

Medifast® Q2 2024  
**Earnings Supplement**



**MEDIFAST**



**OPTAVIA**

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# Medifast® Q2 2024 Highlights

**Revenue at upper end of guidance range**

**Gross profit margin of 73.2% increased 210** basis points versus Q2 2023. Non-GAAP **adjusted** gross margin of 74.8% **up 370** basis points\*

**Company-led customer acquisition marketing** expenditures of \$4.6M, with significant ramp up expected in Q3

**Operating margin** declined primarily from loss of leverage on fixed costs as well as non-GAAP adjustments of \$18M related to supply chain activities, LifeMD collaboration expense, and costs to exit hotel commitments for future convention years\*

**Debt-free**, with \$164 million of cash & investments as of June 30, 2024

\* See reconciliation on page 14

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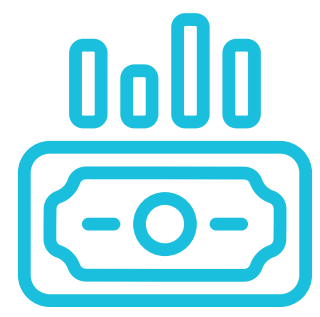


# Q2 2024

## By The Numbers



**\$169M**  
REVENUE



**-\$8M GAAP**  
**\$12M Adjusted\***  
OPERATING INCOME



**-\$0.75 GAAP**  
**\$0.92 Adjusted\***  
DILUTED EPS



**\$4,972**  
REVENUE PER ACTIVE  
EARNING COACH



**33,900**  
ACTIVE EARNING  
COACHES



**\$164M**  
CASH & CASH EQUIVALENTS  
AND INVESTMENTS

\* Non-GAAP measure. See reconciliation on page 14

# Our Performance Metrics Have Changed as a New Client Base Is Targeted

## LEGACY MODEL

Structured Weight Loss Market:  
**\$8B\***



## TRANSFORMED MODEL

Structured Weight Loss Market:  
**\$8B\*** and U.S. GLP-1 support market  
could grow to **\$50B or more by 2030\*\***

Customers attracted through one channel:  
**Coach-led**



Customers attracted through three channels:  
**Coach-led**  
**Company-led**  
**LifeMD collaboration**

Higher average monthly customer \$ per  
order, with shorter customer retention period

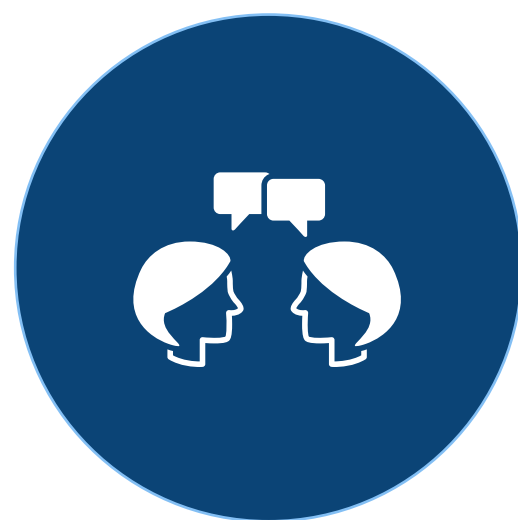


Anticipated reduction in average monthly  
customer \$ per order offset by longer  
customer retention period

\*The U.S. Weight Loss and Diet Control Market (A Market Research Analysis), 17th Edition, 3/23, Marketdata LLC

\*\* BCG market research, 2/24, commissioned by Medifast

# The Five Core Components of the New Offer



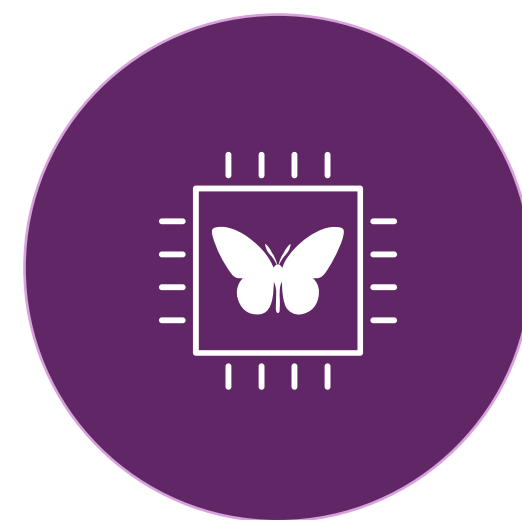
## Coaching

Coach who understands the journey to a healthier lifestyle, helps educate, & facilitates accountability



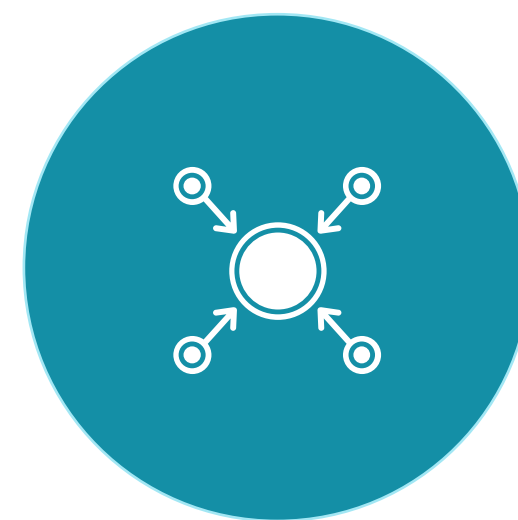
## Clinician Support

Access to LifeMD clinicians & experts who can provide meds & medical opinions to eligible customers



## Digital Experience

Ability to track progress & chart a clear path to goals



## Support System

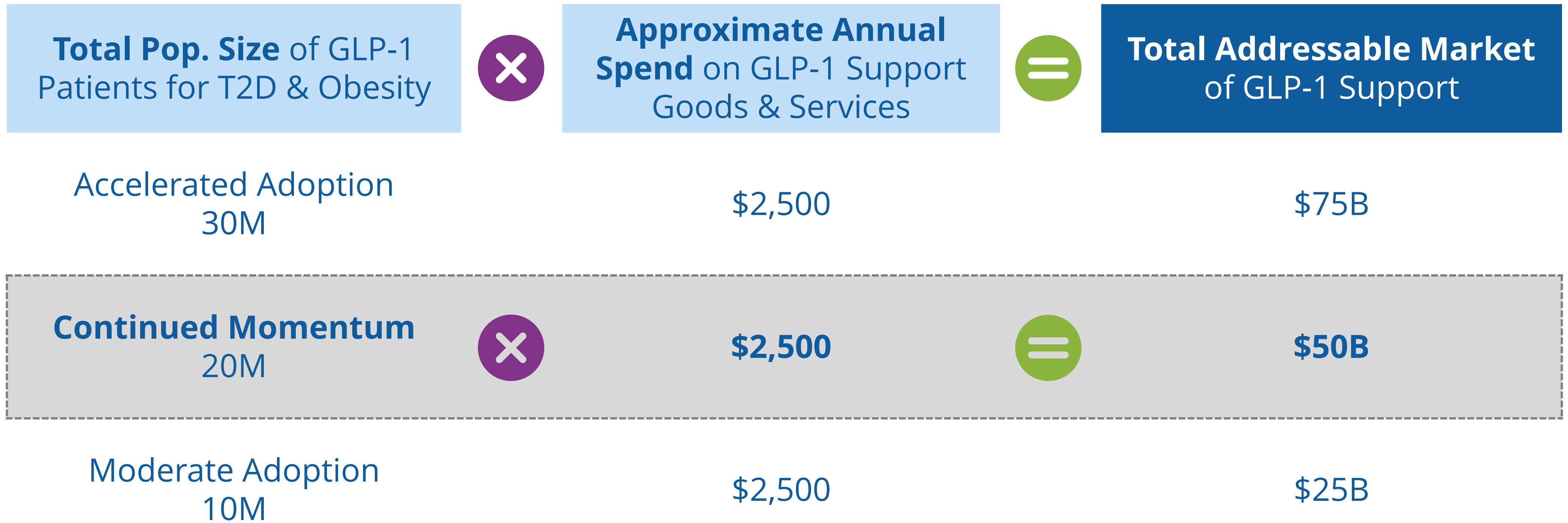
Community and tools that provide support throughout the journey of weight loss & healthier living



## Nutrition

Losing weight, the right way, helping to maintain lean muscle mass & instilling healthy nutritional habits

# Future | ~\$50B TAM by 2030 assuming sustained GLP-1 adoption and stable spending



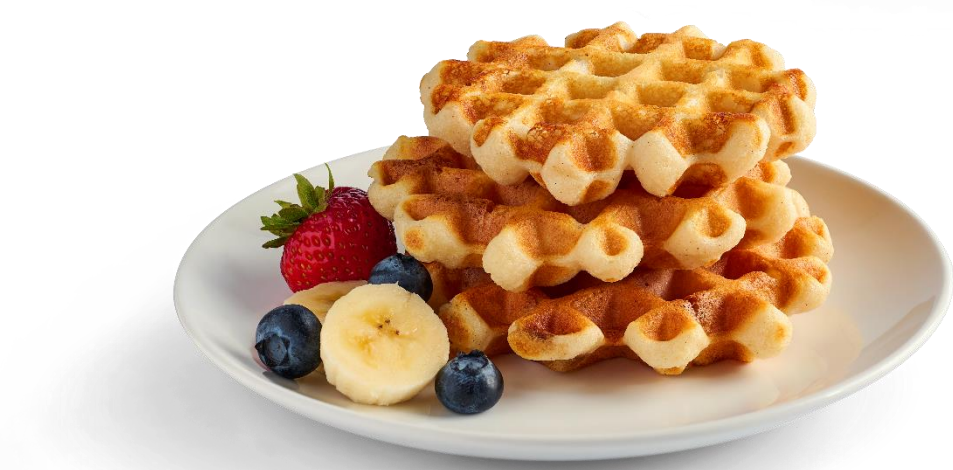
Source: BCG market research, 2/24, commissioned by Medifast

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# New Products and Plans

## Targeted nutrition for customers utilizing GLP-1 & other medications:

- Phase I products and supplements expected to launch in late 2024
  - New product line delivers essential nutrients to promote muscle health, digestive health, and bone health during weight loss
  - High-quality protein to help retain lean muscle mass, a key concern for GLP-1 consumers
  - Portion-controlled and interchangeable to support a reduced calorie diet
  - New Multi-vitamin & Mineral and Omega-3 supplements provide essential micronutrients to help fill nutritional gaps in the diet during weight loss
  - Nutrition support plan provides guidance and meal plans to support a balanced diet
- Phase II products expected in 2025-2026 extend into new health & wellness categories to support weight management journey

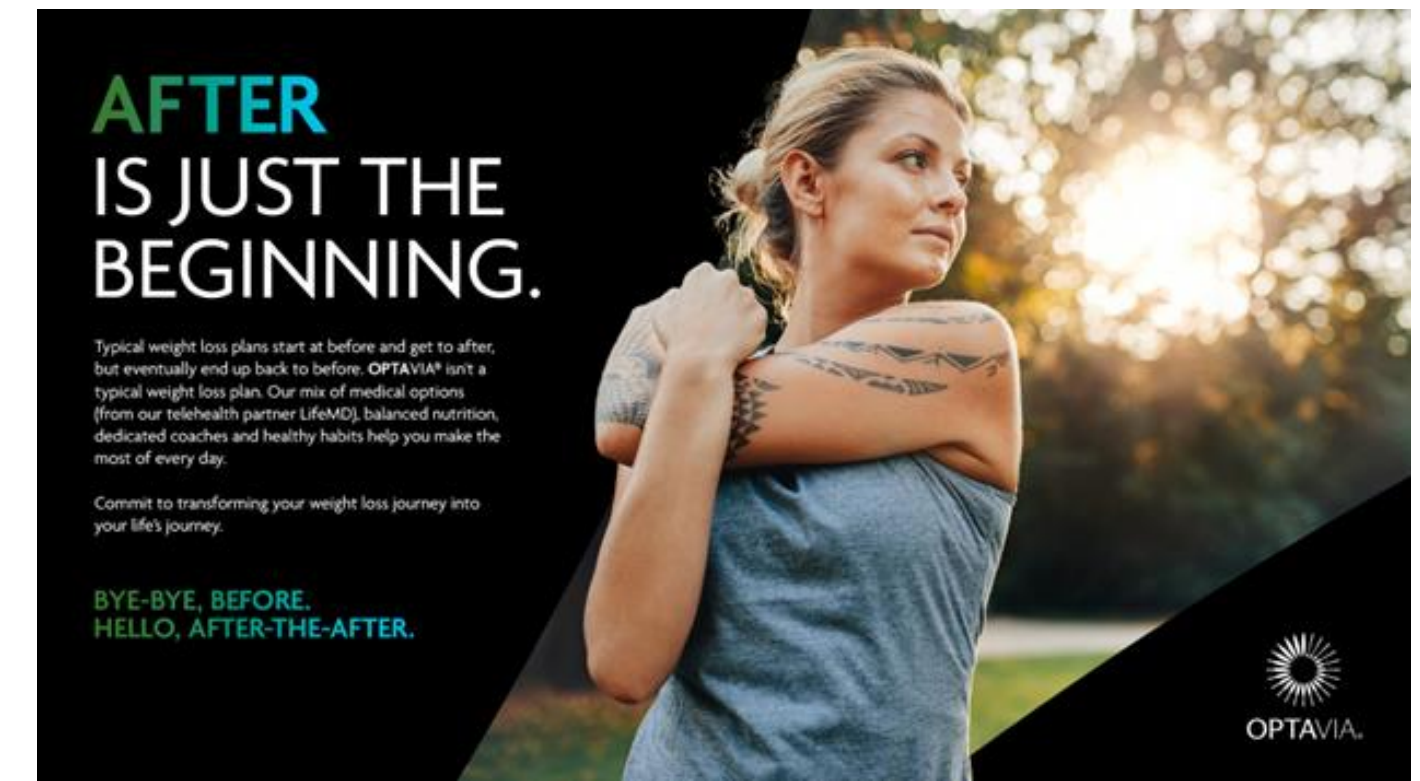




# Company-led Customer Acquisition Initiative

## New Advertising Efforts Expected to Boost Customer Acquisition

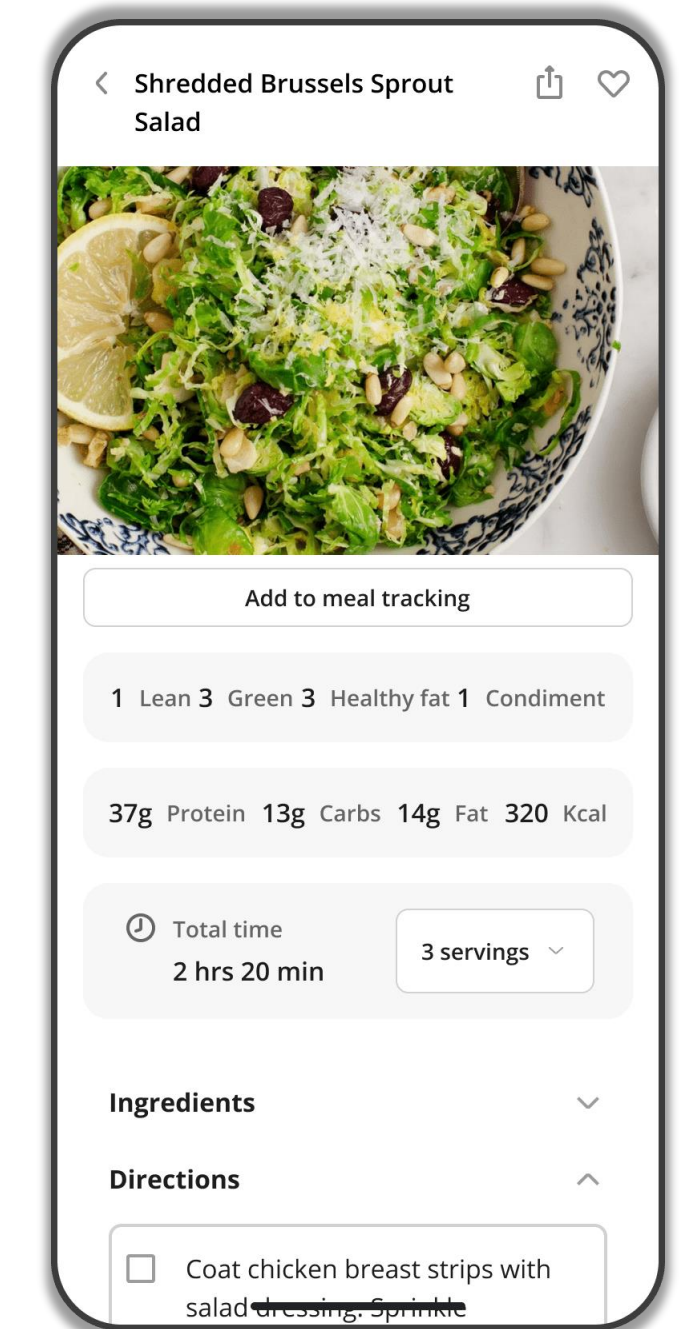
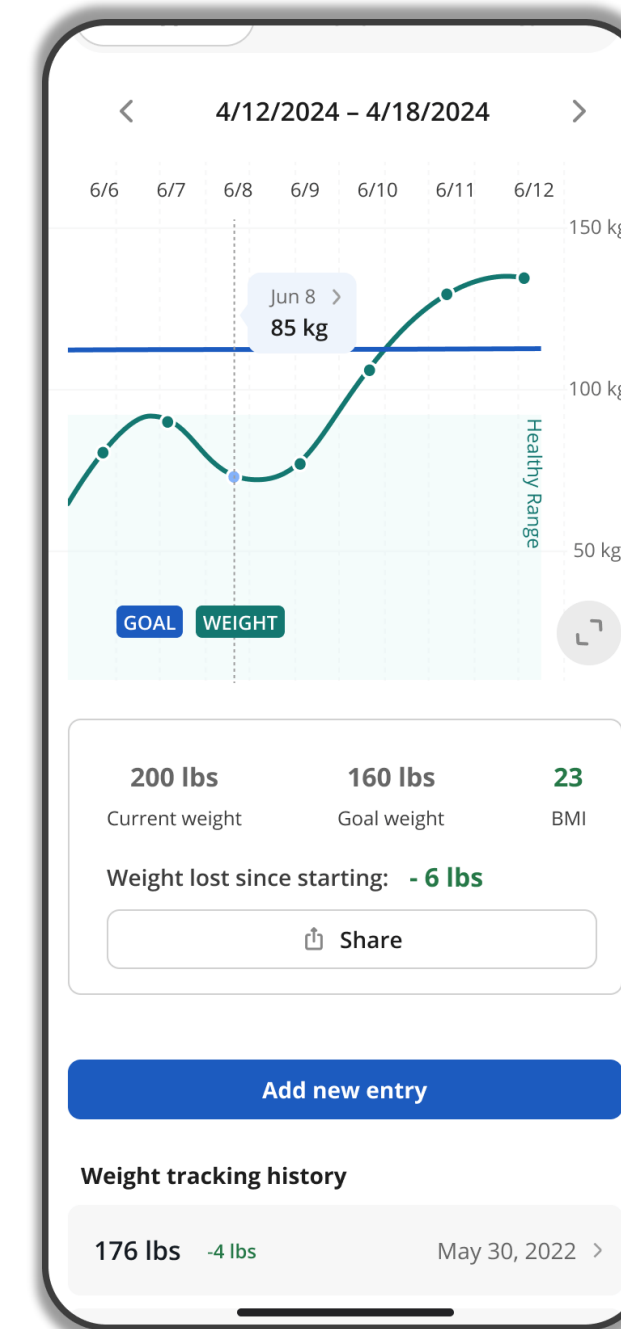
- Goal is to build brand awareness and highlight GLP-1 support solutions
- Conducted pilots in 1H 2024 to refine strategies and optimize future advertising activity
- Targeting 3 key audiences
  - People curious about GLP-1 medications
  - Current GLP-1 users who are seeking support
  - Individuals that desire a healthy lifestyle without using weight loss medications
- Around \$25M in company-led marketing expenditures expected in 2024
  - \$10M spent YTD through June 2024
- Utilizing various platforms including social media, search, digital display, connected TV and radio



# Enhanced Customer Experience

## Deliver a Highly Personalized Solution for All Customers:

- Creating digital ecosystems to better monitor customer progress
  - Enhancing the OPTAVIA app to include MWL tailored recipes, meal tracking, educational content and personalized gap-to-goal actions
    - Clients that are informed, engaged and tracking their health progress will see a stronger retention
  - Enhancing the Coach App to make it easy for the coach to support their client throughout their health journey
    - Enhanced interactions between coach and client will foster stronger retention
- Path-to-Purchase enhancements being optimized for a more tailored experience for the users unique needs, including MWL + LifeMD



# Fuel For The Future

## Description of the Area of Focus:

- Continue to drive efficiency across core operations through a mix of projects across all key functions

## Significant milestones accomplished so far:

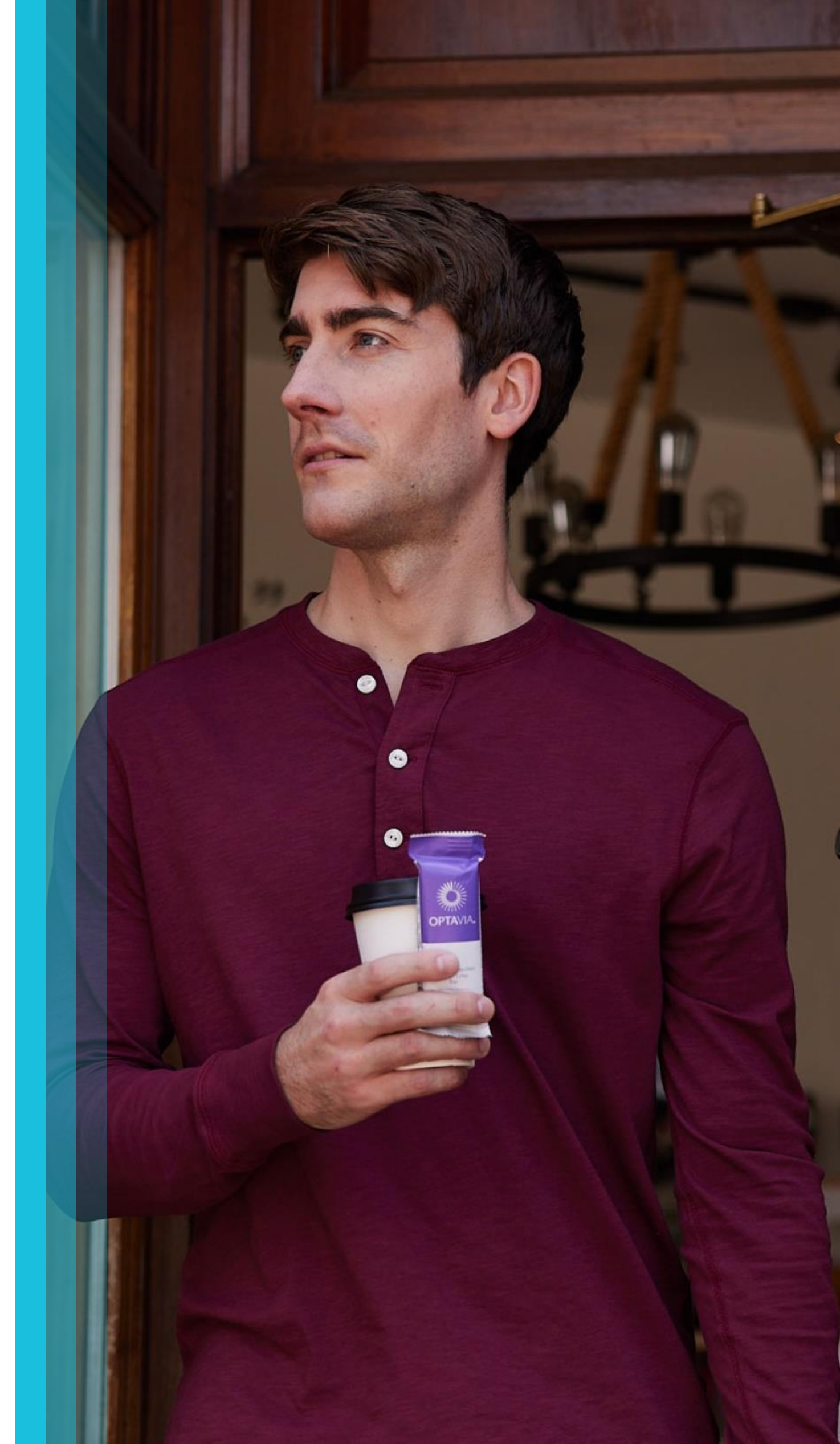
- \$45M in savings for 2023
- Major procurement wins across the entire business
- Smart efficiency plays within Supply Chain network
- Automation in contact center underway

## What's next?

- Continue to execute on roadmap across the business
- Look at next wave of opportunities

## Significant milestones for 2024:

- Reduced distribution footprint to align resources with current demand, while maintaining sufficient capacity for future growth
- Major procurement efforts with raw materials, tech
- Rebalancing volume across network to optimize costs
- AI in the contact center – more automated interactions (chat, SMS, etc.)
- Targeting ~4% of revenues in cost savings for FY24



# Medifast's Expected 2024 Timeline

## Q1

Debuted access to clinician services through LifeMD to the field

Launched pilot company advertising

## Q2

Rolled out enhanced holistic GLP-1 solution to customers

Brand refresh & new ad campaign launched

## Q3

Ramped-up company advertising

Enhanced functionality of website and customer sign-up experience

## Q4

New products and plans specifically formulated for use with meds

Better sharing of data among coaches, LifeMD & customers





## Q2 2024 Guidance



**\$125M - \$145M**

Q3 Revenue



**(\$0.05) - (\$0.70)**

Q3 loss per share,  
excluding LifeMD  
collaboration costs and  
unrealized impact of  
investment in LifeMD  
common stock

# Non-GAAP Reconciliation

Tables Below Reconcile the Non-GAAP Financial Measures Included in this supplement

	GAAP <sup>(1)</sup>	Supply Chain Optimization and Restructuring of External Manufacturing Agreements <sup>(2)</sup>	OPTAVIA Convention Cancellation <sup>(2)</sup>	Unrealized Loss on Investment in LifeMD Common Stock <sup>(2)</sup>	LifeMD Prepaid Service Amortization <sup>(2)</sup>	Non-GAAP <sup>(2)</sup>
<b>Three Months Ended June 30, 2024</b>						
Cost of sales	\$45,120	\$(2,579)	\$ —	\$ —	\$ —	\$42,541
Gross Profit	123,438	2,579	—	—	—	126,017
Selling, general, and administrative	131,314	(12,502)	(3,000)	—	(2,021)	113,791
Income (loss) from operations	(7,876)	15,081	3,000	—	2,021	12,226
Other income (expense)	(2,774)	—	—	4,188	—	1,414
Provision (benefit) for income taxes	(2,496)	3,770	750	1,047	505	3,576
Net income (loss)	(8,154)	11,311	2,250	3,141	1,516	10,064
Diluted earnings (loss) per share	(0.75)	1.03	0.21	0.29	0.14	0.92

	GAAP	Supply Chain Optimization and Restructuring of External Manufacturing Agreements	OPTAVIA Convention Cancellation	Unrealized Loss on Investment in LifeMD Common Stock	LifeMD Prepaid Service Amortization	Non-GAAP
<b>Three Months Ended June 30, 2023</b>						
Cost of sales	\$85,473	\$ —	\$ —	\$ —	\$ —	\$85,473
Gross Profit	210,715	—	—	—	—	210,715
Selling, general, and administrative	172,009	—	—	—	—	172,009
Income from operations	38,706	—	—	—	—	38,706
Other income	411	—	—	—	—	411
Provision for income taxes	8,837	—	—	—	—	8,837
Net income	30,280	—	—	—	—	30,280
Diluted earnings per share <sup>(1)</sup>	2.77	—	—	—	—	2.77

<sup>1</sup>The weighted-average diluted shares outstanding used in the calculation of these non-GAAP financial measures are the same as the weighted-average shares outstanding used in the calculation of the reported per share amounts.

<sup>2</sup>The weighted-average diluted shares outstanding used in the calculation of these non-GAAP financial measures uses 10,962 thousand shares under the treasury stock method.