



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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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](#)