



March 13, 2025

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; recovery of bad debt; gains/losses on divestiture; gains/losses on debt extinguishment, net; 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 November 29, 2024, we completed the sale of the Therakos business to affiliates of CVC Capital Partners IX total cash consideration of \$887.6 million, which amount is net of preliminary purchase price adjustments, including an adjustment based on estimated net working capital at close, and we recorded a gain on sale of \$754.4 million.

We were required to use the cash consideration from the Therakos transaction, less items such as associated taxes, costs, and expenses, to prepay our senior secured first lien "first-out" term loans and "second-out" term loans (together, the "Takeback Term Loans") and redeem a portion of our "second-out" 14.75% senior secured first lien notes due 2028 (the "Takeback Notes," and, together with the Takeback Term Loans, the "Takeback Debt"). Such mandatory prepayment required us to pay a makewhole premium with the prepaid or redeemed Takeback Debt.

On December 6, 2024, we (i) mandatorily prepaid our Takeback Term Loans in an aggregate principal amount of approximately \$474.1 million (of which approximately \$227.1 million consisted of our "first-out" term loans and approximately \$247.0 million consisted of our "second-out" term loans) together with a payment of approximately \$36.4 million in required makewhole premium (of which approximately \$15.2 million was in respect of our "first-out" term loans and approximately \$21.2 million was in respect of our "second-out" term loans) and (ii) mandatorily redeemed approximately \$301.4 million in aggregate principal amount of Takeback Notes together with a payment of approximately \$27.3 million in required makewhole premium.

Additional information regarding this transaction and related agreements is included in the Company's Annual Report on Form 10-K filed with U.S. Securities and Exchange Commission ("SEC") on March 13, 2025 and the Company's Form 8-K filed with the SEC on August 5, 2024.

NET DEBT LEVERAGE RATIO:

	Successor
	December 27, 2024
Total debt principal outstanding	\$ 865.6
<i>Plus:</i> Finance lease liabilities (undiscounted)	9.1
<i>Less:</i> Unrestricted cash	382.6
Net debt	\$ 492.1
	Twelve Months
	Ended
	December 27, 2024
GAAP Net Income:	
Twelve months ended December 27, 2024	\$ 477.9
<i>Trailing twelve months adjustments:</i>	
Interest expense, net	201.3
Income tax expense	137.9
Depreciation	36.4
Amortization	80.8
Restructuring and related charges, net	8.0
Discontinued operations income, net	(1.3)
Change in contingent consideration fair value	2.8
Change in derivative assets and liabilities fair value	(7.4)
Liabilities management and separation costs	43.9
Unrealized loss on equity investments	17.4
Reorganization items, net	6.5
Share-based compensation	7.2
Fresh-start inventory-related expense	333.4
Recovery of bad debt - customer bankruptcy	(6.4)
Gain on divestiture	(754.4)
Loss on debt extinguishment, net	19.7
Adjusted EBITDA	\$ 603.7
Net Debt Leverage Ratio:	0.8