



Herbalife Nutrition Reports Full Year and Fourth Quarter 2022 Results

LOS ANGELES, February 14th, 2023— Herbalife Nutrition Ltd. (NYSE: HLF) today reported financial results for the full year and fourth quarter ended December 31, 2022:

Highlights

- Full year 2022 net sales of \$5.2 billion, a 10.3% decrease compared to the full year 2021. On a constant currency basis¹, net sales declined 5.4% compared to the prior year.
- Full year 2022 reported diluted EPS of \$3.23 and adjusted² diluted EPS of \$3.40, compared to full year 2021 reported and adjusted² diluted EPS of \$4.13 and \$4.79, respectively.
- Full year 2022 reported net income of \$321.3 million and adjusted² EBITDA of \$694.5 million.
- Fourth quarter 2022 net sales of \$1.2 billion, a 10.4% decrease compared to the fourth quarter 2021. On a constant currency basis¹, net sales declined 4.2% compared to the prior year period.
- Fourth quarter 2022 reported diluted EPS of \$0.55 and adjusted² diluted EPS of \$0.53, compared to fourth quarter 2021 reported and adjusted² diluted EPS of \$0.37 and \$0.57, respectively.
- Fourth quarter 2022 reported net income of \$54.4 million and adjusted² EBITDA of \$130.7 million.
- During the fourth quarter, the Company reduced its nominal debt level by approximately \$60 million.
- Given the rapidly shifting macroeconomic sentiment and backdrop, as well as increased volatility in the market, the Company is not providing FY 2023 guidance.
- The Company's previously announced Transformation Program is expected to deliver annual savings of at least \$70 million with approximately half of these savings being realized in 2023 and the remainder largely being realized in 2024 and thereafter.

“Since taking on the CEO role, we have aligned with our distributors behind strategies and objectives to refresh and vitalize the Company, in order to return to growth.”

**- Michael O. Johnson,
Chairman and CEO of
Herbalife Nutrition**

¹ Growth/decline in net sales excluding the effects of foreign exchange is based on “net sales in local currency,” a non-GAAP financial measure. See Schedule A – “Reconciliation of Non-GAAP Financial Measures” for a discussion of why we believe adjusting for the effects of foreign exchange is useful.

² Adjusted diluted EPS and adjusted EBITDA are non-GAAP measures. See Schedule A – “Reconciliation of Non-GAAP Financial Measures” for a detailed reconciliation of these measures to the most directly comparable GAAP measure, and a discussion of why we believe these non-GAAP measures are useful.

Management Commentary

Herbalife Nutrition reported fourth quarter 2022 net sales of \$1.2 billion and full-year 2022 net sales of \$5.2 billion, a decrease of 10.4% and 10.3% respectively when compared to the prior year. The Company believes that macroeconomic inflationary pressures continued to challenge Members' operations and customer demand during the quarter.

During the quarter, management continued to execute on profit protection initiatives which helped generate Q4 2022 adjusted² EBITDA that was approximately flat compared to the prior year period.

Keenly focused on opportunities to grow sales, leadership has been increasing in-person engagement with distributors. Year-to-date in 2023, the Company has already hosted 170 in-person Distributor events around the world, reaching approximately 175,000 Distributors.

"We anticipate the energy and engagement being generated at our in-person events will translate to improving metrics in 2023" said Chairman and CEO, Michael O. Johnson. "Since taking on the CEO role, we have aligned with our distributors behind strategies and objectives to refresh and vitalize the Company, in order to return to growth."

From a global perspective, some of the Company's underlying business trends and KPIs remained largely stabilized during the fourth quarter. Worldwide active sales leaders decreased approximately 1% sequentially, compared to Q3 2022. New distributors and preferred customers decreased approximately 1% year-over-year, compared to Q4 2021. Additionally, the Company announced sales leader retention results for the last 12-month requalification period ending in January of 2023 of 67.6%.

While focused on growth, expense management initiatives remain a priority. The Company's previously announced Transformation Program is expected to deliver annual savings of at least \$70 million with approximately half of these savings being realized in 2023 and the remainder largely being realized in 2024 and thereafter. The Company expects to incur total pre-tax one-time expenses of at least \$60 million on the Transformation Program to realize these run-rate savings.

"While we are optimistic about revitalizing the topline, we are actively controlling expenses to manage margins, maximize profitability and secure our balance sheet" said CFO, Alex Amezcua. We expect that free cash flow in 2023 will largely be put towards reducing our overall debt as we continue to work towards our long-term target leverage of 3.0x gross debt to adjusted³ EBITDA."

During the fourth quarter, the Company strategically reduced its nominal debt by approximately \$60 million by paying down its revolver, refinancing a portion of its outstanding convertible notes, and scheduled amortization payments.

³ Adjusted EBITDA is a non-GAAP measure and excludes potential charges or gains that may be recorded during the applicable period, as discussed in greater detail in Schedule A. The Company does not provide a reconciliation of forward-looking non-GAAP adjusted EBITDA to net income, the comparable GAAP measure, because the impact and timing of these potential charges and gains cannot be determined without unreasonable efforts due to their inherent historical variability, complexity, and unpredictability. These items, which are necessary for a presentation of the reconciliation to GAAP, could have a potentially significant impact on the Company's GAAP results. See Schedule A – "Reconciliation of Non-GAAP Financial Measures" for additional information regarding forward-looking adjusted EBITDA.

Fourth Quarter and Full Year 2022 Key Metrics

Regional Net Sales and Foreign Exchange (“FX”) Impact

Region	Reported Net Sales 4Q'22 (mil)	Growth/Decline including FX vs. 4Q'21	Growth/Decline excluding FX vs. 4Q'21 ¹
Asia Pacific	\$ 396.8	(0.1%)	9.2%
North America	\$ 275.0	(9.0%)	(8.7%)
EMEA	\$ 246.8	(15.4%)	(2.8%)
Latin America ^(a)	\$ 191.1	(2.7%)	(3.3%)
China	\$ 71.1	(45.5%)	(39.3%)
Worldwide Total	\$ 1,180.8	(10.4%)	(4.2%)

Region	Reported Net Sales FY'22 (mil)	Growth/Decline including FX vs. FY'21	Growth/Decline excluding FX vs. FY'21 ¹
Asia Pacific	\$ 1,686.9	6.4%	12.6%
North America	\$ 1,262.2	(11.7%)	(11.6%)
EMEA	\$ 1,078.5	(19.2%)	(7.5%)
Latin America ^(a)	\$ 785.8	(4.5%)	(3.1%)
China	\$ 391.0	(37.9%)	(35.7%)
Worldwide Total	\$ 5,204.4	(10.3%)	(5.4%)

^(a) During the third quarter of 2022, the Company combined its Mexico and South and Central America regions into one geographic region now named Latin America. Historical information has been reclassified to conform with the current period geographic presentation.

Regional Volume Point Metrics

Region	Volume Points		Volume Points	
	4Q'22 (mil)	Yr/Yr % Chg	FY'22 (mil)	Yr/Yr % Chg
Asia Pacific	496.6	1.2%	2,156.5	10.0%
North America	294.6	(21.2%)	1,430.2	(19.8%)
EMEA	299.3	(19.0%)	1,353.4	(16.9%)
Latin America ^(a)	273.3	(18.1%)	1,177.1	(12.7%)
China	46.9	(38.9%)	261.4	(30.4%)
Worldwide Total	1,410.7	(14.2%)	6,378.6	(10.1%)

Outlook

Given the rapidly shifting macroeconomic sentiment and backdrop, as well as increased volatility in the market, the Company is not providing FY 2023 guidance. The Company will periodically reassess its ability to provide guidance when we believe future performance can be reasonably estimated.

Earnings Conference Call

Herbalife Nutrition senior management will host an investor conference call to discuss its recent financial results and provide an update on current business trends on Tuesday, February 14th, 2023, at 2:30 p.m. PT (5:30 p.m. ET).

Participants will need to register to receive dial-in information to the call, and may do so by visiting the investor relations section of the Company's website at <http://ir.herbalife.com>. Additionally, live audio of the conference call will be simultaneously webcast at <https://edge.media-server.com/mmc/p/n7dvdu8i>. Senior management also plans to reference slides during the call, which will also be available on the investor relation's section of the Company's website.

An audio replay will be available following the completion of the conference call, and the webcast of the teleconference will be archived and available on the Company's investor relations site.

About Herbalife Nutrition Ltd.

Herbalife Nutrition (NYSE: HLF) is a global nutrition company that has been changing people's lives with great nutrition products and a business opportunity for its independent distributors since 1980. The Company offers science-backed products to consumers in 95 markets by entrepreneurial distributors who provide one-on-one coaching and a supportive community that inspires their customers to embrace a healthier, more active lifestyle. Through the Company's commitment to nourish people, communities and our planet, Herbalife Nutrition pledges to achieve 50 million positive impacts – tangible acts of good – by 2030, its 50th anniversary.

Herbalife Nutrition encourages investors to visit its investor relations website at ir.herbalife.com as financial and other information is posted.

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Forward-Looking Statements

This release contains “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results or outcomes could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, many of which are beyond our control. Additionally, many of these risks and uncertainties are, and may continue to be, amplified by the COVID-19 pandemic. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in or implied by our forward-looking statements include the following:

- the potential impacts of the COVID-19 pandemic and current global economic conditions, including inflation, on us; our Members, customers, and supply chain; and the world economy;*
- our ability to attract and retain Members;*
- our relationship with, and our ability to influence the actions of, our Members;*
- our noncompliance with, or improper action by our employees or Members in violation of, applicable U.S. and foreign laws, rules, and regulations;*
- adverse publicity associated with our Company or the direct-selling industry, including our ability to comfort the marketplace and regulators regarding our compliance with applicable laws;*
- changing consumer preferences and demands and evolving industry standards, including with respect to climate change, sustainability, and other environmental, social, and governance, or ESG, matters;*
- the competitive nature of our business and industry;*
- legal and regulatory matters, including regulatory actions concerning, or legal challenges to, our products or network marketing program and product liability claims;*
- the Consent Order entered into with the FTC, the effects thereof and any failure to comply therewith;*
- risks associated with operating internationally and in China;*
- our ability to execute our growth and other strategic initiatives, including implementation of our Transformation Program and increased penetration of our existing markets;*
- any material disruption to our business caused by natural disasters, other catastrophic events, acts of war or terrorism, including the war in Ukraine, cybersecurity incidents, pandemics, and/or other acts by third parties;*
- our ability to adequately source ingredients, packaging materials, and other raw materials and manufacture and distribute our products;*
- our reliance on our information technology infrastructure;*
- noncompliance by us or our Members with any privacy laws, rules, or regulations or any security breach involving the misappropriation, loss, or other unauthorized use or disclosure of confidential information;*
- contractual limitations on our ability to expand or change our direct-selling business model;*

- *the sufficiency of our trademarks and other intellectual property;*
- *product concentration;*
- *our reliance upon, or the loss or departure of any member of, our senior management team;*
- *restrictions imposed by covenants in the agreements governing our indebtedness;*
- *risks related to our convertible notes;*
- *changes in, and uncertainties relating to, the application of transfer pricing, income tax, customs duties, value added taxes, and other tax laws, treaties, and regulations, or their interpretation;*
- *our incorporation under the laws of the Cayman Islands; and*
- *share price volatility related to, among other things, speculative trading and certain traders shorting our common shares.*

We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Results of Operations

Herbalife Nutrition Ltd. and Subsidiaries Condensed Consolidated Statements of Income (In millions, except per share amounts)				
	Three Months Ended		Twelve Months Ended	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
	(unaudited)			
North America	\$ 275.0	\$ 302.3	\$ 1,262.2	\$ 1,428.9
EMEA	246.8	291.6	1,078.5	1,335.4
Asia Pacific	396.8	397.3	1,686.9	1,586.1
Latin America	191.1	196.4	785.8	822.9
China	71.1	130.4	391.0	629.5
Worldwide Net Sales	<u>1,180.8</u>	<u>1,318.0</u>	<u>5,204.4</u>	<u>5,802.8</u>
Cost of Sales	<u>265.6</u>	<u>296.6</u>	<u>1,173.6</u>	<u>1,239.3</u>
Gross Profit	915.2	1,021.4	4,030.8	4,563.5
Royalty Overrides	389.0	423.9	1,690.1	1,833.7
Selling, General, and Administrative Expenses	437.3	513.2	1,810.4	2,012.1
Other Operating Income ⁽¹⁾	-	-	(14.9)	(16.4)
Operating Income	88.9	84.3	545.2	734.1
Interest Expense, net	37.3	36.7	133.2	148.7
Other (Income) Expense, net ⁽²⁾	(12.8)	-	(12.8)	24.6
Income Before Income Taxes	64.4	47.6	424.8	560.8
Income Taxes	10.0	9.4	103.5	113.6
Net Income	<u>\$ 54.4</u>	<u>\$ 38.2</u>	<u>\$ 321.3</u>	<u>\$ 447.2</u>
Weighted-Average Shares Outstanding:				
Basic	98.1	101.6	98.5	105.9
Diluted	99.0	103.6	99.5	108.3
Earnings Per Share:				
Basic	<u>\$ 0.55</u>	<u>\$ 0.38</u>	<u>\$ 3.26</u>	<u>\$ 4.22</u>
Diluted	<u>\$ 0.55</u>	<u>\$ 0.37</u>	<u>\$ 3.23</u>	<u>\$ 4.13</u>

⁽¹⁾ Other Operating Income for the twelve months ended December 31, 2022 and December 31, 2021 relates to certain China government grant income.

⁽²⁾ Other (Income) Expense, net for the three and twelve months ended December 31, 2022 relates to gain on the extinguishment of a portion of the 2024 Convertible Notes. Other (Income) Expense, net for the twelve months ended December 31, 2021 relates to loss on the extinguishment of the 2026 Notes.

Herbalife Nutrition Ltd. and Subsidiaries
Condensed Consolidated Balance Sheets
(In millions)

	Dec 31, <u>2022</u>	Dec 31, <u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 508.0	\$ 601.5
Receivables, net	70.6	66.9
Inventories	580.7	575.7
Prepaid expenses and other current assets	196.8	187.7
Total Current Assets	<u>1,356.1</u>	<u>1,431.8</u>
Property, plant and equipment, net	486.3	442.1
Operating lease right-of-use assets	207.1	220.0
Marketing-related intangibles and other intangible assets, net	315.7	317.3
Goodwill	93.2	95.4
Other assets	273.6	313.2
Total Assets	<u>\$ 2,732.0</u>	<u>\$ 2,819.8</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	\$ 89.8	\$ 92.0
Royalty overrides	343.3	363.2
Current portion of long-term debt	29.5	29.4
Other current liabilities	514.0	595.8
Total Current Liabilities	<u>976.6</u>	<u>1,080.4</u>
Non-current liabilities:		
Long-term debt, net of current portion	2,662.5	2,733.2
Non-current operating lease liabilities	192.4	201.2
Other non-current liabilities	166.4	196.5
Total Liabilities	<u>3,997.9</u>	<u>4,211.3</u>
Commitments and Contingencies		
Shareholders' deficit:		
Common shares	0.1	0.1
Paid-in capital in excess of par value	188.7	318.1
Accumulated other comprehensive loss	(250.2)	(211.8)
Accumulated deficit	(1,204.5)	(1,169.0)
Treasury stock	-	(328.9)
Total Shareholders' Deficit	<u>(1,265.9)</u>	<u>(1,391.5)</u>
Total Liabilities and Shareholders' Deficit	<u>\$ 2,732.0</u>	<u>\$ 2,819.8</u>

Herbalife Nutrition Ltd. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In millions)

	Twelve Months Ended	
	12/31/2022	12/31/2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 321.3	\$ 447.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	115.4	107.6
Share-based compensation expenses	44.4	54.1
Non-cash interest expense	6.7	30.1
Deferred income taxes	(29.9)	(33.3)
Inventory write-downs	38.4	28.8
Foreign exchange transaction loss	9.1	14.3
(Gain) Loss on extinguishment of debt	(12.8)	24.6
Other	(17.0)	5.2
Changes in operating assets and liabilities:		
Receivables	(9.1)	9.6
Inventories	(68.4)	(129.1)
Prepaid expenses and other current assets	(12.4)	(49.3)
Accounts payable	(1.1)	6.9
Royalty overrides	(9.6)	17.8
Other current liabilities	(53.6)	(68.8)
Other	31.1	(5.4)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>352.5</u>	<u>460.3</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(156.4)	(151.4)
Other	0.2	(5.0)
NET CASH USED IN INVESTING ACTIVITIES	<u>(156.2)</u>	<u>(156.4)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from senior secured credit facility and other debt, net of discount	564.2	671.1
Principal payments on senior secured credit facility and other debt	(683.5)	(563.5)
Proceeds from convertible senior notes	277.5	-
Repayment of convertible senior notes	(273.2)	-
Proceeds from senior notes	-	600.0
Repayment of senior notes	-	(420.7)
Debt issuance costs	(7.2)	(8.4)
Share repurchases	(146.7)	(1,011.3)
Other	4.2	4.2
NET CASH USED IN FINANCING ACTIVITIES	<u>(264.7)</u>	<u>(728.6)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(25.7)	(18.9)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>(94.1)</u>	<u>(443.6)</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD	610.4	1,054.0
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	<u>\$ 516.3</u>	<u>\$ 610.4</u>
Cash paid during the year:		
Interest paid	\$ 133.5	\$ 143.5
Income taxes paid	<u>\$ 144.9</u>	<u>\$ 156.3</u>

Supplemental Information

SCHEDULE A: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Unaudited and unreviewed), (All tables provide Dollars in millions, except per Share Data)

Adjusted Net Income, Adjusted Diluted EPS and Adjusted EBITDA

In addition to its reported results calculated in accordance with GAAP, the Company has included in this release adjusted net income, adjusted diluted EPS and adjusted EBITDA, performance measures that the Securities and Exchange Commission defines as “non-GAAP financial measures.” Adjusted net income, adjusted diluted EPS and adjusted EBITDA exclude the impact of certain unusual or non-recurring items such as non-cash interest expense and amortization associated with the Company’s convertible notes, expenses related to regulatory inquiries and legal accruals, debt issuance costs, gains and losses on extinguishment of debt, expenses related to COVID-19 pandemic, non-income tax items, charges related to Russia-Ukraine conflict, expenses related to transformation program, and expenses related to digital technology program, as further detailed in the reconciliations below.

Management believes that such non-GAAP financial measures, when read in conjunction with the Company’s reported results, calculated in accordance with GAAP, can provide useful supplemental information for investors because they facilitate a period to period comparative assessment of the Company’s operating performance relative to its performance based on reported results under GAAP, while isolating the effects of some items that vary from period to period without any correlation to core operating performance and eliminate certain charges that management believes do not reflect the Company’s operations and underlying operational performance. The Company’s definition and calculation as set forth in the tables below of adjusted net income, adjusted diluted EPS and adjusted EBITDA may not be comparable to similarly titled measures used by other companies because other companies may not calculate them in the same manner as the Company does and should not be viewed in isolation from nor as alternatives to net income or diluted EPS calculated in accordance with GAAP. The Company does not provide reconciliations of forward-looking non-GAAP adjusted EBITDA financial targets to net income, the comparable GAAP measure, because the impact and timing of the potential charges and gains cannot be determined without unreasonable efforts due to the inherent historical variability, complexity, and unpredictability. These items, which are necessary for a presentation of a reconciliation to GAAP, could have a potentially significant impact on the Company’s GAAP results.

Currency Fluctuation

Our international operations have provided and will continue to provide a significant portion of our total net sales. As a result, total net sales will continue to be affected by fluctuations in the U.S. dollar against foreign currencies. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, in addition to comparing the percent change in net sales from one period to another in U.S. dollars, we also compare the percent change in net sales from one period to another period using “net sales in local currency.” Net sales in local currency is not a measure presented in accordance with U.S. GAAP. Net sales in local currency removes from net sales in U.S. dollars the impact of changes in exchange rates between the U.S. dollar and the local currencies of our foreign subsidiaries, by translating the current period net sales into U.S. dollars using the same foreign currency exchange rates that were used to translate the net sales for the previous comparable period. We believe presenting net sales in local currency is useful to investors because it allows a meaningful comparison of net sales of our foreign operations from period to period. However, net sales in local currency should not be considered in isolation or as an alternative to net sales in U.S. dollar measures that reflect current period exchange rates, or to other financial measures calculated and presented in accordance with U.S. GAAP.

The following is a reconciliation of net income, presented and reported in accordance with U.S. generally accepted accounting principles, to net income adjusted for certain items:

	Three Months Ended		Twelve Months Ended	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
	(in millions)			
Net income, as reported	\$ 54.4	\$ 38.2	\$ 321.3	\$ 447.2
Non-cash interest expense and amortization of non-cash issuance costs ^{(1) (2) (3)}	-	6.1	-	23.7
Debt issuance costs related to the senior secured credit facility amendment ^{(1) (2) (4)}	-	-	-	1.7
Net expenses related to COVID-19 pandemic ^{(1) (2)}	0.6	2.0	4.4	13.8
Expenses related to transformation program ^{(1) (2)}	4.4	5.3	12.1	12.9
Russia-Ukraine conflict charges ^{(1) (2)}	-	-	5.5	-
(Gain) Loss on extinguishment of debt ^{(1) (2) (5)}	(12.8)	-	(12.8)	24.6
Non-income tax items, net ^{(1) (2) (6)}	-	-	-	(7.4)
Digital technology program costs ^{(1) (2)}	8.6	-	11.9	-
Expenses related to regulatory inquiries and legal accruals ^{(1) (2) (7)}	-	12.5	-	12.5
Income tax adjustments for above items ^{(1) (2)}	(2.7)	(4.8)	(4.1)	(10.9)
Net income, as adjusted ⁽⁸⁾	<u>\$ 52.4</u>	<u>\$ 59.3</u>	<u>\$ 338.3</u>	<u>\$ 518.0</u>

The following is a reconciliation of diluted earnings per share, presented and reported in accordance with U.S. generally accepted accounting principles, to diluted earnings per share adjusted for certain items.

	Three Months Ended		Twelve Months Ended	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
	(per share)			
Diluted earnings per share, as reported	\$ 0.55	\$ 0.37	\$ 3.23	\$ 4.13
Non-cash interest expense and amortization of non-cash issuance costs ^{(1) (2) (3)}	-	0.06	-	0.22
Debt issuance costs related to the senior secured credit facility amendment ^{(1) (2) (4)}	-	-	-	0.02
Net expenses related to COVID-19 pandemic ^{(1) (2)}	0.01	0.02	0.04	0.13
Expenses related to transformation program ^{(1) (2)}	0.04	0.05	0.12	0.12
Russia-Ukraine conflict charges ^{(1) (2)}	-	-	0.06	-
(Gain) Loss on extinguishment of debt ^{(1) (2) (5)}	(0.13)	-	(0.13)	0.23
Non-income tax items, net ^{(1) (2) (6)}	-	-	-	(0.07)
Digital technology program costs ^{(1) (2)}	0.09	-	0.12	-
Expenses related to regulatory inquiries and legal accruals ^{(1) (2) (7)}	-	0.12	-	0.12
Income tax adjustments for above items ^{(1) (2)}	(0.03)	(0.05)	(0.04)	(0.10)
Adjusted diluted earnings per share ⁽⁸⁾	<u>\$ 0.53</u>	<u>\$ 0.57</u>	<u>\$ 3.40</u>	<u>\$ 4.79</u>

The following is a reconciliation of net income, presented and reported in accordance with U.S. generally accepted accounting principles, to EBITDA and adjusted EBITDA:

	Three Months Ended		Twelve Months Ended	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
	(in millions)			
Net income, as reported	\$ 54.4	\$ 38.2	\$ 321.3	\$ 447.2
Interest Expense, net	37.3	36.7	133.2	148.7
Income Taxes	10.0	9.4	103.5	113.6
Depreciation and amortization	28.2	27.5	115.4	107.6
EBITDA	\$ 129.9	\$ 111.8	\$ 673.4	\$ 817.1
Net expenses related to COVID-19 pandemic ^{(1) (2)}	0.6	2.0	4.4	13.8
Expenses related to transformation program ^{(1) (2)}	4.4	5.3	12.1	12.9
Russia-Ukraine conflict charges ^{(1) (2)}	-	-	5.5	-
(Gain) Loss on extinguishment of debt ^{(1) (2) (5)}	(12.8)	-	(12.8)	24.6
Non-income tax items, net ^{(1) (2) (6)}	-	-	-	(7.4)
Digital technology program costs ^{(1) (2)}	8.6	-	11.9	-
Expenses related to regulatory inquiries and legal accruals ^{(1) (2) (7)}	-	12.5	-	12.5
Adjusted EBITDA	<u>\$ 130.7</u>	<u>\$ 131.6</u>	<u>\$ 694.5</u>	<u>\$ 873.5</u>

⁽¹⁾ Based on interim income tax reporting rules, these expenses are not considered discrete items. The tax effect of the adjustments between our GAAP and non-GAAP results takes into account the tax treatment and related tax rate(s) that apply to each adjustment in the applicable tax jurisdiction(s).

⁽²⁾ Excludes tax (benefit)/expense as follows:

	Three Months Ended		Twelve Months Ended	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
	(in millions)			
Non-cash interest expense and amortization of non-cash issuance costs	\$ -	\$ (0.7)	\$ -	-
Debt issuance costs related to the senior secured credit facility amendment	-	(0.1)	-	(0.4)
Net expenses related to COVID-19 pandemic	(0.1)	(0.5)	(0.8)	(2.6)
Expenses related to transformation program	(1.2)	(0.7)	(1.6)	(1.4)
Russia-Ukraine conflict charges	0.1	-	(1.1)	-
(Gain) Loss on extinguishment of debt	-	-	-	(5.5)
Non-income tax items, net	-	-	-	1.8
Digital technology program costs	(1.5)	-	(0.6)	-
Expenses related to regulatory inquiries and legal accruals	-	(2.9)	-	(2.9)
Total income tax adjustments ⁽⁸⁾	<u>\$ (2.7)</u>	<u>\$ (4.8)</u>	<u>\$ (4.1)</u>	<u>\$ (10.9)</u>

	Three Months Ended		Twelve Months Ended	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
	(per share)			
Non-cash interest expense and amortization of non-cash issuance costs	-	\$ (0.01)	-	-
Debt issuance costs related to the senior secured credit facility amendment	-	-	-	-
Net expenses related to COVID-19 pandemic	-	-	(0.01)	(0.02)
Expenses related to transformation program	(0.01)	(0.01)	(0.02)	(0.01)
Russia-Ukraine conflict charges	-	-	(0.01)	-
(Gain) Loss on extinguishment of debt	-	-	-	(0.05)
Non-income tax items, net	-	-	-	0.02
Digital technology program costs	(0.02)	-	(0.01)	-
Expenses related to regulatory inquiries and legal accruals	-	(0.03)	-	(0.03)
Total income tax adjustments ⁽⁸⁾	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>	<u>\$ (0.10)</u>

⁽³⁾ Relates to non-cash expense on the Company's 2.625% convertible senior notes due 2024.

⁽⁴⁾ Relates to costs incurred in the amendment of the senior secured credit facility as described in the Company's Form 10-K for the year ended December 31, 2022.

⁽⁵⁾ Amounts for the three and twelve months ended December 31, 2022 relates to the gain on the extinguishment of the 2024 convertible senior note; amount for the twelve months ended December 31, 2021 relates to the loss on the extinguishment of the senior notes due 2026.

⁽⁶⁾ Relates to certain non-income tax assessments, recoveries and credits

⁽⁷⁾ Amounts for the three and twelve months ended December 31, 2021 relates to legal accrual for certain lawsuit as described in the Company's Form 10-K for the year ended December 31, 2021.

⁽⁸⁾ Amounts may not total due to rounding.