



# INVESTOR PRESENTATION

March 2019



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An Innovator in  
**Health & Wellness**

# A Dynamic & Exciting New Brand



A Mission to Offer  
the World Lifelong  
Transformation  
**One Healthy  
Habit at a Time**





## Proven Effectiveness

- Nearly **40 years** of research and experience
- Double-blind controlled clinical study demonstrates **enhanced efficacy of integrated coach model vs solo approach**
- **Substantial credibility** with U.S. doctors and medical community
- **Scientific Advisory Board helps guide** and advise development of programs

# Solid Track Record in Health Innovation

**Holistic approach** to improving overall health and wellness

Coach and community support clinically demonstrated to **contribute meaningfully to success**

**Empowering a new attitude towards food**

**WEIGHT LOSS IS A CATALYST FOR FURTHER CHANGE**

**An effective lifestyle solution** for people for whom diets have previously failed



Lifelong transformation supported through the incorporation of **Healthy Habits**

# Delivering on Our Promises

**+61%**

**Number of Active  
Earning Coaches**

Q4 2017 – Q4 2018

**+26%**

**Net Sales Per Active  
Earning Coach**

Q4 2017 – Q4 2018



# Generating Exceptional Results

+66%

**Revenue**  
2017 – 2018

+74%

**Operating Income**  
2017 – 2018

+102%

**Diluted EPS**  
2017 – 2018



Now We are  
Delivering on the  
**Next Stage of Our  
Growth Journey**



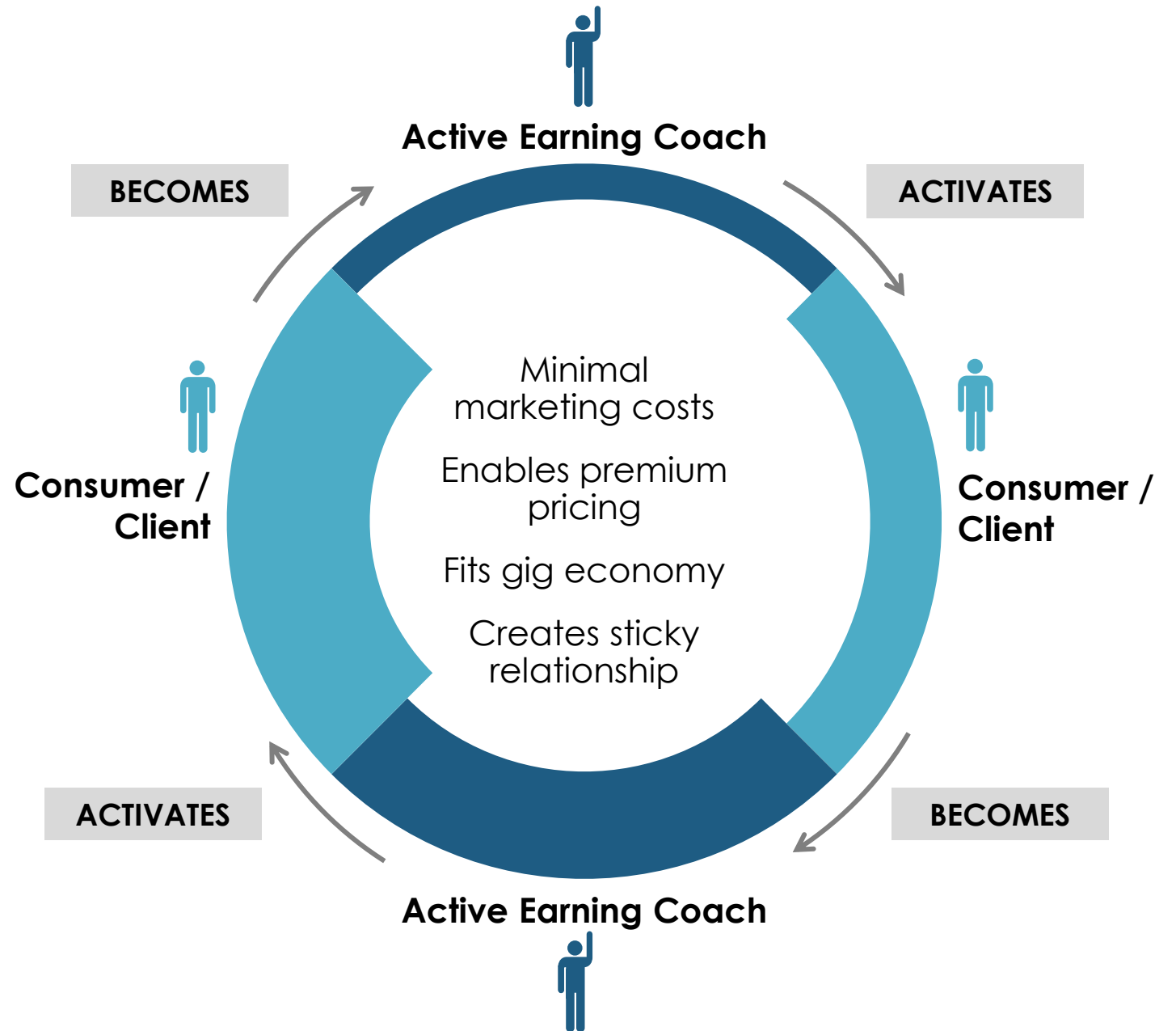
## Fully Focused on Scaling Our Coach Model

- **24,100 active earning coaches** and growing rapidly
- **Personal, direct-service and sales strategy**, optimal for activating and supporting consumers
- **Attractive financial model**, with higher lifetime value and enhanced profitability
- **Leverages growing consumer demand** for personal advice, customized support and personalized recommendations



OPTAVIA®

## Virtuous Circle for Growth





## Optimal Balance Between Service and Sales

- Reflective of new economy (Uber, AirBnB etc.)
- All commission based on **product sales driven by coaching service**
- Not a wholesale model – coaches don't handle cash or retail products
- **90% of all OPTAVIA product sales go directly to clients** who are not coaches

# A Compelling Career and Lifestyle Choice





## Proven and Effective Products and Programs

- **Exclusive products** with flavors & variety for every taste
- **Scientifically developed**, supported by clinical studies, nutrient dense, portion controlled, nutritionally interchangeable and simple to use
- **Trustworthy** reputation built over time
- **Educational** element to ensure clients learn to make healthy meals themselves in addition to using Fuelings
- **Supports Healthy Habits** creation

# A CLEAR PATH FOR **GROWTH**







## Our Vision

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Double the size of the business every 3-4 years by growing in the US and expanding into Asia Pacific

# Large and Growing Market Opportunity



70%<sup>1</sup>

Of U.S. adults are overweight or obese



5%/Year<sup>2</sup>

Growth projections through 2022 for U.S. weight loss products and services

\$194B<sup>3</sup>

U.S. Health & Wellness Market

\$17B<sup>2</sup>

U.S. Weight-Loss Market



International levels doubled from **30 years ago**<sup>4</sup>

# Our Growth Strategy

## DRAMATICALLY GROW OPTAVIA COACH COMMUNITY

1

**Accelerate  
Coach Success**

2

**Utilize  
Technology  
to Optimize  
Effectiveness**

3

**Drive Product  
Innovation**

4

**Expand  
Segments &  
Geographies**

1

## Accelerate Coach Success

- Capitalize on **OPTAVIA** Brand and compelling health and wellness message
- Leverage new, exclusive products based on company's proven science and clinical credibility
- Deliver on easy to share story about a complex lifestyle issue
- Teach a simple growth model
- Streamline the coach experience

2

**Utilize  
Technology  
to Optimize  
Effectiveness**

- Accelerate our repeatable business rhythm
- Mobile app-based platform
- Improve use of data analytics
- Streamline processes
- Connectivity powering customer acquisition and insight
- Cloud based to enable rapid expansion
- Improve coach efficiency

**SCALABLE TO SUPPORT EXPANSION & GROWTH**

3

Drive Product Innovation

## Growth into Adjacent Healthy Habits



Nutrition



Hydration



Sleep



Movement



Aging

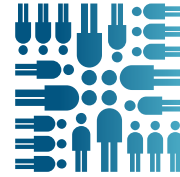
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## Expand Segments & Geographies

## U.S. Opportunities



**Regional**  
Underrepresented markets



**Generational**  
Target younger demographics



**Diversity**  
Outreach to important communities



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

# 4

## Expand Segments & Geographies

### International Opportunities

- Claiming our share of \$790B<sup>1</sup> global health & wellness market
- Launching in Hong Kong, Singapore gateway markets by June 30, 2019
- Building global presence of successful optimal weight loss plans
- Strong response to product testing in-market
- Actively engaging U.S. coach base now as rollout begins



# Significant Potential in International Markets

## *Methodical approach to expansion in global markets*

- Drive pre-market activity in U.S.
- Scale to achieve profitability in newly opened markets
- Provide springboard for further expansion
- Fund expansion without negatively impacting existing operating margin

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

## Global Direct Selling Market\*

Largest Markets		Fastest Growing (3-yr. CAGR)	
U.S.	<b>\$35B</b>	Argentina	<b>37.0%</b>
China	<b>\$34B</b>	Indonesia	<b>14.3%</b>
Korea	<b>\$17B</b>	Ecuador	<b>8.9%</b>
Germany	<b>\$17B</b>	Philippines	<b>7.7%</b>
Japan	<b>\$15B</b>	China	<b>7.7%</b>

**PARTICULARLY STRONG GROWTH POTENTIAL IN ASIA PACIFIC**

# STRONG FINANCIAL PERFORMANCE





OPTAVIA®

## A Resilient Business Model

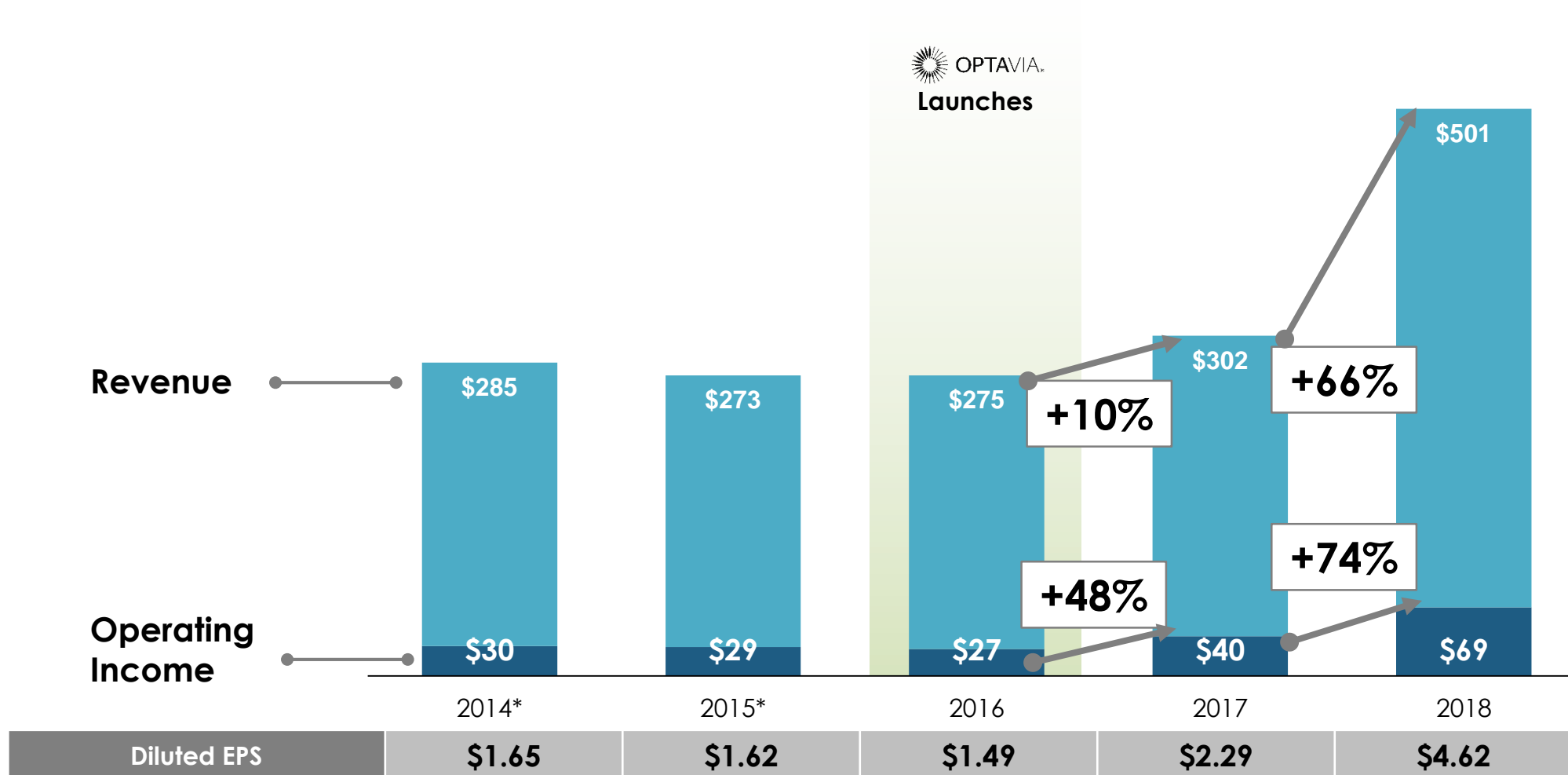
- Efficient **direct-to-consumer** business
- Consistent patterns create **strong forward visibility**
- High percentage of clients on continuity shipments (**≈ 85% of orders**)
- **High lifetime value**
- **Variable cost model**

# Attractive Financial Model

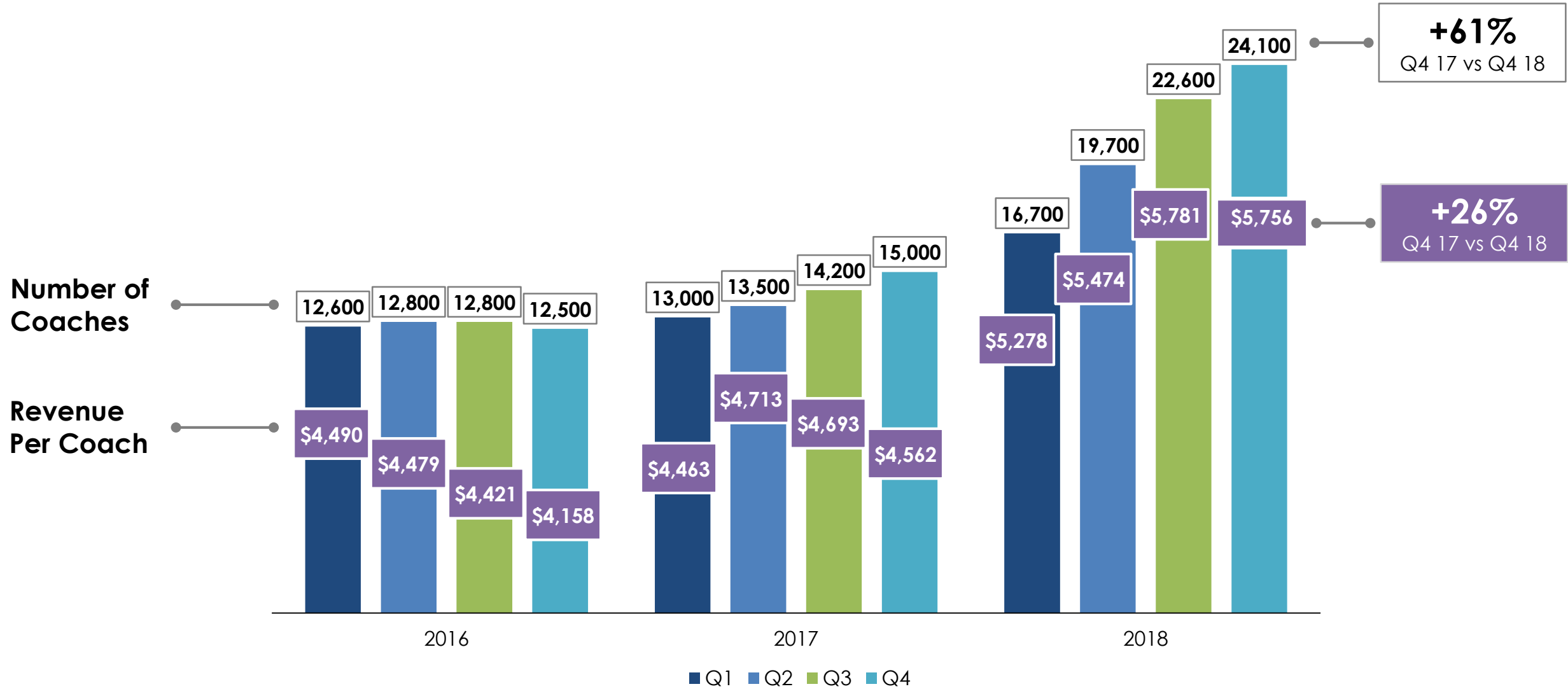
	FISCAL 2014 <sup>1</sup>	FISCAL 2015 <sup>1</sup>	FISCAL 2016	FISCAL 2017	FISCAL 2018	LONG-TERM TARGET
<b>YTY % Growth</b>						
Revenue	(12%)	(4%)	1%	10%	66%	25%
<b>% of Revenue</b>						
Gross Profit	73.3%	73.8%	74.9%	75.5%	75.8%	76.0%
Commissions	30.0%	30.6%	33.7%	35.6%	39.6%	43.0%
Other SG&A	32.7%	32.7%	31.4%	26.8%	22.4%	18.0%
Operating Expenses	62.7%	63.3%	65.1%	62.4%	62.0%	61.0%
Operating Income	10.6%	10.5%	9.8%	13.1%	13.8%	15.0%

# OPTAVIA Driving Transformational Growth

(\$ Millions, Except Per Share Data)



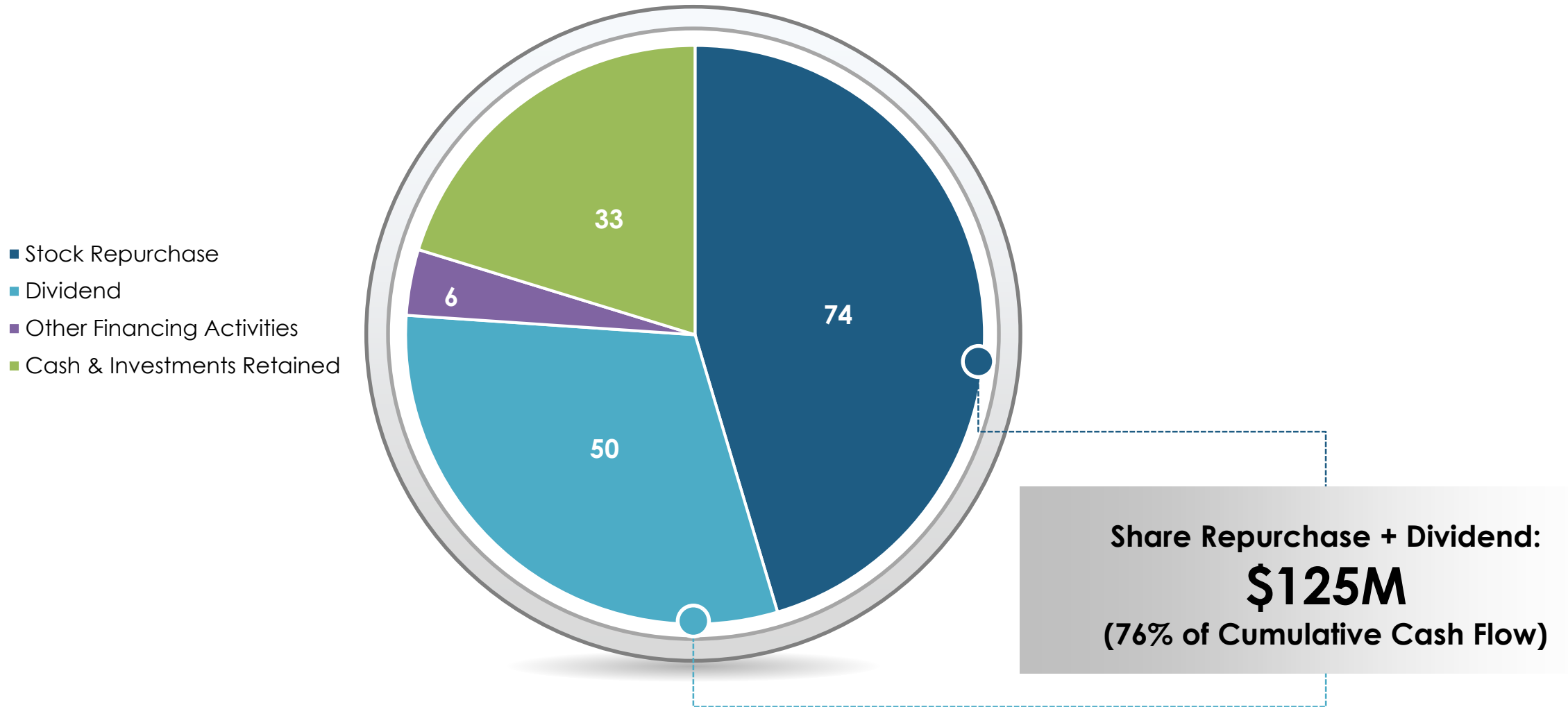
# Active Earning Coaches



# Capital Allocation Strategy

(\$ Millions)

2014 – 2018



- Stock Repurchase
- Dividend
- Other Financing Activities
- Cash & Investments Retained

# Strong Balance Sheet Facilitating Growth

**CASH & INVESTMENTS**

**\$101M**

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**DEBT-FREE**

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**QUARTERLY DIVIDEND**

**\$0.75**

- Financial capacity to handle any CAPEX requirements
- Strong cash flow
- Active share repurchase program
- Raised quarterly dividend every year since initiation in 2015 (\$0.25 in Dec 15 to \$0.75 in Dec 18)



# Outlook

## REVENUE

**Q1**     **\$150.0M to \$155.0M**

**FY**     **\$700.0M to \$720.0M**

## DILUTED EPS

**\$1.50 to \$1.55**

**\$6.45 to \$6.65**

# SUMMARY



# Investment Thesis Summary



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



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



**Scalable coach-based distribution model**



**Ideally positioned for growth acceleration in U.S. and internationally**



**Attractive, highly predictable business model**



**Significant cash flow, and strong balance sheet**



**Attractive capital allocation strategy**



**Demonstrated record of success**

