



INVESTOR PRESENTATION | June 2018

Medifast Confidential



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- 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.



# 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
- \$329.5M Net Sales<sup>1</sup>
- Recommended by over 20,000 doctors since 1980
- Unique direct-to-consumer model with approximately 16,700 **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 March 31, 2018





## KEY INVESTMENT HIGHLIGHTS

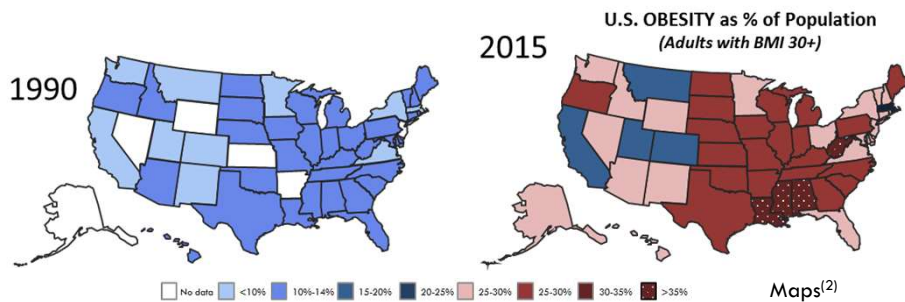
- Health and wellness company with differentiated, science-based products & programs
- Large and growing market opportunity addressing a global need
- Scalable Coach-based distribution model – products, technology, support
- Ideally positioned for an acceleration of growth in the U.S. and abroad
- Attractive, highly predictable financial model
- Significant cash flow generation and strong balance sheet to support growth
- Strong dividend @ \$0.48/qtr, a 1.3% yield as of June 4, 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) Marketdata LLC, Euromonitor, IBIS World



# PROVEN & EFFECTIVE PRODUCTS & PROGRAMS

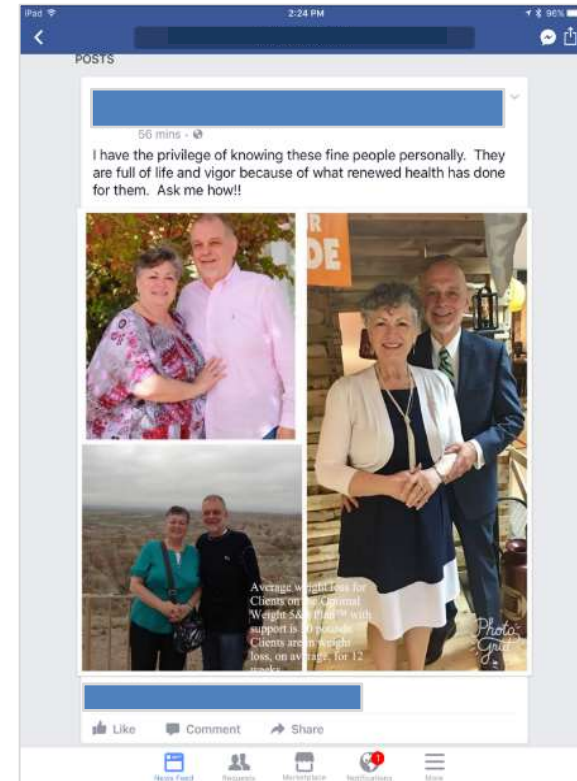
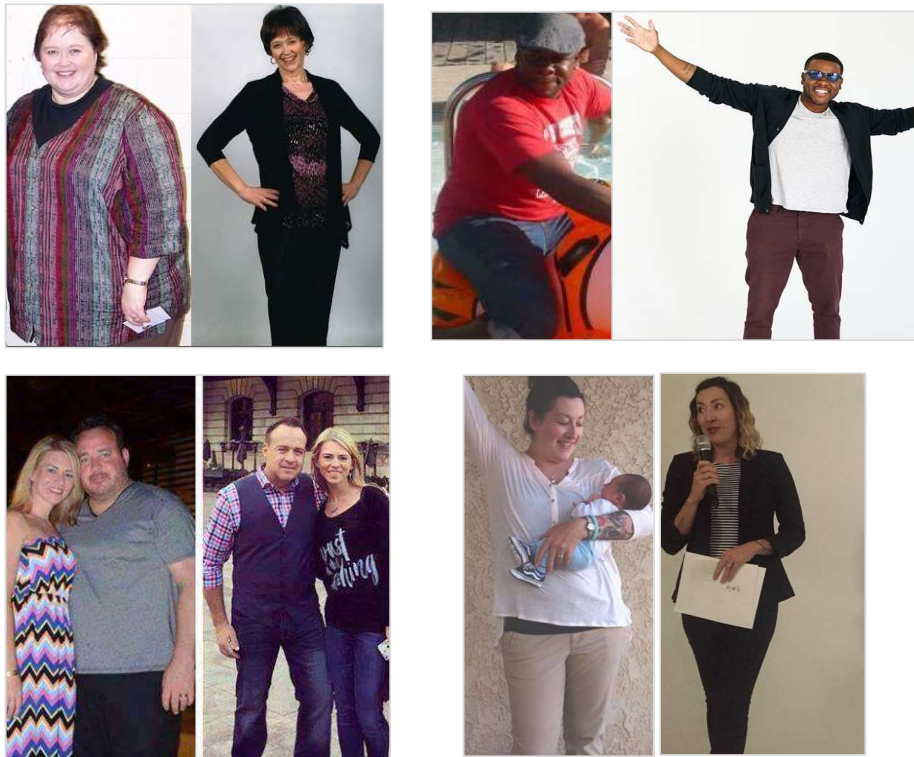


Flavors & variety for every taste  
Highly adaptable to individual needs

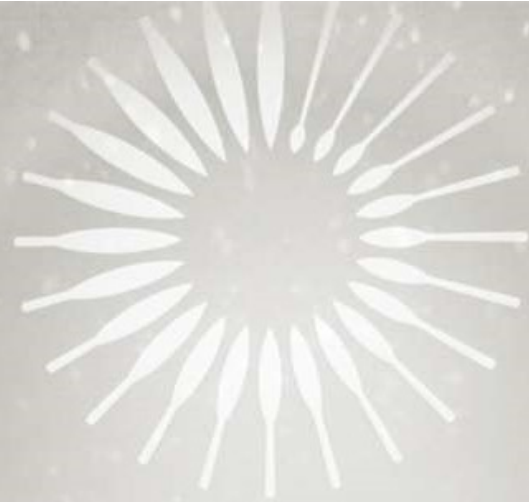
- **The Plan:** Eat 6 small meals every day
  - 5 of our meal replacements (“Fuelings”)
  - Plus 1 meal we teach you to make yourself
- **Scientifically Formulated:**
  - The Plan is designed to put you in a gentle fat-burning state which is essential for losing weight
  - Helps retain lean muscle mass
  - 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

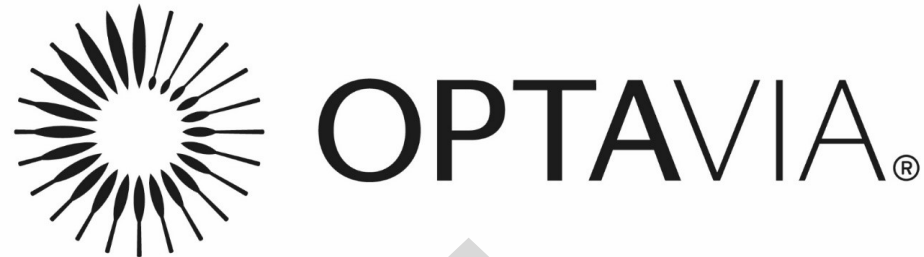


OPTAVIA

**OPTAVIA**<sup>®</sup> |



# FOCUSED ON SCALEABLE COACHING MODEL



## 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 16,700 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® BRAND



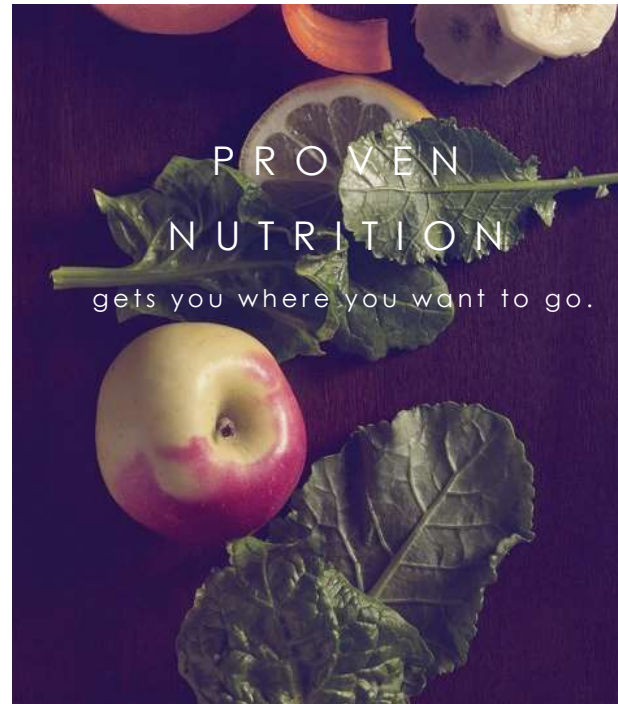
- Lifestyle-focused brand of our Coach community
- Designed to be relevant across international markets
- Developed around a motivating mission and compelling story
- Equipped with uniquely formulated, exclusive products



# 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)





# UNIQUE AND TRANSPARENT DISTRIBUTION MODEL

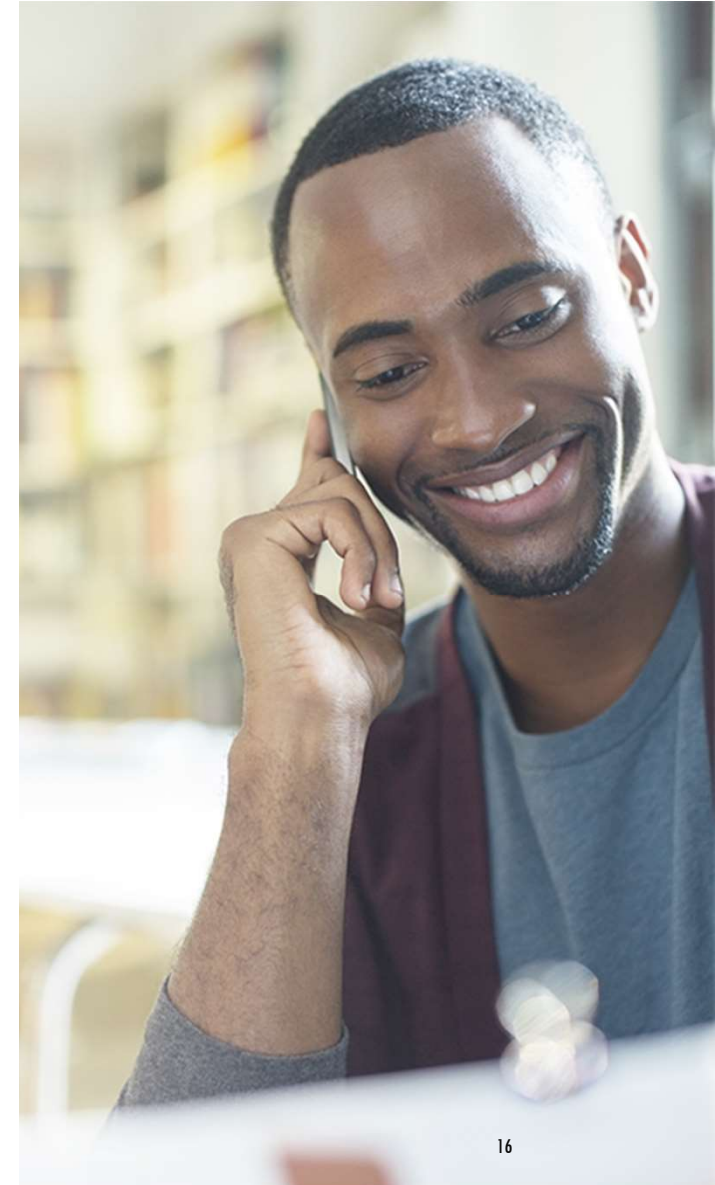
- Perfect balance between the power of a personal selling channel and a retail model
- 91% of all **OPTAVIA**® product sales go directly to Clients; 9% are consumed by Coaches
- All commissions based on product sales
- Coaches do not buy or carry inventory, don't handle cash, and don't buy at a discount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





# OPTAVIA<sup>®</sup> 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





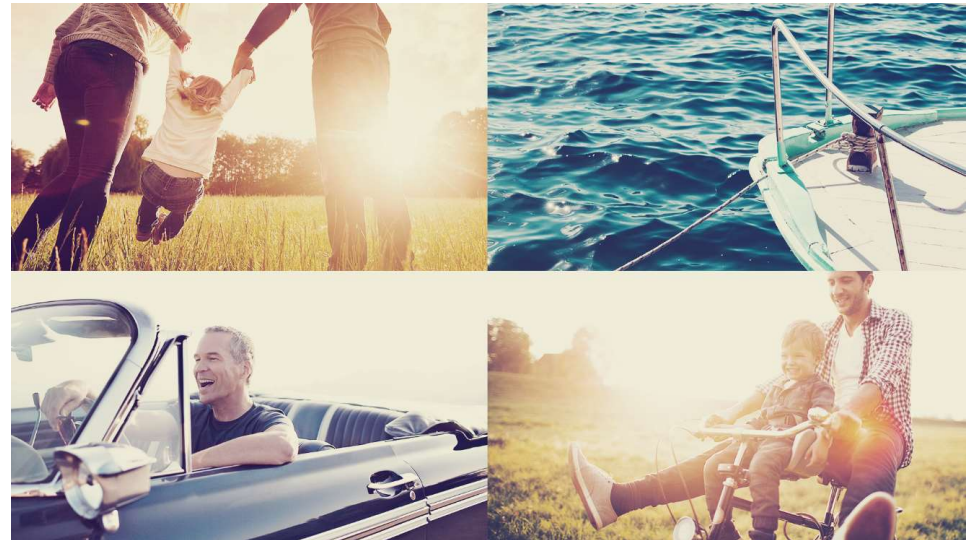
# GROWTH STRATEGY |

# STRATEGY FOR GROWTH



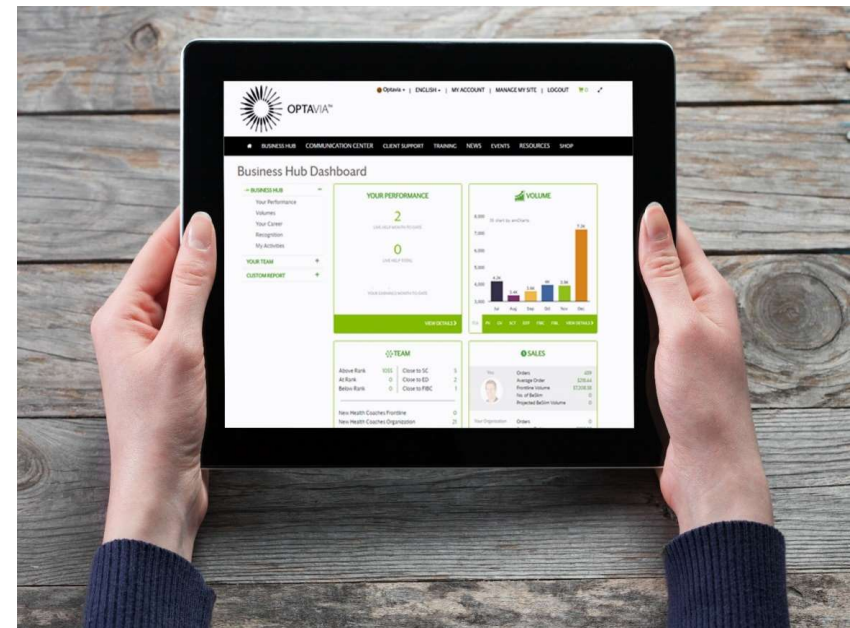
# ACCELERATING COACH SUCCESS

- 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™

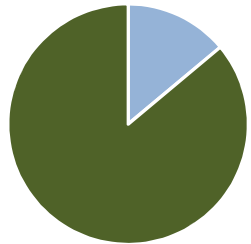


# INTERNATIONAL POTENTIAL

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

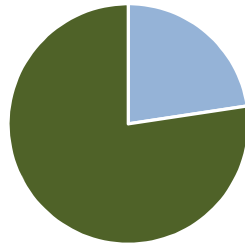
Public Company Examples:

**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** |

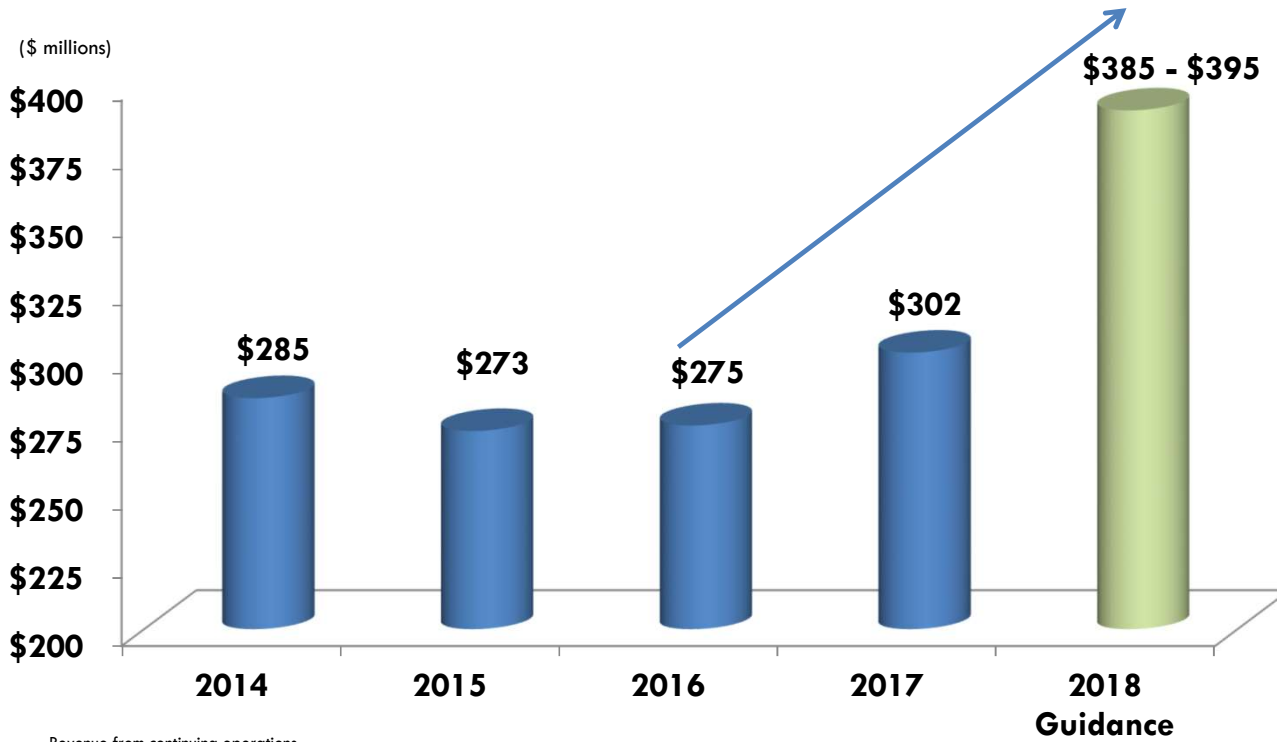


# ATTRACTIVE FINANCIAL CHARACTERISTICS

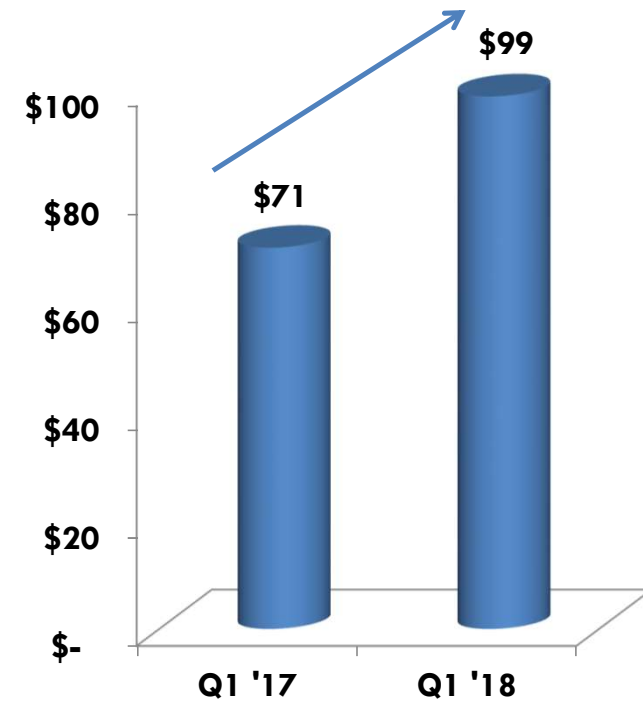
- Significant opportunity to accelerate revenue growth
- Highly predictable financial model
- High gross margins and variable cost structure
- Asset-light with minimal working capital and capex requirements
- Significant cash flow generation
- Strong balance sheet with no debt
- Attractive capital allocation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



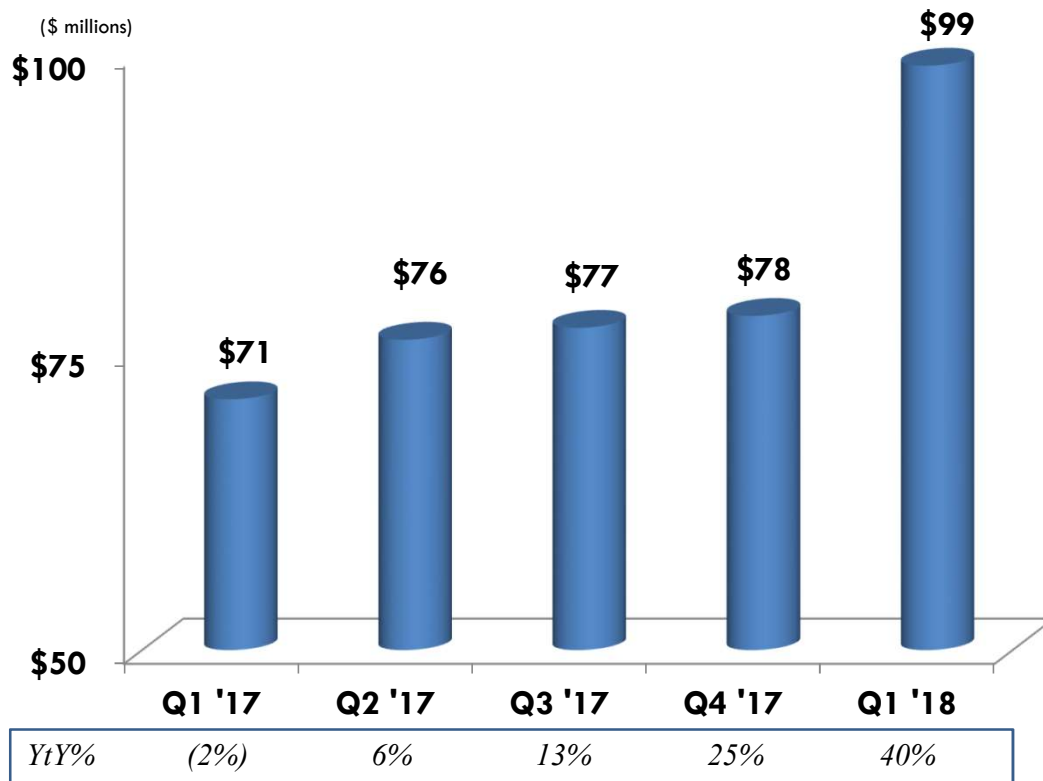
# ACCELERATING REVENUE TRAJECTORY



- Revenue from continuing operations.



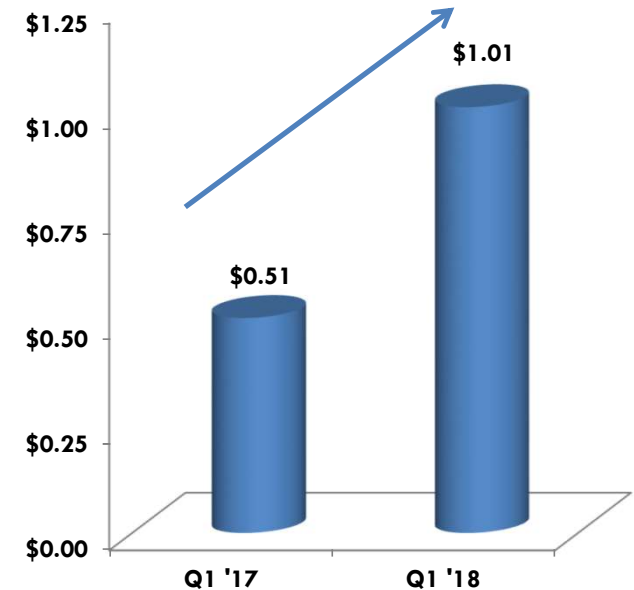
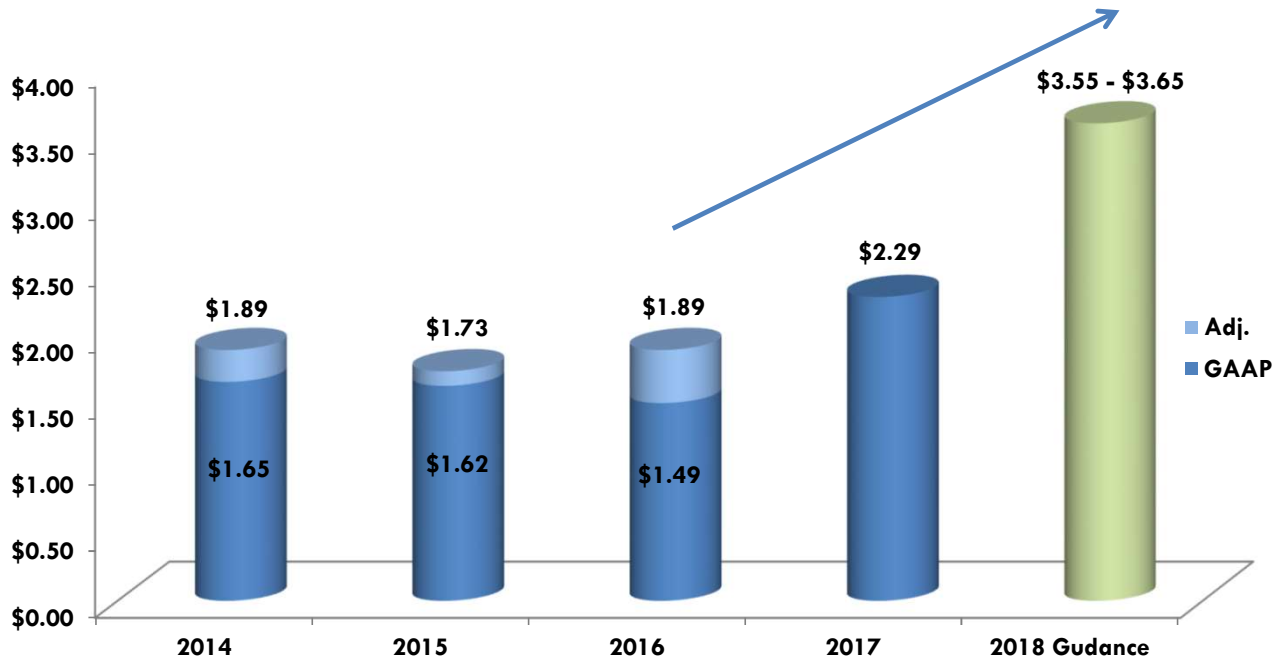
# BUSINESS INITIATIVES ARE DRIVING RECENT GROWTH



- **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

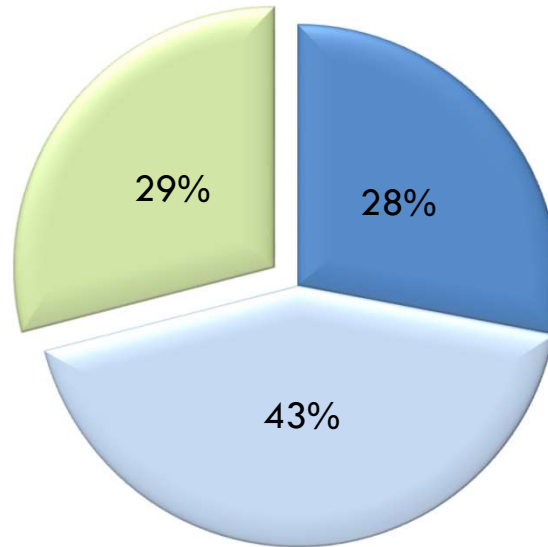


- EPS from continuing operations.
- 2014 Non-GAAP EPS excludes the following items (net of tax): \$1.3 million accrual for franchise loan default guaranteed by Medifast and the \$1.8 million, net of tax, in extraordinary legal and advisory expenses resulting from 13D filings. Reported EPS \$1.65.
- 2015 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 March 31, 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

- **\$109.2M** 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 3/31/2018



## 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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