

Medline (NASDAQ: MDLN) - Q2 2026 Results, the Business Mix & Valuation

Fiscal second quarter ended June 27, 2026, reported in US dollars. Medline is a large manufacturer and distributor of medical-surgical products and supply-chain solutions to hospitals, clinics and other care settings. It went public in December 2025. Q2 net sales grew 11.6% (organic 11.5%), but reported adjusted EBITDA growth of 13.4% was driven by a one-time tariff refund; excluding it, adjusted EBITDA fell about 13%, and GAAP earnings dropped on a large distribution-center fire loss.

A factual snapshot built from Medline's public filings and verified market data. It contains no Blackspear forecast, price target, or recommendation.

NET SALES (Q2'26) \$7.7B ▲ 11.6%; organic +11.5%	ADJUSTED EBITDA \$1.06B incl. \$243M 1-time refund; ex-refund ~\$817M (-13%)	ADJUSTED DILUTED EPS \$0.50 GAAP diluted \$0.07 (fire loss)	NET LEVERAGE 2.9x net debt \$10.1B; total debt \$12.75B
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NET SALES & ADJUSTED EBITDA BY SEGMENT - Q2 2026 (\$ MILLIONS)

SEGMENT	NET SALES	ADJ. EBITDA	MARGIN
Medline Brand (manufactured)	\$3,540	\$1,067	30.1%
Supply Chain Solutions (distribution)	\$4,145	\$204	4.9%
Corporate & Other	-	\$(211)	-
Total	\$7,685	\$1,060	13.8%

The business mix is the key point: Supply Chain Solutions (third-party product distribution) is larger by revenue but thin-margin (~5%), while Medline Brand (its own manufactured products) is smaller but high-margin and generates most of the profit. Medline Brand's 30.1% Q2 margin was lifted by a one-time \$243M net IEEPA tariff refund recorded in that segment; on a first-half basis its margin was about 26%.

RESULTS & CASH HIGHLIGHTS - Q2 / H1 2026

Net sales (Q2 / H1)	\$7.7B / \$15.0B
Net income (Q2: total / to Medline)	\$139M / \$60M
Operating cash flow (H1)	\$1.13B
Free cash flow (H1)	\$920M
Cash + investments	\$2.68B
Total debt / net debt	\$12.75B / \$10.1B

Consolidated net income fell 58% to \$139M (\$60M attributable to Medline Inc. after noncontrolling interests), driven by a \$336M loss from a fire at the Tracy, California distribution center (before expected insurance recoveries), higher costs and tariffs. Adjusted EBITDA excludes the fire loss but includes the \$243M net tariff refund; excluding that refund too, Q2 adjusted EBITDA was about \$817M, down roughly 13% from a year ago.

HOW TO READ THE NUMBERS

- Two large one-time items shaped Q2: a \$336M distribution-center fire loss (a negative) and a \$243M net IEEPA tariff refund from a February 2026 Supreme Court ruling (a positive).
- Adjusted EBITDA, adjusted EPS, organic sales, and free cash flow are non-GAAP; adjusted EPS assumes full exchange of noncontrolling-interest units.
- Medline is levered from its 2021 buyout (net leverage 2.9x) and has a dual-class share structure and a tax-receivable-agreement liability.
- The valuation rests on adjusted EBITDA and steady organic growth (see page 2).

GUIDANCE, BALANCE SHEET & STRUCTURE - AS OF JUNE 27, 2026

DOUBLE-DIGIT GROWTH, BUT LEVERED, AND ADJUSTED-EBITDA GUIDANCE WAS CUT

FY2026 ORGANIC SALES

9.0-10.0%

raised from
8.5-9.5%

FY2026 ADJ. EBITDA

\$3.3-3.4B

lowered from
\$3.5-3.6B

NET DEBT / LEVERAGE

\$10.1B / 2.9x

no dividend;
debt from 2021 LBO

FREE CASH FLOW (H1)

\$920M

\$207M capex;
TRA liability \$4.4B

Medline raised its 2026 organic-sales growth outlook to 9.0-10.0% on higher demand, but lowered its adjusted-EBITDA outlook to \$3.3-3.4B (from \$3.5-3.6B), citing higher inflation tied to the Middle East conflict, added operational investments, quality-remediation efforts, and retail-channel softness (the adjusted-EBITDA outlook excludes the tariff-refund benefit). The company carries \$12.75B of debt from its 2021 leveraged buyout and a \$4.4B tax-receivable-agreement liability owed to pre-IPO owners; it pays no dividend.

VALUATION SNAPSHOT - NEAR ITS POST-IPO LOW (LATE AUGUST 2026)

Share price (NASDAQ, recent)	~\$34.26	Adjusted diluted EPS (Q2 / H1)	\$0.50 / \$0.83
Market capitalization (~1.31B sh.)	~\$45B	EV / adj. EBITDA (TTM ~\$3.5B)	~15.7x
Total debt / cash & investments	\$12.75B / \$2.68B	EV / adj. EBITDA (FY26E ~\$3.35B)	~16.4x
Net debt	~\$10.1B	Fwd P / E (adjusted)	~23x
Enterprise value (plus net debt)	~\$55B	Net leverage	2.9x
Range since Dec 2025 IPO	\$32.49-\$50.88	Dividend	none

Medline is best judged on adjusted EBITDA because GAAP earnings are distorted by the one-time fire loss, the tariff refund, and IPO-related costs. At ~\$55B enterprise value it trades near 16x adjusted EBITDA, a healthcare-distribution-and-manufacturing multiple, with double-digit organic growth but meaningful leverage (2.9x) and a cut EBITDA outlook. The stock is near its post-IPO low. Multiples are mechanical and move with the price and estimates, refresh before relying on them.

Full Excel model - linked tabs (segment build, tariff-refund/fire normalization, deleveraging bridge, free-cash-flow model, valuation, source tie-outs) - available on request. Email info@blackspearllc.com for a copy.

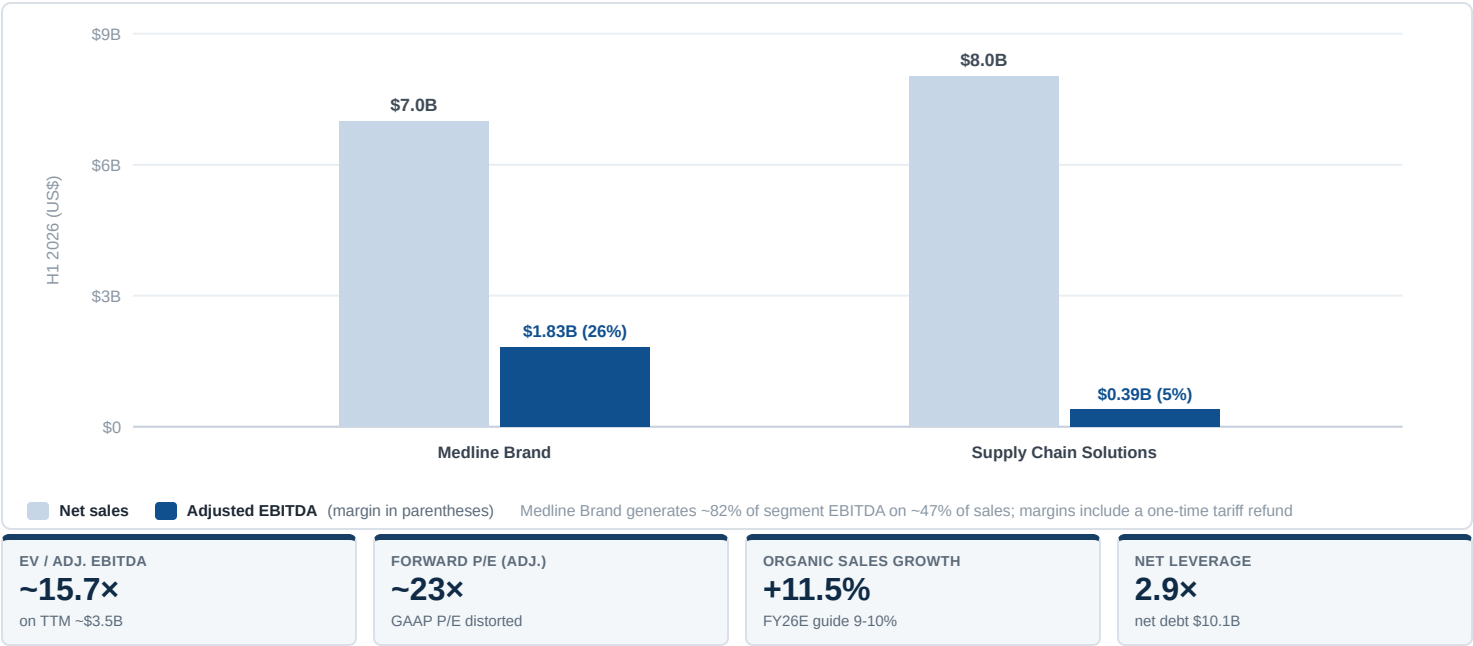
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Medline (NASDAQ: MDLN) - Valuation, the Business Mix & Key Risks

A large, defensive-growth medical-supplies company, freshly public (December 2025) and levered from its 2021 buyout. Two segments split the economics: high-margin manufactured products (Medline Brand) and low-margin third-party distribution (Supply Chain Solutions). The debate is whether steady double-digit growth and scale justify a mid-teens EBITDA multiple against meaningful leverage and a lowered profit outlook.

Segment data from Medline disclosures and public market data; guidance is company estimate; multiples are Blackspear calculations. Nothing here is a Blackspear price target or recommendation.

WHERE THE PROFIT COMES FROM - NET SALES VS. ADJUSTED EBITDA BY SEGMENT (H1 2026)



VALUATION & THE MODEL

Recent price (NASDAQ)	~\$34.26
Market cap / EV	~\$45B / ~\$55B
Adjusted diluted EPS (Q2 / H1)	\$0.50 / \$0.83
EV / adj. EBITDA (TTM ~\$3.5B)	~15.7x
EV / adj. EBITDA (FY26E ~\$3.35B)	~16.4x
Organic sales growth (Q2 / FY26E)	+11.5% / 9-10%
Net debt / net leverage	\$10.1B / 2.9x
Range since IPO / dividend	\$32.49-\$50.88 / none

SCALE AND GROWTH, BUT LEVERED

DEFENSIVE GROWTH, AT A MID-TEENS EBITDA MULTIPLE

Steady growth, meaningful leverage

MDLN trades near 16x adjusted EBITDA and ~23x forward adjusted earnings, on a large, defensive medical-supplies business growing organic sales at double digits. Bulls point to scale, share gains (over 65% of the annual new-customer signings goal reached in H1), high-margin Medline Brand products, and steady healthcare demand. Bears note \$12.75B of buyout debt (2.9x leverage), thin blended margins, a lowered adjusted-EBITDA outlook, that reported adjusted-EBITDA growth was driven by a one-time tariff refund (underlying EBITDA fell), the fire loss, dual-class sponsor control, a \$4.4B tax-receivable liability, and a stock near its post-IPO low with limited trading history. This frames both sides; it is not a Blackspear view.

TOP RISK FACTORS - SUMMARIZED FROM THE COMPANY'S FILINGS

- ▲ **Leverage and interest cost.** Medline carries \$12.75B of debt from its 2021 buyout (net leverage 2.9x) with roughly \$119M of quarterly net interest; debt agreements restrict its subsidiaries, and refinancing or rate changes could pressure cash flow and equity value.

▲ **Facility and operational disruption.** The business depends on critical distribution networks; the fire at the Tracy, California center (\$336M loss before insurance) shows how a single-facility event can hit results, alongside quality, recall, and product-liability risk.

▲ **Tariffs, trade and supply chain.** Global sourcing exposes the company to tariffs, shipping costs, and third-party suppliers; the \$243M IEEPA tariff refund is a one-time benefit that may not recur and could be affected by further legal or policy change.
- ▲ **Margin pressure and a lowered outlook.** The adjusted-EBITDA outlook was cut to \$3.3-3.4B on inflation (Middle East conflict), added operational investments, quality-remediation costs, and retail-channel softness; blended margins are thin given the large distribution mix.

▲ **Customer concentration and pricing.** Medline depends on healthcare provider customers and Group Purchasing Organizations amid industry consolidation and accelerating pricing pressure; loss of key relationships would be material.

▲ **Governance, structure and float.** A dual-class structure leaves control with pre-IPO sponsors, a large noncontrolling interest and a \$4.4B tax-receivable-agreement liability sit in the structure, and the shares have a short, volatile trading history near post-IPO lows.

On the numbers. Reported results are from Medline's Q2 2026 earnings release and Form 10-Q (US dollars). The chart shows first-half net sales against adjusted EBITDA for the two segments, illustrating that high-margin Medline Brand generates most of the profit while low-margin Supply Chain Solutions carries most of the revenue; segment margins include a one-time net IEEPA tariff refund of \$243M recorded in Medline Brand. Enterprise value of ~\$55B is market cap plus net debt of ~\$10.1B (total debt \$12.75B less \$2.68B of cash and investments). EV/EBITDA uses trailing-twelve-month adjusted EBITDA of ~\$3.5B and the FY2026 guidance midpoint of ~\$3.35B; GAAP earnings are distorted by the fire loss, tariff refund, and IPO costs, so the forward multiple is on adjusted earnings. All are mechanical Blackspear calculations, not estimates, price targets, or recommendations.

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