



INVESTOR PRESENTATION | November 2018

Medifast Confidential



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# TODAY'S PRESENTERS & AGENDA



Dan Chard  
Chief Executive Officer



Tim Robinson  
Chief Financial Officer

## Agenda

- Medifast Today
- **OPTAVIA**<sup>®</sup>
- Growth Strategy
- Financials

# MEDIFAST<sup>®</sup> VISION & MISSION

To Offer the World  
LIFELONG TRANSFORMATION  
One Healthy Habit at a Time<sup>™</sup>



# COMPANY PROFILE

- Leading Health & Wellness company
- \$433.2M Net Sales<sup>1</sup>
- Recommended by over 20,000 doctors since 1980
- Unique direct-to-consumer model with approximately 22,600 **OPTAVIA** Coaches™
- Our Coaches teach habits that lead to Optimal Wellbeing™ and Lifelong Transformation
- Achieving a healthy weight is the catalyst for leading a bigger life

<sup>1</sup>Last twelve months end September 30, 2018





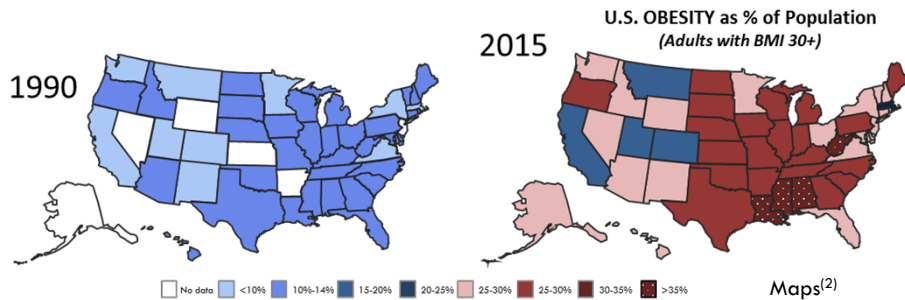
## KEY INVESTMENT HIGHLIGHTS

- Health and wellness company with differentiated, science-based products & programs
- Large and growing market opportunity addressing a global need
- Scalable Coach-based distribution model – products, technology, support
- Ideally positioned for an acceleration of growth in the U.S. and abroad
- Attractive, highly predictable financial model
- Significant cash flow generation and strong balance sheet to support growth
- Strong dividend @ \$0.48/qtr, a 1.2% yield as of November 19, 2018

# LARGE AND GROWING MARKET OPPORTUNITY

## Obesity at Critical Levels

- Nearly **70%** of U.S. Adults are Overweight or Obese<sup>(1)</sup>



- International levels now **2X** from 30 years ago<sup>(3)</sup>

## Current & Growth Markets

- Addressable U.S. Weight Loss Products & Services market expected to grow 5% per year through 2022<sup>(4)</sup>
- Broader Health and Wellness markets are adjacent and a strong fit for our model and mission



SOURCES: (1) CDC; (2) [www.stateofobesity.org](http://www.stateofobesity.org); (3) [www.who.int/mediacentre/factsheets/fs311/en/](http://www.who.int/mediacentre/factsheets/fs311/en/)  
 (4) Marketdata LLC: Represents our addressable weight loss market, excluding diet soft drinks, artificial sweeteners, and health club revenue.  
 (5) MarketdataLLC, Euromonitor, IBIS World



# PROVEN & EFFECTIVE PRODUCTS & PROGRAMS

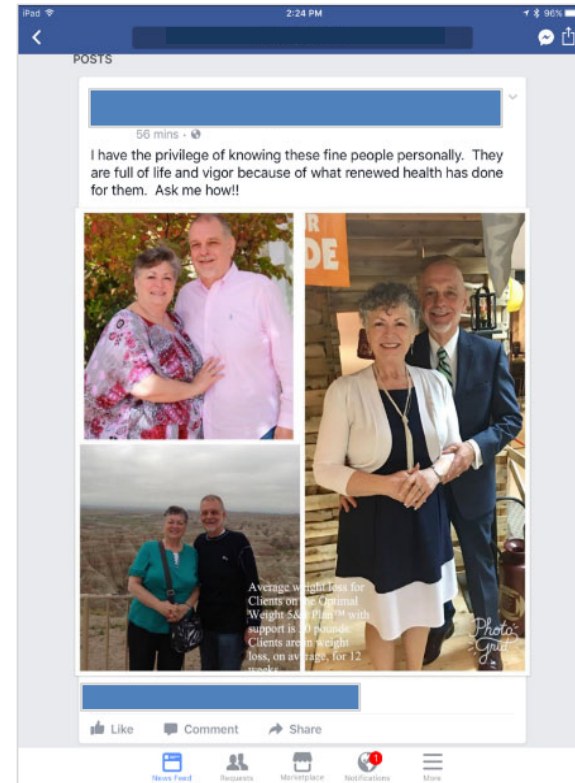


Flavors & variety for every taste  
Highly adaptable to individual needs

- **The Plan:** Eat 6 small meals every day
  - 5 of our meal replacements (“Fuelings”)
  - Plus 1 meal we teach you to make yourself
- **Scientifically Formulated:**
  - The Plan is designed to put you in a gentle fat-burning state which is essential for losing weight
  - Helps retain lean muscle mass
  - Promotes gut health
- **Trustworthy:**
  - Weight Loss results supported by randomized, controlled clinical trials
  - Scientific Advisory Board of leading physicians and researchers from U.S., Canada, and Mexico



# LIFE-CHANGING RESULTS



\*Average weight loss for Clients on the Optimal Weight 5&1 Plan® with support is 20 pounds



OPTAVIA



**OPTAVIA**<sup>®</sup> |



# FOCUSED ON SCALEABLE COACHING MODEL



# OPTAVIA®

Executing Strategy to Integrate Business Units

Business Unit

**OPTAVIA®**

**Medifast Direct®**

**Weight Control Centers  
and Wholesale**

Business Model

Coach Model

Self-Directed Model

Wholesale Model

2017 Net Sales

\$256.6M

\$31.9M

\$13.1M

Integration Strategy

Focus on generating  
client lead for Coaches

Opportunity to transition  
to Coaching model

# COACHING MODEL IS THE BEST APPROACH

## The Right Sales & Support

- Personal selling is optimal for helping consumers understand complex products
- Studies have consistently shown that weight loss works best with personal support
- Leverages consumer trends to personal recommendations
- Medifast has approximately 22,600 independent **OPTAVIA**<sup>®</sup> Coaches in U.S.

## Compelling Business Model

- Clients become Coaches, who attract more Clients
- Minimal company advertising costs
- Coaching model traditionally enables premium pricing
- Wellness is largest, fastest growing segment of the industry<sup>1</sup>
- Fits trends to “gig” economy<sup>2</sup> and social selling with “sticky” relationships

<sup>1</sup>World Association of DSAs market data

<sup>2</sup>Direct selling Industry publication, 2016 State of the Industry Report, September 2016 and <https://blog.dsa.org/direct-selling-in-2016-an-overview/>

# OUR OPTAVIA<sup>®</sup> BRAND

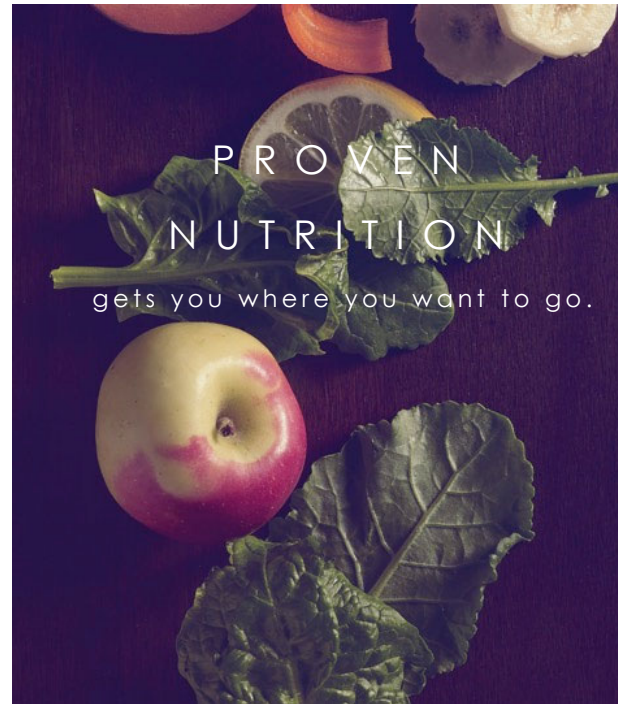


- Lifestyle-focused brand of our Coach community
- Designed to be relevant across international markets
- Developed around a motivating mission and compelling story
- Equipped with uniquely formulated, exclusive products

# COMPELLING BRAND NARRATIVE

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)



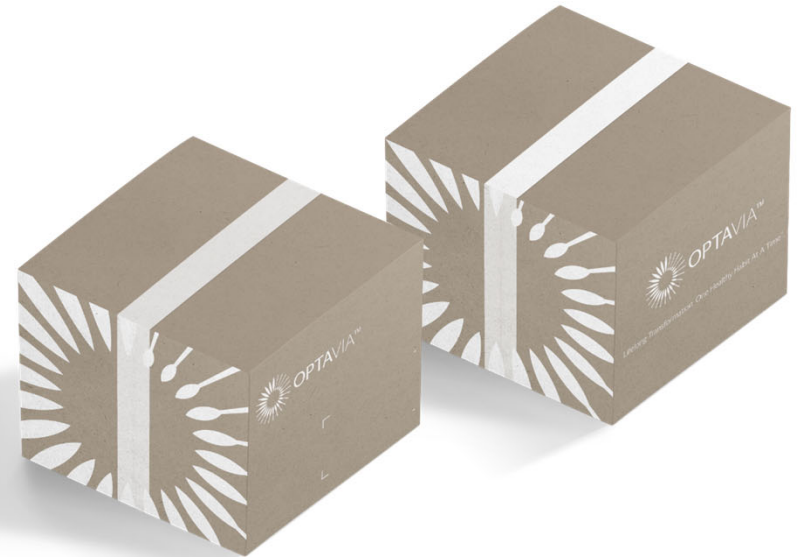


# OPTAVIA<sup>®</sup> VIDEO



# UNIQUE AND TRANSPARENT DISTRIBUTION MODEL

- Perfect balance between the power of a personal selling channel and a retail model
- 91% of all **OPTAVIA**® product sales go directly to Clients; 9% are consumed by Coaches
- All commissions based on product sales
- Coaches do not buy or carry inventory, don't handle cash, and don't buy at a discount to clients







# OPTAVIA® OPPORTUNITY: THE COACHED BECOMES THE COACH

- When you succeed, your transformation will be an inspiration to others
- **OPTAVIA** offers a *compelling* financial opportunity
- **LOW-RISK:** Registering as a Coach costs under \$200
- **ATTRACTIVE COMPENSATION:** High AOV (~\$250) and commission rates (Commissions are ~42% of **OPTAVIA** Revenues)
- **FLEXIBILITY:** Work as much as you want. Perfect for the “gig” economy
- **SKILL BUILDING:** An emphasis on business training & personal development
- **MISSION-DRIVEN:** Doing good by doing well
- **RECOGNITION:** From cheers of fellow Coaches to earning the trip of a lifetime





# GROWTH STRATEGY |

# STRATEGY FOR GROWTH



# ACCELERATING COACH SUCCESS

- Capitalizing on a new brand and compelling message
- Offering new, exclusive products based on Medifast® proven science
- Delivering an easy to share, compelling story about a complex problem facing the world
- Teaching a simple growth model
- Streamlining all aspects of the Coach experience



# NEW DIGITAL & SOCIAL TOOLS

- **New Coach Business Suite** → Improves Coach productivity (Launched December 2017)
  - Deep visibility into Coach team activities
  - Work flow enabled
  - Real time updates
- **New e-commerce platform** → Improves Client experience (In development)
- **New social tools** → Makes sharing their story easy (Launched December 2017)
- **Scalable** to support expansion plans





# OPTAVIA<sup>®</sup> PRODUCT INNOVATION ON-TREND

		OPTAVIA™ Select	OPTAVIA™ Essential	MEDIFAST Classic
<b>Proven</b>	Clinically-proven weight loss programs that include our unique Fueling formulation	✓	✓	✓
<b>Interchangeable</b>	Each Fueling can be eaten for any meal occasion, making it easy to follow the program	✓	✓	✓
<b>Fat-burning</b>	Scientifically designed Plan to put your body into a gentle, efficient fat-burning state	✓	✓	✓
<b>Fortified</b>	24 Vitamins and minerals	✓	✓	✓
<b>Variety</b>	Wide range of bars, shakes, hot items, desserts & more	✓	✓	✓
<b>Clean</b>	No colors, flavors, or sweeteners from artificial sources	✓ <small>no preservatives</small>	✓	
<b>Gut Health</b>	250 million+ CFU of probiotic cultures per Fueling to help support digestive health	✓	✓	
<b>GMO-free</b>	No genetically modified organisms	✓		
<b>World Ingredients</b>	Premium ingredients from around the world including Morocco, Bolivia, and Indonesia	✓		
		\$ per Box of 7: \$22.95	<b>\$20.95</b>	\$18.95



# INNOVATION PATH-FORWARD BASED ON HEALTHY HABITS



# SIGNIFICANT U.S. EXPANSION OPPORTUNITIES

## 1 Regional

Many U.S markets under-represented; All under-penetrated



## 2 Generational

Younger demographics can drive faster Coach development



## 3 Diversity

Penetrate important U.S. communities and build synergies for International



## 4 Lifestyle

Serve clients in different stages of their journey to Optimal Wellbeing™



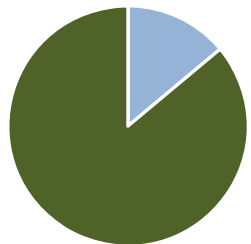


# INTERNATIONAL POTENTIAL

Direct Selling companies generate **majority of their revenue in \$185Bn Global Market**

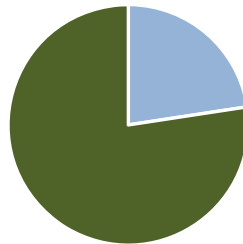
Public Company Examples:

**Nu Skin**  
\$2.3Bn - Global  
\$317M - US / Canada



■ Americas ■ All Other

**USANA**  
\$1.0Bn - Global  
\$237M - Americas / Europe



■ Americas / Europe ■ All Other

Source: 2017 10-K

## Global Direct Selling Market\*

### ■ Largest Markets

U.S.	\$36Bn
China	\$35Bn
Korea	\$17Bn
Germany	\$15Bn
Japan	\$15Bn

### ■ Fastest Growing (3-yr CAGR)

China	22.5%
Indonesia	11.9%
U.K.	9.8%
Philippines	9.8%
Malaysia	9.4%

Medifast has **larger U.S. revenue base** than many U.S.-based peers, but no international presence today

\*2013-2015 data, World Federation of Direct Selling Associations

# GLOBAL EXPANSION PLANS ANNOUNCED



- Announced plans to expand into first two Asia-Pacific markets in 1H 2019 – Hong Kong and Singapore
- Plan to introduce the same clinically studied plans and similar Fuelings to those offered in the United States, including the popular Optimal Weight 5&1 Plan®
- The product portfolio will expand over time to incorporate new Fuelings that reflect local taste preferences
- Investing \$3M-\$5M in market preparation and development in 2018
- Pre-market activities with US coach base have begun



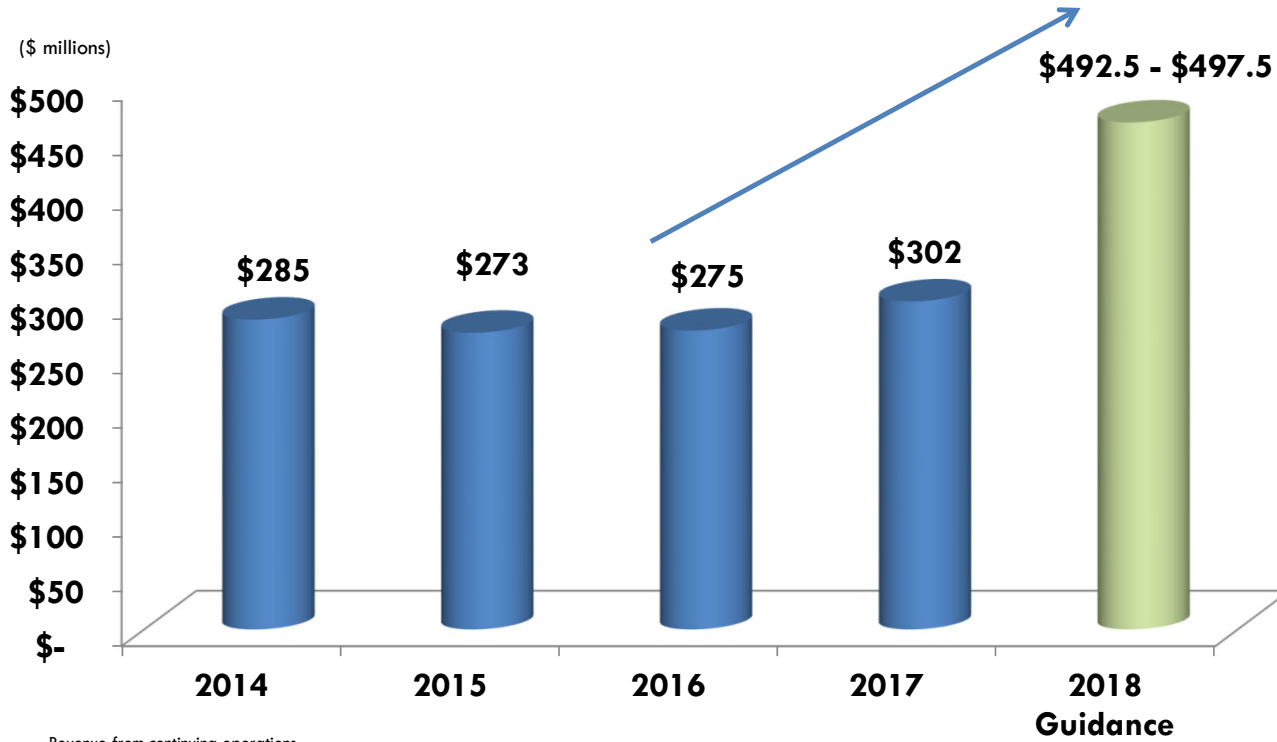
**STRONG FINANCIAL FOUNDATION** |

# ATTRACTIVE FINANCIAL CHARACTERISTICS

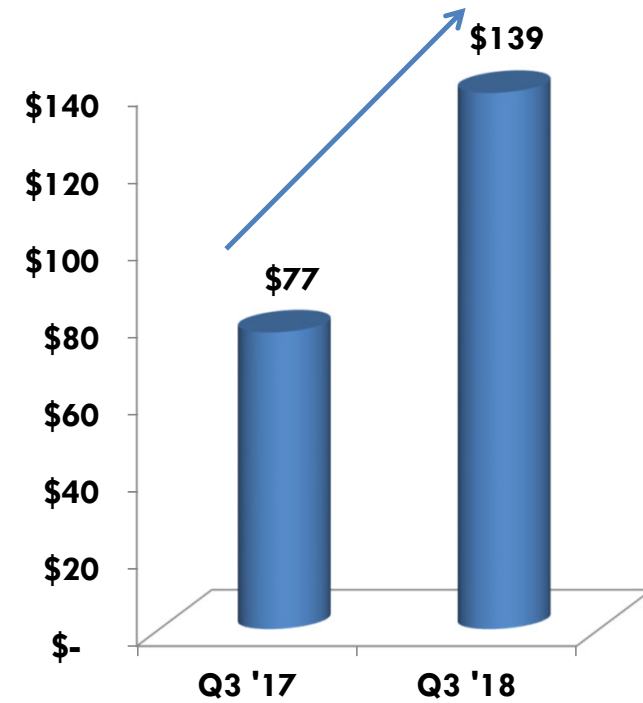
- Significant opportunity to accelerate revenue growth
- Highly predictable financial model
- High gross margins and variable cost structure
- Asset-light with minimal working capital and capex requirements
- Significant cash flow generation
- Strong balance sheet with no debt
- Attractive capital allocation policy
- Executive compensation entirely aligned with creating shareholder value



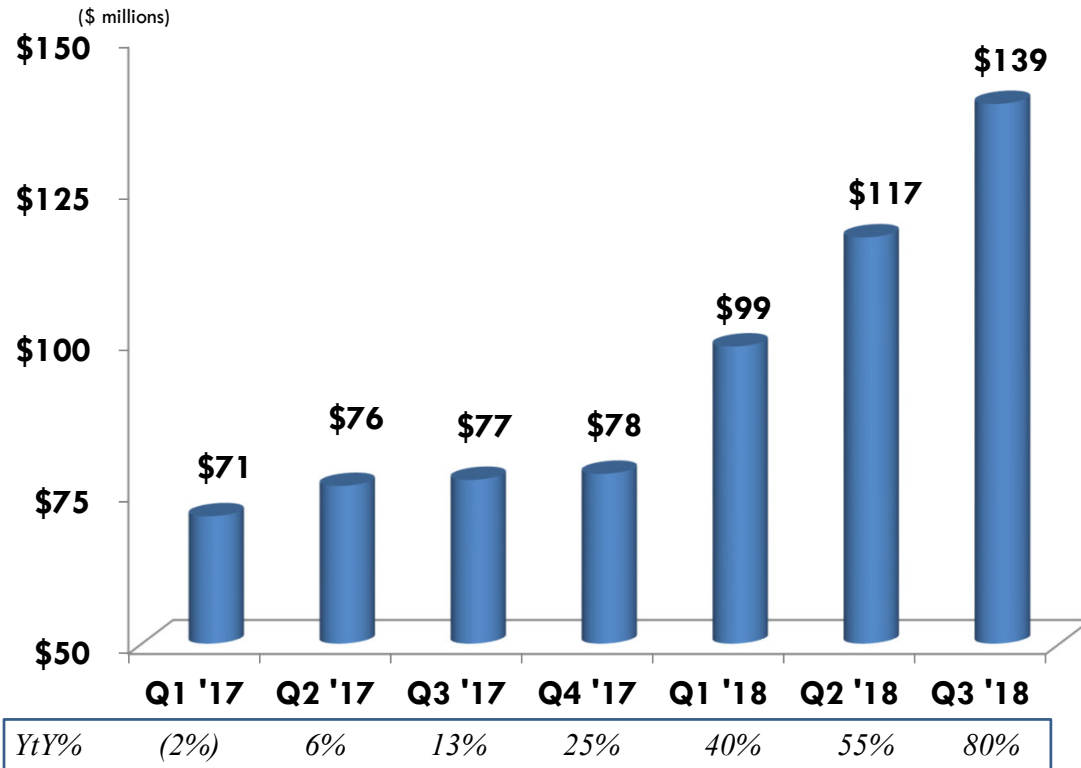
# ACCELERATING REVENUE TRAJECTORY



- Revenue from continuing operations.



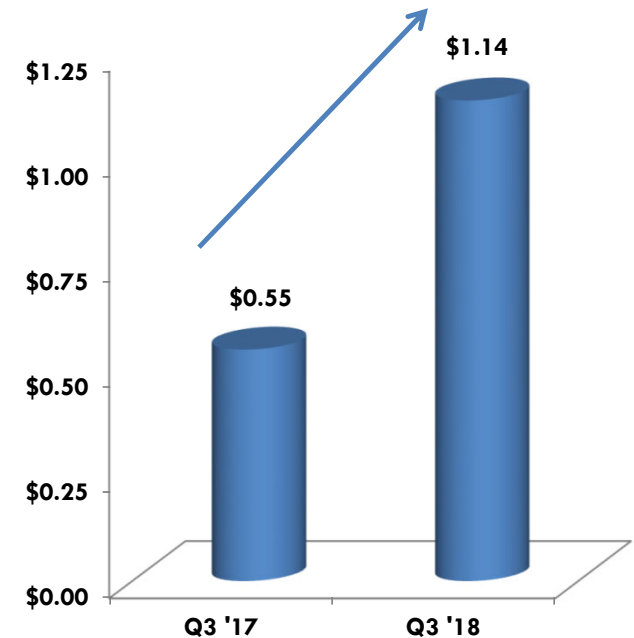
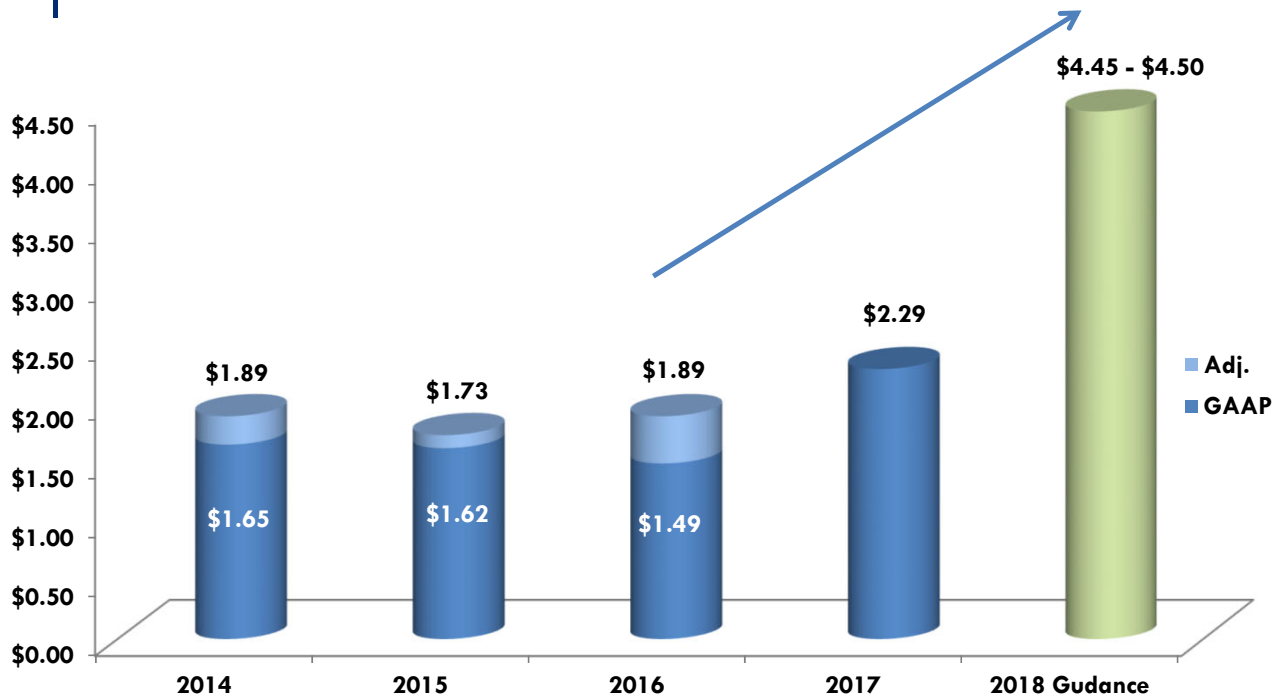
# BUSINESS INITIATIVES ARE DRIVING RECENT GROWTH



- **OPTAVIA** messaging resonating with Clients
  - Strong energy around One Healthy Habit at a Time™ narrative
  - Ongoing shift to **OPTAVIA** branded products
  - Higher average order volumes
- **OPTAVIA** opportunity resonating with Coaches
  - Our tools and trainings are providing deeper insight and real-time feedback to help coaches more effectively build their business
  - Significant increase in new coaches
  - Coaches are more productive and they are achieving success earlier in their coach life



# SCALABLE BUSINESS MODEL DRIVES EARNINGS GROWTH

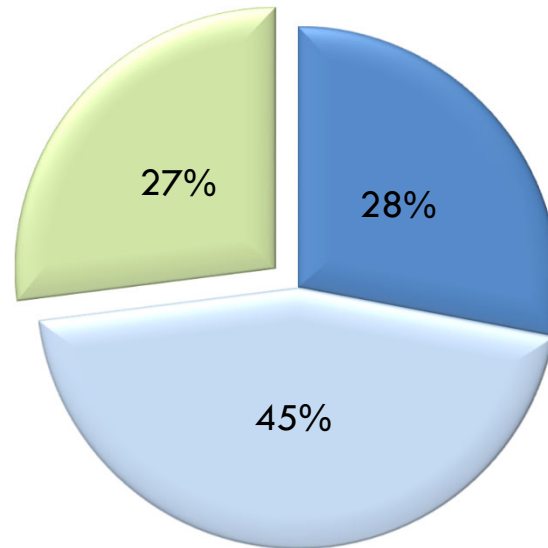


- EPS from continuing operations.
- 2014 Non-GAAP EPS excludes the following items (net of tax): \$1.3 million accrual for franchise loan default guaranteed by Medifast and the \$1.8 million, net of tax, in extraordinary legal and advisory expenses resulting from 13D filings. Reported EPS \$1.65.
- 2015 Non-GAAP EPS excludes the following items (net of tax): \$1.4 million in extraordinary legal and advisory expenses resulting from 13D filings. Reported EPS \$1.62
- 2016 Non-GAAP EPS excludes the following items (net of tax): \$0.8 million of restructuring costs associated with separation agreements with several senior executives and a \$4.0 million noncash asset impairment expense. Reported EPS \$1.49

# HIGHLY VARIABLE COST STRUCTURE

## Total Company Expenses

Last Twelve Months Ending September 30, 2018



Percentages to Total Expenses of the Company, COGS + Operating Expenses

■ COGS   ■ Commissions   ■ Other





# HIGHLY PREDICTABLE **OPTAVIA**<sup>®</sup> FINANCIAL MODEL

- Direct-To-Consumer Model
- Majority of new Coaches come from Client base
- Consistent patterns create strong visibility into future results
  - Coaches acquiring new Clients
  - Client retention
- Significant % of Clients on continuity shipments (~85% of orders)
- High lifetime value: ~2x higher than self-directed model
- Variable cost model

# STRONG CASH & BALANCE SHEET

- **\$103.2M** Cash & Investments
- No debt
- Low working capital Levels
- Minimal CAPEX requirements
- Strong cash flow generation
- Existing stock repurchase program
- Increased quarterly cash dividend in December 2017 by 50% to \$0.48 per share

Note: Cash and Investments as well as debt position as of 9/30/2018

## KEY INVESTMENT HIGHLIGHTS

- Health and wellness company with differentiated, science-based products & programs
- Large and growing market opportunity addressing a global need
- Scalable Coach-based distribution model – products, technology, support
- Ideally positioned for an acceleration of growth in the U.S. and abroad
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