MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis describes the principal factors affecting the results of operations, liquidity and capital resources and critical accounting estimates of Endo International plc. The following discussion and analysis is intended to highlight and supplement data and information presented in the Endo International plc unaudited Q1 2024 Condensed Consolidated Financial Statements and related notes thereto (Quarterly Financial Statements) and the Annual Report (as defined in the Quarterly Financial Statements). In addition to historical financial information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions including, but not limited to, statements that refer to expected, estimated or anticipated future results or that do not relate solely to historical facts. Statements including words or phrases such as "believe," "expect," "anticipate," "intend," "estimate," "plan," "will," "may," "look forward," "outlook," "guidance," "future," "potential" or similar expressions are forward-looking statements. All forward-looking statements in this discussion and analysis reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on certain information currently available to us and on assumptions we have made. Actual results may differ materially and adversely from current expectations based on a number of risk factors. Additional information concerning risk factors can be found in press releases issued by us, and in filings with the U.S. Securities and Exchange Commission (the SEC), including the discussion under the heading "Risk Factors" in our most recent Annual Report on Form 10-K. We assume no obligation to update any of these forward-looking statements, except as required by law.

Unless otherwise indicated or required by the context, references throughout to "Endo," the "Company," "we," "our" or "us" refer to Endo International plc and its subsidiaries.

The information in this section does not purport to represent what our financial condition or results of operations would be had the Plan (as defined in the Quarterly Financial Statements) occurred at any prior date, nor does such information purport to project the financial condition or results of operations of Endo, Inc. for any future period. Historically, our business has been operated by Endo International plc, together with its subsidiaries. In connection with the consummation of the Plan, the Debtors (as defined in the Quarterly Financial Statements) sold substantially all of their assets to Endo, Inc. Upon the consummation of the Plan, Endo, Inc. is a holding company and all of its business is conducted through its subsidiaries, and the financial results of such subsidiaries are consolidated in the financial statements.

Endo, Inc. became the successor reporting entity and expects to apply fresh start accounting. The implementation of the Plan and the application of fresh start accounting are expected to result in the carrying amounts and classifications of assets, liabilities and equity of Endo, Inc. being materially different as compared to amounts reported in Endo International plc's historical consolidated financial statements. Accordingly, the consolidated financial statements of Endo, Inc. will not be comparable to the historical consolidated financial statements of Endo International plc. For additional information, see the Quarterly Financial Statements.

Endo, Inc. has confidentially submitted a draft registration statement with the SEC to effectuate its previously announced goal of listing its common stock on a national stock exchange. Comments by the SEC on the registration statement may require modification or reformulation of the description of the business, financial statements, or other information or disclosures of Endo, Inc. and/or Endo International plc. As a result, information that Endo, Inc. presents in the future may differ in presentation or calculation from the information presented herein.

RESULTS OF OPERATIONS

Quarterly results have fluctuated in the past and may continue to fluctuate. These fluctuations may be due to the business and financial statement effects of, among other things, new product launches by us or our competitors; market acceptance of our products; purchasing patterns of our customers; changes in pricing; changing inflation and interest rates; changes in the availability of our products; litigation-related and other contingencies; mergers, acquisitions, divestitures and other related activity; restructurings and other cost-reduction initiatives; bankruptcy proceedings and strategic review initiatives; financing activities; public health crises, like the recent COVID-19 pandemic, and epidemics; acquired in-process research and development charges; asset impairment charges; share-based and other long-term incentive compensation; and changes in the fair value of financial instruments. The following summary highlights certain recent developments that have resulted in and/or could in the future result in fluctuations in our results of operations and/or changes in our liquidity and capital resources:

- From 2019 until the end of the public health emergency in May 2023, the effects of COVID-19 have had direct and indirect impacts on our consolidated results. These impacts on our consolidated results and the results of our business segments to date may not be directly comparable to any historical period and are not necessarily indicative of its impact on our results for any future periods.

- In November 2021, we entered into the U.S. Government Cooperative Agreement (as defined in the Annual Report) to expand our Sterile Injectables segment's fill-finish manufacturing production capacity and capabilities at our Rochester, Michigan plant to support the U.S. government's national defense efforts regarding production of critical medicines advancing pandemic preparation. Refer to Note 16. Commitments and Contingencies, of the Annual Report for more information.
- On the Petition Date (as defined in the Quarterly Financial Statements), certain of the Debtors filed voluntary petitions for relief under the Bankruptcy Code (as defined in the Quarterly Financial Statements), which constituted an event of default that accelerated our obligations under substantially all of our then-outstanding debt instruments. Section 362 of the Bankruptcy Code stayed creditors from taking any action to enforce the related financial obligations and creditors' rights of enforcement in respect of the debt instruments were subject to the applicable provisions of the Bankruptcy Code until consummation of the Plan on the Effective Date (as defined in the Quarterly Financial Statements).
- During the year ended December 31, 2023, multiple competitors launched alternative generic versions of varenicline tablets. These launches began to impact both Endo's market share and product price toward the middle of the first quarter of 2023, and the effects of additional subsequent competition has accelerated both price and volume erosion within the overall market. The effects of competition are likely to increase in future periods, impacting our Generic Pharmaceuticals segment.
- In addition to our other legal proceedings, we, along with others, are the subject of various legal proceedings regarding the sale, marketing and/or distribution of prescription opioid medications, which are further discussed herein. Notwithstanding any relief that may be available as a result of our bankruptcy proceedings, it is possible that our legal proceedings, including those relating to opioid claims, could have a material adverse effect on our business, financial condition, results of operations and cash flows, including in the short term. Quarterly results reflect the Company's best estimate of the allowed claims related to the contingencies associated with various opioid claims against the Company and its subsidiaries for the periods covered. In April 2024, following the period covered by the Quarterly Financial Statements pursuant to the Plan, on the Effective date thereof, all such cases against the Debtors were discharged and channeled to the applicable trusts in accordance with the Plan. For further discussion, refer to Note 1. Basis of Presentation, Note 2. Bankruptcy Proceedings and Note 14. Commitments and Contingencies of the Quarterly Financial Statements.

Consolidated Results Review

The following table displays our revenue, gross margin, gross margin percentage and other pre-tax expense or income for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31,		% Change
	2024	2023	2024 vs. 2023
Total revenues, net	$ 419,507	$ 515,267	(19)%
Cost of revenues	199,013	232,742	(14)%
Gross margin	$ 220,494	$ 282,525	(22)%
Gross margin percentage	*52.6 %*	*54.8 %*	
Selling, general and administrative	$ 130,068	$ 150,793	(14)%
Research and development	25,902	27,703	(7)%
Acquired in-process research and development	750	—	NM
Litigation-related and other contingencies, net	—	15,200	(100)%
Asset impairment charges	304	146	NM
Acquisition-related and integration items, net	621	397	56 %
Interest expense, net	—	109	(100)%
Reorganization items, net	203,046	85,352	NM
Other expense (income), net	5,755	(125)	NM
(Loss) income from continuing operations before income tax	$ (145,952)	$ 2,950	NM

NM indicates that the percentage change is not meaningful or is greater than 100%.

Total revenues, net. The decrease in revenues for the three months ended March 31, 2024 was primarily due to competition in our Generic Pharmaceuticals segment, primarily related to varenicline tablets and dexlansoprazole delayed release capsules, partially offset by increased revenue from lidocaine patch 5%. Our revenues are further disaggregated and described below under the heading "Business Segment Results Review."

Cost of revenues and gross margin percentage. During the three months ended March 31, 2024 and 2023, Cost of revenues includes certain amounts that impact its comparability among periods, as well as the comparability of gross margin percentage, including amortization expense. The following table summarizes such amounts (in thousands):

	Three Months Ended March 31,	
	2024	2023
Amortization of intangible assets (1)	$ 61,908	$ 65,256

(1) Amortization expense fluctuates based on changes in the total amount of amortizable intangible assets and the rate of amortization in effect for each intangible asset, both of which can vary based on factors such as the amount and timing of acquisitions, dispositions, asset impairment charges, transfers between indefinite- and finite-lived intangibles assets, changes in foreign currency rates and changes in the composition of our intangible assets impacting the weighted average useful lives and amortization methodologies being utilized. The decrease during the three months ended March 31, 2024 was primarily the result of certain assets being fully amortized during 2023.

The decrease in Cost of revenues for the three months ended March 31, 2024 was primarily due to decreased revenues and decreased costs associated with amortization expense.

The decrease in gross margin percentage for the three months ended March 31, 2024 was primarily due to unfavorable changes in product mix. The unfavorable changes in product mix for the three months ended March 31, 2024 primarily resulted from decreased varenicline tablet revenues.

Selling, general and administrative. The decrease for the three months ended March 31, 2024 was primarily due to decreased costs associated with net employee separation, continuity and other benefit-related charges.

Research and development. Our R&D efforts are focused on the development of a diversified portfolio of innovative and clinically differentiated product candidates. The amount of R&D expense we record in any period varies depending on the nature and stage of development of our R&D programs, certain of which are further described below. Total R&D expenses for the three months ended March 31, 2024 and 2023 were $25.9 million and $27.7 million, respectively, of which $12.8 million and $14.2 million, respectively related to our Branded Pharmaceuticals development projects, certain of which are further described below.

We continue to invest in our Branded Pharmaceuticals segment. In early 2020, we announced that we had initiated our XIAFLEX® development program for the treatment of plantar fibromatosis (PFI). In March 2023, we announced top-line results from our Phase 2 clinical study of XIAFLEX® in participants with PFI and while the primary endpoint when analyzed with the overall study population did not meet statistical significance, a large patient sub-population showed statistically significant improvement across a majority of endpoints. The collagenase clostridium histolyticum (CCH) safety profile in the Phase 2 clinical study was consistent with the known CCH safety profile from other studies. Most adverse events were rated as mild to moderate and there were no treatment-related serious adverse events. We initiated the Phase 3 clinical program in the fourth quarter of 2023. We also completed a proof-of-concept study in plantar fasciitis (PFA) during the third quarter of 2023 and, based on encouraging proof-of-concept study results initiated the Phase 2 clinical study in the fourth quarter of 2023. We may in the future develop our XIAFLEX® product for potential additional indications, advancing our strategy of developing both non-surgical orthopedic and non-surgical orthopedic and non-orthopedic care interventions.

The remaining R&D expenses for the three months ended March 31, 2024 and 2023 were primarily related to our Sterile Injectables segment, where we expect to continue to focus investments in RTU and other differentiated product candidates, potentially including acquisitions and/or license and commercialization agreements. No individual development project in the Sterile Injectables segment has incurred direct R&D expenses that exceeded 5% of total R&D expenses for the periods presented. Refer to Part I, Item 1 of the Annual Report for further information about the Sterile Injectables pipeline.

The decrease in R&D expense for the three months ended March 31, 2024 was primarily driven by certain post-marketing commitments during the three months ended March 31, 2023.

As our development programs progress, it is possible that our R&D expenses could increase.

Acquired in-process research and development. Acquired in-process research and development charges are generally recognized in periods in which in-process research and development assets (with no alternative future use in other research and development projects) are acquired from third parties in connection with an asset acquisition, or when costs are incurred (up to the point of regulatory approval) for upfront or milestone payments to third parties associated with in-process research and development. To the extent we enter into agreements to acquire in-process research and development in the future and/or incur expenses related to upfront or milestone payments to third parties associated with existing or potential future agreements, Acquired in-process research and development charges could increase in the future, and the amounts of any increases could be material.

Litigation-related and other contingencies, net. Included within Litigation-related and other contingencies, net are changes to our accruals for litigation-related charges. Our material legal proceedings and other contingent matters are described in more detail in Note 14. Commitments and Contingencies included in the Quarterly Financial Statements. Notwithstanding any relief that may be available as a result of our bankruptcy proceedings, it is possible that our legal proceedings, including those relating to opioid claims, could have a material adverse effect on our business, financial condition, results of operations and cash flows, including in the short term. Quarterly results reflect the Company's best estimate of the allowed claims related to the contingencies associated with various opioid claims against the Company and its subsidiaries for the periods covered. Following the period covered by the Quarterly Financial Statements, pursuant to the Plan, on the Effective Date thereof, all such cases against the Debtors were discharged and channeled to the applicable trusts in accordance with the Plan. For further discussion, refer to Note 1. Basis of Presentation, Note 2. Bankruptcy Proceedings and Note 14. Commitments and Contingencies of the Quarterly Financial Statements.

Asset impairment charges. The following table presents the components of our total Asset impairment charges for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,	
	2024	2023
Property, plant and equipment impairment charges	$ 304	$ 146
Total asset impairment charges	$ 304	$ 146

Acquisition-related and integration items, net. Acquisition-related and integration items, net primarily consist of the net expense from changes in the fair value of acquisition-related contingent consideration liabilities resulting from changes to our estimates regarding the timing and amount of the future revenues of the underlying products and changes in other assumptions impacting the probability of incurring, and extent to which we could incur, related contingent obligations. See Note 6. Fair Value Measurements of the Quarterly Financial Statements for further discussion of our acquisition-related contingent consideration.

Interest expense, net. The components of Interest expense, net for the three months ended March 31, 2024 and 2023 are as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Interest expense	$ 363	$ 263
Interest income	(363)	(154)
Interest expense, net	$ —	$ 109

Beginning during the third quarter of 2022, we became obligated to make certain adequate protection payments as a result of the Chapter 11 Cases, which were accounted for as a charge to Reorganization items, net. Refer to Note 13. Debt of the Quarterly Financial Statements for further discussion.

Interest income varies primarily based on the amounts of our interest-bearing investments, such as money market funds, as well as changes in the corresponding interest rates.

Reorganization items, net. Amounts relate to the net expense or income recognized during our bankruptcy proceedings required to be presented as Reorganization items, net under ASC 852. Refer to Note 2. Bankruptcy Proceedings of the Quarterly Financial Statements for further details. Costs related to our bankruptcy proceedings that were incurred prior to the Petition Date are generally reflected as Selling, general and administrative expenses or Interest expense, net in our Condensed Consolidated Statements of Operations. We expect to incur significant expenses in connection with our ongoing bankruptcy proceedings and certain related transactions through the Effective Date, particularly related to certain associated success-related and/or other contingent fees.

Other expense (income), net. The components of Other expense (income), net for the three months ended March 31, 2024 and 2023 are as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Net gain on sale of business and other assets	$ (178)	$ (527)
Foreign currency loss, net	165	117
Net loss from our investments in the equity of other companies	5	122
Other miscellaneous, net	5,763	163
Other expense (income), net	$ 5,755	$ (125)

For additional information on the components of Other expense (income), net, refer to Note 17. Other Expense (Income), Net of the Quarterly Financial Statements.

Income tax expense. The following table displays our (Loss) income from continuing operations before income tax, Income tax expense and Effective tax rate for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31,	
	2024	2023
(Loss) income from continuing operations before income tax	$ (145,952)	$ 2,950
Income tax expense	$ 7,882	$ 5,773
Effective tax rate	*(5.4)%*	*195.7 %*

Our tax rate is affected by recurring items, such as tax rates in non-U.S. jurisdictions as compared to the notional U.S. federal statutory tax rate, and the relative amount of income or loss in those various jurisdictions. It is also impacted by certain items that may occur in any given period but are not consistent from period to period.

The change in Income tax expense for the three months ended March 31, 2024 compared to the prior year period primarily relates to an increase in accrued interest on uncertain tax positions, 2024 discrete tax benefit related to Canadian uncertain tax positions and changes in geographic mix of pre-tax earnings.

As previously disclosed, Endo International plc concluded that there was substantial doubt about its ability to continue as a going concern within one year after the date of issuance of the Condensed Consolidated Financial Statements included in the Second-Quarter 2022 Form 10-Q. We considered this in determining that certain net deferred tax assets were no longer more likely than not realizable.

The Company maintained a full valuation allowance against the net deferred tax assets in the U.S., Luxembourg, Ireland and certain other foreign tax jurisdictions as of March 31, 2024. As highlighted below, following the period covered by the Quarterly Financial Statements, pursuant to Plan, on the Effective Date thereof, no U.S. federal income net operating losses, tax credits or other U.S. federal income tax attributes shall succeed to any member of the Endo, Inc. group. It is likely that in the future there will be sufficient positive evidence to release a portion or all of the valuation allowance. Release of these valuation allowances would result in a benefit to income tax expense for the period the release is recorded, which could have a material impact on net earnings. The timing and amount of the potential valuation allowance release are subject to significant management judgment and prospective earnings.

We are incorporated in Ireland and also maintain subsidiaries in, among other jurisdictions, the U.S., Canada, India, the United Kingdom and Luxembourg. The IRS and other taxing authorities may continue to challenge our tax positions. Where appropriate, we have established reserves for tax-related uncertainties. Uncertain tax positions are reviewed quarterly and adjusted as necessary when events occur that impact potential tax liabilities, such as lapsing of applicable statutes of limitations, proposed assessments by tax authorities, identification of new issues and issuance of new legislation, regulations or case law.

As of March 31, 2024, examinations regarding certain of our subsidiaries' U.S. income tax returns for fiscal years ended between December 31, 2011 and December 31, 2018 remained open with the IRS. As highlighted below, following the period covered by these Quarterly Financial Statements, pursuant to the Plan, on the Effective date thereof, all tax years prior to the Effective Date, including those open examination periods, have been resolved. For additional information, including a discussion of related recent developments and their potential impact on us, refer to Note 18. Income Taxes of the Quarterly Financial Statements.

Other tax authorities are currently examining our non-U.S. tax returns. Additionally, other jurisdictions where we are not currently under audit remain subject to potential future examinations. Such examinations may lead to proposed or actual adjustments to our taxes that may be material, individually or in the aggregate. See the risk factor "The IRS and other taxing authorities may continue to challenge our tax positions and we may not be able to successfully maintain such positions" in Part I, Item 1A. "Risk Factors" in the Annual Report for more information.

Additionally, as further discussed in Note 18. Income Taxes of the Quarterly Financial Statements, the IRS has filed multiple proofs of claim against several of the Debtors in connection with our bankruptcy proceedings.

For additional information on our income taxes, see Note 18. Income Taxes of the Quarterly Financial Statements.

Discontinued operations, net of tax. The operating results of the Company's Astora business, which the Board resolved to wind down in 2016, are reported as Discontinued operations, net of tax in the Condensed Consolidated Statements of Operations for all periods presented. The following table provides the operating results of Astora Discontinued operations, net of tax, for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,	
	2024	2023
Loss from discontinued operations before income taxes	$ (456)	$ (526)
Income tax benefit	(60)	(70)
Discontinued operations, net of tax	$ (396)	$ (456)

The pre-tax amounts during the three months ended March 31, 2024 and 2023 were primarily related to mesh-related legal defense costs and certain other items. For additional discussion of mesh-related matters, refer to Note 14. Commitments and Contingencies of the Quarterly Financial Statements.

Business Segment Results Review

Revenues, net. The following table displays our revenue by reportable segment for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31,		% Change
	2024	2023	2024 vs. 2023
Branded Pharmaceuticals	$ 200,796	$ 197,573	2 %
Sterile Injectables	98,234	101,255	(3)%
Generic Pharmaceuticals	103,317	198,180	(48)%
International Pharmaceuticals (1)	17,160	18,259	(6)%
Total net revenues from external customers	$ 419,507	$ 515,267	(19)%

(1) Revenues generated by our International Pharmaceuticals segment are primarily attributable to external customers located in Canada.

Branded Pharmaceuticals. The following table displays the significant components of our Branded Pharmaceuticals revenues from external customers for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31,		% Change
	2024	2023	2024 vs. 2023
Specialty Products:			
XIAFLEX®	$ 113,049	$ 96,910	17 %
SUPPRELIN® LA	20,135	23,577	(15)%
Other Specialty (1)	15,219	21,694	(30)%
Total Specialty Products	$ 148,403	$ 142,181	4 %
Established Products:			
PERCOCET®	$ 24,544	$ 26,056	(6)%
TESTOPEL®	10,491	10,989	(5)%
Other Established (2)	17,358	18,347	(5)%
Total Established Products	$ 52,393	$ 55,392	(5)%
Total Branded Pharmaceuticals (3)	$ 200,796	$ 197,573	2 %

(1) Products included within Other Specialty include AVEED® and NASCOBAL® Nasal Spray.

(2) Products included within Other Established include, but are not limited to, EDEX®.

(3) Individual products presented above represent the top two performing products in each product category for the three months ended March 31, 2024 and/or any product having revenues in excess of $25 million during any completed quarterly period in 2024 or 2023.

Specialty Products

The increase in XIAFLEX® revenues for the three months ended March 31, 2024 was primarily attributable to increased net price of approximately 9% and increased volumes. Approximately 5% of the increased net price is a result of preliminary Inflation Reduction Act vial wastage rebate reserves, reflected for the three months ended March 31, 2023, that are not reflected for the three months ended March 31, 2024 as a result of XIAFLEX® not being impacted by the final vial wastage rebate determination. Increased volumes of approximately 8% for the three months ended March 31, 2024 were primarily the result of higher demand and timing of shipments.

The decrease in SUPPRELIN® LA revenues for the three months ended March 31, 2024 was primarily attributable to decreased volumes due to lower demand and overall market contraction, partially offset by increased net price.

The decrease in Other Specialty revenues for the three months ended March 31, 2024 was primarily attributable to a one-time gross to net reserve adjustment related to a product discontinuation.

Established Products

Established Products revenues for the three months ended March 31, 2024 were broadly in line with the prior year.

Our Established Products portfolio has been and is likely to continue to be affected by ongoing competitive pressures. The effects of competition could result in revenue decreases or otherwise impact future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Sterile Injectables. The following table displays the significant components of our Sterile Injectables revenues from external customers for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31,		% Change
	2024	2023	2024 vs. 2023
ADRENALIN®	$ 27,367	$ 25,575	7 %
VASOSTRICT®	26,953	25,951	4 %
Other Sterile Injectables (1)	43,914	49,729	(12)%
Total Sterile Injectables (2)	$ 98,234	$ 101,255	(3)%

(1) Products included within Other Sterile Injectables include, but are not limited to, APLISOL®.

(2) Individual products presented above represent the top two performing products within the Sterile Injectables segment for the three months ended March 31, 2024 and/or any product having revenues in excess of $25 million during any completed quarterly period in 2024 or 2023.

The increase in ADRENALIN® revenues for the three months ended March 31, 2024 was primarily driven by a 13% increase in volumes, partially offset by a 6% decrease to net price.

The increase in VASOSTRICT® revenues for the three months ended March 31, 2024 was primarily driven by a 23% increase in volumes, partially offset by a 19% decrease to net price.

The decrease in Other Sterile Injectables revenues for the three months ended March 31, 2024 was primarily attributable to decreased volumes resulting from ongoing competitive pressures.

Our Sterile Injectables segment is likely to continue to be affected by ongoing competitive pressures. This could result in revenue decreases or otherwise impact future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Generic Pharmaceuticals. The decrease in Generic Pharmaceuticals revenues for the three months ended March 31, 2024 was primarily attributable to increased pricing pressures on varenicline tablets, and the entry of competition on dexlansoprazole delayed release capsules, partially offset by increased revenues from lidocaine patch 5% associated with increased volumes from new business opportunities.

For the three months ended March 31, 2023, varenicline tablets made up 15% of consolidated total revenues. For the three months ended March 31, 2024 varenicline tablets made up less than 5% of consolidated total revenues. During the year ended December 31, 2023, multiple competitors launched alternative generic versions of varenicline tablets. These launches began to impact both Endo's market share and product price toward the middle of the first quarter of 2023, and the effects of additional subsequent competition has accelerated both price and volume erosion within the overall market.

Other products in our Generic Pharmaceuticals segment are also likely to continue to be affected by ongoing competitive pressures. These factors could result in revenue decreases or otherwise impact future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Segment adjusted income from continuing operations before income tax. The following table displays our Segment adjusted income from continuing operations before income tax (the measure we use to evaluate segment performance) by reportable segment for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31,		% Change
	2024	2023	2024 vs. 2023
Branded Pharmaceuticals	$ 104,093	$ 96,265	8 %
Sterile Injectables	$ 37,070	$ 41,090	(10)%
Generic Pharmaceuticals	$ 25,456	$ 91,687	(72)%
International Pharmaceuticals	$ 3,486	$ 5,347	(35)%

Branded Pharmaceuticals. The increase in Segment adjusted income from continuing operations before income tax for the three months ended March 31, 2024 was primarily attributable to the gross margin effects of the increased revenues further described above.

Sterile Injectables. The decrease in Segment adjusted income from continuing operations before income tax for the three months ended March 31, 2024 was primarily attributable to the gross margin effects of the decreased revenues further described above.

Generic Pharmaceuticals. The decrease in Segment adjusted income from continuing operations before income tax for the three months ended March 31, 2024 was primarily attributable to the gross margin effects of the decreased revenues, further described above, and product mix.

LIQUIDITY AND CAPITAL RESOURCES

On the Petition Date, certain of the Debtors filed voluntary petitions for relief under the Bankruptcy Code, which constituted an event of default that accelerated our obligations under substantially all of our then-outstanding debt instruments. Section 362 of the Bankruptcy Code stayed creditors from taking any action to enforce the related financial obligations and creditors' rights of enforcement in respect of the debt instruments were subject to the applicable provisions of the Bankruptcy Code until consummation of the Plan on the Effective Date. Refer to Note 1. Basis of Presentation, Note 2. Bankruptcy Proceedings and Note 13. Debt of the Quarterly Financial Statements for further discussion. In connection with the Plan, Endo, Inc. incurred indebtedness of $2.5 billion in the form of new money first lien debt financing. No amounts were drawn on our revolving credit facilities on the Effective Date. Refer to Note 2. Bankruptcy Proceedings included in the Quarterly Financial Statements for additional information about Endo, Inc. Exit Financing Debt.

Our principal source of liquidity is cash generated from operations. Cash and cash equivalents, which primarily consisted of bank deposits and money market accounts, totaled $641.4 million at March 31, 2024 compared to $777.9 million at December 31, 2023. Our principal liquidity requirements are primarily for working capital for operations, licenses, capital expenditures, mergers and acquisitions (including upfront and milestone payments to third parties), income taxes, litigation-related and other contingent liabilities, debt service payments (including, prior to the effectiveness of the Plan, adequate protection payments on all of our debt instruments except for our senior unsecured notes and the 9.5% Senior Secured Second Lien Notes due 2027, also referred to herein as the First Lien Debt Instruments, and, following the effectiveness of the Plan, principal and interest payments on the Exit Financing Debt and, prior to the effectiveness of the Plan, other amounts related to the bankruptcy proceedings).

Our business is exposed to a variety of material risks as further described herein and in the Annual Report. We may face unexpected costs in connection with our business operations and our ongoing and future legal proceedings, governmental investigations and other contingent liabilities (including potential costs related to settlements and judgments, as well as legal defense costs). On a longer-term basis, we may not be able to accurately predict the effect of certain developments on our sales and gross margins, such as the degree of market acceptance, patent protection and exclusivity of our products, pricing pressures (including those due to the impact of competition), the effectiveness of our sales and marketing efforts and the outcome of our current efforts to develop, receive approval for and successfully launch our product candidates. Furthermore, we may not be successful in implementing, or may face unexpected changes or expenses in connection with, our strategic direction, including the potential for opportunistic corporate development transactions. Additionally, as further discussed in Note 1. Basis of Presentation of the Quarterly Financial Statements, management has concluded that there is substantial doubt regarding our ability to continue as a going concern within one year after the date of the issuance of the unaudited Condensed Consolidated Financial Statements. Any of the above could have a material adverse effect on our business, financial condition, results of operations and cash flows and require us to seek additional sources of liquidity and capital resources as described below.

To the extent we are required or choose to seek third-party financing in the future, there can be no assurance that we would be able to obtain any such required financing on a timely basis or at all. Additionally, any future financing arrangements could include terms that are not commercially beneficial to us, which could further restrict our operations and exacerbate any impact on our results of operations and liquidity that may result from any of the factors described herein or other factors. At any given time, we may be evaluating or pursuing one or more opportunities to reduce our liquidity position. Any such activities could impact our results of operations.

Indebtedness. Prior to the effectiveness of the Plan, Endo International plc and certain of its subsidiaries were party to an amended and restated credit agreement, dated as of March 25, 2021, also referred to herein, as the Credit Agreement, governing the Credit Facilities (as defined in the Quarterly Financial Statements) and the indentures governing various senior secured and senior unsecured notes. Refer to Note 2. Bankruptcy Proceedings and Note 13. Debt of the Quarterly Financial Statements and Note 15. Debt in the Consolidated Financial Statements included in Part IV, Item 15 of the Annual Report for additional information about our indebtedness prior to the confirmation of the Plan, including information about amounts currently outstanding, maturities, interest rates, security, priority, certain recent debt financing transactions and the effects of bankruptcy-related proceedings and the corresponding event of default for the periods presented.

Working capital. The components of our working capital and our liquidity at March 31, 2024 and December 31, 2023 are below (dollars in thousands):

	March 31, 2024	December 31, 2023
Total current assets	$ 1,628,602	$ 1,668,501
Less: total current liabilities	495,548	538,794
Working capital	$ 1,133,054	$ 1,129,707
Current ratio (total current assets divided by total current liabilities)	3.3:1	3.1:1

Net working capital increased by $3.3 million from December 31, 2023 to March 31, 2024. During this period, working capital benefited from the favorable impacts to net current assets resulting from revenues and gross margins, which are further described above, as well as the movement of $85 million from noncurrent Other assets at December 31, 2023 to current Restricted cash and cash equivalents at March 31, 2024 in connection with the TLC Settlement (as defined in the Quarterly Financial Statements). These benefits were partially offset by, among other things, the following current period activity: (i) Adequate protection payments of $150.5 million; (ii) certain expenses incurred in connection with our bankruptcy proceedings and certain restructuring and other cost reduction initiatives; and (iii) Capital expenditures, excluding capitalized interest, net of Proceeds from the U.S. Government Cooperative Agreement, of $11.3 million.

The bankruptcy proceedings have also resulted in adjustments to the classification of certain assets and liabilities in our consolidated balance sheets during 2022, which have resulted in significant changes to our working capital. For example, many liabilities previously included in current liabilities have been reclassified as Liabilities subject to compromise and are therefore no longer part of our working capital. The classification of our assets and liabilities in our consolidated balance sheets may continue to change significantly during bankruptcy proceedings, which could result in material changes to our working capital in future periods prior to the consummation of the Plan. Refer to Note 2. Bankruptcy Proceedings and Note 13. Debt of the Quarterly Financial Statements for additional information.

The following table summarizes our Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,	
	2024	2023
Net cash flow provided by (used in):		
Operating activities	$ 25,794	$ 62,096
Investing activities	(10,463)	(21,364)
Financing activities	(153,319)	(144,715)
Effect of foreign exchange rate	(784)	394
Net decrease in cash, cash equivalents, restricted cash and restricted cash equivalents	$ (138,772)	$ (103,589)

Operating activities. Net cash provided by operating activities represents the cash receipts and cash disbursements from all of our activities other than investing activities and financing activities. Changes in cash from operating activities reflect, among other things, the timing of cash collections from customers, payments to suppliers, managed care organizations, government agencies, collaborative partners and employees in the ordinary course of business, as well as the timing and amount of cash payments and/or receipts related to interest, litigation-related matters, restructurings, reorganization items, income taxes and certain other items.

The $36.3 million decrease in Net cash provided by operating activities during the three months ended March 31, 2024 compared to the prior year period was primarily due to reduced varenicline tablets revenues, partially offset by decreased payments for professional fees associated with our bankruptcy proceedings and certain related transactions.

It is possible that our operating cash flows could decline in the future as a result of, among other things, reductions in revenues and payments associated with our bankruptcy proceedings and certain related transactions.

Investing activities. The $10.9 million decrease in Net cash used in investing activities during the three months ended March 31, 2024 compared to the prior year period was primarily attributable to a decrease in Capital expenditures, excluding capitalized interest of $14.7 million, partially offset by a decrease in Proceeds from the U.S. Government Cooperative Agreement of $3.6 million.

Financing activities. During the three months ended March 31, 2024 and 2023, Net cash used in financing activities primarily related to Adequate protection payments of $150.5 million and $142.9 million, respectively.

Cash Requirements for Contractual and Other Obligations. For information about our cash requirements for contractual and other obligations, refer to the disclosures in Endo International plc's Annual Report as well as in Note 2. Bankruptcy Proceedings and Note 13. Debt of the Quarterly Financial Statements.

Fluctuations. As further discussed above, quarterly results have fluctuated in the past and may continue to fluctuate. Additionally, a substantial portion of our total revenues are through three wholesale distributors who in turn supply our products to pharmacies, hospitals and physicians. Accordingly, we are potentially subject to a concentration of credit risk with respect to our trade receivables.

Inflation. Materials, equipment and labor shortages, shipping, logistics and other delays and other supply chain and manufacturing disruptions continue to make it more difficult and costly for us to obtain raw materials, supplies or services from third parties, to manufacture our own products and to pursue clinical development activities. Economic or political instability or disruptions could negatively affect our supply chain or increase our costs. While we do not believe that inflation had a material adverse effect on our financial statements for the periods presented, if these types of events or disruptions continue to occur, they could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Off-balance sheet arrangements. We have no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

Our critical accounting estimates have not changed materially since December 31, 2023. For additional discussion of Endo International plc's critical accounting estimates, see "Critical Accounting Estimates" in Item 7 of the Endo International plc Annual Report.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to Note 3. Summary of Significant Accounting Policies of the Quarterly Financial Statements, as applicable.