



INVESTOR PRESENTATION | August 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**[®]
- Growth Strategy
- Financials

MEDIFAST[®] VISION & MISSION

To Offer the World
LIFELONG TRANSFORMATION
One Healthy Habit at a Time[™]



COMPANY PROFILE

- Leading Health & Wellness company
- \$371.1M Net Sales¹
- Recommended by over 20,000 doctors since 1980
- Unique direct-to-consumer model with approximately 19,700 **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

¹Last twelve months end June 30, 2018





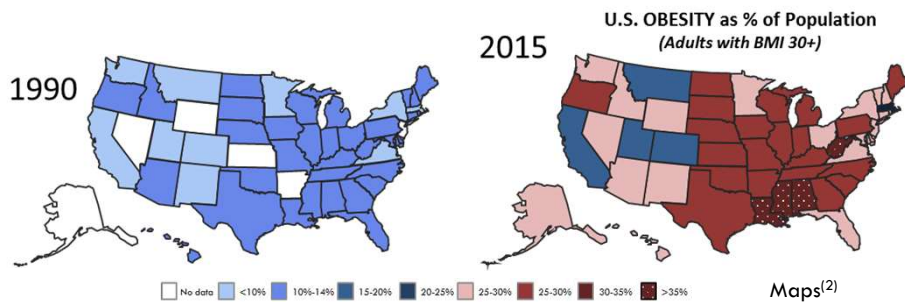
KEY INVESTMENT HIGHLIGHTS

- 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 0.9% yield as of August 22, 2018

LARGE AND GROWING MARKET OPPORTUNITY

Obesity at Critical Levels

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



- International levels now **2X** from 30 years ago⁽³⁾

Current & Growth Markets

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



SOURCES: (1) CDC; (2) www.stateofobesity.org; (3) 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



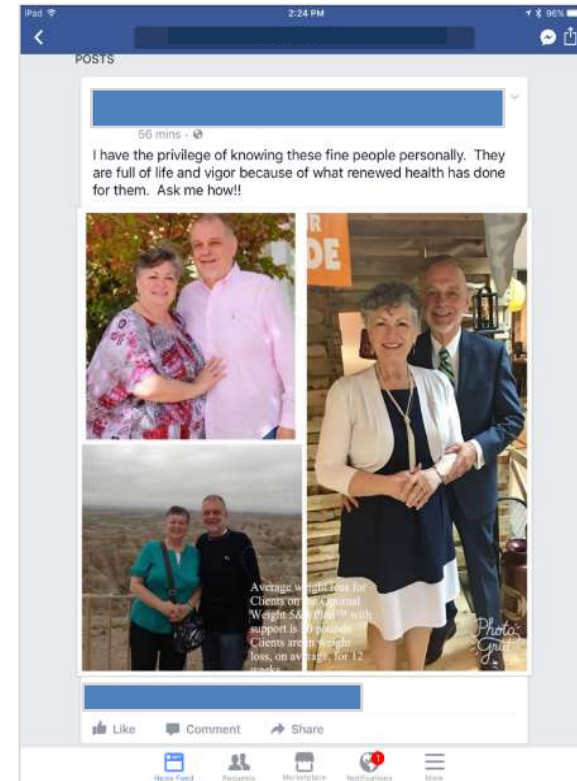
PROVEN & EFFECTIVE PRODUCTS & PROGRAMS



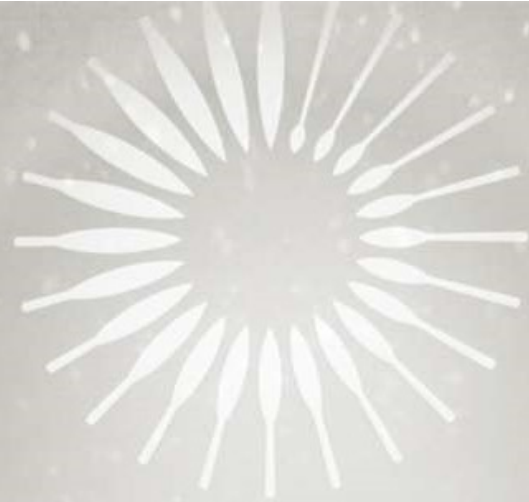
Flavors & variety for every taste
Highly adaptable to individual needs

- **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

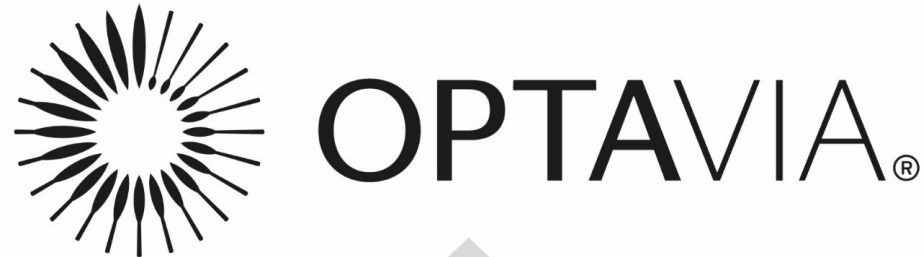


OPTAVIA

OPTAVIA[®] |



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 19,700 independent **OPTAVIA**® 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 industry¹
- Fits trends to “gig” economy² and social selling with “sticky” relationships

¹World Association of DSAs market data

²Direct 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

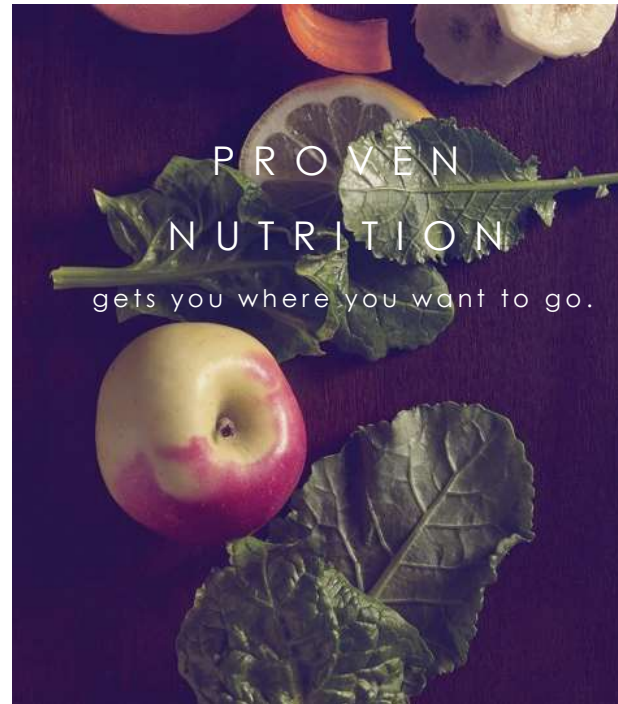


- Lifestyle-focused brand of our Coach community
- Designed to be relevant across international markets
- Developed around a motivating mission and compelling story
- Equipped with uniquely formulated, exclusive products

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)





OPTAVIA[®] VIDEO



UNIQUE AND TRANSPARENT DISTRIBUTION MODEL

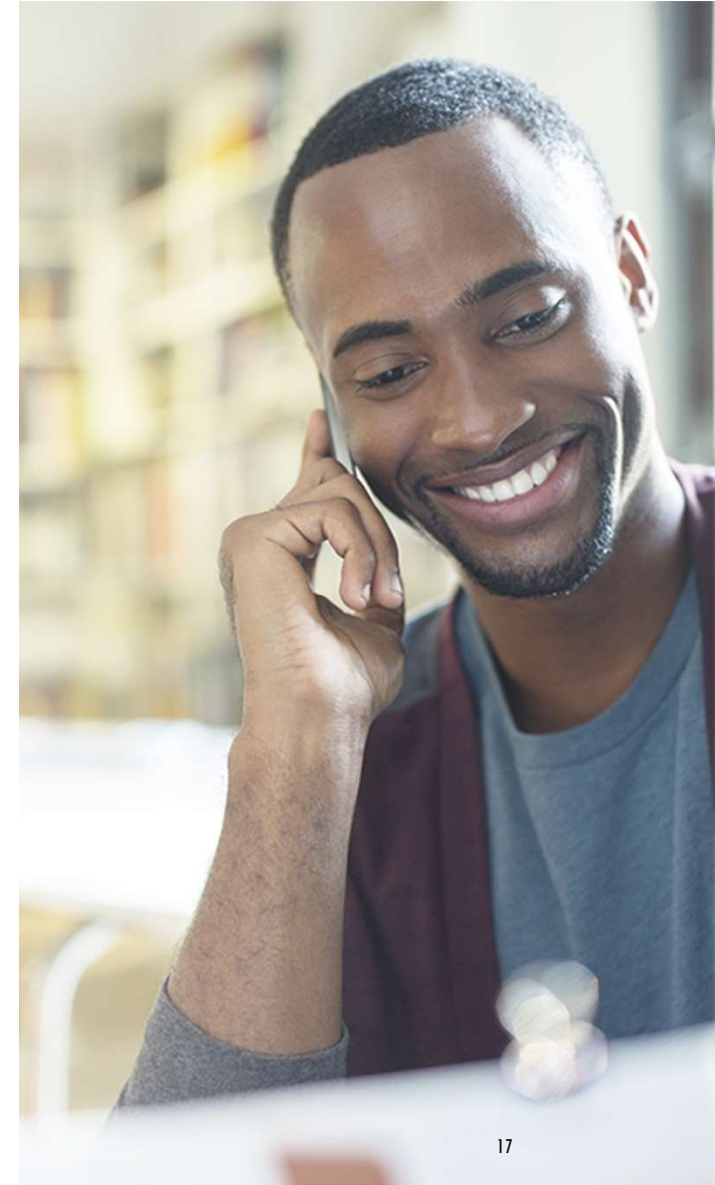
- Perfect balance between the power of a personal selling channel and a retail model
- 91% of all **OPTAVIA**® product sales go directly to Clients; 9% are consumed by Coaches
- All commissions based on product sales
- Coaches do not buy or carry inventory, don't handle cash, and don't buy at a discount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





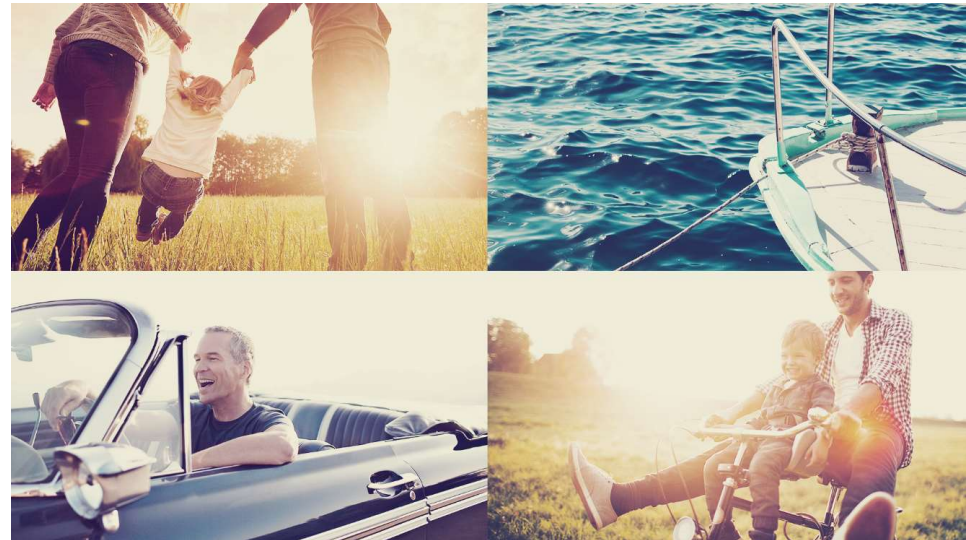
GROWTH STRATEGY |

STRATEGY FOR GROWTH



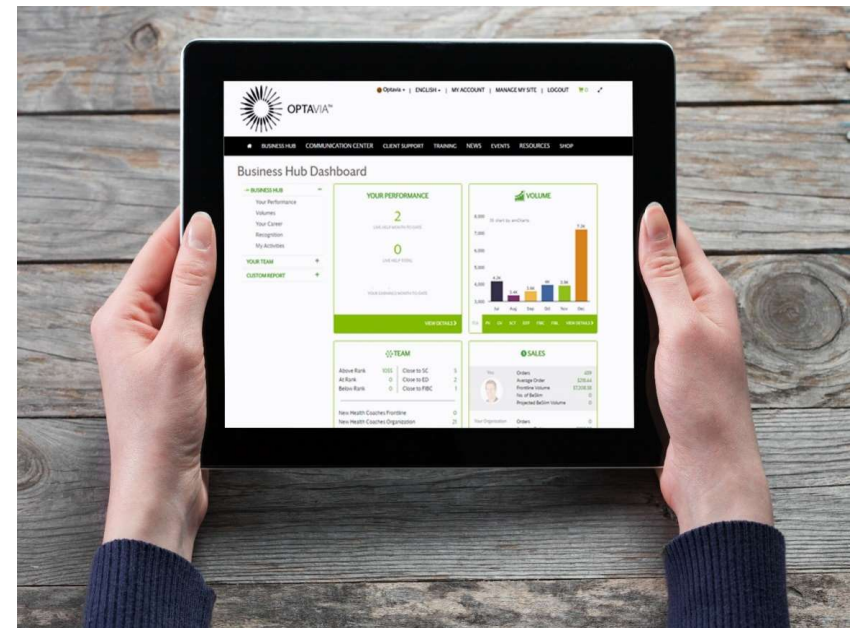
ACCELERATING COACH SUCCESS

- 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[®] PRODUCT INNOVATION ON-TREND

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

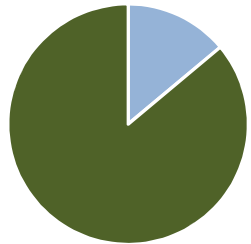


INTERNATIONAL POTENTIAL

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

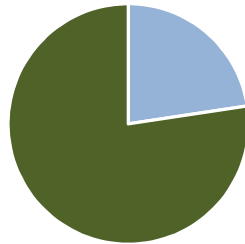
Public Company Examples:

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

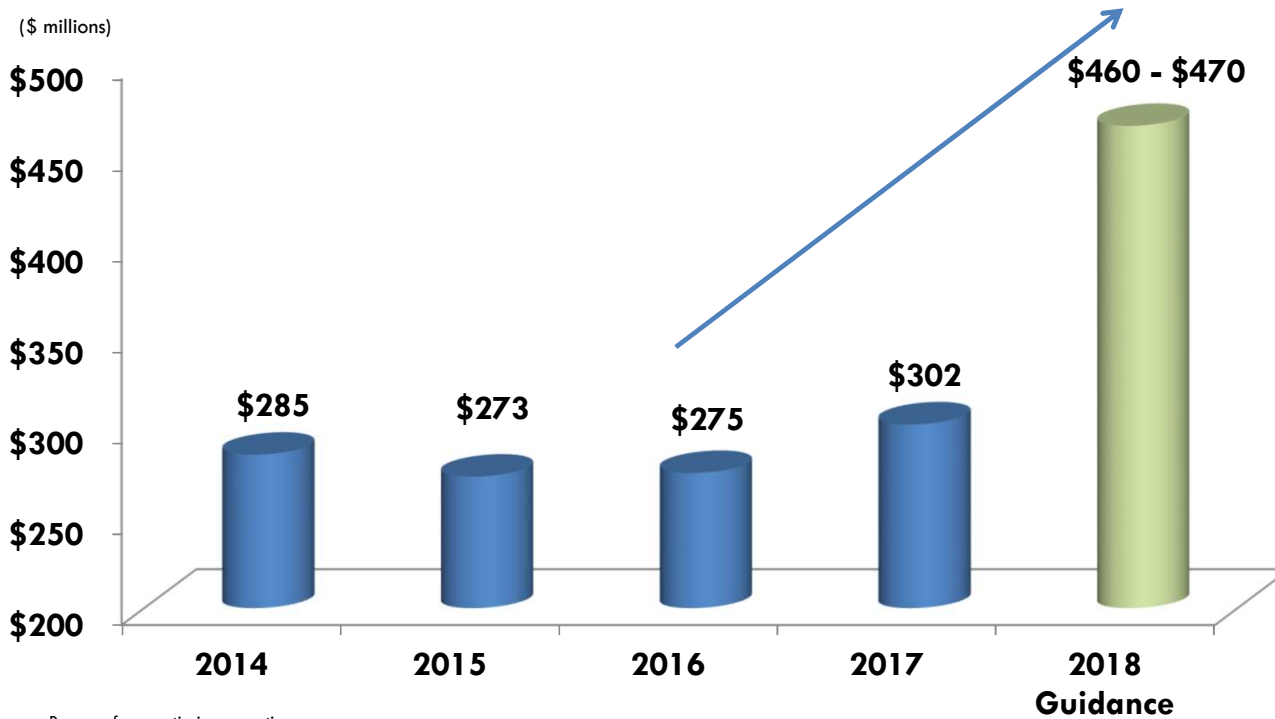


STRONG FINANCIAL FOUNDATION |

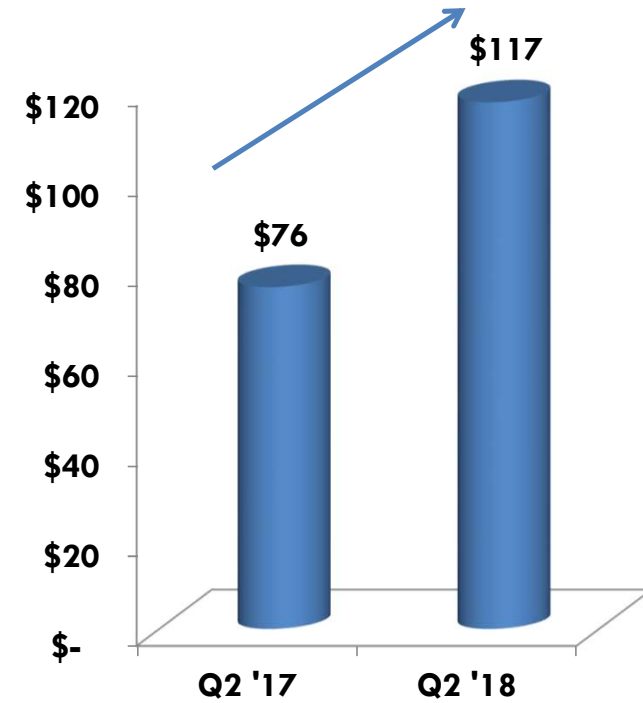
ATTRACTIVE FINANCIAL CHARACTERISTICS

- 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

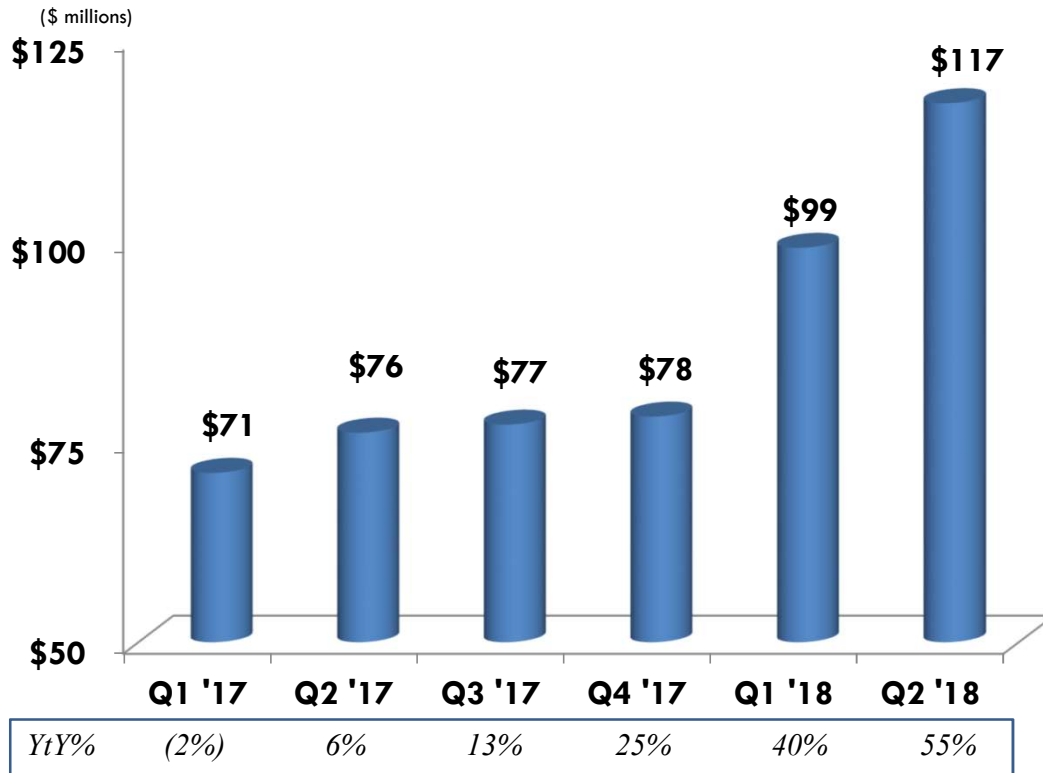
ACCELERATING REVENUE TRAJECTORY



- Revenue from continuing operations.

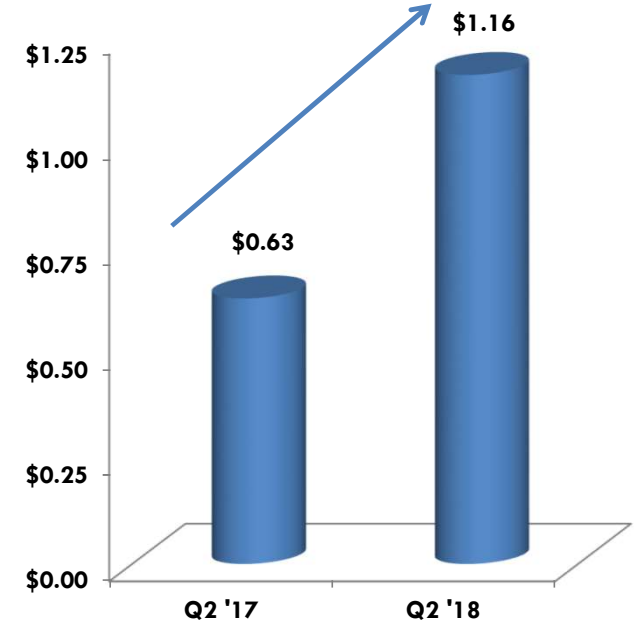
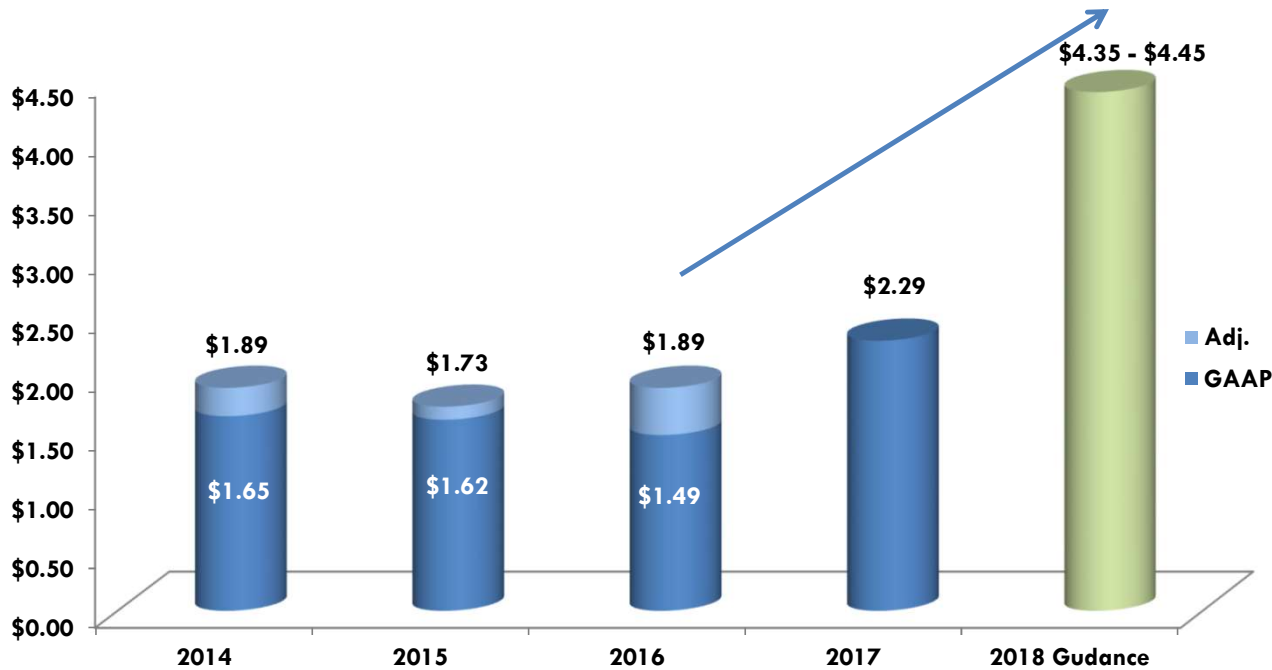


BUSINESS INITIATIVES ARE DRIVING RECENT GROWTH



- **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

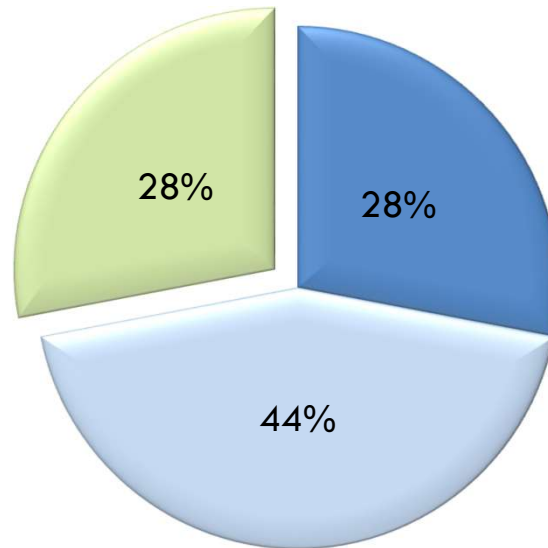


- EPS from continuing operations.
- 2014 Non-GAAP EPS excludes the following items (net of tax): \$1.3 million accrual for franchise loan default guaranteed by Medifast and the \$1.8 million, net of tax, in extraordinary legal and advisory expenses resulting from 13D filings. Reported EPS \$1.65.
- 2015 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 June 30, 2018



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

■ COGS ■ Commissions ■ Other



HIGHLY PREDICTABLE **OPTAVIA**[®] 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

- **\$103.3M** 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 6/30/2018

KEY INVESTMENT HIGHLIGHTS

- Health and wellness company with differentiated, science-based products & programs
- Large and growing market opportunity addressing a global need
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