Medline Inc. Third Quarter 2026 Disclosures and Non-GAAP Reconciliations

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Non-GAAP financial measures

To supplement the financial information provided, the Company has presented Organic Sales, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Diluted EPS, Free Cash Flow, and Net Leverage, which are considered non-GAAP financial measures. The non-GAAP financial measures presented may differ from similarly titled non-GAAP financial measures presented by other companies, and other companies may not define these non-GAAP financial measures in the same way. These measures are not substitutes for their comparable GAAP financial measures, such as net income/(loss), net income margin, diluted earnings per share, net cash provided by/(used for) operating activities, net sales, or other measures prescribed by GAAP, and there are limitations to using non-GAAP financial measures.

Management uses these non-GAAP financial measures to assist in comparing the Company's performance on a consistent basis for purposes of business decision making by removing the impact of certain items that management believes do not directly reflect the Company's ongoing operating performance. The Company believes Organic Sales, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, and Adjusted Diluted EPS provide important comparability of ongoing operating performance, allowing investors and management to assess the Company's operating performance on a consistent basis. The Company believes Free Cash Flow and Net Leverage provide a measure of the Company's core operating performance, the cash-generating capabilities of the Company's business operations, and are factors used in determining the Company's borrowing capacity and the amount of cash available for debt repayments, acquisitions, and other corporate purposes.

Management believes that presenting the Company's non-GAAP financial measures is useful to investors because it (i) provides investors with meaningful supplemental information regarding financial performance by excluding certain items that we do not consider indicative of our ongoing operating performance, (ii) permits investors to view performance using the same tools that management uses to budget, make operating and strategic decisions, and evaluate historical performance, and (iii) otherwise provides supplemental information that may be useful to investors in evaluating the Company's results. The Company believes that the presentation of these non-GAAP financial measures, when considered together with the corresponding GAAP financial measures and the reconciliations to those measures, provides investors with additional understanding of the factors and trends affecting the Company's business than could be obtained absent these disclosures.

Definitions

Organic Sales

Organic Sales is defined as net sales excluding, when they occur, the impact of acquisitions, divestitures, and changes in foreign exchange rates from the net sales changes. These amounts are calculated by translating current period GAAP results at the prior period foreign currency exchange rates and comparing these amounts to the current period GAAP results at the current period foreign currency exchange rates.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA is defined as net income (loss) adjusted for (i) interest expense, net, (ii) provision for income taxes, (iii) depreciation and amortization, (iv) inventory-related adjustments, (v) stock-based compensation, (vi) litigation (gains) charges, net, (vii) transaction-related costs, and (viii) other non-core (gains) charges. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by net sales.

Adjusted Net Income and Adjusted Diluted EPS

Adjusted Net Income is shown as net income (loss) adjusted for (i) intangible asset amortization, (ii) inventory-related adjustments, (iii) stock-based compensation, (iv) litigation (gains) charges, net, (v) transaction-related costs, (vi) other non-core (gains) charges, and (vii) tax impacts related to non-GAAP adjustments, noncontrolling interests conversion, and retained tax receivable agreement ("TRA") benefits. Adjusted Diluted EPS is defined as Adjusted Net Income divided by adjusted weighted-average number of common stock, diluted. The adjusted weighted shares calculation assumes the impact of certain antidilutive securities that were excluded from the U.S. GAAP diluted earnings per share.

Free Cash Flow

Free Cash Flow is defined as net cash provided by/(used for) operating activities less net capital expenditures. The use of this non-GAAP measure does not imply or represent the residual cash flow for discretionary expenditures since the Company has certain non-discretionary obligations such as debt service that are not deducted from the measure.

Net Leverage

Net Leverage is defined as net debt (total debt less cash, cash equivalents and short-term investments) divided by Adjusted EBITDA.

Guidance

Guidance for Adjusted EBITDA and Organic Sales is provided on a non-GAAP basis only because certain information necessary to calculate the most comparable GAAP measure is unavailable due to the uncertainty and inherent difficulty of predicting the occurrence and the future financial statement impact of such items impacting comparability, including, but not limited to, inventory-related adjustments, stock-based compensation, litigation (gains) charges, net, transaction-related costs, the impact of currency, and other non-core (gains) charges, among other items. Therefore, as a result of the uncertainty and variability of the nature and amount of future adjustments, which could be significant, the Company is unable to provide a reconciliation of these measures with reasonable certainty and without unreasonable effort.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(in millions, except per share amounts)	Three months ended				Nine months ended			
	September 26, 2026	September 27, 2025	$ Change	% Change	September 26, 2026	September 27, 2025	$ Change	% Change
Net sales	$ 7,856	$ 7,115	$ 741	10.4 %	$ 22,893	$ 20,645	$ 2,248	10.9 %
Cost of goods sold	5,931	5,240	691	13.2 %	16,912	15,041	1,871	12.4 %
Gross profit	1,925	1,875	50	2.7 %	5,981	5,604	377	6.7 %
Gross margin %	*24.5 %*	*26.4 %*			*26.1 %*	*27.1 %*		
Operating expense								
Selling, general and administrative expenses	1,259	1,116	143	12.8 %	3,782	3,259	523	16.0 %
Amortization of intangible assets	176	177	(1)	(0.6)%	529	528	1	0.2 %
Other operating (income) expenses, net	(10)	8	(18)	NM[1]	353	30	323	NM[1]
Total operating expense	1,425	1,301	124	9.5 %	4,664	3,817	847	22.2 %
Operating income	500	574	(74)	(12.9)%	1,317	1,787	(470)	(26.3)%
Operating margin %	*6.4 %*	*8.1 %*			*5.8 %*	*8.7 %*		
Other expense								
Interest expense, net	(118)	(213)	95	(44.6)%	(373)	(646)	273	(42.3)%
Other loss, net	(1)	(6)	5	(83.3)%	(42)	(6)	(36)	NM[1]
Foreign exchange gain (loss), net	5	(10)	15	NM[1]	10	(93)	103	NM[1]
Total other expense	(114)	(229)	115	(50.2)%	(405)	(745)	340	(45.6)%
Income before income taxes	386	345	41	11.9 %	912	1,042	(130)	(12.5)%
Provision for income taxes	68	23	45	NM[1]	216	65	151	NM[1]
Net income	318	322	(4)	(1.2)%	696	977	(281)	(28.8)%
Net income %	*4.0 %*	*4.5 %*			*3.0 %*	*4.7 %*		
Net income attributable to noncontrolling interests	123	—	123	NM[1]	312	—	312	NM[1]
Net income attributable to Medline Inc.	$ 195	$ 322	$ (127)	(39.4)%	$ 384	$ 977	$ (593)	(60.7)%
Earnings per share attributable to Medline Inc.								
Basic	$ 0.23	N/A			$ 0.46	N/A		
Diluted	$ 0.22	N/A			$ 0.45	N/A		
Weighted-average number of Class A common stock outstanding								
Basic	876	N/A			851	N/A		
Diluted	1,316	N/A			1,317	N/A		

[1] Not Meaningful

CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except per share amounts)	As of September 26, 2026 (Unaudited)	As of December 31, 2025
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,321	$ 1,939
Short-term investments	1,287	—
Trade accounts receivable, net of allowance for credit losses of $148 and $152 as of September 26, 2026 and December 31, 2025, respectively	3,794	3,533
Inventories	4,806	4,769
Other current assets	445	438
Total current assets	12,653	10,679
Property, plant, and equipment, net	4,728	4,778
Other non-current assets		
Goodwill	8,073	8,079
Intangible assets, net	13,377	13,893
Deferred tax assets	833	583
Other long-term assets	514	472
Total other non-current assets	22,797	23,027
Total assets	$ 40,178	$ 38,484
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term borrowings and other short-term borrowings	$ 29	$ 77
Accounts payable	1,209	961
Accrued expenses and other current liabilities	1,891	1,452
Total current liabilities	3,129	2,490
Non-current liabilities		
Long-term borrowings, less current portion	12,551	12,484
Tax receivable agreement liability	4,403	3,542
Other long-term liabilities	709	682
Total non-current liabilities	17,663	16,708
Total liabilities	$ 20,792	$ 19,198
Commitments and contingencies		
Stockholders’ equity		
Class A common stock, par value $0.0001 per share; 50,000 shares authorized; 879 and 812 shares issued and outstanding as of September 26, 2026 and December 31, 2025, respectively	—	—
Class B common stock, par value $0.0001 per share; 50,000 shares authorized; 437 and 502 shares issued and outstanding as of September 26, 2026 and December 31, 2025, respectively	—	—
Preferred stock, par value $0.0001; 5,000 shares authorized; no shares issued and outstanding	—	—
Additional paid-in capital	11,428	10,717
Retained earnings (accumulated deficit)	377	(7)
Accumulated other comprehensive (loss) income	(4)	27
Total Medline Inc. stockholders’ equity	11,801	10,737
Noncontrolling interests	7,585	8,549
Total stockholders’ equity	19,386	19,286
Total liabilities and stockholders’ equity	$ 40,178	$ 38,484

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in millions)	Nine months ended September 26, 2026	Nine months ended September 27, 2025
Cash flows from operating activities		
Net income	$ 696	$ 977
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	769	750
Stock-based compensation expense	81	49
Amortization of deferred financing costs	34	45
Deferred taxes	140	(10)
Credit losses	11	45
Unrealized foreign exchange (gain) loss, net	(25)	103
Loss on extinguishment of debt	23	—
Non-cash lease expense	60	54
Loss related to distribution center fire, net	229	—
Other non-cash adjustments	29	3
Changes in assets and liabilities, net of acquisitions:		
Trade accounts receivable	(281)	(239)
Inventories	(270)	(249)
Other assets	(37)	(124)
Accounts payable	283	140
Accrued expenses and other current liabilities	446	8
Other liabilities	(36)	(37)
Net cash provided by operating activities	2,152	1,515
Cash flows from investing activities		
Purchases of property and equipment, net	(348)	(309)
Proceeds from insurance recoveries	100	—
Acquisitions of businesses, net of cash acquired	—	6
Cash paid for asset acquisitions	(15)	(33)
Purchases of short-term investments	(1,274)	—
Net cash used in investing activities	(1,537)	(336)
Cash flows from financing activities		
Proceeds from long-term borrowings	4,733	7,569
Repayment for long-term borrowings	(4,778)	(7,612)
Repayment under lines of credit	—	(179)
Proceeds from lines of credit	—	179
Payment for debt issuance cost	(3)	—
Payment for offering costs	(12)	—
Payment towards Class B unit repurchases	—	(33)
Proceeds from issuance of common stock on stock-based awards	9	—
Settlement of taxes withheld on stock-based awards	(5)	—
Distributions to partners	—	(422)
Distributions to noncontrolling interests	(164)	—
Net cash used in financing activities	(220)	(498)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(14)	24
Net change in cash and cash equivalents and restricted cash	381	705
Cash, cash equivalents and restricted cash, beginning of year	1,942	250
Cash, cash equivalents and restricted cash, end of period	$ 2,323	$ 955

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (Continued)

(in millions)	Nine months ended September 26, 2026	Nine months ended September 27, 2025
Supplemental disclosure of cash flow information:		
Cash payments for interest on borrowings	$ 362	$ 606
Cash received from interest rate hedging activities	28	61
Cash payments for income taxes, net	86	44
Non-cash purchases of property, plant and equipment	28	20
Recognition of tax receivable agreement liability	873	—
Recognition of deferred tax assets from equity transactions	394	—

The following table provides reconciliation of cash, cash equivalents and restricted cash shown above to the amounts reported within the Condensed Consolidated Balance Sheets as of September 26, 2026 and December 31, 2025:

(in millions)	September 26, 2026 (Unaudited)	December 31, 2025
Cash and cash equivalents	$ 2,321	$ 1,939
Restricted cash included in other current assets	2	3
Cash, cash equivalents and restricted cash	$ 2,323	$ 1,942

Net Sales by Segment (Unaudited)

(in millions)	Three months ended				Nine months ended			
	September 26, 2026	September 27, 2025	$ Change	% Change	September 26, 2026	September 27, 2025	$ Change	% Change
Medline Brand	$ 3,637	$ 3,411	$ 226	6.6 %	$ 10,642	$ 9,997	$ 645	6.5 %
Front Line Care	1,706	1,634	72	4.4 %	4,976	4,752	224	4.7 %
Surgical Solutions	1,659	1,538	121	7.9 %	4,853	4,494	359	8.0 %
Laboratory and Diagnostics	272	239	33	13.8 %	813	751	62	8.3 %
Supply Chain Solutions	4,219	3,704	515	13.9 %	12,251	10,648	1,603	15.1 %
Consolidated net sales to external customers	$ 7,856	$ 7,115	$ 741	10.4 %	$ 22,893	$ 20,645	$ 2,248	10.9 %

Net Sales by Channel (Unaudited)

(in millions)	Three months ended				Nine months ended			
	September 26, 2026	September 27, 2025	$ Change	% Change	September 26, 2026	September 27, 2025	$ Change	% Change
Acute care	$ 5,471	$ 4,880	$ 591	12.1 %	$ 16,003	$ 14,168	$ 1,835	13.0 %
Non-Acute care	1,867	1,756	111	6.3 %	5,344	5,061	283	5.6 %
United States	7,338	6,636	702	10.6 %	21,347	19,229	2,118	11.0 %
International	518	479	39	8.1 %	1,546	1,416	130	9.2 %
Consolidated net sales to external customers	$ 7,856	$ 7,115	$ 741	10.4 %	$ 22,893	$ 20,645	$ 2,248	10.9 %

Segment Net Sales and Adjusted EBITDA Margin (Unaudited)

(in millions)	Three months ended				Nine months ended			
	September 26, 2026	September 27, 2025	$ Change	% Change	September 26, 2026	September 27, 2025	$ Change	% Change
Medline Brand segment								
Net sales	$ 3,637	$ 3,411	$ 226	6.6 %	$ 10,642	$ 9,997	$ 645	6.5 %
Adjusted EBITDA	943	821	122	14.9 %	2,775	2,541	234	9.2 %
Adjusted EBITDA Margin	25.9 %	24.1 %			26.1 %	25.4 %		
Supply Chain Solutions segment								
Net sales	$ 4,219	$ 3,704	$ 515	13.9 %	$ 12,251	$ 10,648	$ 1,603	15.1 %
Adjusted EBITDA	184	205	(21)	(10.2)%	575	588	(13)	(2.2)%
Adjusted EBITDA Margin	4.4 %	5.5 %			4.7 %	5.5 %		
Corporate & Other[1]	$ (167)	$ (167)	$ —	— %	$ (554)	$ (467)	$ (87)	18.6 %

[1] The organizational structure includes Corporate & Other which consists of expenses related to centralized corporate functions, such as finance, information technology, legal, human resources, and internal audit.

Reconciliation of Net Sales to Organic Sales (Unaudited)

	Three months ended		Nine months ended	
(in millions, except percentages)	Amount	Percentage	Amount	Percentage
Net sales for period ended September 26, 2026	$ 7,856		$ 22,893	
Net sales for period ended September 27, 2025	7,115		20,645	
Net sales growth	741	10.4 %	2,248	10.9 %
Impact from changes in foreign exchange rates	(7)	(0.1)%	35	0.2 %
Organic Sales	$ 748	10.5 %	$ 2,213	10.7 %

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Reconciliation of Net Income to Adjusted EBITDA and Net Leverage (Unaudited)

(in millions)	Trailing Twelve months ended September 26, 2026	Three months ended September 26, 2026	Three months ended September 27, 2025	$ Change	% Change	Nine months ended September 26, 2026	Nine months ended September 27, 2025	$ Change	% Change
Net income	$ 876	$ 318	$ 322	$ (4)	(1.2)%	$ 696	$ 977	$ (281)	(28.8)%
Interest expense, net	539	118	213	(95)	(44.6)%	373	646	(273)	(42.3)%
Provision for income taxes	242	68	23	45	NM[6]	216	65	151	NM[6]
Depreciation and amortization	1,030	259	253	6	2.4 %	769	750	19	2.5 %
Inventory-related adjustments [1]	199	122	2	120	NM[6]	154	38	116	NM[6]
Stock-based compensation expense	108	29	15	14	93.3 %	81	52	29	55.8 %
Litigation charges (gains), net [2]	14	—	—	—	— %	—	(47)	47	NM[6]
Transaction-related costs [3]	117	30	12	18	NM[6]	94	35	59	NM[6]
Other non-core charges [4]	476	16	19	(3)	(15.8)%	413	146	267	NM[6]
Adjusted EBITDA	$ 3,601	$ 960	$ 859	$ 101	11.8 %	$ 2,796	$ 2,662	$ 134	5.0 %
Net income margin [5]	2.9 %	4.0 %	4.5 %			3.0 %	4.7 %		
Adjusted EBITDA Margin [5]	11.7 %	12.2 %	12.1 %			12.2 %	12.9 %		
Total debt	$ 12,743								
Less: Cash and cash equivalents	2,321								
Less: Short-term investments	1,287								
Net debt	$ 9,135								
Net Leverage	2.5								
Run-rate Impact of signed contracts	125								

[1] Represents the non-cash impact of last-in, first-out reserve changes attributable to changes in inventory costs.

[2] The nine months ended September 27, 2025, represents a settlement adjustment of $(8) million related to the ethylene oxide litigation, $(43) million related to settlement of an intellectual property dispute, and $4 million related to other legal settlements.

[3] The three and nine months ended September 26, 2026 and September 27, 2025, respectively, include $30 million, $4 million, $87 million and $12 million of expenses related to our IPO and subsequent offerings, consisting of legal, accounting, and advisory fees, as well as one-time employee bonuses, which are subject to an ongoing service requirement. The three months ended September 27, 2025 and the nine months ended September 26, 2026 and September 27, 2025 include $8 million, $7 million, and $23 million of acquisition and integration-related costs and adjustments, respectively.

[4] The three and nine months ended September 26, 2026 primarily include:

a. Costs related to specified transformation and implementation projects of $11 million and $34 million, respectively.
b. Loss on debt extinguishment and other debt refinancing costs and fees related to specified financing transactions of $1 million and $46 million, respectively.
c. The impact attributable to a fire at the distribution center in Tracy, California, net of insurance proceeds of $(20) million and $316 million, respectively.
d. Costs attributable to specified remediation activities undertaken in response to FDA observations and warning letters of $13 million.
e. Recall and discontinuation costs related to Medline Brand beds of $13 million.

The three and nine months ended September 27, 2025 primarily include:

f. Costs related to specified transformation and implementation projects of $3 million and $15 million, respectively.
g. Loss on debt extinguishment and other debt refinancing costs and fees related to specified financing transactions of $6 million.
h. Foreign exchange losses directly attributable to the remeasurement of euro-denominated term loans of $9 million and $84 million, respectively.

The nine months ended September 27, 2025 also includes $32 million credit loss expense related to certain customer receivable.

[5] Net income margin represents net income divided by net sales and Adjusted EBITDA Margin represents Adjusted EBITDA divided by net sales.

[6] Not Meaningful

MEDLINE INC.

Reconciliation of GAAP Results to Non-GAAP Results (Unaudited)

(in millions, except number of shares and per share amounts)	Three months ended September 26, 2026										
	Gross profit	Selling, general and administrative expenses	Amortization of intangible assets	Other operating (income) expenses, net	Operating Income	Other loss, net	Foreign exchange gain, net	EBITDA	Provision for income taxes	Net Income	Diluted earnings per share attributable to Medline Inc.
Reported	$ 1,925	$ 1,259	$ 176	$ (10)	$ 500	$ (1)	$ 5	$ 763	$ 68	$ 318	$ 0.22
Adjustments:											
Intangible asset amortization	—	—	(176)	—	176	—	—	—	—	176	0.13
Inventory-related adjustments [1]	122	—	—	—	122	—	—	122	—	122	0.10
Stock-based compensation expense	—	(29)	—	—	29	—	—	29	—	29	0.03
Litigation gains, net [2]	—	—	—	—	—	—	—	—	—	—	—
Transaction-related costs [3]	6	(15)	—	(9)	30	—	—	30	—	30	0.03
Other non-core charges, net [4]	18	(22)	—	20	20	1	(5)	16	—	16	0.01
Tax effect on non-GAAP adjustments [5]	—	—	—	—	—	—	—	—	96	(96)	(0.07)
Tax provision on conversion of noncontrolling interests [6]	—	—	—	—	—	—	—	—	25	(25)	(0.02)
Tax impact of retained TRA benefits [7]	—	—	—	—	—	—	—	—	(7)	7	0.01
Adjusted	$ 2,071	$ 1,193	$ —	$ 1	$ 877	$ —	$ —	$ 960	$ 182	$ 577	$ 0.44
Weighted-average number of Class A common stock outstanding (Diluted)		1,316,405,914									
Anti-dilutive securities[8]		2,224,134									
Adjusted weighted-average common stock outstanding (Diluted)		1,318,630,048									

(in millions)	Three months ended September 27, 2025							
	Gross profit	Selling, general and administrative expenses	Amortization of intangible assets	Other operating expenses (income), net	Operating Income	Other loss, net	Foreign exchange loss, net	EBITDA
Reported	$ 1,875	$ 1,116	$ 177	$ 8	$ 574	$ (6)	$ (10)	$ 811
Adjustments:								
Intangible asset amortization	—	—	(177)	—	177	—	—	—
Inventory-related adjustments [1]	2	—	—	—	2	—	—	2
Stock-based compensation expense	—	(15)	—	—	15	—	—	15
Litigation gains, net [2]	—	—	—	—	—	—	—	—
Transaction-related costs [3]	—	—	—	(12)	12	—	—	12
Other non-core charges, net [4]	—	(4)	—	1	3	6	10	19
Adjusted	$ 1,877	$ 1,097	$ —	$ (3)	$ 783	$ —	$ —	$ 859

Reconciliation of GAAP Results to Non-GAAP Results (Unaudited) (Continued)

(in millions, except number of shares and per share amounts)	Nine months ended September 26, 2026										
	Gross profit	Selling, general and administrative expenses	Amortization of intangible assets	Other operating expenses, net	Operating Income	Other loss, net	Foreign exchange gain, net	EBITDA	Provision for income taxes	Net Income	Diluted earnings per share attributable to Medline Inc.
Reported	$ 5,981	$ 3,782	$ 529	$ 353	$ 1,317	$ (42)	$ 10	$ 2,054	$ 216	$ 696	$ 0.45
Adjustments:											
Intangible asset amortization	—	—	(529)	—	529	—	—	—	—	529	0.41
Inventory-related adjustments [1]	154	—	—	—	154	—	—	154	—	154	0.13
Stock-based compensation expense	—	(81)	—	—	81	—	—	81	—	81	0.07
Litigation gains, net [2]	—	—	—	—	—	—	—	—	—	—	—
Transaction-related costs [3]	22	(48)	—	(26)	96	(2)	—	94	—	94	0.08
Other non-core charges, net [4]	18	(39)	—	(322)	379	44	(10)	413	—	413	0.32
Tax effect on non-GAAP adjustments [5]	—	—	—	—	—	—	—	—	231	(231)	(0.17)
Tax provision on conversion of noncontrolling interests [6]	—	—	—	—	—	—	—	—	82	(82)	(0.05)
Tax impact of retained TRA benefits [7]	—	—	—	—	—	—	—	—	(22)	22	0.03
Adjusted	$ 6,175	$ 3,614	$ —	$ 5	$ 2,556	$ —	$ —	$ 2,796	$ 507	$ 1,676	$ 1.27
Weighted-average number of Class A common stock outstanding (Diluted)		1,316,765,474									
Anti-dilutive securities[8]		1,142,702									
Adjusted weighted-average common stock outstanding (Diluted)		1,317,908,176									

(in millions)	Nine months ended September 27, 2025							
	Gross profit	Selling, general and administrative expenses	Amortization of intangible assets	Other operating expenses, net	Operating Income	Other loss, net	Foreign exchange loss, net	EBITDA
Reported	$ 5,604	$ 3,259	$ 528	$ 30	$ 1,787	$ (6)	$ (93)	$ 2,438
Adjustments:								
Intangible asset amortization	—	—	(528)	—	528	—	—	—
Inventory-related adjustments [1]	38	—	—	—	38	—	—	38
Stock-based compensation expense	—	(52)	—	—	52	—	—	52
Litigation gains, net [2]	—	43	—	4	(47)	—	—	(47)
Transaction-related costs [3]	—	—	—	(35)	35	—	—	35
Other non-core charges, net [4]	—	(48)	—	1	47	6	93	146
Adjusted	$ 5,642	$ 3,202	$ —	$ —	$ 2,440	$ —	$ —	$ 2,662

Reconciliation of GAAP Results to Non-GAAP Results (Unaudited) (Continued)

(1) Represents the non-cash impact of last-in, first-out reserve changes attributable to changes in inventory costs.

(2) The nine months ended September 27, 2025, represents a settlement adjustment of $(8) million related to the ethylene oxide litigation, $(43) million related to settlement of an intellectual property dispute, and $4 million related to other legal settlements.

(3) The three and nine months ended September 26, 2026 and September 27, 2025, respectively, include $30 million, $4 million, $87 million and $12 million of expenses related to our IPO and subsequent offerings, consisting of legal, accounting, and advisory fees, as well as one-time employee bonuses, which are subject to an ongoing service requirement. The three months ended September 27, 2025 and the nine months ended September 26, 2026 and September 27, 2025 include $8 million, $7 million, and $23 million of acquisition and integration-related costs and adjustments, respectively.

(4) The three and nine months ended September 26, 2026 primarily include:

a. Costs related to specified transformation and implementation projects of $11 million and $34 million, respectively.
b. Loss on debt extinguishment and other debt refinancing costs and fees related to specified financing transactions of $1 million and $46 million, respectively.
c. The impact attributable to a fire at the distribution center in Tracy, California, net of insurance proceeds of $(20) million and $316 million, respectively.
d. Costs attributable to specified remediation activities undertaken in response to FDA observations and warning letters of $13 million.
e. Recall and discontinuation costs related to Medline Brand beds of $13 million.

The three and nine months ended September 27, 2025 primarily include:

f. Costs related to specified transformation and implementation projects of $3 million and $15 million, respectively.
g. Loss on debt extinguishment and other debt refinancing costs and fees related to specified financing transactions of $6 million.
h. Foreign exchange losses directly attributable to the remeasurement of euro-denominated term loans of $9 million and $84 million, respectively.

The nine months ended September 27, 2025 also includes $32 million credit loss expense related to certain customer receivable.

(5) Non-GAAP adjustments are tax effected using an estimated effective tax rate of 25%. Stock-based compensation expense related to partnership units is not tax deductible and, therefore, not tax effected.

(6) Represents incremental tax provision assuming 100% ownership by Medline Inc., using an estimated effective tax rate of 25%, applied to the income before income taxes on our unaudited Condensed Consolidated Statements of Income.

(7) Represents the 10% benefit that we retain for the shared tax benefits related to the TRA.

(8) Assumes full exchange of noncontrolling interest units for Class A common stock and the effect of securities that were anti-dilutive during the three and nine months ended September 26, 2026.

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow (Unaudited)

	Nine months ended			
(in millions)	September 26, 2026	September 27, 2025	$ Change	% Change
Net cash provided by operating activities	$ 2,152	$ 1,515	$ 637	42.0 %
Net capital expenditures	(348)	(309)	(39)	12.6 %
Free Cash Flow	$ 1,804	$ 1,206	$ 598	49.6 %

Business Days Summary

Medline closes and reports on a 4-4-5 week calendar, which can create discrepancy in days per quarter. While this tends to net out for the full year, certain quarters could have slightly more or less days than the same quarter in the previous year. The differences in days could have an impact on year-over-year growth rates.

	Q1	Q2	Q3	Q4	FY
2023	59	64	63	67	253
2024	64	64	63	64	255
2025	62	64	63	65	254
2026	61	64	63	66	254
2027	60	64	63	66	253