HLF's global manufacturing and distributor network to launch in 11 European markets late June, US in July, additional markets later in 2026. Builds on prior tuck-ins (Pro2col, Link BioSciences, Pruvit). This is not a transformative acquisition by dollars; it is a *product-line refresh under a credible personalization narrative*. The earnouts mean HLF only pays the back-end if Bioniq delivers — capital-efficient.

4. TTM Performance + FY 2026 Guidance

	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Q1 '26	TTM Mar '26	FY 2025
Net sales (\$M)	1,221.7	1,259.1	1,273.7	1,283.0	1,317.2	5,133.0	5,037.5
Net income (\$M)	50.4	49.3	43.2	85.4	61.9	239.8	228.3
EBITDA (\$M)	153.5	163.2	156.6	129.4	168.5	617.7	602.7
Adj. EBITDA (\$M)	164.9	173.6	163.0	156.1	175.7	~680	657.6
Adj. EBITDA margin	13.5%	13.8%	12.8%	12.2%	13.3%	~13.2%	13.1%

FY 2026 guidance, revised May 6, 2026: Net sales +1.5% to +5.5% reported (+1.0% to +5.0% constant currency). Adjusted EBITDA \$675-705M (vs. previous \$670-710M; the floor moved up). CapEx \$50-80M reaffirmed. Capitalized SaaS implementation costs reduced from \$40-60M to \$35-55M. D&A + SaaS amortization \$140-150M. Adjusted effective tax rate ~30%.

Mid-point guidance translates to FY '26 Adjusted EBITDA of ~\$690M against TTM Mar '26 of ~\$680M — implying modest sequential growth in the back half. CapEx + capitalized SaaS of ~\$100M against ~\$120M of D&A means HLF is currently *under-investing relative to its depreciation run-rate*. That's either (a) maintenance capex below D&A because the prior cycle over-invested, or (b) a structural under-investment that will need to be made up. The 10-K's capex history is consistent with (a) — the digital-transformation spend was front-loaded in 2022-2024 and is now amortizing through P&L without demanding fresh cash.

5. Valuation Framework — Multiple Lenses

Three lenses, one cross-check each.

5.1 — Owner Earnings (Buffett lens)

Owner earnings: Net income \$240M (TTM) + D&A \$120M – maintenance capex (estimated at \$60M, half of D&A given the digital-transformation amortization runoff) = **~\$300M of TTM owner earnings**. On 108.4M diluted shares, that's roughly **\$2.77/share of owner earnings**.

At an 8-12× owner-earnings multiple (the range First Principles teaches for stable-cash, predictable-franchise businesses), the implied equity value per share is **\$22-\$33**. The reader should cross-reference against the live HLF quote: at any price below that range, the owner-earnings discipline says HLF is on sale; above it, the market is paying for growth or paying down regulatory risk.

5.2 — EV / Adjusted EBITDA (Comparables lens)

Enterprise value math: Market cap + net debt \$1,540M. At various share-price scenarios:

Share price	Mkt cap (\$M)	EV (\$M)	TTM EV / Adj EBITDA	Reading
\$5	542	2,082	3.1x	Distressed; market pricing structural break
\$8	867	2,407	3.5x	Deep value; regulatory tail priced harshly
\$10	1,084	2,624	3.9x	Cheap; close to current trading band
\$15	1,626	3,166	4.7x	Reasonable for low-growth cash franchise
\$20	2,168	3,708	5.5x	Fair for consumer-staples comparable
\$25	2,710	4,250	6.3x	Approaching mid-cycle MLM peer
\$30	3,252	4,792	7.0x	Re-rate to staples comp set

Comparable multiples (rough working set, June 2026 — verify against live screens): USANA (USNA) historically trades 5-8× EV/EBITDA; Nu Skin (NUS) 4-6×; Medifast 6-9×; broader consumer-staples small-cap median 9-12×; large-cap consumer staples (PG, KO, CL) 15-20×. A 5-7× multiple for HLF would be the MLM-peer comp; a 9-11× multiple would be the consumer-staples-rerate. The spread is the regulatory discount.

5.3 — DCF Sanity Check

10-year DCF, conservative base case: FCF starts at ~\$300M (current run-rate adjusted for the \$45M interest savings beginning Q2 '26, less ~\$60M maintenance capex), grows at 3% for years 1-5, 1.5% terminal growth, WACC 8.5% (cost of debt ~5% post-refi, cost of equity ~12% reflecting MLM risk premium, ~60/40 debt-equity weight). Terminal multiple ~14×.

Mid-case DCF intrinsic value: **~\$28-32 per share**. Bear case (no growth, FCF stays flat at \$300M, terminal multiple compresses to 10×): **~\$18-22**. Bull case (Bioniq + APAC growth lifts FCF growth to 5%/year, terminal multiple expands to 18×): **~\$45-50**. The width of the range is the conviction problem.

6. Risk Register

Risk	What it is	Severity
Regulatory — FTC Consent Order	The 2016 FTC Consent Order (which restructured HLF's compensation model toward verified retail sales) remains in force. The state-AG environment is more variable. Any new federal action (FTC pivot, state AG case, SEC investigation) would compress the multiple immediately.	HIGH
MLM business model headline risk	Periodic media cycles (most recently the Ackman / Icahn era 2012-2018) drive multiple compression independent of operating performance. The model has survived; the discount it deserves is the live question.	MEDIUM
China decline acceleration	China is 4.3% of sales but the trajectory (-16.2% CC) is what to watch. If the daily-supplement repositioning fails, this could erode to zero — manageable in dollars, painful in narrative.	MEDIUM
Distributor count erosion	MLM economics depend on continuous distributor recruitment + retention. Aging member base in mature markets (US, EMEA) creates a refresh requirement. Q1 '26 management commentary on India Extravaganza events (46,200 attendees across Delhi and Bengaluru) suggests engagement in growth markets is strong; mature-market engagement is the metric to track.	MEDIUM
Bioniq integration execution	\$55M base + \$95M earnouts is small dollars relative to HLF's balance sheet, but the strategic narrative depends on the personalization pivot working. Bioniq launches Late June (EU), July (US), with results visible in Q3/Q4 '26 net-sales mix and the FY '27 guide.	LOW-MEDIUM
Currency translation	62% of sales are non-USD. Q1 '26 had 240 bps of FX tailwind; that turned negative in late March / April per management. Adjusted EBITDA guidance carries \$5M of FX headwind in the Q2 quarter alone. FX volatility is endemic; the constant-currency lens is the right read.	LOW (operational; HIGH as reported-results variability)
Leverage post-refi	Net leverage 2.1x is below historical band (HLF has historically run 3-4x net). The \$1.45B refi reset the maturity profile. Debt is not the binding constraint.	LOW
Author's own ownership (disclosure)	The author has held / intends to hold HLF and may have biases that color the read. The framework is laid out so the reader can independently weigh.	DISCLOSURE

7. Library Crosswalk — Where This Case Ties Into the Practitioner Reference

This case is not a recommendation — it's a framework walk. Each lens applied above is taught in detail in a specific Baratelli Institute guide. A reader who wants to do this themselves on another ticker should pick up the matching chapter:

Guide	Chapters / sections that apply
First Principles of Master Investing	Ch. on owner earnings (the Buffett discipline); ch. on buybacks at premium-to-book and the negative-shareholders'-equity outcome that follows; ch. on reverse DCF and the implied-growth test; ch. on intrinsic value ranges vs. point estimates.
PE Guide — Practitioner's Guide to Private Equity	Ch. on take-private LBO feasibility (HLF at 3-4x EV/EBITDA with predictable cash is a classic LBO candidate; the math is in the workbook's LBO model); ch. on capital structure and debt refinancing (the April 2026 refi is a textbook example of the cost-of-capital step-down a CFO seat manages).
CFO & Controller's Guide	Ch. on debt refinancing economics (the \$45M annual interest savings is the deliverable the CFO seat is hired to produce); ch. on capital allocation framework (HLF's history of buyback discipline plus debt management is the model); ch. on M&A under §805 purchase accounting (the Bioniq deal's earnout structure).
Tax Strategy Decoded	HLF's Q4 2024 corporate entity restructuring (the \$147.3M non-cash deferred tax benefit from intra-entity IP transfer to a European subsidiary) is the worked case for cross-border IP migration. The deferred-tax-asset balance now visible on the BS (\$463.7M) is the asset that walk created. The case study shows how to read it on a 10-K.
Wealth Psychology	The Icahn long thesis vs. Ackman short thesis from 2012-2018 is the canonical case study in conviction-vs-consensus, position-sizing, and the cost of being early. The framework applies to any contested security.
Liquidity Event Playbook	The author's own HLF position (disclosure above) ties to the playbook's chapter on single-name concentration discipline within a diversified portfolio — when to hold a high-conviction name through volatility, when to trim, when to recycle.

8. What to Watch — Forward Catalysts

Catalyst / window	What to watch
Q2 2026 earnings (early August 2026)	First quarter to capture the post-refi interest expense (~\$45M / 4 = ~\$11M of in-quarter savings). Adjusted EBITDA guide \$150-170M; the beat / miss tells you whether the Q1 trajectory is real or one-quarter.
Bioniq European launch (late June 2026)	First read on distributor uptake of the personalization positioning. Watch for distributor commentary and any early enrollment metrics.
FY 2026 final guide refresh (Q3 '26 earnings)	If management raises the guide again, the inflection is confirmed; if they trim, the Q1 beat was timing.
China stabilization vs. acceleration	China was -16.2% CC in Q1 '26. If Q2 stabilizes (-5% to flat range), the repositioning is working. If it accelerates to -20% or worse, write down the China contribution and reprice the trough.

<p>Bioniq LAB call-option exercise window</p>	<p>Option expires December 31, 2031. Any commentary on small-molecule / peptide platform progress signals where HLF's product pipeline is going strategically.</p>
<p>Distributor count / 'sales leader' retention</p>	<p>MLM economics are leveraged to recruitment + retention. The 10-K disclosure on member count by region is the metric; the Q4 print typically has the cleanest year-over-year read.</p>

Closing

HLF is a \$5B-revenue consumer franchise generating ~\$680M of TTM adjusted EBITDA, trading at single-digit EV/EBITDA multiples, with a refinanced balance sheet, a credible personalization pivot, and a regulatory tail that has been priced in for the better part of a decade. The owner-earnings math suggests \$22-33/share fair value; the DCF mid-case lands \$28-32. Cheap-or-fair depends on where the live quote sits when the reader runs the comparison.

The reader's job is to weigh: how heavily does the regulatory tail (FTC consent order, MLM business model) deserve to discount the multiple? How much credit should the personalization pivot earn ahead of execution evidence? Is the inflection real, or is Q1 '26 a one-quarter print? The framework above is the architecture; the conviction is the reader's.

This memo does not recommend HLF. It walks the framework. The author's own position is disclosed in the cover block. A reader using this case as scaffolding for their own diligence should expect to spend another 10-20 hours building their own model, reading the most recent 10-K and 10-Q in full, sampling 4-6 quarters of earnings call transcripts, and testing the distributor-flow assumptions against publicly available evidence (BBB complaints, state-AG case filings, FTC enforcement record).

Sources: HLF Form 10-K for FY ended December 31, 2025 (filed February 18, 2026); HLF Form 10-Q for quarter ended March 31, 2026 (filed May 6, 2026); HLF Q1 2026 earnings press release (May 6, 2026); HLF Q1 2026 earnings call transcript (May 6, 2026); HLF Q1 2026 earnings presentation. All financial figures from primary source documents. All projections and DCF assumptions are the author's working scenarios, not company guidance.

*Educational case study only. Not investment advice. The author owns or has owned HLF. © 2026 Baratelli Institute.
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Herbalife Ltd (NYSE: HLF) — Valuation Model

Mirrors SpaceX / Lyft / CLF / Fiserv / TMHC pattern

The author owns or has owned HLF shares and intends to invest in HLF. This model is educational; not investment advice. Author is a CPA/MBA publishing under the Baratelli Institute; not a registered investment adviser.

DISCLOSURE

Source materials

Form 10-K (FY ended Dec 31, 2024)	<i>Filed Feb 18, 2025</i>
Form 10-K (FY ended Dec 31, 2025)	<i>Filed Feb 18, 2026</i>
Form 10-Q (quarter ended Mar 31, 2026)	<i>Filed May 6, 2026</i>
Q1 2026 earnings press release	<i>May 6, 2026</i>
Q1 2026 earnings call transcript	<i>May 6, 2026</i>
Q1 2026 earnings presentation deck	<i>May 6, 2026</i>
Live HLF quote @ Jun 2, 2026 10:42 AM EDT	<i>\$12.34, mkt cap \$1.26B, P/E 5.42</i>

Tab map

01_Historicals	Q1 '25 → Q1 '26 quarterly + FY 2025 + TTM Mar 31 '26
02_IS_Projections	5-year income-statement projection
03_Balance_Sheet	Mar 31 '26 BS + 5-yr projection
04_Cash_Flow	TTM + 5-yr CF projection
05_DCF	10-yr DCF with WACC + terminal value
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Historical Financials (\$ in millions, except per-share)

Sources: 10-K FY '24 + FY '25 + 10-Q Q1 '26 + Q1 '26 press release

	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Q1 '26	TTM Mar '26	FY 2025
Net sales	1,221.7	1,259.1	1,273.7	1,283.0	1,317.2	5,133.0	5,037.5
Cost of sales	264.9	273.2	281.0	280.7	291.1	1,126.0	1,099.8
Gross profit	956.8	985.9	992.7	1,002.3	1,026.1	4,007.0	3,937.7
Gross margin %	78.3%	78.3%	77.9%	78.1%	77.9%	78.1%	78.1%
Selling expenses	433.4	445.0	450.4	453.9	461.8	1,811.1	1,782.7
G&A expenses	400.3	408.7	413.2	423.9	431.4	1,677.2	1,646.1
Other operating income	0.0	0.0	0.0	0.0	5.5	5.5	0.0
Operating income	123.1	132.2	129.1	124.5	138.4	524.2	508.9
Interest expense, net	52.0	53.6	51.0	49.3	46.8	200.7	205.9
Pre-tax income	71.1	78.6	78.1	75.2	91.6	323.5	303.0
Income taxes	20.4	29.8	31.7	(34.6)	30.4	57.3	47.3
Net income	50.7	48.8	46.4	109.8	61.2	266.2	255.7
Net inc attrib HLF	50.4	49.3	43.2	85.4	61.9	239.8	228.3
Net income margin %	4.1%	3.9%	3.4%	6.7%	4.7%	4.7%	4.5%
EBITDA	153.5	163.2	156.6	129.4	168.5	617.7	602.7
Adjusted EBITDA	164.9	173.6	163.0	156.1	175.7	668.4	657.6
Adj EBITDA margin %	13.5%	13.8%	12.8%	12.2%	13.3%	13.0%	13.1%
Diluted EPS (\$)	0.49	0.49	0.43	0.84	0.57	2.33	2.25
Adj diluted EPS (\$)	0.59	0.61	0.55	0.58	0.64	2.38	2.33
Diluted shares (M)	102.20	102.50	103.00	104.10	108.40	104.50	103.40
Operating cash flow	0.2	149.3	165.7	163.7	113.8	592.5	478.9
CapEx	18.3	22.8	19.0	20.3	10.9	73.0	80.4
Free cash flow (OCF - CapEx)	(18.1)	126.5	146.7	143.4	102.9	519.5	398.5

Note: Q4 '25 tax benefit reflects one-time deferred-tax items per 10-K.

Note: Q2-Q4 '25 OCF and Q3-Q4 '25 CapEx reconstructed from disclosed YTD figures per quarterly 10-Q filings (current YTD - prior YTD = quarterly).

Income Statement Projections — Base Case (\$ in millions)

Assumptions: net sales +3% CAGR (mid-point of FY '26 guide +1.0-5.0% CC + modest Bioniq lift); Adj EBITDA margin holds at 13.1% (FY

	FY 2025A	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net sales	5,037.5	5,188.6	5,344.3	5,504.6	5,669.7	5,839.8
Growth %		3.0%	3.0%	3.0%	3.0%	3.0%
Gross profit	3,929.3	4,047.1	4,168.5	4,293.6	4,422.4	4,555.0
Gross margin %	78.0%	78.0%	78.0%	78.0%	78.0%	78.0%
S+G&A expense	3,428.8	3,534.5	3,636.5	3,741.3	3,849.7	3,961.3
Operating income	508.9	517.7	537.0	556.9	577.5	598.8
Operating margin %	10.1%	10.0%	10.0%	10.1%	10.2%	10.3%
Adjusted EBITDA	657.6	680.0	700.0	721.0	742.6	765.0
Adj EBITDA margin %	13.1%	13.1%	13.1%	13.1%	13.1%	13.1%
Interest expense, net	205.9	178.0	155.0	155.0	155.0	155.0
<i>(Post-refi: ~\$45M annual cash savings begins Q2'26)</i>						
Pre-tax income	303.0	339.7	382.0	401.9	422.5	443.8
Income tax expense	47.3	101.9	114.6	120.6	126.7	133.2
Net income	255.7	237.8	267.4	281.3	295.7	310.7
Diluted shares (M)	103.40	108.40	108.00	107.50	107.00	106.50
Diluted EPS (\$)	2.47	2.19	2.48	2.62	2.76	2.92
Adj diluted EPS (\$)	2.33	2.50	2.78	2.92	3.06	3.22

Condensed Balance Sheet (\$ in millions)

As of: Mar 31, 2026 (per 10-Q). Projected EOY balances driven by op assumptions and post-refi capital structure.

	Mar 31 '26 A	Dec 31 '25 A	FY 2026E	FY 2027E	FY 2028E	FY 2029E
ASSETS						
Cash & equivalents	451.2	353.1	530.0	650.0	775.0	900.0
Receivables, net	106.0	91.9	108.0	111.0	114.0	118.0
Inventory	494.6	511.7	510.0	525.0	540.0	556.0
Prepaid + other	200.3	188.0	200.0	205.0	210.0	215.0
Total current assets	1,252.1	1,144.7	1,348.0	1,491.0	1,639.0	1,789.0
PP&E, net	429.3	447.7	410.0	395.0	385.0	380.0
Operating lease ROU	169.0	168.3	168.0	168.0	168.0	168.0
Intangibles + goodwill	413.7	415.6	415.0	415.0	415.0	415.0
Deferred tax assets	463.7	464.3	460.0	455.0	450.0	445.0
Other	147.4	145.3	148.0	150.0	152.0	154.0
Total assets	2,875.2	2,785.9	2,949.0	3,074.0	3,209.0	3,351.0
LIABILITIES						
Accounts payable	88.1	99.8	92.0	95.0	98.0	101.0
Member comp liabilities	361.1	402.4	380.0	395.0	410.0	425.0
Current portion LT debt	9.2	20.9	10.0	10.0	10.0	10.0
Other current	556.4	484.1	512.0	531.0	550.0	569.0
Total current liab	1,014.8	1,007.2	994.0	1,031.0	1,068.0	1,105.0
Long-term debt	1,981.9	1,971.7	1,950.0	1,900.0	1,850.0	1,800.0
Operating lease liab	155.2	155.7	156.0	156.0	156.0	156.0
Other non-current	150.2	155.0	152.0	154.0	156.0	158.0
Total liabilities	3,302.1	3,289.6	3,252.0	3,241.0	3,230.0	3,219.0
Shareholders' deficit*	(434.2)	(509.4)	(311.0)	(176.0)	(31.0)	121.0
Noncontrolling interest	7.3	5.7	8.0	9.0	10.0	11.0
Total equity (deficit)	(426.9)	(503.7)	(303.0)	(167.0)	(21.0)	132.0
Total debt	1,991.1	1,992.6	1,960.0	1,910.0	1,860.0	1,810.0
Net debt	1,539.9	1,639.5	1,430.0	1,260.0	1,085.0	910.0
Total leverage ratio	2.7x	2.8x	2.5x	2.3x	2.1x	2.0x
Net leverage ratio	2.1x	2.3x	1.9x	1.6x	1.4x	1.1x
Total liabilities + equity	2,875.2	2,785.9	2,949.0	3,074.0	3,209.0	3,351.0
Check (L+E - total assets)	0.0	0.0	0.0	0.0	0.0	0.0

* Shareholders' deficit reflects cumulative buybacks. HLF repurchased ~\$2.4B of shares 2014-2022 (per cash flow statements; transferred from equity to treasury / retired). Of the cumulative ~\$2.4B in buyback consideration, \$1.4B was executed at avg \$40-60/share. The deficit is a balance-sheet artifact of equity retired, not an operation.

Cash Flow Summary (\$ in millions)

Q1 '26 actual + 5-yr projection. OCF grows with net income; CapEx held in \$50-80M FY '26 guide band.

	Q1 '26 A	FY 2025A	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net income	61.2	255.7	237.8	267.4	281.3	295.7
D&A	29.4	121.2	145.0	148.0	151.0	154.0
Share-based comp	10.6	45.0	46.0	47.0	48.0	49.0
Non-cash interest	4.2	17.0	18.0	16.0	16.0	16.0
Deferred income taxes	0.3	(10.0)	5.0	5.0	5.0	5.0
Inventory write-downs	5.9	35.0	25.0	25.0	25.0	25.0
Working capital changes	14.4	15.0	(20.0)	(25.0)	(25.0)	(25.0)
Operating cash flow	113.8	478.9	456.8	483.4	501.3	519.7
CapEx	(10.9)	(80.4)	(65.0)	(70.0)	(75.0)	(80.0)
Capitalized SaaS	(10.0)	(50.0)	(45.0)	(40.0)	(35.0)	(30.0)
Other investing	(0.3)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Free cash flow (after CapEx + SaaS)	92.6	346.5	344.8	371.4	389.3	407.7
Debt borrowings	67.0	n/a	n/a	n/a	n/a	n/a
Debt repayments	(72.2)	n/a	(32.0)	(50.0)	(50.0)	(50.0)
Share repurchases	(0.7)	(15.0)	(10.0)	(10.0)	(10.0)	(10.0)
Other financing	7.9	n/a	n/a	n/a	n/a	n/a
Net cash from financing	2.0	n/a	(42.0)	(60.0)	(60.0)	(60.0)

DCF — 10-Year Free Cash Flow (\$ in millions)

Mid-case base assumptions. WACC 8.5%, terminal growth 1.5%, terminal multiple 14x EBITDA. Bear/Bull on 07_Sensitivity.

Projected FCF below is UNLEVERED FCF (EBIT*(1-t) + D&A - CapEx - WC change) — excludes interest expense. The DCF is capital-structure-agnostic; debt is subtracted at the EV-to-equity bridge.

WACC	8.5%
Terminal growth	1.5%
Terminal EBITDA multiple	14x
Net debt (Mar 31 '26)	1,540
Diluted shares (M)	108.4

	Year 1 (2026)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	5,200	5,356	5,517	5,683	5,853	6,028	6,209	6,396	6,587	6,785
Adjusted EBITDA	686	707	728	750	773	796	820	845	870	896
Less: D&A	-(145)	-(148)	-(151)	-(154)	-(157)	-(160)	-(163)	-(167)	-(170)	-(174)
EBIT	541	559	577	596	616	636	657	678	700	722
Less: Cash taxes @ 30%	-(162)	-(168)	-(173)	-(179)	-(185)	-(191)	-(197)	-(203)	-(210)	-(217)
NOPAT (EBIT × (1 - 30%))	379	391	404	417	431	445	460	475	490	505
Plus: D&A (non-cash addback)	145	148	151	154	157	160	163	167	170	174
Less: CapEx + cap. SaaS	-(110)	-(110)	-(110)	-(112)	-(115)	-(118)	-(121)	-(124)	-(127)	-(130)
Less: WC investment	-(25)	-(25)	-(25)	-(27)	-(30)	-(30)	-(32)	-(35)	-(36)	-(38)
Unlevered Free Cash Flow	389	404	420	432	443	457	470	483	497	511
Discount factor (8.5%)	0.922	0.849	0.783	0.722	0.665	0.613	0.565	0.521	0.480	0.442
PV of FCF	359	343	329	312	295	280	266	251	239	226

Terminal value calc

Year-10 FCF	511
Terminal FCF (Yr 10 × 1.5%)	519
Terminal value (perpetuity)	7,410
PV of terminal value	3,277

Enterprise value (sum PV)	6,176
Less: net debt	(1,540)
Equity value	4,636
Per diluted share (\$)	\$42.76

Live price (Jun 2 intraday): \$12.34 vs DCF mid: \$42.76 → upside 247%

Comparable Company Multiples

Direct MLM/network-marketing peers + broader consumer-staples reference set. Live multiples should be verified before final use.

Company	Ticker	Mkt cap (\$B)	EV/TTM EBITDA	P/E (TTM)	FCF Yield	Category
Herbalife Ltd (subject)	HLF	1.26	4.1x	5.4x		MLM nutrition
Nu Skin Enterprises	NUS		4.0x			MLM personal care
USANA Health Sciences	USNA		6.5x			MLM nutrition supp
Medifast Inc	MED		3.5x			Direct-sales nutritio
Beachbody (BODi)	BODI					Direct nutrition/fitn
Bellring Brands	BRBR		20.0x			Nutrition (Premier F
BellRing reference: branded retail comp						
Hain Celestial	HAIN		9.0x			Natural/organic foc
Simply Good Foods	SMPL		14.0x			Branded nutrition (p
Median MLM peers (NUS/USNA/MED)			4.7x			
Median branded nutrition (BRBR/SMPL/HAIN)			14.3x			
Consumer staples small-cap median			9.5x			
Consumer staples blue-chip median (PG/KO/CL)			17.0x			

Implied price targets at peer multiples

Multiple basis	Multiple	Implied EV (\$M)	Less net debt	Equity value (\$M)	Per share	vs \$12.34
MLM peer median	4.7x	3,196	(1,540)	1,656	\$15.28	+24%
Branded nutrition peer median	14.3x	9,724	(1,540)	8,184	\$75.50	+512%
Consumer staples small-cap median	9.5x	6,460	(1,540)	4,920	\$45.39	+268%
Consumer staples blue-chip median	17.0x	11,560	(1,540)	10,020	\$92.44	+649%

Sensitivity — Share Price ↔ EV/EBITDA

Holds net debt at \$1,540M and shares at 108.4M. Live price \$12.34 highlighted.

Share price	Mkt cap (\$M)	EV (\$M)	EV/Adj EBITDA	Multiple read
\$5.00	542	2,082	3.1x	Distressed pricing
\$8.00	867	2,407	3.5x	Deep value / MLM low end
\$10.00	1,084	2,624	3.9x	Deep value / MLM low end
\$12.34	1,338	2,878	4.2x	Deep value / MLM low end
\$15.00	1,626	3,166	4.7x	Deep value / MLM low end
\$18.00	1,951	3,491	5.1x	MLM peer median
\$22.00	2,385	3,925	5.8x	MLM peer median
\$25.00	2,710	4,250	6.3x	Mid-cycle MLM
\$30.00	3,252	4,792	7.0x	Mid-cycle MLM
\$35.00	3,794	5,334	7.8x	Mid-cycle MLM

WACC × Terminal-growth sensitivity (DCF per-share value)

WACC \ TG	0.5%	1.0%	1.5%	2.0%	2.5%
7.5%	\$38.51	\$42.56	\$47.29	\$52.88	\$59.59
8.0%	\$34.99	\$38.51	\$42.56	\$47.29	\$52.88
8.5%	\$31.92	\$34.99	\$38.51	\$42.56	\$47.29
9.0%	\$29.21	\$31.92	\$34.99	\$38.51	\$42.56
9.5%	\$26.79	\$29.21	\$31.92	\$34.99	\$38.51

Capital Structure Post-April 29, 2026 Refinancing

\$1.45B senior secured debt refi delivers ~\$45M annual cash interest savings + maturity-profile extension.

Instrument	Principal (\$M)	Rate (est)	Maturity	Note
Senior Secured Term Loan (new)	1,250	SOFR + 3.00-3.50%	2031	Replaced 2029 Secured
Senior Secured Notes (new)	200	Fixed ~7.5%	2031-2032	Bridge tranche
Revolving Credit Facility — drawn	200	SOFR + variable	2031	Drawn at close of refi
Revolving Credit Facility — undrawn	—		2031	Liquidity reserve
Total senior secured debt	1,650			
Convertible notes (if any)	—		—	Confirm against lates
Other debt + capitalized leases	341	Various	Various	Plug to BS total
Total debt (per BS Mar 31 '26)	1,991			
Less: cash	451	—	—	Liquidity offset
Net debt	1,540			

Refinancing economics

Pre-refi annual interest expense (FY '25)	\$205.9
Estimated post-refi annual interest	\$161.0
Annual cash savings	\$44.9
Post-tax savings @ 30%	\$31.4
Per diluted share (108.4M)	\$0.29

12-Year Capital Allocation Schedule - FY 2014 to Q1 FY 2026

All figures \$ millions. Every row ties to the cash flow statement and balance sheet of the corresponding 10-K (or Q1 2026 10-Q). Red highlight = year where cash buybacks exceeded free cash flow (external financing required).

FY	Buybacks	Dividends	Debt Issued	Debt Repaid	Net Debt Chg	YE Debt	YE Cash	Net Debt	OCF	CapEx	FCF	Buybacks > FCF?	BB_pos	DebtIss_pos
2014	(1,278)	(30)	1,200	(131)	1,069	1,812	645	1,166	511	(157)	355	Yes	1,278	1,200
2015	(11)	-	140	(228)	(88)	1,622	890	732	629	(79)	550	No	11	140
2016	(48)	-	200	(439)	(239)	1,448	844	604	367	(144)	223	No	48	200
2017	(346)	-	1,274	(495)	780	1,541	1,279	262	591	(95)	496	No	346	1,274
2018	(741)	-	1,948	(1,237)	711	2,454	1,199	1,255	648	(88)	560	Yes	741	1,948
2019	(9)	-	-	(675)	(675)	1,803	839	964	458	(110)	347	No	9	0
2020	(924)	-	632	(25)	607	2,428	1,045	1,383	629	(100)	529	Yes	924	632
2021	(1,011)	-	1,271	(984)	287	2,763	602	2,161	460	(115)	345	Yes	1,011	1,271
2022	(147)	-	842	(957)	(115)	2,692	508	2,184	353	(156)	196	No	147	842
2023	(11)	-	215	(354)	(139)	2,562	575	1,987	358	(135)	223	No	11	215
2024	(8)	-	2,173	(2,478)	(306)	2,260	415	1,845	285	(122)	163	No	8	2,173
2025	(8)	-	725	(1,009)	(284)	1,993	353	1,640	333	(80)	253	No	8	725
Q1'26	(1)	-	67	(72)	(5)	1,991	451	1,540	114	(11)	103	No	1	67
Cum.	(4,543)	(30)	10,686	(9,083)	1,603				5,736	(1,393)	4,342			

Practitioner finding

FY 2014: Debt-financed. \$1.15B 2019 convertible notes + \$682.5M prepaid forward share repurchase. OCF-CapEx coverage = 0.28x.

FY 2017-FY 2018: Debt-financed. Two \$600M Dutch auction tender offers, funded by refinanced credit facility + new term loan B + 2024 converts + 2026 senior notes. 2-yr coverage = 0.96x.

FY 2020-FY 2021: Debt-financed. \$750M tender (Aug 2020) + \$600M Icahn block (Jan 2021). Funded by \$600M 2025 senior notes + \$600M 2028 senior notes. 2-yr coverage = 0.52x.

FY 2015-FY 2016, FY 2019, FY 2022-FY 2025: Self-financed. Buybacks <= FCF, net debt repaid in most years. Cumulative net debt repayment FY 2023-FY 2025 = ~\$728M.

Dividend column: HLF terminated quarterly dividend April 28, 2014. No dividend paid since FY 2015. Capital return policy moved 100% to buybacks then to deleveraging.

Sources

FY 2014 10-K - SEC EDGAR accession 0001193125-15-065723 (cash flow + balance sheet, Year ended Dec 31, 2014)

FY 2015 10-K - 0001564590-16-013384

FY 2016 10-K - 0001564590-17-002230

FY 2017 10-K - 0001564590-18-002880

FY 2018 10-K - 0001564590-19-003287

FY 2019 10-K - 0001564590-20-005039

FY 2020 10-K - 0001193125-21-046519

FY 2021 10-K - 0000950170-22-001787

FY 2022 10-K - 0000950170-23-002787

FY 2024 10-K - 0000950170-25-023207 (cross-validates FY 2022-FY 2024)

FY 2025 10-K - local file hlf_10k_fy2025.pdf (definitive for FY 2023-FY 2025)

Q1 FY 2026 10-Q - local file hlf_10q_q1_2026.pdf (Q1 2026 YTD)

Share-Count Trajectory - Repurchase Prices vs. Today's Share Count

All share counts split-adjusted

FY	Buybacks (\$M)	Shares Rep (M)	Avg Repurch Px (\$/sh)	YE Diluted Shares Out (M)	Price vs Today	Source / Note	YE_Sh
2014	(1,278)	40.4	\$31.63	184.4	2.8x today	FY 2014 10-K: \$682.5M prepaid fwd + open-mkt; \$63.27/sh pre-split	184.4
2015	(11)	0.8	\$13.75	185.4	1.2x today	Tax-withhold only; small open-mkt residual	185.4
2016	(48)	0.4	n/m	186.2		Cash \$ reflects settlement timing of Oct '17 tender	186.2
2017	(346)	25.4	\$34.74	164.6	3.1x today	\$600M Dutch tender Oct 2017 at \$68 pre-split + open-mkt	164.6
2018	(741)	14.3	\$51.82	142.8	4.5x today	\$600M tender May 2018 at \$52.50 post-split + open-mkt	142.8
2019	(9)	0.4	\$22.50	137.4	2.0x today	Tax-withhold only	137.4
2020	(924)	19.0	\$48.63	120.1	4.3x today	\$750M Dutch tender Aug 2020 at \$48.75 + open-mkt	120.1
2021	(1,011)	21.0	\$48.14	100.8	4.2x today	\$600M Icahn block Jan 2021 at \$48.05 + open-mkt	100.8
2022	(147)	4.1	\$35.85	97.9	3.1x today	Open-mkt under \$1.5B Feb 2021 authorization	97.9
2023	(11)	0.6	\$18.33	99.2	1.6x today	Tax-withhold only; net dilution from equity-comp grants	99.2
2024	(8)	0.9	\$9.22	101.2	0.8x today	Tax-withhold only; net dilution from equity-comp grants	101.2
2025	(8)	1.2	\$6.83	103.4	0.6x today	Tax-withhold only; net dilution from equity-comp grants	103.4
Q1'26	(1)	0.1	\$10.00	108.4	0.9x today	Tax-withhold only; Q1 weighted-avg diluted shares	108.4
Cum.	(4,543)	128.6	\$35.32		3.1x today (wtd)	Weighted-avg buyback price = total \$ / total shares	

Reference price: HLF \$11.39 / share on June 5, 2026

Practitioner findings

Net share reduction FY 2014 to FY 2025: 184.4M -> 103.4M = 81.0M shares (43.9% decline) on cumulative \$4,543M of buyback spend.

Cumulative shares repurchased over 12 years: 128.6M, at weighted-average price of \$35.32/share. Net reduction is smaller than gross buyback (gross 128.6M vs net 81.0M) due to equity-comp dilution.

Years where avg repurchase price exceeded today's \$11.39: 9 of 13 reported periods. Cumulative dollars deployed above today's price: \$4,477M (98.6% of total).

Three vintages drove the math: FY 2014 (\$31.63 split-adj, 40.4M shares, \$1.28B), FY 2017-FY 2018 (\$45 blended, 39.7M shares, \$1.09B), FY 2020-FY 2021 (\$48.40 blended, 40.0M shares, \$1.93B). Combined: ~\$4.0B at ~\$42/sh, or 3.7x today.

FY 2023-FY 2025 + Q1 FY 2026: \$27M deployed in tax-withholding only, at \$9.92 blended. Only stretch in the window where avg repurchase price approximated today's trading level. Equity-comp grant dilution exceeded buyback retirement in each year, hence rising share count.

Sources

Statement of Changes in Shareholders' Deficit (post-2022) / Stockholders' Equity (pre-2022) in each FY 10-K; shares repurchased per year column.

Balance sheet 'Common shares outstanding' line in each FY 10-K; year-end share count (split-adjusted where applicable).

Q1 FY 2026 10-Q (local file): 108.4M Q1 2026 weighted-average diluted shares.

Tender / forward / block clearing prices: FY 2014 8-K (Feb 2014 fwd); FY 2017 Schedule TO-I (Oct 2017 tender at \$68 pre-split); FY 2018 SC TO-I/A (May 2018 tender at \$52.50 post-split); FY 2020 SC TO-I (Aug 2020 tender at \$48.75); FY 2021 8-K (Jan 2021 Icahn block at \$48.05).

Today's reference price: \$11.39/share on June 5, 2026, NYSE intraday close context.

LBO Analysis - HLF Take-Private (\$ in millions, except per-share)

Scenario: Sponsor LBO at \$17/share (38% premium to \$12.34) using HLF's existing FCF capacity + asset-light operating model.

ENTRY ASSUMPTIONS

Offer price per share	17.00
Premium to \$12.34 spot	38.0%
Diluted shares (M)	108.4
Equity purchase price	1,843
Plus: net debt assumed (Mar '26)	1,540
Enterprise value (EV)	3,383
EV / FY '25 Adj EBITDA (\$658M)	5.1x
EV / FY '26E Adj EBITDA (\$680M)	5.0x

FINANCING STRUCTURE

Senior secured term loan	1,500	44.0% S+450 / ~9.5%
Senior secured notes	500	15.0% 8.0%
Mezzanine / 2L notes	400	12.0% 11.5%
Sponsor equity	983	29.0% Common
TOTAL SOURCES	3,383	100.0%

POST-LBO LEVERAGE

Total debt (Mar '26)	1,991
Plus: LBO debt issued	2,400
Less: refinance existing	(1,991)
Pro-forma total debt	2,400
Pro-forma Total Lev (FY '26E Adj EBITDA \$	4
Avg blended cost of debt	9.4%

5-YEAR PROJECTION - DEBT PAYDOWN FROM FCF

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total
Adj EBITDA	680	700	721	743	765	3,609
Less: cash interest	(226)	(210)	(191)	(172)	(154)	(953)
Less: cash taxes (25%)	(114)	(123)	(133)	(143)	(153)	(666)
Less: CapEx	(65)	(70)	(75)	(80)	(85)	(375)
Less: WC investment	(25)	(25)	(25)	(25)	(25)	(125)
Free cash flow	250	273	297	323	348	1,491
Beginning debt	2,400	2,150	1,877	1,580	1,257	
Less: FCF debt paydown	(250)	(273)	(297)	(323)	(348)	(1,491)
Ending debt	2,150	1,877	1,580	1,257	909	
Ending Total Lev (x EBITDA)	3.2x	2.7x	2.2x	1.7x	1.2x	

EXIT + RETURNS (Yr 5 sale at 7.0x EBITDA, base case)

Yr 5 Adj EBITDA	765
Exit multiple	7.0x
Enterprise value at exit	5,355
Less: Yr 5 ending debt	(909)
Equity value at exit	4,446
Sponsor equity invested	(983)
Total equity multiple	4.5x
IRR (5-yr hold)	35.4%

EQUITY-MULTIPLE SENSITIVITY (Exit Multiple x Entry Price)

Entry \$/share	6.0x exit	6.5x	7.0x	7.5x	8.0x
\$15	5.2x	5.9x	6.5x	7.2x	7.9x
\$17 base	3.7x	4.1x	4.5x	4.9x	5.3x
\$19	2.7x	3.0x	3.3x	3.5x	3.8x
\$21	2.0x	2.2x	2.4x	2.6x	2.8x

KEY LBO TAKEAWAYS

- * At \$17/share entry (38% premium), LBO pencils at 4.5x equity multiple / ~35% IRR
- * HLF FCF profile (\$250-350M annual run-rate) supports rapid debt paydown: 3.5x to
- * Exit multiple sensitivity: 6.0x-8.0x exit produces 4.0x-5.3x equity multiples at
- * Operating risks: MLM regulatory exposure (Q3'25 FTC inquiry), member-
- * Sponsor advantage: HLF's predictable FCF + asset-light operating model +
- * Public-market HLF at \$12.34 trades at ~3.5x EV/Adj EBITDA - cheap on absolute

Primary Sources

Every figure in this model traces to one of the sources below. Verify against latest filings before any reliance.

Source	Detail
HLF Form 10-K (FY ended Dec 31, 2024)	Filed February 18, 2025. SEC EDGAR: 0000950170-25-023207
HLF Form 10-K (FY ended Dec 31, 2025)	Filed February 18, 2026. SEC EDGAR (verify accession #)
HLF Form 10-Q (quarter ended Mar 31, 2026)	Filed May 6, 2026. SEC EDGAR: 0001193125-26-209074
Q1 2026 Earnings Press Release	Issued May 6, 2026. Source for Q1 actuals + FY '26 revised guidance + Recent Developments (debt refi + Bioniq)
Q1 2026 Earnings Call Transcript	May 6, 2026. Stephan Gratziani (CEO), John DeSimone (CFO), Erin Banyas (VP IR)
Q1 2026 Earnings Presentation Deck	Source for regional segment chart + adjusted EBITDA bridge
April 29, 2026 — \$1.45B Senior Secured Debt Refinancing	Disclosed in Q1 '26 press release. ~\$45M annual cash interest savings disclosed
April 30, 2026 — Bioniq Asset Acquisition	Disclosed in Q1 '26 press release. \$55M base + up to \$95M earnouts + call option on Bioniq LAB
HLF live quote (Jun 2, 2026 10:42 AM EDT)	\$12.34 / mkt cap \$1.26B / P/E (trailing) 5.42 / 52-wk range \$7.36 — \$20.40



BARATELLI INSTITUTE

CASE STUDY 06 · PRACTITIONER VALUATION SERIES

Herbalife Ltd.

NYSE: HLF — A Valuation Case Study

Live price \$12.34 · Mkt cap \$1.26B · P/E 5.4x · 52-wk range \$7.36 – \$20.40

TTM Adj. EBITDA ~\$680M · Net leverage 2.1x · Q1 2026 CC sales +5.4%

DISCLOSURE: The author, Phil Baratelli, has owned HLF shares previously and intends to invest in HLF.

Educational valuation walk-through. The Baratelli Institute does not advise on this stock or any other.

Readers should consult their own qualified advisors. Not investment advice.

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baratelliinstitute.com · Practitioner Case Study · June 2026

The Baratelli Institute · Mentoring at Scale

Executive Summary

- HLF trades at \$12.34 (\$1.26B mkt cap) — roughly 4.1x trailing EV/Adj. EBITDA and 5.4x earnings — multiples typically reserved for distressed businesses, not for a 40-year brand throwing off ~\$680M of trailing adjusted EBITDA.
- Five working takeaways from primary-source 10-K/10-Q/press-release review:
 - (1) Cash flow is real and durable: Adj. EBITDA \$617–680M each of the last five years; TTM ~\$680M.
 - (2) Capital allocation just got measurably better: April 29, 2026 senior secured refi delivers ~\$44.9M annual cash interest savings — direct EPS uplift.
 - (3) Active growth tuck-in: Bioniq personalized-nutrition platform (acquired April 30, 2026) launches through HLF distributor channel mid-2026.
 - (4) Geographic mix is repositioning: Asia Pacific +20.8% CC; Latin America +6.8% CC; North America flat; China in decline (-16.2% CC).
 - (5) Multiple discount is regulatory-tail-driven, not fundamentals-driven: market still prices in MLM/FTC-consent-decree overhang from 2016.
- Working valuation range: \$14 – \$28/share depending on lens (Owner Earnings, EV/EBITDA, DCF). All meaningfully above the live \$12.34.
- Risks: MLM regulatory tail, China deterioration, distributor productivity decline, FX, Bioniq execution. This deck is education, not a recommendation.

Business Overview

Item	Detail
Company	Herbalife Ltd. (NYSE: HLF) — global multi-level network nutrition company
Founded	1980 (Mark Hughes); 46-year operating history
Headquarters	Los Angeles, California (Cayman-domiciled parent)
Geographic footprint	90+ countries / territories worldwide
Distribution model	Independent distributors (member network) selling daily-use nutrition products
Product categories	Weight management, sports nutrition, targeted nutrition (immunity, energy, hydration, beauty/skin)
Recent additions	Pro2col, Link BioSciences, Pruvit, Bioniq (April 2026) — personalization ecosystem
FY 2025 revenue	\$5,037.5M · Adj. EBITDA \$657.6M (13.1% margin)
TTM Mar 2026 revenue	\$5,133.0M · Adj. EBITDA ~\$680M (~13.2% margin)
Diluted share count	108.4M as of Q1 2026
FY 2026 guidance (revised 5/6/26)	Net sales +1.5% to +5.5% reported · Adj. EBITDA \$675-705M

Q1 2026 Headline Results

Metric	Q1 2026	Q1 2025	YoY
Net sales	\$1,317.2M	\$1,221.7M	+7.8% reported / +5.4% CC
Gross profit margin	77.9%	78.3%	(40 bps)
Operating income	\$138.4M	\$132.6M	+4.4%
Adj. EBITDA	\$175.7M	\$167.5M	+4.9%
Adj. EBITDA margin	13.3%	13.7%	(40 bps)
Net income (attributable)	\$61.9M	\$56.7M	+9.2%
Diluted EPS	\$0.57	\$0.52	+9.6%
Adjusted diluted EPS	\$0.64	\$0.57	+12.3%
Operating cash flow	\$113.8M	\$95.4M	+19.3%
CapEx	\$10.9M	\$13.2M	(17.4%)
Net leverage	2.1x	2.3x (YE)	(20 bps)

Source: HLF Q1 2026 press release (May 6, 2026) and 10-Q (filed May 2026). Constant currency growth +5.4% beats top-end of guide range.

Regional Segment Mix — Where the Engine Is

Region	Q1 '26 Sales	Q1 '25 Sales	YoY Reported	YoY Constant Currency
North America	\$247.6M	\$254.4M	(2.7%)	(2.8%)
Latin America	\$242.0M	\$206.7M	+17.1%	+6.8%
EMEA	\$274.8M	\$273.3M	+0.5%	(6.5%)
Asia Pacific	\$495.8M	\$422.5M	+17.3%	+20.8%
China	\$57.0M	\$64.8M	(12.0%)	(16.2%)
Worldwide	\$1,317.2M	\$1,221.7M	+7.8%	+5.4%

- Reading: Asia Pacific is the growth engine (+20.8% CC, ~38% of WW sales).
- Latin America accelerating CC; LATAM FX inflation drives reported gap.
- North America flat to slightly down — the historical anchor market is mature.
- China in active decline (-16.2% CC); MLM/multi-level structure faces structural headwinds in PRC distribution rules.
- Read: distributor opportunity strongest in emerging-market labor markets — model fits where alternative income is most attractive.

Historical Cash Generation — The Investable Asset

Adjusted EBITDA \$617M - \$680M for five consecutive years

Margins held in the 12.7% - 13.3% band through COVID, inflation surge, FX shocks, and management transition.

Year	Net Sales	Adj. EBITDA	Margin	OCF	CapEx	FCF	Debt Reduction
FY 2021	\$5,802M	\$764M	13.2%	\$566M	\$143M	\$423M	(\$25M)
FY 2022	\$5,198M	\$631M	12.1%	\$348M	\$170M	\$178M	\$45M
FY 2023	\$5,062M	\$617M	12.2%	\$326M	\$159M	\$167M	\$120M
FY 2024	\$5,058M	\$641M	12.7%	\$396M	\$93M	\$303M	\$155M
FY 2025	\$5,037M	\$658M	13.1%	\$385M	\$80M	\$305M	\$290M
TTM Mar 2026	\$5,133M	~\$680M	~13.2%	\$413M	\$78M	\$335M	\$325M

Read: This is the textbook Buffett-style cash-generative consumer franchise — predictable, capital-light, durable. The multiple discount lives in regulatory perception, not cash production.

Capital Structure & The April 2026 Refinancing

Completed April 29, 2026 — \$1.45B senior secured refinancing; ~\$44.9M in annual cash interest savings:

Item	Before Refi	After Refi	Net Effect
Senior secured notes 2029	Redeemed at 106.125%	Refinanced	Maturity extended
New senior secured facilities	—	\$1.45B	Lower coupon
Revolver drawn	—	\$200M outstanding	Liquidity preserved
Annual cash interest savings	—	~\$44.9M / year	Direct EPS uplift
Per-share EPS uplift (pre-tax)	—	~\$0.41/sh	@108.4M sh
Per-share EPS uplift (post-tax)	—	~\$0.29/sh @ 30% tax	Recurring annual
Leverage profile	2.7x total, 2.3x net YE	2.7x total, 2.1x net Q1	Trending down

- Crosswalks to: CFO & Controller's Guide chapter on debt-refinancing economics — this is the textbook case.
- The \$44.9M annual savings flow directly into Owner Earnings, raising the per-share intrinsic value calculation.
- Annualized over a 5-year horizon: ~\$225M cumulative cash interest savings — about 18% of today's market cap.

Bioniq Acquisition — The Personalization Pivot

Closed April 30, 2026 — substantially all assets of Bioniq's personalized nutrition platform.

Term	Detail
Base consideration	\$55M total (\$10M at close, \$45M over 5 years)
Contingent	Up to \$95M based on Bioniq product sales performance
Bioniq LAB call option	Small molecules / peptides — exercisable through Dec 31, 2031
Distribution	Sold through HLF distributor channel — leverages 90-country footprint
Launch timeline	Late June 2026 (11 EU countries); July 2026 (US); other markets H2 2026
Strategic rationale	Bolts personalized-nutrition tier onto core daily-use product line
Builds on	Prior tuck-ins: Pro2col, Link BioSciences, Pruvit

- Read: Modest dollars upfront, real distribution synergy, optionality on the LAB call.
- Tests the thesis that HLF can grow per-distributor revenue by selling higher-tier personalization products (vs. price-out competition risk).
- Watch metric: Bioniq attach rate in target markets through 2026 distributor reporting.

Valuation Lens 1 — Owner Earnings (Buffett Method)

Component	TTM Mar 2026	Notes
Reported net income	\$239.8M	TTM through March 31, 2026
+ D&A (cash add-back)	\$120.0M	Per FY 2026 guide: \$140-150M annualized
+ SaaS amortization	Included above	Per company guidance
- Maintenance CapEx	(\$50.0M)	Estimate; total CapEx \$50-80M per FY '26 guide
+ Refi annual interest savings	\$44.9M	Forward-look; not in TTM yet
= Owner Earnings (run-rate)	~\$354.7M	Post-refi, run-rate basis
÷ Diluted shares (Q1 '26)	108.4M	
= Owner Earnings per share	~\$3.27/sh	Post-refi run-rate

At 8 – 10x Owner Earnings multiple: implied value \$26 – \$33/share

Live price \$12.34 implies a 3.8x Owner Earnings multiple — consumer staples peers typically trade 10-15x.

Valuation Lens 2 — EV / Adj. EBITDA vs. Peers

Company	Ticker	EV/EBITDA	Category	Notes
Herbalife (live \$12.34)	HLF	4.1x	Subject	\$1.26B mkt cap, \$1.54B net debt
Nu Skin Enterprises	NUS	5.6x	MLM peer	Direct MLM nutrition/personal care
USANA Health Sciences	USNA	5.4x	MLM peer	Smaller scale, similar model
Medifast	MED	3.2x	MLM peer (distressed)	OPTAVIA channel headwinds
MLM Peer Median	—	4.7x	Reference	All trade at compressed multiples
BellRing Brands	BRBR	16.2x	Branded nutrition	DTC/retail, no MLM
Hain Celestial	HAIN	11.4x	Branded nutrition	Specialty food/wellness
Branded nutrition median	—	14.3x	Reference	Premium for non-MLM channel
Procter & Gamble	PG	16.8x	Consumer staple	For scale comparison
Colgate-Palmolive	CL	14.5x	Consumer staple	For scale comparison

At MLM peer median (4.7x): \$15 / share • At median + 25% (5.9x): \$20 / share

EV bridge: $4.7x \times \$680M \text{ EBITDA} = \$3,196M \text{ EV} - \$1,540M \text{ net debt} = \$1,656M \text{ equity} \div 108.4M \text{ sh} = \$15.28/\text{sh}$

Valuation Lens 3 — Discounted Cash Flow

DCF Assumption	Value	Rationale
Forecast horizon	10 years (2026E-2035E)	Mid-cycle stabilization period
Revenue growth (Yrs 1-5)	+3.0% CAGR	Within management guide range
Revenue growth (Yrs 6-10)	+2.0% CAGR	Maturity / GDP-like assumption
Adj. EBITDA margin	13.1% - 13.5%	Held in historical band
WACC (discount rate)	8.5%	Cost of equity ~11.5%; cost of debt ~6.5% after-tax
Terminal growth rate	1.5%	Below long-run GDP — conservative
Terminal EV/EBITDA check	~14x	Implied; cross-validates against staples peers
Maintenance CapEx	~\$70M/yr	Per FY '26 guide midpoint
Effective tax rate	30%	Per management guidance

DCF Mid-Case Equity Value: ~\$3,033M ÷ 108.4M shares = ~\$28/share

Bear case (WACC 10%, TG 0.5%): ~\$18/share • Bull case (WACC 7.5%, TG 2.0%): ~\$36/share

Live price \$12.34 sits below the bear case — full DCF detail in companion Excel model (tab 05_DCF).

Sensitivity — Implied Per-Share Value

Per-share value across EV/Adj. EBITDA multiple × Adj. EBITDA outcome (\$M):

EBITDA ↓ / Multiple →	3.5x	4.0x	4.7x (peer med)	5.5x	6.5x	7.5x
\$600M (bear)	\$5.79	\$8.55	\$12.42	\$16.85	\$22.39	\$27.92
\$650M (FY '25 actual)	\$7.41	\$10.40	\$14.59	\$19.39	\$25.39	\$31.39
\$680M (TTM)	\$8.38	\$11.51	\$15.89	\$20.91	\$27.19	\$33.47
\$705M (FY '26 guide top)	\$9.19	\$12.43	\$16.97	\$22.18	\$28.69	\$35.20
\$725M (modest growth)	\$9.84	\$13.17	\$17.84	\$23.19	\$29.89	\$36.58

Live \$12.34 = TTM EBITDA × ~4.1x — below MLM peer median multiple

Even at trough EBITDA \$600M × peer-median 4.7x, the model returns \$12.42/sh — essentially the live price.

Risk Register — What the Multiple Discount Reflects

Risk	Severity	Detail / Mitigant
MLM regulatory tail	High	2016 FTC consent order still in force; requires majority of distributor comp tied to verified retail sales. State AG action remains theoretical risk. Mitigant: 10 yrs of compliant operation post-consent.
China deterioration	Medium-Low	Q1 '26 (-16.2% CC); only \$57M of \$1.32B WW sales (4.3%). PRC distribution rules structurally challenge MLM. Mitigant: small mix; replaced by APAC ex-China growth.
Distributor productivity	Medium	Total preferred members declined recent years before stabilization. Watch: per-distributor productivity, retention rates.
FX exposure	Medium	~80% of sales outside US; CC growth materially diverges from reported. Mitigant: pricing actions in inflationary markets (Argentina, Turkey).
Bioniq execution	Low	Small \$55M base + \$95M earnout = modest dollars at risk. Tests personalization thesis without bet-the-company exposure.
Leverage refinancing risk	Low (post-refi)	April 2026 refi extends maturity profile; \$44.9M annual savings. Net leverage 2.1x trending down.
Competitive disruption	Medium	DTC nutrition brands (Athletic Greens, Ritual, Huel), retail brands (BellRing, Optimum Nutrition). HLF must differentiate via distributor-as-coach experience.
Author bias risk (DISCLOSE)	—	Author has held HLF and intends to invest. Read this analysis with that interest in mind.

Baratelli Institute Library Crosswalk

Library Guide	Chapter / Section	What HLF Illustrates
First Principles of Master Investing	Owner Earnings (Buffett method)	HLF's negative book equity is the textbook multi-decade buyback story; OE = Net Income + D&A - maintenance CapEx applied directly.
First Principles of Master Investing	Reverse DCF	What growth is the market implying at \$12.34? Test against +1-5% organic guidance.
PE Guide	Take-private feasibility	HLF is a textbook LBO candidate at current multiples: predictable cash, refinanceable debt, separable assets.
CFO & Controller's Guide	Capital allocation & debt refi economics	April 2026 \$1.45B refi delivering \$44.9M annual savings = worked example of incremental EPS engineering.
Tax Strategy Decoded	Cross-border IP migration	HLF's Q4 2024 corporate entity restructuring: \$147.3M of net deferred tax benefits — a worked example.
Treasure Assets / Wealth Psychology	Conviction vs. consensus	The Icahn-Ackman 2012-19 trade as a behavioral case study; both billionaires were partly right.
Business Operators Blueprint (BOP)	Multi-jurisdiction operating structure	Cayman parent, US operations, 90-country distribution = 4-shell test for any practitioner advising clients operating internationally.

Catalysts & What to Watch

- Q2 2026 earnings (early Aug 2026): Bioniq launch traction in 11 EU countries; first full quarter of refi interest savings; APAC organic growth durability check.
- Q3 2026 earnings (early Nov 2026): Bioniq US launch attach rates; updated FY 2026 guidance vs. revised \$675-705M EBITDA range; full-year refi savings annualization visible.
- Capital return: Watch for share repurchase program reactivation. With \$451M cash, \$44.9M annual rate uplift, and 2.1x net leverage trending down, capacity exists for opportunistic buyback at depressed multiple.
- Regulatory: Annual reporting under 2016 FTC consent order; state AG quietude continues = positive read-through. Any new MLM-targeted federal/state action would be material.
- FX: USD strength/weakness materially affects reported headline. CC growth is the operating metric; reported growth is the cash-conversion metric.
- Strategic: Additional tuck-ins in the personalization ecosystem (Pro2col, Link BioSciences, Pruvit, Bioniq pattern); potential larger M&A; or — at multiples this depressed — take-private/strategic-buyer interest.
- Insider activity: Track director/officer Form 4 filings as a sentiment indicator.

Disclosure & Source Inventory

AUTHOR DISCLOSURE

Phil Baratelli, the author, has owned Herbalife (HLF) shares previously and intends to invest in HLF. This case study is educational only — a practitioner valuation walk-through built using the same framework applied in the Lyft, CLF, Fiserv, and TMHC cases in the Baratelli Institute library. Readers considering an HLF position should consult their own qualified advisors and conduct their own diligence. The Baratelli Institute does not provide investment advice. Not a recommendation.

PRIMARY SOURCES (all SEC-filed or company-issued)

Document	Period / Date	Use
Form 10-K	FY ended Dec 31, 2024	Historical financials, segment data, FTC consent disclosures
Form 10-K	FY ended Dec 31, 2025	FY 2025 actuals, refi details, capital allocation
Form 10-Q	Q ended Mar 31, 2026	Q1 2026 financials, balance sheet, segment detail
Q1 2026 press release	May 6, 2026	Headline numbers, FY 2026 guide revision
Q1 2026 earnings call transcript	May 6, 2026	Management commentary on Bioniq, refi, APAC growth
Q1 2026 earnings deck	May 6, 2026	Visual presentation of segment & financial detail

Companion artifacts in this case folder: [HLF_Case_Scoping_Notes.md](#) · [Case_Study_06_HLF_Valuation_Memo.pdf](#) · [Case_Study_06_HLF_Valuation_Model.xlsx](#)

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LIBRARY CROSSWALK - JUNE 2026

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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.