



# INVESTOR PRESENTATION

January 2020



# Safe Harbor Statement

Certain information included in this presentation may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by use of phrases or terminology such as "intend" or other similar words or the negative of such terminology. Similarly, descriptions of Medifast's objectives, strategies, plans, goals or targets contained herein are also considered forward-looking statements. Medifast believes this presentation should be read in conjunction with all of its filings with the United States Securities and Exchange Commission and cautions its readers that these forward-looking statements are subject to certain events, risks, uncertainties, and other factors. Some of these factors include, among others, Medifast's inability to attract and retain independent **OPTAVIA** Coaches™ and Members, stability in the pricing of print, TV and Direct Mail marketing initiatives affecting the cost to acquire customers, increases in competition, litigation, regulatory changes, and its planned growth into new domestic and international markets and new channels of distribution. Although Medifast believes that the expectations, statements, and assumptions reflected in these forward-looking statements are reasonable, it cautions readers to always consider all of the risk factors and any other cautionary statements carefully in evaluating each forward-looking statement in this presentation, as well as those set forth in its latest Annual Report on Form 10-K, and other filings filed with the United States Securities and Exchange Commission, including its current reports on Form 8-K. All of the forward-looking statements contained herein speak only as of the date of this presentation.

# AGENDA

- 1 | Medifast At A Glance
- 2 | **OPTAVIA** Transition And Performance Highlights
- 3 | Our Plan For Growth

# MEDIFAST AT A GLANCE



# Medifast At A Glance



## Who We Are

- The company behind one of the fastest-growing health and wellness communities, **OPTAVIA**
- Differentiated direct-to-consumer sales model:
  - Network of 32,200 Coaches, most of whom initially started as clients
  - 100% of products are directly shipped to clients for consumption, never for re-sale
- Leaders in offering personal Coaching service to individuals who are disillusioned with dieting
- Offer subscription-based meal plans which help to create healthier eating habits
  - 85% of orders are subscription based
- Scientifically backed with 40 years of proven history delivering consistent results (over 16 peer reviewed articles in past 10 years)

# Medifast At A Glance (Cont'd)



## What We Do

- We empower passionate and engaged communities of people committed to healthier lifestyles
- Our network of talented and committed Coaches provide clients with the encouragement and inspiration they need to drive change
- Everything we do is aimed at helping the world achieve Lifelong Transformation One Healthy Habit at a Time

# A New and Unique Direct-To-Consumer Model

OPTAVIA DIRECT-TO-CONSUMER MODEL	TRADITIONAL DIRECT SELLER
Health and wellness community	Selling network
Clients and certified Coaches	Distributors/sales agents and wholesale buyers
Client service and community building	Recruiting and transactions
Long-term sustainable growth	Short-term unsustainable growth
Holistic health and wellness programs	Selling products
Lifestyle transformation-focused	Diet-focused
Coaches do not buy inventory, or handle transactions	Agents hold inventory and manage cash

# Key Investment Highlights



**Health & wellness innovator with differentiated, science-based programs and products**



**Large and growing market opportunity addressing a global need**



**Scalable coach-based direct-to-consumer selling model**



**Attractive, highly predictable business model**



**Significant free cash flow supports attractive capital allocation strategy**



**Demonstrated track record of success with clear whitespace to drive future growth**

# Key Financial Metrics

\$**689**mm

LTM Q3 2019  
Revenue

\$**92**mm

LTM Q3 2019  
Operating Income

**60**%

2017–LTM Q3 2019  
Revenue CAGR

**62**%

2017–LTM Q3 2019  
Operating Income  
CAGR

# Attractive Variable Cost Model

~70%

SG&A is  
Variable

~2%

LTM Q3 2019  
CapEx as % of  
Revenue

\$75mm

LTM Q3 2019  
Free Cash Flow<sup>1</sup>

93%

LTM Q3 2019  
FCF Conversion<sup>2</sup>

\$76mm

LTM Q3 2019  
Return to  
Shareholders<sup>3</sup>

<sup>1</sup>Free Cash Flow defined as cash flow from operations – cash flow from investing

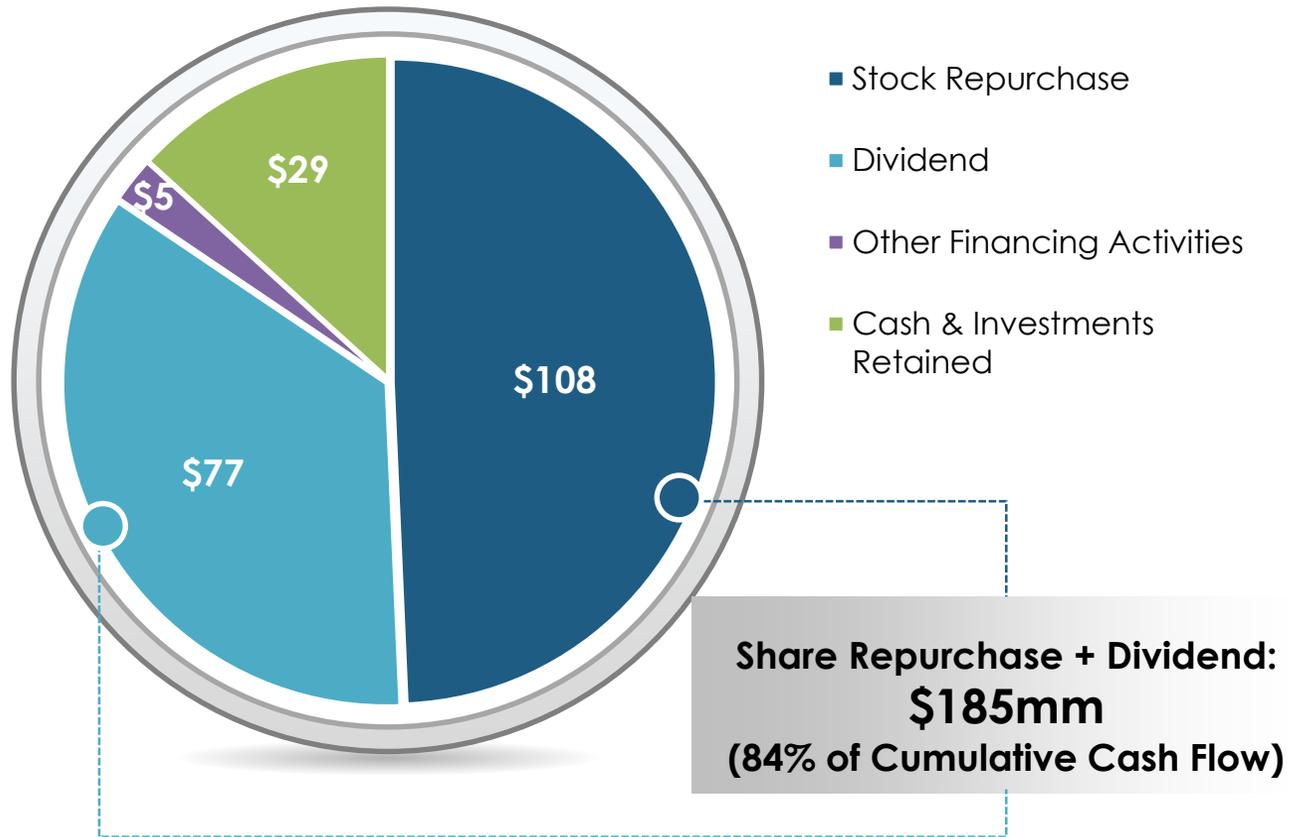
<sup>2</sup>Free Cash Flow conversion calculated as (cash flow from operations – cash flow from investing) / cash flow from operations

<sup>3</sup>Represents sum of shares repurchased and dividends paid over the last twelve months

# Strong Free Cash Flow Facilitates Attractive Return of Capital to Shareholders

(\$ in mm)

2014 – Q3 2019



**CASH & INVESTMENTS**

**\$97mm**

**DEBT-FREE**

**QUARTERLY DIVIDEND**

**\$1.13**

- Financial capacity to handle any CapEx requirements
- Strong free cash flow generation
- Active share repurchase program
- Raised quarterly dividend every year since initiation in 2015 (\$0.25 in Dec. 15 to \$1.13 in Dec. 19)

# Strong Management Team



**DAN CHARD**  
Chief Executive Officer

- 25+ years of marketing and consumer products experience
- Serves on the Board of the Direct Selling Association
- Joined in October 2016

BLYTH



**TIM ROBINSON**  
Chief Financial Officer

- 25+ years of diverse management experience in finance, accounting and business operations
- Joined in February 2013



**NICHOLAS JOHNSON**  
Market President, OPTAVIA

- 10+ years of sales, marketing, and client relations experience
- Previously served as VP of Sales and Marketing of Nu Skin, where he oversaw sales and marketing for 27 countries
- Joined in January 2018



**TONY TYREE**  
Chief Marketing Officer

- 25+ years of global integrated marketing, brand strategy, product and platform innovation and portfolio revitalization
- Joined in September 2018



**BILL BAKER**  
EVP, Technology

- 20+ years of digital and technology leadership creating capacity and efficiencies to support and promote growth
- Joined in August 2016



**DEE DEE TSAMOUTALIS**  
VP, Supply Chain

- 16+ years of domestic and international manufacturing experience
- Joined in June 2018



**JASON GROVES**  
EVP, General Counsel

- 20+ years of collaborating across functions on legal issues
- Joined in November 2011



**CLOVIS LAU**  
VP, Business Development

- 17+ years in direct selling
- Previously worked as a distributor and held key positions in global direct selling with Wemedia Shopping Network, Nu Skin, Market America, USANA and Herbalife
- Joined in January 2018



**CLAUDIA GRENINGER**  
EVP, Human Resources

- 20 years as a collaborative leader in the human resources arena specializing in talent management, compensation planning, performance management and employee engagement
- Joined in October 2019



# OPTAVIA TRANSITION AND PERFORMANCE HIGHLIGHTS



# The OPTAVIA Model

People are More Successful in their Transformation Journey when they...

- 1 Have a Support System  
*(Coach and Community)*
- 2 Learn and incorporate Healthy Habits into Their Lives  
*(Habits of Health System)*

2x Higher Lifetime Value of Clients when Supported by Coaches

## Virtuous Circle for Growth

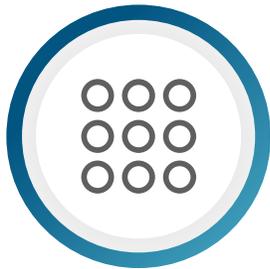


# Our Strategy

## WHERE TO PLAY

Our **scalable business model** to offer the world optimal health by combining **clinically proven plans** with **scientifically developed products** and the **encouragement, inspiration and support of Coaches**

## GROWTH AREAS



Operational  
Effectiveness



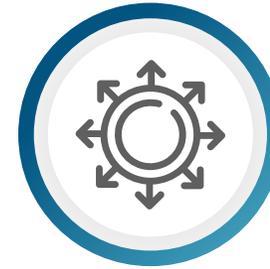
Enhanced  
Experience



Program  
Innovation



Technology



Expansion

# Strong and Sustainable Customer Loyalty

**2x**

**OPTAVIA repeat rates vs industry benchmark\***

**≈20x**

**Client spend on OPTAVIA products vs CPG benchmarks\***

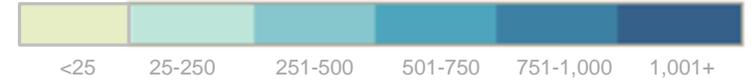
**86%**

**Customer retention rates**

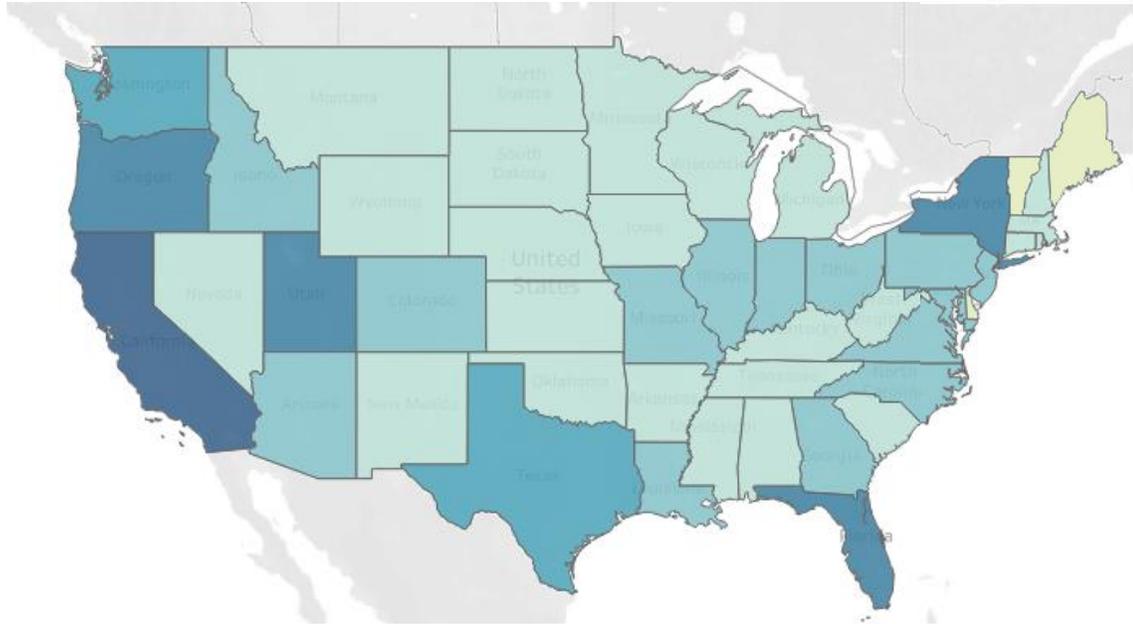
**50%**

**OPTAVIA customers who have bought products more than four times**

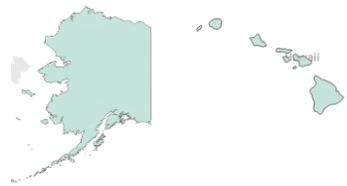
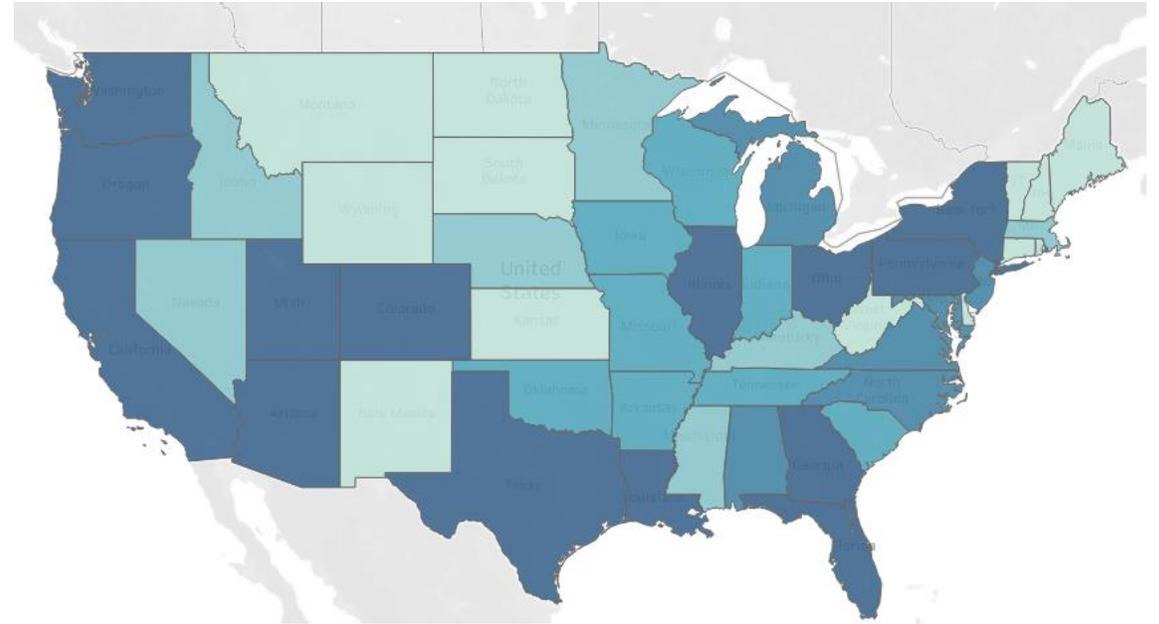
# Growing Active Earning Coach Community



**Fiscal 2016**



**Fiscal 2019**



Alaska Hawaii



Alaska Hawaii

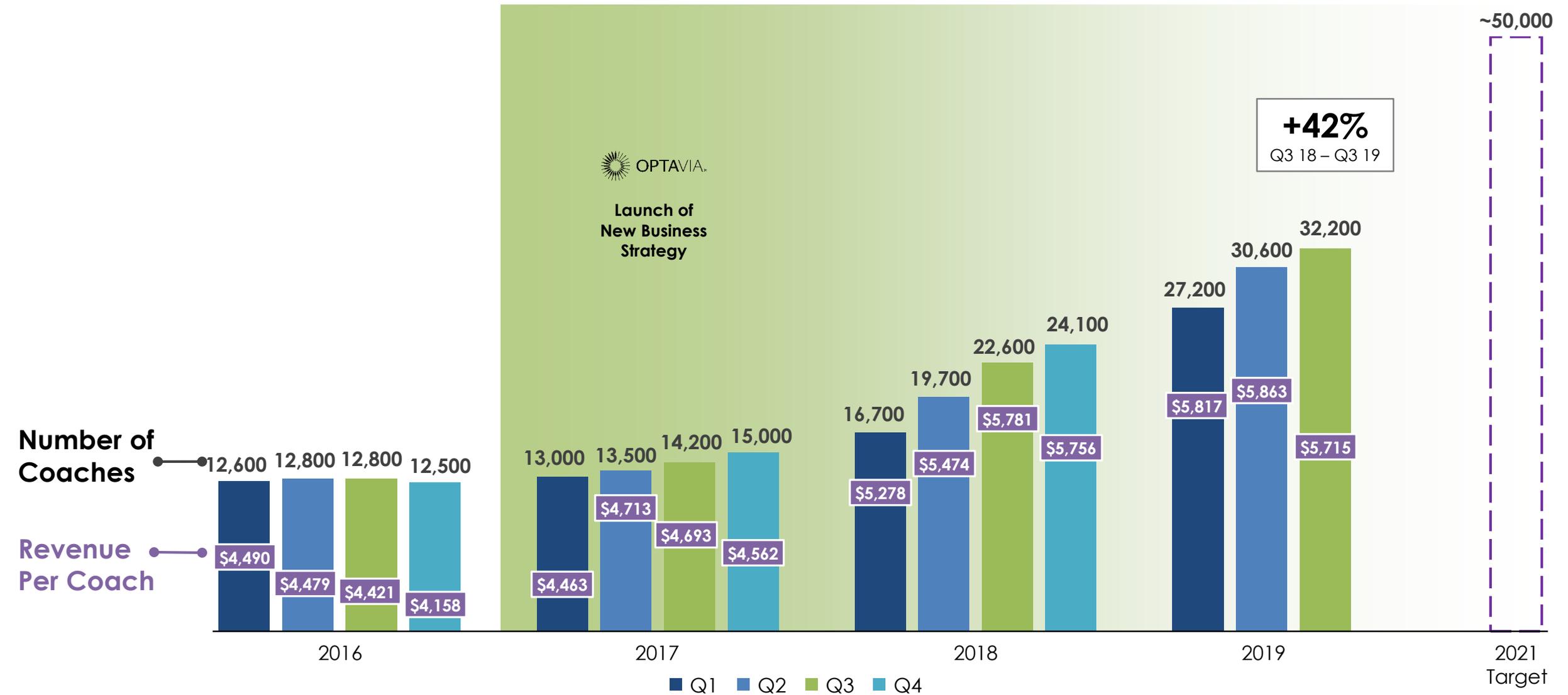


Hong Kong



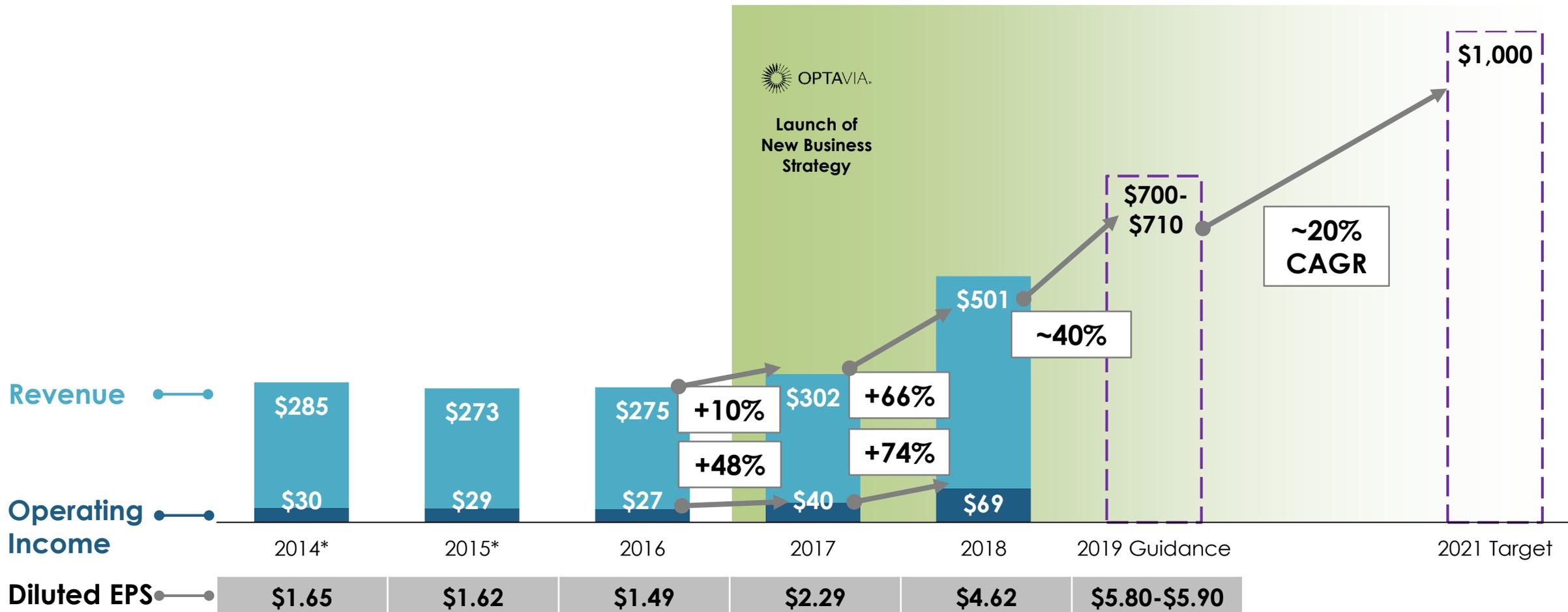
Singapore

# Active Earning Coaches



# OPTAVIA Driving Transformational Growth

(\$ in mm, Except Per Share Data)



Beat guidance 8 out of 9 quarters since the launch of OPTAVIA<sup>1</sup>

\*From continuing operations

<sup>1</sup>In the most recent quarter, the reported EPS was in-line with the guidance range

# OUR PLAN FOR GROWTH



# Vision: Double the Size of the Business Every 3-4 Years



1

## **Optimize Operational Effectiveness**

- Creating an organization that can power long-term sustained growth
- Maximize efficiency and growth, while minimizing impact of any short-term air pockets
- Scalable systems and processes
- Replicable across multiple geographies, products and services

# All Key Metrics Trending Positively



**Credit Card Bad Debt Normalized**



**Product Returns as a % of Sales**



**Call Center Metrics**



**Consumer Net Promoter Score**



**Monthly Client Retention Rate**

2

## Enhance Coach & Client Experience

- Call center and CRM
- Supply chain and support enhancements
- Improved user technology experience
- Enhanced product sensory experience

3

## Utilize Technology to Maximize Performance

- **New Coach Business Suite** → Improves Coach productivity
  - Deep visibility into Coach team activities
  - Work flow enabled
  - Real time updates
- **New e-commerce platform** → Improves Client experience and payment security
- **New social tools** → Makes sharing their story easier
- **Scalable** to support expansion plans
- Developing new **Cloud-based Learning Management System** to support Coaches for consistency of training as well as scalability



**December 2019**  
**Development complete**  
IOS and Android

**2<sup>nd</sup> Half 2020**  
**Launch in Asia**  
EOM / After Oracle launch

4

Drive Program  
Development &  
Innovation

## Support Additional Healthy Habits Through Products, Education and Community



Nutrition



Hydration



Sleep



Movement



Aging

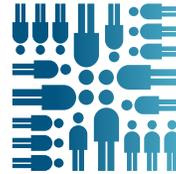
5

## Expand Segments & Geographies

## Market Opportunities



**Regional**  
Underrepresented markets



**Generational**  
Target younger demographics



**Diversity**  
Outreach to important communities



**Lifestyle**  
Serve clients in different stages of optimal wellbeing



**International**  
Establish a global footprint

# SUMMARY



# Key Investment Highlights



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**Attractive, highly predictable business model**



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**Demonstrated track record of success with clear whitespace to drive future growth**

**Thank You**

# Non-GAAP Reconciliation

(\$ in mm)

Reconciliation of free cash flow and free cash flow conversion to Net cash provided by operating activities, the most directly comparable GAAP financial measure, for the last twelve months ended September 30, 2019. Non-GAAP measures should be evaluated with, and are not a substitute for, GAAP financial measures.

	<b>Last Twelve Months Ended September 30, 2019</b>
<b>Free cash flow</b>	
Net cash flow provided by operating activities	\$ 80
Net cash flow used in investing activities	(6)
Free cash flow	<u>\$ 75</u>
 <b>Free cash flow conversion</b>	
Net cash flow provided by operating activities	\$ 80
Net cash flow used in investing activities	<u>(6)</u>
Free cash flow	75
Divided By: Net cash flow provided by operating activities	80
Free cash flow conversion	<u>93%</u>