Mallinckrodt Pharmaceuticals

November 8, 2022

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 less unrestricted cash) divided by adjusted 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 and amortization, 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, non-restructuring impairment charges; restructuring charges, net; inventory step-up expense; discontinued operations; changes in fair value of contingent consideration obligations; significant legal and environmental charges; unrealized loss on equity investment; separation costs; gains on debt extinguishment, net; fresh-start related expenses; reorganization items, 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.

NET DEBT LEVERAGE RATIO [1]:

	Successor
	September 30, 2022
Total debt principal outstanding	$ 3,583.6
Less: Unrestricted cash	391.2
Net debt	**$ 3,192.4**

	Successor	Predecessor	Non-GAAP Combined
	Twelve Months Ended September 30, 2022	Twelve Months Ended September 30, 2022	Twelve Months Ended September 30, 2022
GAAP Net Loss:			
Period from June 17, 2022 through September 30, 2022	$ (348.6)	$ —	$ (348.6)
Plus: Period January 1, 2022 through June 16, 2022	—	(313.1)	(313.1)
Plus: Twelve months ended December 31, 2021	—	(717.4)	(717.4)
Less: Nine months ended September 24, 2021	—	(513.4)	(513.4)
Twelve months ended September 30, 2022	(348.6)	(517.1)	(865.7)
Trailing twelve months adjustments:			
Interest expense	169.1	170.5	339.6
Income taxes	(34.6)	(521.7)	(556.3)
Depreciation	14.8	64.4	79.2
Intangible asset amortization	182.1	427.1	609.2
Non-restructuring impairment	—	90.4	90.4
Restructuring charges, net	3.3	19.0	22.3
Fresh-start inventory-related expense	173.5	—	173.5
Discontinued operations	(0.4)	(1.0)	(1.4)
Changes in fair value of contingent consideration obligations	(0.8)	0.2	(0.6)
Significant legal and environmental charges	—	45.4	45.4
Non-cash shared-based compensation	0.5	3.5	4.0
Separation costs	16.1	9.2	25.3
Gain on debt extinguishment, net	(3.9)	—	(3.9)
Fair value impact on debt extinguishment	4.1	—	4.1
Unrealized (gain) loss on equity investment	(0.9)	22.3	21.4
Other income, net	(0.1)	(6.9)	(7.0)
Reorganization items, net	17.7	729.9	747.6
Japanese consumption tax credit	—	(6.8)	(6.8)
Bad debt expense - customer bankruptcy	5.8	—	5.8
Other credit facility addbacks	0.1	—	0.1
Adjusted EBITDA	**$ 197.8**	**$ 528.4**	**$ 726.2**
Net Debt Leverage Ratio:			**4.4**

(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.