



WE HELP YOU MAKE IT®

Q4 & Fiscal Year 2022 Results

February 16, 2023

Disclaimer Page

Cautionary Statements Regarding Forward-Looking Information

Statements in this presentation which are not historical in nature are “forward-looking statements” within the meaning of the federal securities laws. These statements often include words such as “believe,” “expect,” “project,” “anticipate,” “intend,” “plan,” “outlook,” “estimate,” “target,” “seek,” “will,” “may,” “would,” “should,” “could,” “forecast,” “mission,” “strive,” “more,” “goal,” or similar expressions (although not all forward-looking statements may contain such words) and are based upon various assumptions and our experience in the industry, as well as historical trends, current conditions, and expected future developments. However, you should understand that these statements are not guarantees of performance or results and there are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from those expressed in the forward-looking statements, including, among others: economic factors affecting consumer confidence and discretionary spending and reducing the consumption of food prepared away from home; cost inflation/deflation and commodity volatility; competition; reliance on third party suppliers and interruption of product supply or increases in product costs; changes in our relationships with customers and group purchasing organizations; our ability to increase or maintain the highest margin portions of our business; achievement of expected benefits from cost savings initiatives; increases in fuel costs; changes in consumer eating habits; cost and pricing structures; the impact of climate change or related legal, regulatory or market measures; impairment charges for goodwill, indefinite-lived intangible assets or other long-lived assets; the impact of governmental regulations; product recalls and product liability claims; our reputation in the industry; labor relations and increased labor costs and continued access to qualified and diverse labor; indebtedness and restrictions under agreements governing our indebtedness; interest rate increases; the replacement LIBOR with an alternative reference rate; disruption of existing technologies and implementation of new technologies; cybersecurity incidents and other technology disruptions; risks associated with intellectual property, including potential infringement; effective integration of acquired businesses; misalignment of shareholder interests; potential costs associated with shareholder activism; changes in tax laws and regulations and resolution of tax disputes; certain provisions in our governing documents; health and safety risks to our associates and related losses; adverse judgments or settlements resulting from litigation; extreme weather conditions, natural disasters and other catastrophic events; and management of retirement benefits and pension obligations.

For a detailed discussion of these risks, uncertainties and other factors that could cause our actual results to differ materially from those anticipated or expressed in any forward-looking statements, see the section entitled “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Additional risks and uncertainties are discussed from time to time in current, quarterly and annual reports filed by the Company with the SEC, which are available on the SEC’s website at www.sec.gov. Additionally, we operate in a highly competitive and rapidly changing environment; new risks and uncertainties may emerge from time to time, and it is not possible to predict all risks nor identify all uncertainties. The forward-looking statements contained in this presentation speak only as of the date of this presentation and are based on information and estimates available to us at this time. We undertake no obligation to update or revise any forward-looking statements, except as may be required by law.

Non-GAAP Financial Measures

We report our financial results in accordance with U.S. generally accepted accounting principles (“GAAP”). However, this presentation includes the following non-GAAP financial measures: Adjusted Gross profit, Adjusted Operating expenses, EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Diluted Earnings Per Share (EPS), Net Debt and Net Leverage Ratio. These non-GAAP financial measures exclude the impact of certain items and, therefore, have not been calculated in accordance with GAAP. We caution readers that our definition of these non-GAAP financial measures may not be calculated in the same manner as similar measures used by other companies. Reconciliations of these non-GAAP financial measures to the most comparable GAAP financial measures are included in the Appendix to this presentation.

Please note that the Company is not providing a reconciliation of certain forward-looking non-GAAP financial measures, including Adjusted EBITDA, Adjusted Diluted EPS and Net Leverage Ratio, because the Company is unable to predict with reasonable certainty the financial impact of certain significant items, including restructuring costs and asset impairment charges, share-based compensation expenses, non-cash impacts of LIFO reserve adjustments, losses on extinguishments of debt, business transformation costs, other gains and losses, business acquisitions and integration related costs. These items are uncertain, depend on various factors, and could have a material impact on GAAP reported results for the guidance period. For the same reasons, the Company is unable to address the significance of the unavailable information, which could be material to future results.



Creating Value Through Execution of Our Long-Range Plan

- 1 Continued strong progress against long-range plan
- 2 Delivered strong fourth quarter and full year financial results
- 3 Creating long-term shareholder value through prudent capital allocation



Sustained Positive Momentum in Q4 2022

Delivered Strong Financial Results



- Grew net sales 11%
- Grew Adj. EBITDA 34%
- Expanded Adj. EBITDA margin 70 bps

Expanded Industry Leading Customer Experience Position



- Continued market share gains driven by strategy execution
- Opened 2 new CHEF'STORES
- Leveraging omni-channel for additional growth opportunities

Continued Supply Chain Progress



- Maintained positive productivity trends and turnover improvement
- Successfully piloted 7-day delivery / flexible scheduling
- Further optimized inbound logistics

Balanced Approach to Capital Allocation



- Reduced net leverage to 3.5x, down 1.1x vs. prior year
- Pre-paid \$200 million of debt and extended ABL revolver maturity
- Repurchased shares: \$14 million Q4 2022; \$17 million Jan. 2023

A Year of Strong Progress Against our Long-Range Plan

Grow Profitable Market Share

- ✓ Exceeded 1.5x restaurant market growth in 2022 driven by strong execution
- ✓ Improved customer mix and profitability
- ✓ Opened 6 CHEF'STORES in 2022; accelerating growth plan with 8+ openings in 2023

Further Optimize Gross Margins

- ✓ Managed inflation and deflation effectively
- ✓ Achieved significant COGS improvement
- ✓ Continued momentum with inbound logistics program

Improve Operational Efficiencies

- ✓ Reduced routing mileage and increased cases per mile
- ✓ Improved turnover and productivity
- ✓ Focused optimization efforts on markets with most significant opportunities

Growing Shareholder Value Through Effective Capital Allocation



Q4 and FY 2022 Financial Review

Dirk Locascio
Chief Financial Officer

Delivered Strong Fourth Quarter and Full Year 2022 Results

	Q4 2022	B/(W) vs Q4 2021	FY 2022	B/(W) vs FY 2021
Total Organic Case Volume		2.6%		1.7%
IND Organic Case Volume		5.8%		4.3%
Net Sales (\$millions)	\$8,515	+11%	\$34,057	+15%
Adjusted EBITDA ⁽¹⁾ (\$millions)	\$350	+34%	\$1,310	+24%
Adjusted EBITDA Margin ⁽¹⁾	4.1%	+70 bps	3.8%	+20 bps
Adjusted Diluted EPS ⁽¹⁾	\$0.55	+45%	\$2.14	+38%

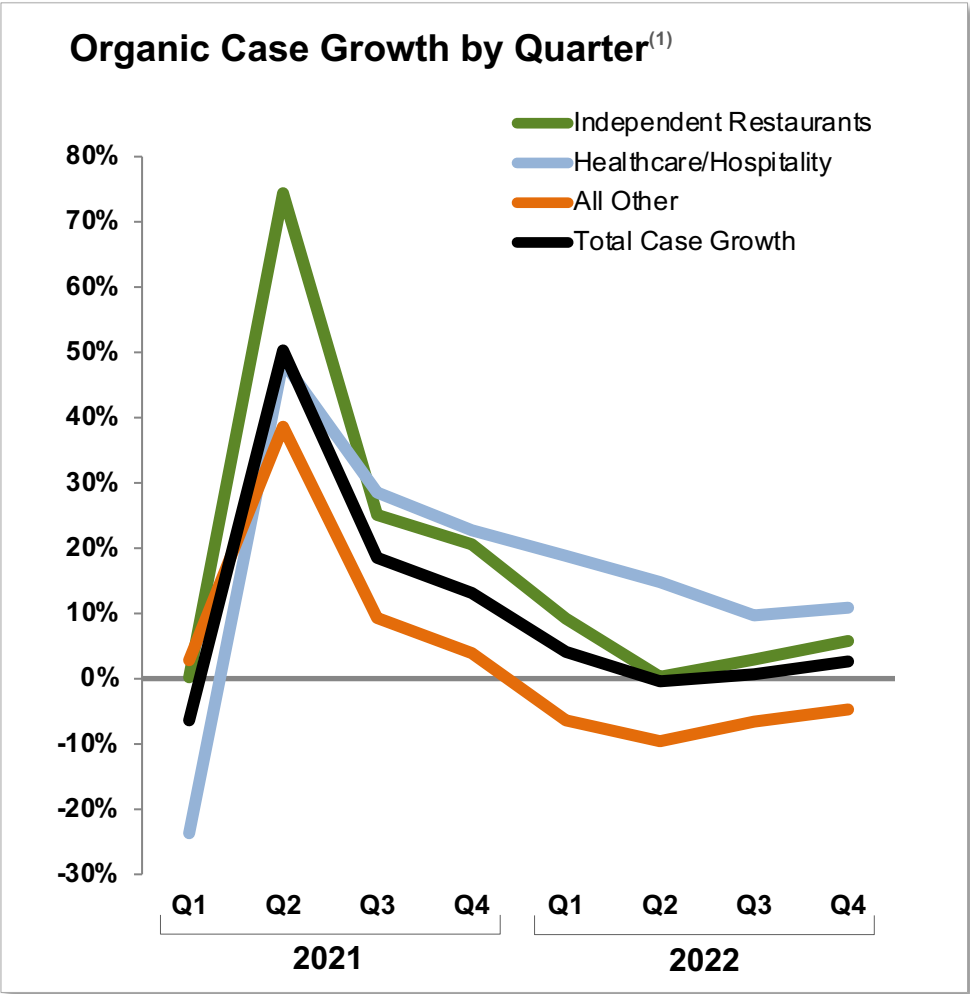
Note: Comparisons against same period in the prior year

(1) Reconciliations of these non-GAAP measures are provided in the Appendix

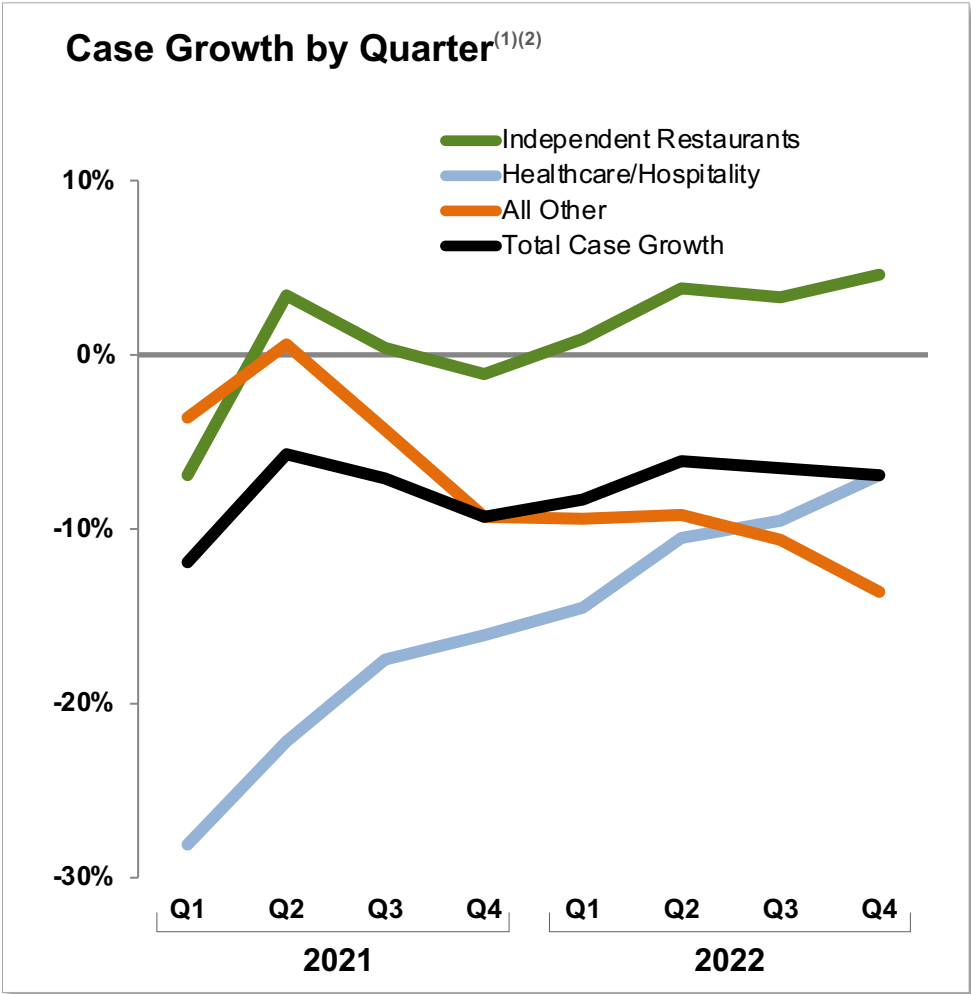
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Continued Improvement in Target Customer Type Case Volume

Year-over-Year



Versus 2019



(1) Case volume results exclude the impact of the 53rd week in the fourth quarter of fiscal 2020 and fiscal 2021
(2) Case growth versus 2019 is shown assuming US Foods owned Food Group and Smart for all periods in 2019



Continued to Strengthen Capital Structure and Reduce Leverage

<i>In Millions (\$)</i>	Q4 2022	Q4 2021
Total Debt	\$4,854	\$5,011
Cash, Cash Equivalents & Restricted Cash	\$(211)	\$(148)
Net Debt⁽¹⁾	\$4,643	\$4,863
Net Leverage Ratio⁽¹⁾	3.5x	4.6x
1.1x Net Leverage Ratio Reduction		

(1) Reconciliations of these non-GAAP measures are provided in the Appendix

Fiscal 2023 Guidance

Volume	Restaurants: ~1.5x market All other: ~1x market ⁽¹⁾
Adjusted EBITDA ⁽²⁾	\$1.45B - \$1.51B
Adjusted Diluted EPS ⁽²⁾⁽³⁾	\$2.45 - \$2.65
Interest Expense	\$310M - \$325M
Total CapEx ⁽⁴⁾	\$410M - \$430M
Net Leverage ⁽²⁾	Below 3.0x by year-end

(1) Market as measured by Technomic

(2) Non-GAAP financial measures. Refer to the Disclaimer Page on slide 2 for information about forward-looking non-GAAP measures

(3) Includes dilution from KKR preferred shares; assumes ~250M shares outstanding

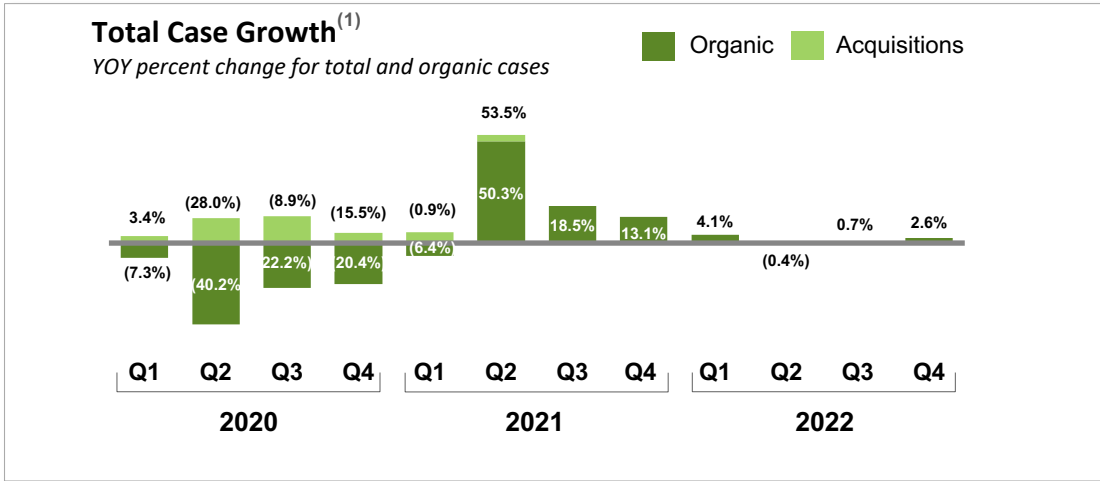
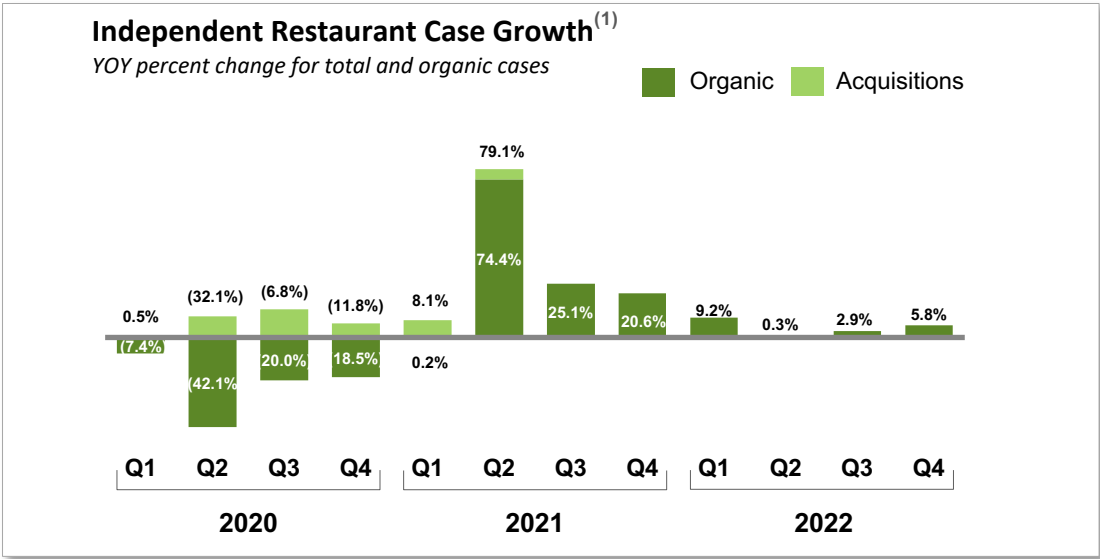
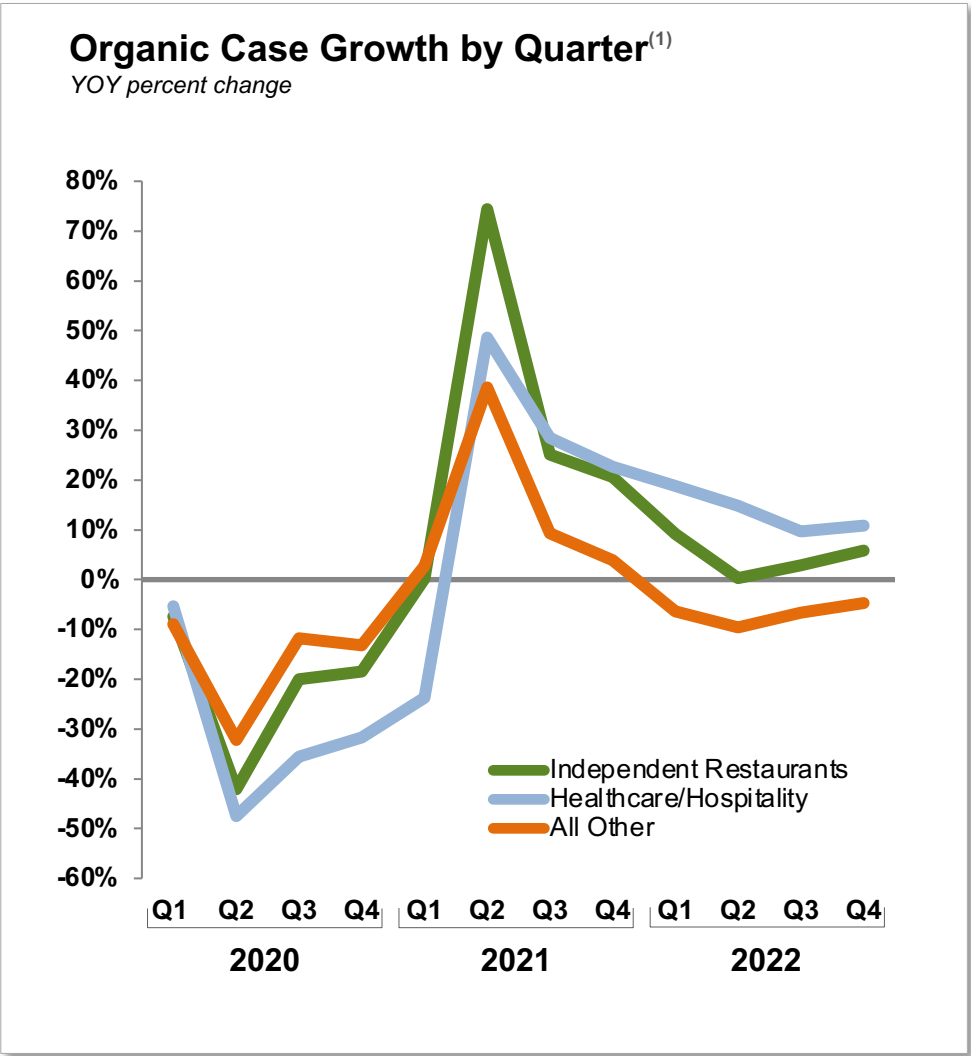
(4) Total CapEx consists of \$290 million - \$310 million of cash capital expenditures and ~\$120 million of capital expenditures under our fleet financing leases





Appendix: Q4 Fiscal 2022 Summary Non-GAAP Reconciliations

Quarterly Case Volume Trend vs Prior Year



(1) Case volume results exclude the impact of the 53rd week in the fourth quarter of fiscal 2020 and fiscal 2021



US Foods Debt Summary

\$ Millions	Maturity	Interest Terms	Interest Rate as of December 31, 2022	Carrying Value as of December 31, 2022
ABL Facility	December 7, 2027		-	-
2019 Incremental Term Loan Facility (net of \$19 of unamortized deferred financing costs)	September 13, 2026	LIBOR + 2.00%	6.38%	1,232
2021 Incremental Term Loan Facility (net of \$6 of unamortized deferred financing costs)	November 22, 2028	LIBOR + 2.75%	7.13%	786
Total Floating Rate Debt				2,018
Secured Senior Notes due 2025 (net of \$7 of unamortized deferred financing costs)	April 15, 2025		6.25%	993
Unsecured Senior Notes due 2029 (net of \$7 of unamortized deferred financing costs)	February 15, 2029		4.75%	893
Unsecured Senior Notes due 2030 (net of \$4 of unamortized deferred financing costs)	June 1, 2030		4.625%	496
Obligations under financing leases	2023-2040		1.26%-8.08%	446
Other Debt	January 1, 2031		5.75%	8
Total Fixed Rate				2,836
Total Debt				4,854
Less: Cash				(211)
Net Debt⁽¹⁾				4,643
Net Leverage Ratio⁽¹⁾				3.5x
% Floating Rate				42%

- Net leverage expected to be below 3x by year-end
- Pre-paid \$200M on 2019 Incremental Term Loan Facility in Q4 2022
- LIBOR was 4.39% as of December 31, 2022
- A 100 bps increase in LIBOR would result in ~\$20M additional interest expense and (\$0.06) reduction in Adjusted Diluted EPS⁽¹⁾

Fourth Quarter Financial Performance

	Reported (unaudited)			Adjusted ⁽¹⁾ (unaudited)		
	Quarter Ended			Quarter Ended		
(\$ in millions, except per share data)	December 31, 2022	January 1, 2022	Change	December 31, 2022	January 1, 2022	Change
Case Growth			2.6%			
Net Sales	8,515	7,639	11.5%			
Gross Profit	1,454	1,242	17.1%	1,458	1,257	16.0%
% of Net Sales	17.1%	16.3%	80 bps	17.1%	16.5%	60 bps
Operating Expenses	1,258	1,105	13.8%	1,114	1,002	11.2%
% of Net Sales	14.8%	14.5%	30 bps	13.1%	13.1%	— bps
Net Income	93	69	34.8%	138	96	43.8%
Diluted EPS ⁽²⁾	\$0.37	\$0.26	42.3%	\$0.55	\$0.38	44.7%
Adjusted EBITDA				350	262	33.6%
Adjusted EBITDA Margin ⁽³⁾				4.1%	3.4%	70 bps

1. Reconciliations of these non-GAAP measures are provided in the Appendix.

2. GAAP Diluted EPS calculated using net income available to common shareholders. Adjusted Diluted EPS is calculated as Adjusted net income divided by Non-GAAP weighted average diluted shares outstanding.

3. Represents Adjusted EBITDA as a percentage of Net Sales.

Year to Date Financial Performance

	Reported (unaudited)			Adjusted ⁽¹⁾ (unaudited)		
	Year Ended			Year Ended		
(\$ in millions, except per share data)	December 31, 2022	January 1, 2022	Change	December 31, 2022	January 1, 2022	Change
Case Growth			1.7%			
Net Sales	34,057	29,487	15.5%			
Gross Profit	5,492	4,655	18.0%	5,639	4,820	17.0%
% of Net Sales	16.1%	15.8%	30 bps	16.6%	16.3%	30 bps
Operating Expenses	4,898	4,231	15.8%	4,351	3,789	14.8%
% of Net Sales	14.4%	14.3%	10 bps	12.8%	12.8%	— bps
Net Income	265	164	61.6%	538	388	38.7%
Diluted EPS ⁽²⁾	\$1.01	\$0.54	87.0%	\$2.14	\$1.55	38.1%
Adjusted EBITDA				1,310	1,057	23.9%
Adjusted EBITDA Margin ⁽³⁾				3.8%	3.6%	20 bps

1. Reconciliations of these non-GAAP measures are provided in the Appendix.

2. GAAP Diluted EPS calculated using net income available to common shareholders. Adjusted Diluted EPS is calculated as Adjusted net income divided by Non-GAAP weighted average diluted shares outstanding.

3. Represents Adjusted EBITDA as a percentage of Net Sales.

Non-GAAP Reconciliation - Adjusted Gross Profit and Adjusted Operating Expenses

(\$ in millions)

Gross profit (GAAP)

LIFO reserve adjustment ⁽¹⁾

Adjusted Gross profit (Non-GAAP)

Operating expenses (GAAP)

Adjustments:

Depreciation expense

Amortization expense

Restructuring costs and asset impairment charges ⁽²⁾

Share-based compensation expense ⁽³⁾

Business transformation costs ⁽⁴⁾

COVID-19 bad debt benefit ⁽⁵⁾

COVID-19 other related expenses ⁽⁶⁾

Business acquisition and integration related costs and other ⁽⁷⁾

Adjusted Operating expenses (Non-GAAP)

	Quarter Ended (unaudited)		Year Ended (unaudited)	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Gross profit (GAAP)	\$1,454	\$1,242	\$5,492	\$4,655
LIFO reserve adjustment ⁽¹⁾	4	15	147	165
Adjusted Gross profit (Non-GAAP)	\$1,458	\$1,257	\$5,639	\$4,820
Operating expenses (GAAP)	\$1,258	\$1,105	\$4,898	\$4,231
Adjustments:				
Depreciation expense	(87)	(81)	(327)	(323)
Amortization expense	(12)	(11)	(45)	(55)
Restructuring costs and asset impairment charges ⁽²⁾	(12)	—	(12)	(11)
Share-based compensation expense ⁽³⁾	(11)	(12)	(45)	(48)
Business transformation costs ⁽⁴⁾	(11)	(5)	(52)	(22)
COVID-19 bad debt benefit ⁽⁵⁾	—	—	—	15
COVID-19 other related expenses ⁽⁶⁾	—	(2)	—	(3)
Business acquisition and integration related costs and other ⁽⁷⁾	(11)	8	(66)	5
Adjusted Operating expenses (Non-GAAP)	\$1,114	\$1,002	\$4,351	\$3,789

(1)-(7) footnotes located on next slide

Non-GAAP Reconciliation - Adjusted Gross Profit and Adjusted Operating Expenses

1. Represents the impact of LIFO reserve adjustments.
2. Consists primarily of the write-off of old leases ROU asset and lease liability of \$9 million associated with entering into new lease agreements for four distribution facilities for the 13 weeks and 52 weeks ended December 31, 2022, non-CEO severance and related costs, organizational realignment costs and other asset impairment charges.
3. Share-based compensation expense for expected vesting of stock awards and employee stock purchase plan.
4. Consists primarily of costs related to significant process and systems redesign across multiple functions.
5. Includes the changes in the reserve for doubtful accounts expense reflecting the collection risk associated with our customer base as a result of the COVID-19 pandemic.
6. Includes COVID-19 related costs that we are permitted to add back under certain agreements governing our indebtedness.
7. Includes: (i) aggregate acquisition and integration related costs of \$5 million and \$22 million for the 13 weeks and 52 weeks ended December 31, 2022, respectively; and \$6 million and \$22 million for the 13 weeks and 52 weeks ended January 1, 2022, respectively; (ii) contested proxy and related legal and consulting costs of \$21 million for the 52 weeks ended December 31, 2022; (iii) CEO severance of \$5 million for the 52 weeks ended December 31, 2022; (iv) favorable legal settlement recoveries of \$16 million and \$29 million for the 13 weeks and 52 weeks ended January 1, 2022, respectively; and (v) other gains, losses or costs that we are permitted to addback for purposes of calculating Adjusted EBITDA under certain agreements governing our indebtedness.

Non-GAAP Reconciliation - Adjusted EBITDA and Adjusted Net Income

(\$ in millions)

Net income available to common shareholders (GAAP)

Series A Preferred Stock Dividends

Net income (GAAP)

Interest expense—net

Income tax provision

Depreciation expense

Amortization expense

EBITDA (Non-GAAP)

Adjustments:

Restructuring costs and asset impairment charges ⁽¹⁾

Share-based compensation expense ⁽²⁾

LIFO reserve adjustment ⁽³⁾

Loss on extinguishment of debt ⁽⁴⁾

Business transformation costs ⁽⁵⁾

COVID-19 bad debt benefit ⁽⁶⁾

COVID-19 other related expenses ⁽⁷⁾

Business acquisition and integration related costs and other ⁽⁸⁾

Adjusted EBITDA (Non-GAAP)

Adjusted EBITDA (Non-GAAP)

Depreciation expense

Interest expense—net

Income tax provision, as adjusted ⁽⁹⁾

Adjusted net income (Non-GAAP)

	For the quarter ended (unaudited)		For the year ended (unaudited)	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Net income available to common shareholders (GAAP)	\$83	\$59	\$228	\$121
Series A Preferred Stock Dividends	(10)	(10)	(37)	(43)
Net income (GAAP)	93	69	265	164
Interest expense—net	75	55	255	213
Income tax provision	34	20	96	50
Depreciation expense	87	81	327	323
Amortization expense	12	11	45	55
EBITDA (Non-GAAP)	\$301	\$236	\$988	\$805
Adjustments:				
Restructuring costs and asset impairment charges ⁽¹⁾	12	—	12	11
Share-based compensation expense ⁽²⁾	11	12	45	48
LIFO reserve adjustment ⁽³⁾	4	15	147	165
Loss on extinguishment of debt ⁽⁴⁾	—	—	—	23
Business transformation costs ⁽⁵⁾	11	5	52	22
COVID-19 bad debt benefit ⁽⁶⁾	—	—	—	(15)
COVID-19 other related expenses ⁽⁷⁾	—	2	—	3
Business acquisition and integration related costs and other ⁽⁸⁾	11	(8)	66	(5)
Adjusted EBITDA (Non-GAAP)	\$350	\$262	\$1,310	\$1,057
Adjusted EBITDA (Non-GAAP)	\$350	\$262	\$1,310	\$1,057
Depreciation expense	(87)	(81)	(327)	(323)
Interest expense—net	(75)	(55)	(255)	(213)
Income tax provision, as adjusted ⁽⁹⁾	(50)	(30)	(190)	(133)
Adjusted net income (Non-GAAP)	\$138	\$96	\$538	\$388

(1)-(9) footnotes located on next slide

Non-GAAP Reconciliation - Adjusted EBITDA and Adjusted Net Income

1. Consists primarily of the write-off of old leases ROU asset and lease liability of \$9 million associated with entering into new lease agreements for four distribution facilities for the 13 weeks and 52 weeks ended December 31, 2022, non-CEO severance and related costs, organizational realignment costs and other asset impairment charges.
2. Share-based compensation expense for expected vesting of stock awards and employee stock purchase plan.
3. Represents the impact of LIFO reserve adjustments.
4. Includes early redemption premium and the write-off of certain pre-existing debt issuance costs.
5. Consists primarily of costs related to significant process and systems redesign across multiple functions.
6. Includes the changes in the reserve for doubtful accounts expense reflecting the collection risk associated with our customer base as a result of the COVID-19 pandemic.
7. Includes COVID-19 related costs that we are permitted to add back under certain agreements governing our indebtedness.
8. Includes: (i) aggregate acquisition and integration related costs of \$5 million and \$22 million for the 13 weeks and 52 weeks ended December 31, 2022, respectively; and \$6 million and \$22 million for the 13 weeks and 52 weeks ended January 1, 2022, respectively; (ii) contested proxy and related legal and consulting costs of \$21 million for the 52 weeks ended December 31, 2022; (iii) CEO severance of \$5 million for the 52 weeks ended December 31, 2022; (iv) favorable legal settlement recoveries of \$16 million and \$29 million for the 13 weeks and 52 weeks ended January 1, 2022, respectively; and (v) other gains, losses or costs that we are permitted to addback for purposes of calculating Adjusted EBITDA under certain agreements governing our indebtedness.
9. Represents our income tax provision (benefit) adjusted for the tax effect of pre-tax items excluded from Adjusted net income and the removal of applicable discrete tax items. Applicable discrete tax items include changes in tax laws or rates, changes related to prior year unrecognized tax benefits, discrete changes in valuation allowances, and excess tax benefits associated with share-based compensation. The tax effect of pre-tax items excluded from Adjusted net income is computed using a statutory tax rate after taking into account the impact of permanent differences and valuation allowances.

Non-GAAP Reconciliation - Adjusted Diluted Earnings Per Share (EPS)

	For the quarter ended (unaudited)		For the year ended (unaudited)	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Diluted EPS (GAAP)	\$0.37	\$0.26	\$1.01	\$0.54
Restructuring costs and asset impairment charges ⁽¹⁾	0.05	—	0.05	0.04
Share-based compensation expense ⁽²⁾	0.04	0.05	0.18	0.19
LIFO reserve adjustments ⁽³⁾	0.02	0.06	0.59	0.66
Loss on extinguishment of debt ⁽⁴⁾	—	—	—	0.09
Business transformation costs ⁽⁵⁾	0.04	0.02	0.21	0.09
COVID-19 bad debt benefit ⁽⁶⁾	—	—	—	(0.06)
COVID-19 other related expenses ⁽⁷⁾	—	0.01	—	0.01
Business acquisition and integration related costs and other ⁽⁸⁾	0.04	(0.03)	0.26	(0.02)
Income tax provision, as adjusted ⁽⁹⁾	(0.01)	0.01	(0.16)	0.01
Adjusted Diluted EPS (Non-GAAP) ⁽¹⁰⁾	\$0.55	\$0.38	\$2.14	\$1.55
Weighted-average diluted shares outstanding (Non- GAAP) ⁽¹¹⁾	251,753,008	250,466,861	251,231,662	249,886,068

(1)-(11) footnotes located on next slide

Non-GAAP Reconciliation - Adjusted Diluted Earnings Per Share (EPS)

1. Consists primarily of the write-off of old leases ROU asset and lease liability of \$9 million associated with entering into new lease agreements for four distribution facilities for the 13 weeks and 52 weeks ended December 31, 2022, non-CEO severance and related costs, organizational realignment costs, and other asset impairment charges.
2. Share-based compensation expense for expected vesting of stock awards and employee stock purchase plan.
3. Represents the impact of LIFO reserve adjustments.
4. Includes early redemption premium and the write-off of certain pre-existing debt issuance costs.
5. Consists primarily of costs related to significant process and systems redesign across multiple functions.
6. Includes the changes in the reserve for doubtful accounts expense reflecting the collection risk associated with our customer base as a result of the COVID-19 pandemic.
7. Includes COVID-19 related costs that we are permitted to add back under certain agreements governing our indebtedness.
8. Includes: (i) aggregate acquisition and integration related costs of \$5 million and \$22 million for the 13 weeks and 52 weeks ended December 31, 2022, respectively; and \$6 million and \$22 million for the 13 weeks and 52 weeks ended January 1, 2022, respectively; (ii) contested proxy and related legal and consulting costs of \$21 million for the 52 weeks ended December 31, 2022; (iii) CEO severance of \$5 million for the 52 weeks ended December 31, 2022; (iv) favorable legal settlement recoveries of \$16 million and \$29 million for the 13 weeks and 52 weeks ended January 1, 2022, respectively; and (v) other gains, losses or costs that we are permitted to addback for purposes of calculating Adjusted EBITDA under certain agreements governing our indebtedness.
9. Represents our income tax provision (benefit) adjusted for the tax effect of pre-tax items excluded from Adjusted net income and the removal of applicable discrete tax items. Applicable discrete tax items include changes in tax laws or rates, changes related to prior year unrecognized tax benefits, discrete changes in valuation allowances, and excess tax benefits associated with share-based compensation. The tax effect of pre-tax items excluded from Adjusted net income is computed using a statutory tax rate after taking into account the impact of permanent differences and valuation allowances.
10. Adjusted Diluted EPS is calculated as Adjusted net income divided by weighted average diluted shares outstanding (Non-GAAP).
11. For purposes of the Adjusted Diluted EPS calculation (Non-GAAP), when the Company has net income (GAAP), weighted average diluted shares outstanding (Non-GAAP) is used and assumes conversion of the Series A convertible preferred stock, and, when the Company has net loss (GAAP) and assumed conversion of the Series A convertible preferred stock would be antidilutive, weighted-average diluted shares outstanding (GAAP) is used.

Non-GAAP Reconciliation - Net Debt and Net Leverage Ratios

(\$ in millions, except ratios)	(unaudited)	
	December 31, 2022	January 1, 2022
Total Debt (GAAP)	\$4,854	\$5,011
Cash, cash equivalents and restricted cash	(211)	(148)
Net Debt (Non-GAAP)	\$4,643	\$4,863
Adjusted EBITDA ⁽¹⁾	\$1,310	\$1,057
Net Leverage Ratio ⁽²⁾	3.5	4.6

(1) Trailing Twelve Months (TTM) Adjusted EBITDA

(2) Net debt/(TTM) Adjusted EBITDA

