November 5, 2024

NET DEBT LEVERAGE RATIO (NON-GAAP FINANCIAL MEASURE)

Mallinckrodt plc and its subsidiaries (collectively, “the company”) may from time to time reference net debt leverage ratio in its public communications, which is considered a “non-GAAP” financial measure under applicable U.S. Securities and Exchange Commission rules and regulations.

Net debt leverage ratio is a key financial measure that is used by management to assess the borrowing capacity of the company. The company has defined its net debt leverage ratio as net debt (total principal debt outstanding, excluding settlement obligation, plus finance lease liabilities less unrestricted cash) divided by adjusted earnings before interest, taxes, depreciation, and amortization (“EBITDA”) for the trailing twelve month period. Adjusted EBITDA for purposes of the net debt leverage ratio represents net loss, prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”), adjusted for interest expense, taxes, depreciation, amortization from intangible assets and right-of use asset resulting from finance leases and certain items that management believes are not reflective of the operational performance of the business and additional adjustments. These adjustments include, but are not limited to, restructuring and related charges, net; non-restructuring impairment charges; discontinued operations; changes in fair value of contingent consideration obligations; changes in fair value of derivative assets and liabilities; significant legal and environmental charges; unrealized gain/loss on equity investments; liabilities management and separation costs; reorganization items, net; fresh-start inventory-related expenses and other items identified by the company.

This adjusted measure should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. The company's definition of this adjusted measure may differ from similarly titled measures used by others.

Because adjusted financial measures exclude the effect of items that will increase or decrease the company's reported results of operations, Mallinckrodt strongly encourages investors to review the company's consolidated financial statements and publicly filed reports in their entirety. A reconciliation of the net debt leverage ratio to GAAP net loss is included in the following table.

THERAKOS® DIVESTITURE

On August 3, 2024, the Company entered into a Purchase and Sale Agreement for the Company’s Therakos business for a base purchase price of $925.0 million, subject to customary adjustments. The transaction is expected to close in the fourth quarter of 2024, subject to regulatory approvals and other customary closing conditions. The Company is required to use net proceeds from the transaction to prepay or redeem our first-out takeback term loans, second-out takeback term loans and second-out takeback notes. Such mandatory prepayment or redemption will require us to pay a makewhole premium with the prepaid or redeemed debt, the amount of which will be based on the final net proceeds.

Additional information regarding this transaction and related agreements is included in the Company’s Quarterly Report on Form 10-Q filed with U.S. Securities and Exchange Commission (“SEC”) on November 5, 2024 and the Company’s Form 8-K filed with the SEC on August 5, 2024.

NET DEBT LEVERAGE RATIO[1]:

	Successor
	September 27, 2024
Total debt principal outstanding	$ 1,643.5
Plus: Finance lease liabilities	6.1
Less: Unrestricted cash	410.5
Net debt	**$ 1,239.1**

	Successor	Predecessor	Non-GAAP Combined
	Period from November 15, 2023 through September 27, 2024	Period from September 29, 2023 through November 14, 2023	Twelve Months Ended September 27, 2024
GAAP Net Loss:			
Period from November 15, 2023 through December 29, 2023	$ (38.2)	$ —	$ (38.2)
Period from December 31, 2022 through November 14, 2023	—	(1,631.3)	(1,631.3)
Plus: Nine months ended September 27, 2024	(134.9)	—	(134.9)
Less: Nine months ended September 29, 2023	—	(2,721.9)	(2,721.9)
Twelve months ended June 28, 2024	(173.1)	1,090.6	917.5
Trailing twelve months adjustments:			
Interest expense, net	184.7	47.6	232.3
Income tax expense (benefit)	12.4	(785.9)	(773.5)
Depreciation	36.8	5.6	42.4
Amortization	82.5	61.5	144.0
Restructuring and related charges, net	8.0	—	8.0
Non-restructuring impairment charges	3.8	44.0	47.8
Discontinued operations income, net	(0.3)	0.1	(0.2)
Change in contingent consideration fair value	2.9	—	2.9
Change in derivative assets and liabilities fair value	14.3	—	14.3
Liabilities management and separation costs	33.6	0.4	34.0
Unrealized (gain) loss on equity investments	(14.9)	1.0	(13.9)
Reorganization items, net	8.5	(428.4)	(419.9)
Share-based compensation	3.8	1.2	5.0
Fresh-start inventory-related expense	351.2	17.8	369.0
Recovery of bad debt - customer bankruptcy	(6.4)	—	(6.4)
Adjusted EBITDA	$ 547.8	$ 55.5	$ 603.3

Net Debt Leverage Ratio:	**2.1**

[1] The trailing twelve month period includes the results of the company prior to its emergence from Chapter 11 (Predecessor) and after its emergence (Successor). While these periods are not comparable, management believes that its adjusted EBITDA for the Successor period when combined with the adjusted EBITDA for the Predecessor period provides a more meaningful assessment of the company's borrowing capacity.