

## 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
<b>Free Cash Flow (OCF – Capex, TTM)</b>	<b>\$374 M</b>
<b>Adjusted EBITDA (TTM)</b>	<b>\$680 M</b>
<b>Enterprise Value (as of June 2, 2026)</b>	
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
<b>= Enterprise Value</b>	<b>\$2,878 M</b>

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.

<b>Ticker</b>	HLF (NYSE)
<b>As-of date</b>	June 2, 2026 (financials through Q1 2026)
<b>Sector</b>	Consumer Staples / Personal Products / MLM Distribution
<b>Diluted shares</b>	108.4M
<b>TTM Net Sales (Mar 31, 2026)</b>	\$5,133M
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**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 $\Delta$	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
<b>Cum.</b>	<b>(4,543)</b>	<b>(30)</b>	<b>10,687</b>	<b>(9,084)</b>	<b>1,604</b>			

*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
<b>Cum.</b>	<b>(4,543)</b>	<b>128.6</b>	<b>\$35.32 wtd.</b>	

*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
<b>Debt balance, year-end</b>	<b>2,401</b>	<b>2,246</b>	<b>1,991</b>	<b>1,766</b>	<b>1,516</b>	<b>1,241</b>

**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
<b>Worldwide</b>	<b>\$1,317.2M</b>	<b>100%</b>	<b>+7.8%</b>	<b>+5.4%</b>	<b>Inflection</b>

**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
<b>Total liabilities + equity</b>	<b>2,875.2</b>	<b>2,785.9</b>	<b>+89.3</b>
<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-rrate. 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
<b>Regulatory — FTC Consent Order</b>	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.	<b>HIGH</b>
<b>MLM business model headline risk</b>	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.	<b>MEDIUM</b>
<b>China decline acceleration</b>	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.	<b>MEDIUM</b>
<b>Distributor count erosion</b>	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.	<b>MEDIUM</b>
<b>Bioniq integration execution</b>	\$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.	<b>LOW-MEDIUM</b>
<b>Currency translation</b>	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.	<b>LOW (operational; HIGH as reported-results variability)</b>
<b>Leverage post-refi</b>	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.	<b>LOW</b>
<b>Author's own ownership (disclosure)</b>	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.	<b>DISCLOSURE</b>

## 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
<b>First Principles of Master Investing</b>	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.
<b>PE Guide — Practitioner's Guide to Private Equity</b>	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).
<b>CFO &amp; Controller's Guide</b>	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).
<b>Tax Strategy Decoded</b>	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.
<b>Wealth Psychology</b>	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.
<b>Liquidity Event Playbook</b>	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
<b>Q2 2026 earnings (early August 2026)</b>	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.
<b>Bioniq European launch (late June 2026)</b>	First read on distributor uptake of the personalization positioning. Watch for distributor commentary and any early enrollment metrics.
<b>FY 2026 final guide refresh (Q3 '26 earnings)</b>	If management raises the guide again, the inflection is confirmed; if they trim, the Q1 beat was timing.
<b>China stabilization vs. acceleration</b>	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><b>Bioniq LAB call-option exercise window</b></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><b>Distributor count / 'sales leader' retention</b></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).

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*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.*

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