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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-31573

**Medifast, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

**13-3714405**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**100 International Drive  
Baltimore, Maryland 21202  
Telephone Number: (410) 581-8042**

(Address of Principal Executive Offices, Zip Code and Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	MED	New York Stock Exchange

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares of the registrant's common stock outstanding at October 28, 2024 was 10,937,830.

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**Medifast, Inc. and Subsidiaries**

**Index**

**Part I – Financial Information**

**Item 1 – Financial Statements**

<a href="#">Condensed Consolidated Statements of Operations (unaudited) for the Three and Nine Months Ended September 30, 2024 and 2023</a>	2
<a href="#">Condensed Consolidated Statements of Comprehensive Income (unaudited) for the Three and Nine Months Ended September 30, 2024 and 2023</a>	3
<a href="#">Condensed Consolidated Balance Sheets (unaudited) as of September 30, 2024 and December 31, 2023</a>	4
<a href="#">Condensed Consolidated Statements of Cash Flows (unaudited) for the Nine Months Ended September 30, 2024 and 2023</a>	5
<a href="#">Condensed Consolidated Statements of Changes in Stockholders' Equity (unaudited) for the Three and Nine Months Ended September 30, 2024 and 2023</a>	6
<a href="#">Notes to Condensed Consolidated Financial Statements (unaudited)</a>	8

<a href="#">Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	17
--	----

<a href="#">Item 3 – Quantitative and Qualitative Disclosures about Market Risk</a>	28
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<a href="#">Item 4 – Controls and Procedures</a>	29
--	----

**Part II – Other Information**

<a href="#">Item 1 – Legal Proceedings</a>	30
--	----

<a href="#">Item 1A – Risk Factors</a>	30
--	----

<a href="#">Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds</a>	30
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<a href="#">Item 6 – Exhibits</a>	31
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**MEDIFAST, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
(U.S. dollars in thousands, except per share amounts & dividend data)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenue	\$ 140,163	\$ 235,869	\$ 483,460	\$ 881,039
Cost of sales	34,489	58,492	127,056	246,558
<b>Gross profit</b>	<b>105,674</b>	<b>177,377</b>	<b>356,404</b>	<b>634,481</b>
Selling, general, and administrative	103,568	151,868	354,235	516,755
<b>Income from operations</b>	<b>2,106</b>	<b>25,509</b>	<b>2,169</b>	<b>117,726</b>
Other (expense) income				
Interest income	1,333	1,033	3,851	1,314
Other (expense) income	(1,861)	7	(3,508)	(45)
	(528)	1,040	343	1,269
<b>Income before provision for income taxes</b>	<b>1,578</b>	<b>26,549</b>	<b>2,512</b>	<b>118,995</b>
Provision for income taxes	449	3,418	1,222	25,615
<b>Net income</b>	<b>\$ 1,129</b>	<b>\$ 23,131</b>	<b>\$ 1,290</b>	<b>\$ 93,380</b>
Earnings per share - basic	\$ 0.10	\$ 2.12	\$ 0.12	\$ 8.58
Earnings per share - diluted	\$ 0.10	\$ 2.12	\$ 0.12	\$ 8.55
<b>Weighted average shares outstanding</b>				
Basic	10,937	10,892	10,928	10,881
Diluted	10,971	10,933	10,959	10,925
Cash dividends declared per share	\$ —	\$ 1.65	\$ —	\$ 4.95

The accompanying notes are an integral part of these condensed consolidated financial statements.

**MEDIFAST, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**  
**(U.S. dollars in thousands)**

	<u>Three months ended September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net income	\$ 1,129	\$ 23,131	\$ 1,290	\$ 93,380
Other comprehensive income, net of tax:				
Foreign currency translation	4	27	47	125
Unrealized net gains (losses) on investment securities	319	(9)	54	(9)
	<u>323</u>	<u>18</u>	<u>101</u>	<u>116</u>
Comprehensive income	<u>\$ 1,452</u>	<u>\$ 23,149</u>	<u>\$ 1,391</u>	<u>\$ 93,496</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**MEDIFAST, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
(U.S. dollars in thousands, except par value)

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 115,307	\$ 94,440
Inventories, net	40,095	54,591
Investments	54,648	55,601
Income taxes, prepaid	8,229	8,727
Prepaid expenses and other current assets	6,696	10,670
<b>Total current assets</b>	<b>224,975</b>	<b>224,029</b>
Property, plant and equipment - net of accumulated depreciation	39,003	51,467
Right-of-use assets	12,290	15,645
Other assets	10,967	14,650
Deferred tax assets, net	4,002	4,117
<b>TOTAL ASSETS</b>	<b>\$ 291,237</b>	<b>\$ 309,908</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 66,270	\$ 86,415
Current lease obligations	6,106	5,885
<b>Total current liabilities</b>	<b>72,376</b>	<b>92,300</b>
Lease obligations, net of current lease obligations	11,519	16,127
<b>Total liabilities</b>	<b>83,895</b>	<b>108,427</b>
<b>Stockholders' Equity</b>		
Common stock, par value \$0.001 per share: 20,000 shares authorized; 10,937 and 10,896 issued and outstanding at September 30, 2024 and December 31, 2023, respectively	11	11
Additional paid-in capital	31,005	26,573
Accumulated other comprehensive income	349	248
Retained earnings	175,977	174,649
<b>Total stockholders' equity</b>	<b>207,342</b>	<b>201,481</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 291,237</b>	<b>\$ 309,908</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**MEDIFAST, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(U.S. dollar in thousands)

	Nine months ended September 30,	
	2024	2023
<b>Operating Activities</b>		
Net income	\$ 1,290	\$ 93,380
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	9,522	9,754
Non-cash lease expense	3,352	3,532
Share-based compensation	5,231	5,795
Loss on sale or disposal of property, plant and equipment	51	622
Realized gain on sale of investment securities	(82)	—
Amortization of discount on investment securities	(610)	—
Deferred income taxes	115	(5,497)
Unrealized loss on equity investment securities	3,734	—
Non-cash charges for supply chain optimization	11,689	—
Change in operating assets and liabilities:		
Inventories	14,496	60,629
Prepaid expenses and other current assets	3,974	7,948
Other assets	(62)	(4,674)
Accounts payable and accrued expenses	(23,775)	(35,343)
Income taxes payable	498	989
<b>Net cash flow provided by operating activities</b>	<b>29,423</b>	<b>137,135</b>
<b>Investing Activities</b>		
Purchase of investment securities	(24,351)	(44,779)
Proceeds from sale and maturities of investment securities	22,431	—
Purchase of property and equipment	(5,169)	(5,537)
<b>Net cash flow used in investing activities</b>	<b>(7,089)</b>	<b>(50,316)</b>
<b>Financing Activities</b>		
Options exercised by directors	36	105
Net shares repurchased for employee taxes	(835)	(3,348)
Cash dividends paid to stockholders	(715)	(55,039)
Stock repurchases	—	(3,602)
<b>Net cash flow used in financing activities</b>	<b>(1,514)</b>	<b>(61,884)</b>
Foreign currency impact	47	125
<b>Increase in cash and cash equivalents</b>	<b>20,867</b>	<b>25,060</b>
Cash and cash equivalents - beginning of the period	94,440	87,691
Cash and cash equivalents - end of period	<b>\$ 115,307</b>	<b>\$ 112,751</b>
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 449	\$ 30,169
Dividends included in accounts payable and accrued expenses	\$ 655	\$ 19,184

The accompanying notes are an integral part of these condensed consolidated financial statements.

**MEDIFAST, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)**  
**(U.S. dollars in thousands)**

Nine months ended September 30, 2024							
	Number of Shares Issued	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total
Balance, December 31, 2023	10,896	\$ 11	\$ 26,573	\$ 248	\$ 174,649	\$ —	\$ 201,481
Net income	—	—	—	—	8,316	—	8,316
Share-based compensation	59	—	2,171	—	—	—	2,171
Options exercised by directors	1	—	36	—	—	—	36
Net shares repurchased for employee taxes	(19)	—	(817)	—	—	—	(817)
Other comprehensive loss	—	—	—	(226)	—	—	(226)
Balance, March 31, 2024	10,937	\$ 11	\$ 27,963	\$ 22	\$ 182,965	\$ —	\$ 210,961
Net loss	—	—	—	—	(8,154)	—	(8,154)
Share-based compensation	—	—	2,454	—	—	—	2,454
Net shares repurchased for employee taxes	—	—	(16)	—	—	—	(16)
Other comprehensive income	—	—	—	4	—	—	4
Forfeiture of dividends on unvested awards	—	—	—	—	34	—	34
Balance, June 30, 2024	10,937	\$ 11	\$ 30,401	\$ 26	\$ 174,845	\$ —	\$ 205,283
Net income	—	—	—	—	1,129	—	1,129
Share-based compensation	—	—	606	—	—	—	606
Net shares repurchased for employee taxes	—	—	(2)	—	—	—	(2)
Other comprehensive income	—	—	—	323	—	—	323
Forfeiture of dividends on unvested awards	—	—	—	—	3	—	3
Balance, September 30, 2024	10,937	\$ 11	\$ 31,005	\$ 349	\$ 175,977	\$ —	\$ 207,342

The accompanying notes are an integral part of these condensed consolidated financial statements.

Nine months ended September 30, 2023

	Number of Shares Issued	Common Stock	Additional Paid- In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total
Balance, December 31, 2022	10,928	\$ 11	\$ 21,555	\$ 24	\$ 139,852	\$ (6,398)	\$ 155,044
Net income	—	—	—	—	39,968	—	39,968
Share-based compensation	69	—	606	—	—	—	606
Options exercised by directors	4	—	105	—	—	—	105
Net shares repurchased for employee taxes	(30)	—	(3,236)	—	—	—	(3,236)
Treasury stock from stock repurchases	—	—	—	—	—	(3,602)	(3,602)
Treasury stock retired from stock repurchases	(84)	—	—	—	(10,000)	10,000	—
Other comprehensive income	—	—	—	9	—	—	9
Cash dividends declared to stockholders	—	—	—	—	(17,994)	—	(17,994)
Balance, March 31, 2023	10,887	\$ 11	\$ 19,030	\$ 33	\$ 151,826	\$ —	\$ 170,900
Net income	—	—	—	—	30,280	—	30,280
Share-based compensation	2	—	2,514	—	—	—	2,514
Net shares repurchased for employee taxes	—	—	(2)	—	—	—	(2)
Other comprehensive income	—	—	—	90	—	—	90
Cash dividends declared to stockholders	—	—	—	—	(18,221)	—	(18,221)
Balance, June 30, 2023	10,889	\$ 11	\$ 21,542	\$ 123	\$ 163,885	\$ —	\$ 185,561
Net income	—	—	—	—	23,131	—	23,131
Share-based compensation	4	—	2,675	—	—	—	2,675
Net shares repurchased for employee taxes	(1)	—	(110)	—	—	—	(110)
Other comprehensive income	—	—	—	18	—	—	18
Cash dividends declared to stockholders	—	—	—	—	(18,240)	—	(18,240)
Balance, September 30, 2023	10,892	\$ 11	\$ 24,107	\$ 141	\$ 168,776	\$ —	\$ 193,035

The accompanying notes are an integral part of these condensed consolidated financial statements.



**MEDIFAST, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The accompanying unaudited condensed consolidated financial statements of Medifast, Inc. and its wholly-owned subsidiaries (“Medifast,” the “Company,” “we,” “us,” or “our”) included herein have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim reporting and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, certain information and notes that are normally required by GAAP have been condensed or omitted. However, in the opinion of management, all adjustments consisting of normal, recurring adjustments considered necessary for a fair presentation of the financial position and results of operations have been included and management believes the disclosures that are made are adequate to make the information presented not misleading. The condensed consolidated balance sheet at December 31, 2023 has been derived from the 2023 audited consolidated financial statements at that date included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (“2023 Form 10-K”).

The results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of results that may be expected for the fiscal year ending December 31, 2024. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto, which are included in the 2023 Form 10-K.

**Presentation of Financial Statements** - The unaudited condensed consolidated financial statements included herein include the accounts of the Company. All significant intercompany accounts and transactions have been eliminated.

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

The Company is, from time to time, subject to a variety of litigation and similar proceedings that arise out of the ordinary course of its business. Based upon the Company’s experience, current information and applicable law, it does not believe that these proceedings and claims will have a material adverse effect on its results of operations, financial position or liquidity. However, the results of legal actions cannot be predicted with certainty. Therefore, it is possible that the Company’s results of operations, financial condition or cash flows could be materially adversely affected in any particular period by the unfavorable resolution of one or more legal actions.

**Advertising Expense** - Advertising expense includes the cost of promotional materials and activities, primarily digital marketing. The cost of the Company’s advertising efforts is expensed as incurred. The Company incurred approximately \$6.7 and \$16.4 million in advertising expenses for the three months and nine months ended September 30, 2024, respectively, and approximately \$1.5 million and \$3.0 million for the three and nine months ended September 30, 2023, respectively. These expenses are recorded as a component of Selling, general, and administrative expenses in the Condensed Consolidated Statement of Operations.

**Accounting Pronouncements - Adopted in 2024**

In June 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2022-03—Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (“ASU 2023-03”) to (1) to clarify the guidance in Topic 820, Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, (2) to amend a related illustrative example, and (3) to introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. For public business entities, the amendments in ASU 2022-03 are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company adopted the

standard during the quarter ended March 31, 2024. The adoption of the standard had no material impact on the Company's consolidated financial statements.

The Company has not adopted any new accounting standards during the three months ended September 30, 2024.

### Recently Issued Accounting Pronouncements - Pending Adoption

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2023-09—Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”) to enhance the transparency and decision usefulness of income tax disclosures, including jurisdictional information, by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disclosures. ASU 2023-09 is effective for public business entities for annual periods beginning after December 15, 2024. Prospective application is required, though retrospective application is permitted. Entities are permitted to early adopt the standard. The Company did not early adopt for the 2024 reporting period. The Company is currently evaluating the impact of adopting ASU 2023-09 on its consolidated financial statements.

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2023-07—Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”) to improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. ASU 2023-07 is effective for public business entities for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company did not early adopt the standard. The Company is currently evaluating the impact of adopting ASU 2023-07 on its consolidated financial statements.

## 2. INVENTORIES, NET

Inventories consist principally of raw materials, packaging, non-food finished goods and packaged meal replacements, protein powder, and supplements held in the Company's warehouses and outsourced distribution centers. Inventories are stated at the lower of cost or net realizable value, utilizing the first-in, first-out method. The cost of finished goods includes the cost of raw materials, packaging supplies, direct and indirect labor and other indirect manufacturing costs. On a quarterly basis, management reviews inventories for unsalable or obsolete inventories.

Inventories consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Raw materials	\$ 6,117	\$ 7,944
Packaging	1,814	1,962
Non-food finished goods	2,205	3,703
Finished goods	31,333	43,248
Allowance for obsolete inventory	(1,374)	(2,266)
Total	\$ 40,095	\$ 54,591

## 3. EARNINGS PER SHARE

Basic earnings per share (“EPS”) computations are calculated utilizing the weighted average number of shares of the Company's common stock outstanding during the periods presented. Diluted EPS is calculated utilizing the weighted average number of shares of the Company's common stock outstanding adjusted for the effect of dilutive common stock equivalents.

[Table of Contents](#)

The following table sets forth the computation of basic and diluted EPS (in thousands, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Numerator:</b>				
Net income	\$ 1,129	\$ 23,131	\$ 1,290	\$ 93,380
<b>Denominator:</b>				
Weighted average shares of common stock outstanding	10,937	10,892	10,928	10,881
Effect of dilutive common stock equivalents	34	41	31	44
Weighted average shares of common stock outstanding	10,971	10,933	10,959	10,925
Earnings per share - basic	\$ 0.10	\$ 2.12	\$ 0.12	\$ 8.58
Earnings per share - diluted	\$ 0.10	\$ 2.12	\$ 0.12	\$ 8.55

The calculation of diluted EPS excluded 395 thousand and 13 thousand antidilutive restricted stock awards for the three months ended September 30, 2024 and 2023, respectively, and 331 thousand and 15 thousand antidilutive restricted stock awards for the nine months ended September 30, 2024 and 2023, respectively. EPS is computed independently for each of the periods presented above, and accordingly, the sum of the quarterly earnings per share may not equal the year-to-date total computed.

#### 4. SHARE-BASED COMPENSATION

##### Stock Options

The Company has issued non-qualified and incentive stock options to employees and non-employee directors. The fair values of these options were estimated on the grant dates using the Black-Scholes option pricing model, which required estimates of the expected term of the option, the risk-free interest rate, the expected volatility of the price of the Company's common stock, and dividend yield. Options outstanding as of September 30, 2024 generally vested over a period of 3 years and expire 10 years from the date of grant. The exercise price of these options is \$66.68. Due to the Company's lack of option exercise history on the date of grant, the expected term was calculated using the simplified method defined as the midpoint between the vesting period and the contractual term of each option. The risk-free interest rate was based on the U.S. Treasury yield curve in effect on the date of grant that most closely corresponded to the expected term of the option. The expected volatility was based on the historical volatility of the Company's common stock over the period of time equivalent to the expected term for each award. The dividend yield was computed as the annualized dividend rate at the grant date divided by the strike price of the stock option. For the nine months ended September 30, 2024 and 2023, the Company did not grant stock options.

The following table is a summary of our stock option activity (in thousands, except per share data):

	Nine months ended September 30,			
	2024		2023	
	Awards	Weighted-Average Exercise Price	Awards	Weighted-Average Exercise Price
Outstanding at beginning of period	25	\$ 62.20	33	\$ 54.98
Exercised	(1)	27.68	(4)	27.18
Forfeited	(2)	26.52	—	—
Outstanding at end of the period	22	\$ 66.68	29	\$ 58.65
Exercisable at end of the period	22	\$ 66.68	29	\$ 58.65

[Table of Contents](#)

As of September 30, 2024, the weighted-average remaining contractual life for both the outstanding stock options and exercisable stock options was 3.4 years with an aggregate intrinsic value of \$0. There was no unrecognized compensation on the awards for the period ended September 30, 2024. For the nine months ended September 30, 2024 and 2023, the Company received \$36 thousand and \$105 thousand in cash proceeds from the exercise of stock options, respectively. The total intrinsic value for stock options exercised during the nine months ended September 30, 2024 and 2023 was \$15 thousand and \$328 thousand, respectively.

### Restricted Stock

The Company has issued restricted stock to employees and non-employee directors generally with vesting terms up to 3 years after the date of grant. The fair value of the restricted stock is equal to the market price of the Company's common stock on the date of grant. Expense for restricted stock is amortized ratably over the vesting period.

The following table summarizes our restricted stock activity (in thousands, except per share data):

	Nine months ended September 30,			
	2024		2023	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Outstanding at beginning of period	114	\$ 127.87	60	\$ 188.11
Granted	210	32.23	86	97.96
Vested	(35)	138.46	(25)	169.46
Forfeited	(7)	50.98	(5)	142.11
Outstanding at end of the period	282	\$ 57.24	116	\$ 127.57

The Company withheld approximately 11 thousand shares and 10 thousand shares of the Company's common stock to cover minimum tax liability withholding obligations upon the vesting of shares of restricted stock for the nine months ended September 30, 2024 and 2023, respectively. The total fair value of restricted stock awards vested during the nine months ended September 30, 2024 and 2023 was \$1.3 million and \$2.6 million, respectively.

### Market and Performance-based Share Awards

The Company has issued market and performance-based share awards in 2022 and 2023 and performance-based share awards in 2020, 2021, and 2024 to certain key executives who were granted deferred shares and may earn between 0% and 250% of the target number depending upon both the Company's total stockholder return ("TSR"), for those with market conditions, and the Company's performance against predetermined performance goals over a three-year performance period after the date of grant. Market and performance-based share awards that are tied to the Company's TSR are valued using the Monte Carlo method and are recognized ratably as expense over the award's performance period. The fair value of the performance-based share awards is equal to the market price of the Company's common stock on the date of grant adjusted by expected level of achievement over the performance period. Expense for performance-based share awards is amortized ratably over the performance period. In the event that management determines that the Company will not reach the previously estimated achievement of the predetermined performance goals established in the grant agreement, any previously recognized expense is reversed in the period in which such a determination is made. Management determined that the market and performance-based share awards granted in March of 2022 and performance-based share awards granted in October of 2021 would not reach the previously estimated achievement of the predetermined performance goals resulting in a reversal of previously recorded share-based compensation expense of \$1.4 million and \$0.1 million, respectively, for the nine months ended September 30, 2023. Management also determined that the market and performance-based share awards granted in March of 2023 would not reach the previously estimated achievement of the predetermined performance goals resulting in a reversal of previously recorded share-based compensation expense of \$1.4 million for the three and nine months ended September 30, 2024.

The Company withheld 8 thousand shares and 22 thousand shares of the Company's common stock to cover minimum tax liability withholding obligations upon the vesting of shares of performance-based share awards for the nine months ended September 30, 2024 and 2023, respectively. The total fair value of performance-based share awards issued during the nine months ended September 30, 2024 and 2023 was \$1.3 million and \$5.7 million, respectively.

[Table of Contents](#)

Share-based compensation expense for all types of awards granted is recorded in selling, general, and administrative expense in the accompanying Condensed Consolidated Statements of Operations. The total expense during the three months ended September 30, 2024 and 2023 was as follows (in thousands):

	Three months ended September 30,			
	2024		2023	
	Shares	Share-Based Compensation Expense (Reversal)	Shares	Share-Based Compensation Expense
Options and restricted stock	304	\$ 1,626	145	\$ 1,558
Performance-based share awards granted in 2024	117	375	—	—
Market and performance-based share awards granted in 2023	47	(1,395)	47	487
Market and performance-based share awards granted in 2022	24	—	24	—
Performance-based share awards granted in 2021	1	—	14	620
Performance-based share awards granted in 2020	—	—	28	10
<b>Total share-based compensation</b>	<b>493</b>	<b>\$ 606</b>	<b>258</b>	<b>\$ 2,675</b>

The total expense during the nine months ended September 30, 2024 and 2023 was as follows (in thousands):

	Nine months ended September 30,			
	2024		2023	
	Shares	Share-Based Compensation Expense (Reversal)	Shares	Share-Based Compensation Expense
Options and restricted stock	304	\$ 4,943	145	\$ 4,426
Performance-based share awards granted in 2024	117	823	—	—
Market and performance-based share awards granted in 2023	47	(431)	47	1,048
Market and performance-based share awards granted in 2022	24	—	24	(1,388)
Performance-based share awards granted in 2021	1	(104)	14	1,600
Performance-based share awards granted in 2020	—	—	28	109
<b>Total share-based compensation</b>	<b>493</b>	<b>\$ 5,231</b>	<b>258</b>	<b>\$ 5,795</b>

The total income tax benefit recognized in the accompanying Condensed Consolidated Statements of Operations for stock awards was \$0.2 million and \$0.3 million for the three months ended September 30, 2024 and 2023, respectively, and the income tax expense of \$0.2 million and income tax benefit of \$0.4 million for the nine months ended September 30, 2024 and 2023, respectively.

There was \$8.9 million of total unrecognized compensation expense related to restricted stock awards as of September 30, 2024, which is expected to be recognized over a weighted-average period of 1.82 years. There was \$4.2 million of unrecognized compensation expense related to the 71 thousand market and performance-based shares and 118 thousand performance-based shares presented in the table above as of September 30, 2024, which is expected to be recognized over a weighted-average period of 1.72 years.

## 5. LEASES

### Operating Leases

The Company has operating leases for office and warehouse space and certain equipment. In certain of the Company's lease agreements, the rental payments are adjusted periodically based on defined terms within the lease. The Company did not have any finance leases for the nine months ended September 30, 2024 and 2023.

[Table of Contents](#)

Our leases relating to office and warehouse space have lease terms of 65 months to 102 months. Our leases relating to equipment have lease terms of 36 months, with certain of them having automatic renewal clauses.

The Company's warehouse agreements also contain non-lease components, in the form of payments towards variable logistics services and labor charges, which the Company is obligated to pay based on the services consumed by it. Such amounts are not included in the measurement of the lease liability but are recognized as expenses when they are incurred.

The operating lease expense was \$1.2 million and \$1.1 million for the three months ended September 30, 2024 and 2023, respectively, and \$3.7 million and \$3.9 million for the nine months ended September 30, 2024 and 2023, respectively.

Supplemental cash flow information related to the Company's operating leases was as follows (in thousands):

	<b>Nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
Cash paid for amounts included in the measurements of lease liabilities		
Operating cash flow used in operating leases	\$ 4,719	\$ 4,838
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$ —	\$ 753

As of September 30, 2024, the weighted average remaining lease term was 3 years, 4 months and the weighted average discount rate was 2.30%.

The following table presents the maturity of the Company's operating lease liabilities as of September 30, 2024 (in thousands):

2024 (excluding the nine months ended September 30, 2024)	\$	1,593
2025		6,462
2026		4,783
2027		2,553
2028		2,618
Thereafter		240
Total lease payments	\$	18,249
Less: Imputed interest		(624)
Total	\$	17,625

## 6. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table sets forth the components of accumulated other comprehensive income, net of tax where applicable (in thousands):

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Foreign currency translation	\$ (1)	\$ (48)
Unrealized net gains on investment securities	350	296
Accumulated other comprehensive income	\$ 349	\$ 248

## 7. INVESTMENTS

Certain financial assets and liabilities are accounted for at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes the inputs used to measure fair value:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value from the perspective of a market participant.

The following tables present the Company’s cash and financial assets that are measured at fair value on a recurring basis for each of the hierarchy levels (in thousands):

	September 30, 2024					
	Cost	Unrealized Gains (Losses)	Accrued Interest	Estimated Fair Value	Cash & Cash Equivalents	Investment Securities
Cash and cash equivalents, excluding money market accounts	\$ 110,296	\$ —	\$ —	\$ 110,296	\$ 110,296	\$ —
Level 1:						
Money market accounts	5,011	—	—	5,011	5,011	—
Government & agency securities	16,600	118	114	16,832	—	16,832
Equity securities	10,000	(3,584)	—	6,416	—	6,416
	<u>31,611</u>	<u>(3,466)</u>	<u>114</u>	<u>28,259</u>	<u>5,011</u>	<u>23,248</u>
Level 2:						
Corporate bonds	<u>30,742</u>	<u>344</u>	<u>314</u>	<u>31,400</u>	<u>—</u>	<u>31,400</u>
Total	<u>\$ 172,649</u>	<u>\$ (3,122)</u>	<u>\$ 428</u>	<u>\$ 169,955</u>	<u>\$ 115,307</u>	<u>\$ 54,648</u>

[Table of Contents](#)

	December 31, 2023					
	Cost	Unrealized Gains	Accrued Interest	Estimated Fair Value	Cash & Cash Equivalents	Investment Securities
Cash and cash equivalents, excluding money market accounts	\$ 88,778	\$ —	\$ —	\$ 88,778	\$ 88,778	\$ —
Level 1:						
Money market accounts	5,662	—	—	5,662	5,662	—
Government & agency securities	15,282	126	40	15,448	—	15,448
Equity securities	10,000	150	—	10,150	—	10,150
	<u>30,944</u>	<u>276</u>	<u>40</u>	<u>31,260</u>	<u>5,662</u>	<u>25,598</u>
Level 2:						
Corporate bonds	29,440	293	270	30,003	—	30,003
Total	<u>\$ 149,162</u>	<u>\$ 569</u>	<u>\$ 310</u>	<u>\$ 150,041</u>	<u>\$ 94,440</u>	<u>\$ 55,601</u>

The Company had \$8 thousand and \$0 realized gains for the three months ended September 30, 2024 and 2023. The Company had \$82 thousand and \$0 realized gains for the nine months ended September 30, 2024 and 2023.

During the fourth quarter of 2023, the Company entered into an agreement with LifeMD, Inc (Nasdaq: LFMD), a leading provider of virtual primary care, to purchase shares of common stock of LifeMD for \$10 million. The 180-day lock-up period expired on June 8, 2024, and the registration process was completed, effective July 18, 2024. The fair value of the investment is recorded within the investment securities of the Condensed Consolidated Balance Sheets. The losses related to the Company's LifeMD investment for the three and nine months ended September 30, 2024 and 2023 are summarized in the table below (in thousands):

	Three months ended September 30,	
	2024	2023
Net losses recognized during the period on equity securities	\$ (1,984)	\$ —
Less: Net losses recognized on equity securities sold	—	—
Unrealized losses recognized during the reporting period on equity securities still held at the reporting date	<u>\$ (1,984)</u>	<u>\$ —</u>
	Nine months ended September 30,	
	2024	2023
Net losses recognized during the period on equity securities	\$ (3,734)	\$ —
Less: Net losses recognized on equity securities sold	—	—
Unrealized losses recognized during the reporting period on equity securities still held at the reporting date	<u>\$ (3,734)</u>	<u>\$ —</u>

In December 2023, the Company concurrently entered into an agreement in which LifeMD would provide services to stand-up the collaboration between LifeMD and the Company. The agreement stipulated an initial milestone payment of \$5 million due upon execution of the agreement for these services. The services under the initial milestone were completed prior to December 31, 2023, and this amount was included in the Company's selling, general, and administrative expenses on the consolidated statement of income on the Company's Form 10-K for the year ended December 31, 2023. The Company made a second milestone payment under the agreement of \$2.5 million on March 18, 2024. Of the total \$2.5 million second milestone



payment, \$1.3 million was recognized within selling, general, and administrative expenses for services performed by LifeMD for the quarter ended March 31, 2024, with the remaining \$1.2 million recognized in the quarter ended June 30, 2024. The final milestone payment of \$2.5 million was made on June 5, 2024. Of the total \$2.5 million final milestone payment, \$0.8 million was recognized within selling, general, and administrative expenses for services performed by LifeMD for the quarter ended June 30, 2024, with the remaining \$1.7 million recognized in the quarter ended September 30, 2024.

## **8. DEBT**

### *Credit Agreement*

On April 13, 2021, the Company and certain of its subsidiaries (collectively, the “Guarantors”) entered into a credit agreement (the “Credit Agreement”) among the Company, the Guarantors, the lenders party thereto and Citibank, N.A., in its capacity as administrative agent. On May 31, 2022, the Credit Agreement was amended to increase the borrowing capacity and convert the interest rate to be based on Secured Overnight Financing Rate (SOFR), from London Inter-Bank Offered Rate (LIBOR) (the “Amended Credit Agreement”). The Amended Credit Agreement provides for a \$225.0 million senior secured revolving credit facility with a \$20.0 million letter of credit sublimit. The Amended Credit Agreement also provides for an uncommitted incremental facility that permits the Company, subject to certain conditions, to increase the senior secured revolving credit facility by up to \$100.0 million. The Amended Credit Agreement matures on April 13, 2026.

The Company’s obligations under the Amended Credit Agreement are guaranteed by the Guarantors. The obligations of the Company and the Guarantors are secured by first-priority liens on substantially all of the assets of the Company and the Guarantors, subject to certain exceptions.

Under the Amended Credit Agreement, the Company will pay to the administrative agent for the account of each revolving lender a commitment fee on a quarterly basis based on amounts committed but unused under the revolving facility from 0.20% to 0.40% per annum depending on the Company’s Total Net Leverage Ratio (as defined in the Amended Credit Agreement). The Company is also obligated to pay the administrative agent customary fees for credit facilities of this size and type.

Revolving borrowings under the Amended Credit Agreement bear interest at a rate per annum equal to (i) the Term SOFR Rate for the interest period plus the Applicable Rate (as defined in the Amended Credit Agreement) based on the Company’s Total Net Leverage Ratio or (ii) the Alternate Base Rate (as defined in the Amended Credit Agreement) as in effect from time to time plus the Applicable Rate based on the Company’s Total Net Leverage Ratio. As of September 30, 2024, the Applicable Rate for Term SOFR Loans is 1.25% per annum and the Applicable Rate for ABR Loans is 0.25% per annum. SOFR based loans also include a Credit Spread Adjustment based on the duration of the borrowing.

The Amended Credit Agreement contains affirmative and negative covenants customarily applicable to senior secured credit facilities, including covenants that, among other things, limit or restrict the ability of the Company and its subsidiaries, subject to negotiated exceptions, to incur additional indebtedness and additional liens on their assets, engage in mergers or acquisitions or dispose of assets, pay dividends or make other distributions, voluntarily prepay other indebtedness, enter into transactions with affiliated persons, make investments and change the nature of their businesses. The Amended Credit Agreement also contains customary events of default, subject to thresholds and grace periods, including, among others, payment default, covenant default, cross default to other material indebtedness and judgment default. In addition, the Amended Credit Agreement requires the Company to maintain a Total Net Leverage Ratio of no more than 2.75 to 1.00 and an Interest Coverage Ratio of at least 3.50 to 1.00.

The Company had no borrowings outstanding under the Amended Credit Agreement, inclusive of the credit facility and letter of credit sublimit, as of September 30, 2024 and was in compliance with all covenants.

See Note 10, “Subsequent Events” for disclosure related to the cancellation of the Credit Agreement and Amended Credit Agreement occurring subsequent to September 30, 2024.

## **9. SUPPLY CHAIN OPTIMIZATION**

The Company had no supply chain optimization charges for the three months ended September 30, 2024. During the nine months ended September 30, 2024, the Company completed a supply chain optimization initiative with the goal of aligning the Company’s distribution footprint with current demand levels. On June 28, 2024, the Company closed its Maryland Distribution Center located in Ridgely, Maryland. The Company is currently assessing options for the disposition of the land and building, but the associated asset group that includes the land and building is not impaired. The assets within the facility were sold during three months ended September 30, 2024, with the impact reflected below as the loss of impairment of equipment held for sale.

[Table of Contents](#)

The Company identified certain other supply chain assets at other locations within its distribution network that will no longer be utilized and are no longer useful to the Company's operations, and adjusted their respective useful lives accordingly, with the impact reflected below in the accelerated depreciation charges.

For the nine months ended September 30, 2024, the components of the Company's supply chain optimization charges were as follows:

	<b>Nine Months Ended September 30, 2024</b>
Loss on impairment of equipment held for sale	\$ 2,499
Accelerated depreciation charges	9,190
Non-cash charges for supply chain optimization	11,689
One-time severance costs	813
Total supply chain optimization	<b>\$ 12,502</b>

For the nine months ended September 30, 2024, the supply chain optimization charges were recorded in the Company's Condensed Consolidated Statements of Operations as follows:

	<b>Nine Months Ended September 30, 2024</b>
Selling, general, and administrative	\$ 12,502
Total supply chain optimization	<b>\$ 12,502</b>

## 10. SUBSEQUENT EVENTS

On October 30, 2024, the Company terminated its Amended Credit Agreement with Citibank, N.A. The Company had no borrowings under the Amended Credit Agreement, inclusive of the credit facility and letter of credit sublimit, between September 30, 2024, and the termination date. Unamortized debt issuance costs totaling \$419 thousand will be expensed in the fourth quarter of 2024. The credit agreement termination was done in accordance with its terms. As of the date of termination, the Company did not have any borrowings under the credit agreement, and the Company was in compliance with all covenants. In addition, the Company did not incur any premium or early penalties in connection with the termination.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Note Regarding Forward-Looking Statements

Certain information in this report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Act"). Forward-looking statements generally can be identified by use of phrases or terminology such as "intend," "anticipate," "expect," 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. These statements are based on the current expectations of our management of Medifast and are subject to certain events, risks, uncertainties, and other factors. These risks and uncertainties include, but are not limited to, those described in our 2023 Form 10-K and those described from time to time in our future reports filed with the SEC. 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 report. All of the forward-looking statements contained herein speak only as of the date of this report. We undertake no obligation to update any information contained in this report or to publicly release the results of any revisions to forward-looking statements to reflect events or circumstances of which we may become aware after the date of this report.

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes appearing elsewhere herein.

## Overview

Medifast is the health and wellness company known for its habit-based and coach-guided lifestyle solution **OPTAVIA®**. As a physician-founded company with more than 40 years of history, **OPTAVIA's** lifestyle plans deliver clinically proven health benefits, utilizing scientifically developed products and a framework for habit creation reinforced by independent coaches and community support. The development and widespread consumer adoption of GLP-1 medications has fundamentally shifted the way many individuals think about weight management and health. In response to these developments the Company initiated its business transformation to build a set of differentiated capabilities, reflecting its commitment to providing comprehensive health and wellness solutions to customers as both their needs and the industry evolve, that are expected to position Medifast to be a force in the dynamic and changing health and wellness space. As part of this transformation, the Company entered into a collaboration with LifeMD, Inc. (Nasdaq: LFMD) (“LifeMD”) in December of 2023, and launched a significant Company-led marketing effort in May of 2024. Medifast has created a well-capitalized business that has a powerful business model, building a network of approximately 30,000 independent active earning coaches providing consistent and effective support to customers on their weight loss journeys.

In a rapidly changing health and wellness landscape, Medifast is committed to innovating and building upon its scientific and clinical heritage to deliver on its mission of offering the world Lifelong Transformation, Making a Healthy Lifestyle Second Nature™. With the growing interest in medically supported weight loss and GLP-1 medications powering the emergence of an important new market for products and services to support individuals on their health and wellness journey, Medifast is transforming its business to capitalize on this opportunity. We are developing distinct **OPTAVIA** coach supported program offerings tailored to meet the unique needs of three specific customer segments:

- Individuals using GLP-1 medications as a core element of their weight-loss program;
- Individuals who are looking to maintain weight loss and improved health as they transition off GLP-1 medications; and
- Individuals who have never used weight-loss medications and want to solely use healthy habits.

Through the Company’s previously announced collaboration with LifeMD, **OPTAVIA** customers now have access to all-in-one holistic solutions, whether they are not utilizing medically supported weight loss, are currently using medical weight loss options, transitioning off medications, or looking for further support after stopping taking medications. This collaboration brings together **OPTAVIA's** personalized habit-based, coach-guided approach with medical expertise from board-certified affiliated LifeMD clinicians, allowing access to weight loss medications, including GLP-1 medications, when clinically appropriate. With this collaboration, the Company and LifeMD have developed an integrated offering with the goal of creating a comprehensive and seamless solution for customers who desire to use medications and **OPTAVIA's** lifestyle program, outlined in further detail below. In addition to lifestyle support and a simple roadmap for habit creation, the integrated offering includes scientifically developed nutritional support solutions including a GLP-1 Nutrition Support product kit designed to help mitigate certain GLP-1 medication side effects, such as muscle loss. Through LifeMD, customers also have access to a medical provider and blood work, as well as prescription and insurance support.

As the medications for weight loss continue to evolve and grow, Medifast is dedicated to maintaining a relentless focus on the development of additional support products and supplements designed to meet customer needs and to make living a healthy lifestyle second nature.

**OPTAVIA's** holistic lifestyle solution is built around four key components:

- **Independent OPTAVIA Coaches:** Independent **OPTAVIA** coaches provide individualized support and guidance to customers on the path to optimal health and wellbeing. The coaches have impacted more than 3 million lives to date.
- **OPTAVIA Community:** A Community of like-minded people provide real-time connection and support.
- **The Habits of Health® Transformational System:** A proprietary system that offers easy steps to a sustainable healthy lifestyle.
- **Products & Plans:** Lifestyle plans with clinically proven health benefits and scientifically developed products, backed by dietitians, scientists, and physicians.

**OPTAVIA's** collaboration with LifeMD offers access to an additional resource for eligible customers:

- **Clinicians as Partners:** Through the collaboration with LifeMD, **OPTAVIA** customers have access to LifeMD’s board-certified affiliated clinicians and medication, such as GLP-1 medications when clinically appropriate, that support treatment plans for obesity and other health conditions.

Across these offerings, customers are aided in achieving their health goals through a network of **OPTAVIA** coaches, about 90% of whom were customers first. **OPTAVIA** coaches introduce customers to a set of healthy habits, in most cases starting with the habit of healthy eating, and offer exclusive **OPTAVIA**-branded products, including Fuelings as well as **OPTAVIA ACTIVE®**, a line of essential amino acid supplements and protein powders. Fuelings are nutrient-dense, portion-controlled, nutritionally interchangeable, and simple to use. They are formulated with high-quality ingredients and contain BC30™ probiotic cultures, which help support digestive health as part of a balanced diet and healthy lifestyle, vitamins and minerals, as well as other nutrients essential for good health. Our products are used as tools and support the process of integrating healthy habits into our customers' daily lives.

The **OPTAVIA** coaching model is customer-centric and boasts an energized health and wellness community. It promotes holistic health and wellness and positions healthy weight as a catalyst to greater lifestyle changes. **OPTAVIA** coaches provide personalized support to customers and motivate them by sharing their passion for healthy living and lifestyle transformation.

The entrepreneurial spirit of our **OPTAVIA** coaches is another key to our success, as they activate new customers, many of whom go on to become **OPTAVIA** coaches. We offer economic incentives designed to support each **OPTAVIA** coach’s long-term success, which we believe plays an important role in their financial wellness, providing the opportunity to improve their finances while changing the health trajectory of families, communities, and generations.<sup>1</sup>

**OPTAVIA** coaches are independent contractors, not employees, who support customers and market our products and services primarily through word of mouth, email, and social media channels such as Facebook, Instagram, X (formerly known as Twitter), and video conferencing platforms. As entrepreneurs, **OPTAVIA** coaches market our products to friends, family, and other acquaintances. **OPTAVIA** products are shipped directly to customers who are working with an **OPTAVIA** coach. **OPTAVIA** coaches do not handle inventory or deliver merchandise to customers. This arrangement frees our **OPTAVIA** coaches from having to manage inventory and allows them to maintain an arms-length transactional relationship while focusing their attention on support and encouragement.

With the expansion of our business to include GLP-1 support tools, we are leveraging multiple channels to enhance customer acquisition and spur meaningful growth. Although the number of **OPTAVIA** coaches has recently declined, they remain a fundamental component of our business, and their outreach around our integrated wellness offering is one channel to drive customer acquisition. Additionally, we are collaborating with LifeMD to activate their patient base as another channel for us to acquire customers. Further, in May 2024, we launched a national marketing campaign designed to drive customer acquisition and elevate brand awareness. Additional information surrounding the marketing campaign can be found in the section below titled, “Recent Initiatives.” These new acquisition channels and investments are intended to evolve the Company’s previous single-channel coach-focused business model to be one that pairs company advertising with relationship-based coaching and the ability to access weight loss medications through our collaboration with LifeMD. Collectively, we believe these initiatives will significantly broaden **OPTAVIA**’s reach, advancing its mission to empower individuals on their own health journeys, and fuel positive outcomes and revenue streams.

Our operations are conducted through our wholly owned subsidiaries, Jason Pharmaceuticals, Inc., **OPTAVIA**, LLC, Jason Enterprises, Inc., Jason Properties, LLC, Seven Crondall Associates, LLC, Corporate Events, Inc., **OPTAVIA** (Hong Kong) Limited, **OPTAVIA** (Singapore) PTE. LTD, and **OPTAVIA** Health Consultation (Shanghai) Co., Ltd.

## Macroeconomic Conditions and Competition

Geo-political concerns and certain economic challenges including the impact of inflationary pressures have caused macroeconomic uncertainty and volatility in markets where we, our suppliers and our **OPTAVIA** coaches operate.

We are exposed to market risks from changes in commodity or other raw material prices. Inflation could impact our cost structure and put pressure on consumer spending. Increases in commodity prices or food costs, including as a result of inflationary pressures, could affect the global and U.S. economies and could also adversely impact our business, financial

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<sup>1</sup> **OPTAVIA** makes no guarantee of financial success. Success with **OPTAVIA** results from successful sales efforts, which require hard work, diligence, skill, persistence, competence, and leadership. Please see the **OPTAVIA** Income Disclosure Statement (<http://bit.ly/idsOPTAVIA>) for statistics on actual earnings of coaches.

## [Table of Contents](#)

condition, or results of operations. Our variable cost structure can be utilized to adapt to changing market conditions with potential actions including adjustments to our manufacturing, distribution, and customer support infrastructure.

In response to worsening macroeconomic conditions, the Company may take further actions that alter its business operations that Management determines to be in the best interests of the Company's employees, **OPTAVIA** coaches, and customers, such as evaluating our operational footprint or taking incremental pricing actions to offset supply chain costs and inflationary pressures.

The weight loss industry is very competitive and encompasses a diverse array of weight loss products and programs. These include a wide variety of commercial weight loss programs, medical weight-loss solutions, other pharmaceutical products, surgical interventions, books, self-help diets, dietary meal replacements, and appetite suppressants as well as digital tools, app-based health and wellness monitoring solutions, and wearable trackers. Potential customers seeking to manage their weight have many options and can turn to online diet-oriented sites, self-directed dieting, traditional center-based competitors, and self-administered products such as prescription medications, over-the-counter medications, and supplements as well as medically supervised programs.

Beginning in Q3 2022, we began to see a downward trend in the number of active earning **OPTAVIA** coaches, driven by a decline in customers and attributable to changing social media algorithms and inflationary pressures on consumer spending. Additionally, the trend's downward decline became sharper beginning in Q2 2023 due to the increased prevalence and adoption of GLP-1 medications and increased pressures on customer acquisition. We believe that, with continued pressures on customer acquisition, this downward trend in the number of active earning coaches will continue in the short-term.

Medical weight loss solutions, such as GLP-1 medications, have become an increasingly key component of the overall health and wellness ecosystem, and the recent surging awareness and popularity of these weight loss medications serves as another major competing factor, as these products have prompted a huge change in the way that consumers think about weight loss and lifestyle modification solutions in general. We recognize that these weight loss medications have attracted significant attention from the market and pose a threat to our interactions with our customer base. Importantly, the efficacy claims of GLP-1 medications for weight loss are based specifically on their incorporation with lifestyle changes, such as through a structured program like **OPTAVIA**, that include a reduced calorie diet and increased physical activity. As a result, under Medifast's offering, access to weight loss medications becomes one important element in an overall tailored lifestyle plan that also includes coaching, community support, nutritionally balanced meals, and exercise.

Our research shows that most of those who are interested in weight loss medications are also looking for support beyond a prescription, including clarity on how to incorporate healthy eating and exercise into their lifestyles while using these medical solutions. While medically supported weight loss can be effective, long-term success is dependent on nutrition and lifestyle changes.

We believe our scientific and clinical heritage combined with our commitment to evaluating programs, plans and products through clinical research are primary differentiators that allow us to compete in these markets. Our scientifically designed products were originally developed by a physician, and we have continued the development of nutrition and weight-management products since our founding.

These macroeconomic uncertainties and increasing adoption of medical weight loss solutions make it challenging for our management to estimate our future business performance. However, we intend to continue to actively monitor the impact of these developments on our business and will update our practices accordingly. Medifast has perfected our model over the last 40 plus years, with habits, coaches, and community at the core, and we will continue to innovate as the industry evolves.

### **Recent Initiatives**

In response to the current competitive landscape, in which acquiring customers has become more difficult due to competitive pressures from GLP-1 medications being sought after by our potential customers, the Company is focusing on a number of initiatives to aid in increasing revenue and profit growth in the years ahead. At the core of the Company's transformation is its desire to grow its business by broadening its customer base through increased brand visibility and recognition, and by significantly expanding its total addressable market.

Areas of investment include executing our new marketing campaign as well as cultivating new customers through the Company's collaboration with LifeMD. Through an expected investment of approximately \$20 to \$25 million in Company-led marketing efforts in 2024, we are committed to driving growth and enhancing brand visibility while highlighting our holistic

offer. We are trialing and adjusting our activities to maximize breakthrough, and are optimizing spending dependent on whether we expect to see a positive return on incremental expenditures. This high-profile national campaign aims to elevate **OPTAVIA** brand awareness, foster engagement and drive customer conversion. With a multi-phase, omnichannel approach, the campaign is introducing new consumer and coach-facing branding and visuals, and elevate the website, social and digital experience. The Company incurred approximately \$16.4 million in advertising expenses for the nine months ended September 30, 2024.

We plan to continue our investment through the remainder of 2024 and into 2025, and form the foundation of the Company's strategy to return to growth, broadening and deepening our acquisition channels. This aligns with our three strategic growth pillars – robust marketing initiatives, coaching network expansion and strategic collaboration with LifeMD – to empower individuals on their journey to optimal health and wellbeing.

We believe by significantly broadening our customer acquisition activities, through launching our new marketing campaign, upgrading customers' digital experience, and leaning into the medically supported weight loss market through our collaboration with LifeMD, we will be positioned for future success.

### **Critical Accounting Policies and Estimates**

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Management develops, and changes periodically, these estimates and assumptions based on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Our unaudited condensed consolidated financial statements are prepared in accordance with GAAP. Our significant accounting policies are described in Note 2 to the audited consolidated financial statements included in the 2023 Form 10-K. There were no significant changes in our critical estimates or policies during the first nine months of 2024.

### **Overview of Results of Operations**

Our product sales accounted for approximately 97% and 98% of our revenues for the three months ended September 30, 2024 and 2023, respectively, and approximately 97% for each of the nine months ended September 30, 2024 and 2023.

The following tables reflect our statements of operations (in thousands, except percentages):

[Table of Contents](#)

	<b>Three months ended September 30,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2024</b>	<b>2023</b>		
Revenue	\$ 140,163	\$ 235,869	\$ (95,706)	(40.6) %
Cost of sales	34,489	58,492	(24,003)	(41.0) %
<b>Gross profit</b>	<b>105,674</b>	<b>177,377</b>	<b>(71,703)</b>	<b>(40.4) %</b>
Selling, general, and administrative	103,568	151,868	(48,300)	(31.8) %
<b>Income from operations</b>	<b>2,106</b>	<b>25,509</b>	<b>(23,403)</b>	<b>(91.7) %</b>
Other income (expense)				
Interest income	1,333	1,033	300	29.0 %
Other income (expense)	(1,861)	7	(1,868)	26,685.7 %
	(528)	1,040	(1,568)	(150.8) %
<b>Income before provision for income taxes</b>	<b>1,578</b>	<b>26,549</b>	<b>(24,971)</b>	<b>(94.1) %</b>
Provision for income taxes	449	3,418	(2,969)	(86.9) %
<b>Net income</b>	<b>\$ 1,129</b>	<b>\$ 23,131</b>	<b>\$ (22,002)</b>	<b>(95.1) %</b>
<b>% of revenue</b>				
Gross profit	75.4 %	75.2 %		
Selling, general, and administrative costs	73.9 %	64.4 %		
Income from operations	1.5 %	10.8 %		

[Table of Contents](#)

	<u>Nine months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2024</u>	<u>2023</u>		
Revenue	\$ 483,460	\$ 881,039	(397,579)	(45.1) %
Cost of sales	127,056	246,558	(119,502)	(48.5) %
<b>Gross profit</b>	<b>356,404</b>	<b>634,481</b>	<b>(278,077)</b>	<b>(43.8) %</b>
Selling, general, and administrative	354,235	516,755	(162,520)	(31.5) %
<b>Income from operations</b>	<b>2,169</b>	<b>117,726</b>	<b>(115,557)</b>	<b>(98.2) %</b>
Other income				
Interest income	3,851	1,314	2,537	193.1 %
Other expense	(3,508)	(45)	(3,463)	(7,695.6) %
	343	1,269	(926)	(73.0) %
<b>Income before provision for income taxes</b>	<b>2,512</b>	<b>118,995</b>	<b>(116,483)</b>	<b>(97.9) %</b>
Provision for income taxes	1,222	25,615	(24,393)	(95.2) %
<b>Net income</b>	<b>\$ 1,290</b>	<b>\$ 93,380</b>	<b>\$ (92,090)</b>	<b>(98.6) %</b>
<b>% of revenue</b>				
Gross profit	73.7 %	72.0 %		
Selling, general, and administrative costs	73.3 %	58.7 %		
Income from operations	0.4 %	13.4 %		

**Revenue:** Revenue decreased \$95.7 million, or 40.6%, to \$140.2 million for the three months ended September 30, 2024 from \$235.9 million for the three months ended September 30, 2023. The decline in revenue for the three months ended September 30, 2024 was primarily driven by a decrease in the number of active earning **OPTAVIA** coaches to 30,000 as of September 30, 2024, a 36.3% decrease from 47,100 as of September 30, 2023 and the decline in the productivity per active earning **OPTAVIA** coach. Revenue decreased \$397.6 million, or 45.1%, to \$483.5 million for the nine months ended September 30, 2024 from \$881.0 million for the nine months ended September 30, 2023. The decline in revenue for the nine months ended September 30, 2024 was driven by a decrease in the number of active earning **OPTAVIA** coaches, the decline in productivity per active earnings **OPTAVIA** coach, and a \$9.1 million impact from a timing difference related to changes in the Company's sales order terms and conditions with its customers realized in the first quarter of 2023. The average revenue per active earning **OPTAVIA** coach was \$4,672 for the three months ended September 30, 2024, a 6.7% decrease compared to \$5,008 for the three months ended September 30, 2023. The quarterly average revenue per active earning **OPTAVIA** coach was \$4,754 for the nine months ended September 30, 2024, a 14.3% decrease compared to \$5,545 for the nine months ended September 30, 2023. The decrease in productivity per active earning **OPTAVIA** coach for the three months ended September 30, 2024 and nine months ended September 30, 2024 was driven by continued pressure on customer acquisition.

**Cost of sales:** Cost of sales decreased \$24.0 million, or 41.0%, to \$34.5 million from \$58.5 million for the three months ended September 30, 2024 from the corresponding period in 2023. The decrease in cost of sales for the three months ended September 30, 2024 was primarily driven by decreased volumes. Cost of sales decreased \$119.5 million, or 48.5%, to \$127.1 million from \$246.6 million for the nine months ended September 30, 2024. The decrease in cost of sales for the nine months ended September 30, 2024 was primarily driven by approximately \$105.8 million attributable to decreased volumes and \$10.6 million in efficiencies in inventory management.

Non-GAAP adjusted cost of sales were \$34.5 million for the three months ended September 30, 2024, a decrease of \$24.0 million, or 41.0%, as compared to \$58.5 million from the corresponding period in 2023. Non-GAAP adjusted cost of sales were \$124.5 million for the nine months ended September 30, 2024, a decrease of \$122.1 million, or 49.5%, as compared to \$246.6 million for the corresponding period in 2023. Non-GAAP adjusted cost of sales excludes expenses in connection with the



Company's restructuring of external manufacturing agreements. Refer to the "Non-GAAP Financial Measures" section below for a reconciliation of each of non-GAAP financial measure to its most comparable GAAP financial measure.

**Gross profit:** Gross profit decreased \$71.7 million, or 40.4%, to \$105.7 million from \$177.4 million for the three months ended September 30, 2024 from the corresponding period in 2023. The decrease in gross profit for the three months ended September 30, 2024 was due to lower revenue. As a percentage of revenue, gross profit increased 20 basis points to 75.4% for the three months ended September 30, 2024 from 75.2% for the corresponding period in 2023. For the nine months ended September 30, 2024, gross profit decreased \$278.1 million, or 43.8%, to \$356.4 million from \$634.5 million for the nine months ended September 30, 2023. The decrease in gross profit for the nine months ended September 30, 2024 was due to lower revenue. As a percentage of revenue, gross profit increased 170 basis points to 73.7% for the nine months ended September 30, 2024 from 72.0% for the corresponding period in 2023. Gross profit as a percentage of revenue was positively impacted by efficiencies in inventory management.

Non-GAAP adjusted gross profit was equal to GAAP gross profit for the three months ended September 30, 2024 and the three months ended September 30, 2023. Non-GAAP adjusted gross profit was \$359.0 million for the nine months ended September 30, 2024, a decrease of \$275.5 million, or 43.4%, as compared to \$634.5 million for the corresponding period in 2023. Non-GAAP adjusted gross profit margin increased 220 basis points to 74.3% for the nine months ended September 30, 2024 from 72.0% for the corresponding period in 2023. Refer to the "Non-GAAP Financial Measures" section below for a reconciliation of each non-GAAP financial measure to its most comparable GAAP financial measure.

**Selling, general, and administrative ("SG&A"):** SG&A expenses were \$103.6 million for the three months ended September 30, 2024, a decrease of \$48.3 million, or 31.8%, as compared to \$151.9 million from the corresponding period in 2023. SG&A expenses decreased for the three months ended September 30, 2024 primarily due to a \$38.2 million decrease in **OPTAVIA** coach compensation on fewer active earning coaches and lower volumes and \$5.0 million of reduced costs for coach-related events, including the annual **OPTAVIA** convention. As a percentage of revenue, SG&A expenses were 73.9% for the three months ended September 30, 2024 as compared to 64.4% for the corresponding period in 2023. SG&A expenses as a percentage of revenue increased for the three months ended September 30, 2024 primarily reflecting approximately 590 basis points of costs for our Company-led customer acquisition initiative and 340 basis points attributable to the loss of leverage on fixed costs due to lower sales volumes. Customer-led customer acquisition initiatives are included within the Advertising Expense caption of Footnote 1 to the Condensed Consolidated Financial Statements. SG&A expenses included research and development costs of \$1.1 million and \$1.3 million for the three months ended September 30, 2024 and 2023, respectively, in connection with the development of new products and plans, and clinical research activities. SG&A expenses were \$354.2 million for the nine months ended September 30, 2024, a decrease of \$162.5 million, or 31.5%, as compared to \$516.8 million from the corresponding period in 2023. SG&A expenses decreased for the nine months ended September 30, 2024 primarily due to an approximately \$161.2 million decrease in **OPTAVIA** coach compensation on fewer active earning coaches and lower volumes and an \$8.2 million decrease in credit card fees, partially offset by \$16.4 million of Company-led customer acquisition initiatives and \$12.5 million of supply chain optimization costs. As a percentage of revenue, SG&A expenses were 73.3% for the nine months ended September 30, 2024 as compared to 58.7% for the corresponding period in 2023 primarily reflecting approximately 340 basis points of loss of leverage on fixed costs due to lower sales volumes, 340 basis points of costs incurred for our Company-led customer acquisition initiatives, and 260 basis points for supply chain optimization costs. SG&A expenses included research and development costs of \$3.3 million and \$3.4 million for the nine months ended September 30, 2024 and 2023, respectively, in connection with the development of new products and plans, and clinical research activities.

Non-GAAP adjusted SG&A expenses were \$101.9 million for the three months ended September 30, 2024, a decrease of \$50.0 million, or 32.9%, as compared to \$151.9 million from the corresponding period in 2023. Non-GAAP adjusted SG&A expenses were \$333.7 million for the nine months ended September 30, 2024, a decrease of \$183.0 million, or 35.4%, as compared to \$516.8 million from the corresponding period in 2023. Non-GAAP adjusted SG&A excludes expenses related to the Company's supply chain optimization costs, costs to exit hotel commitments for the Company's annual **OPTAVIA** convention in future years, reflecting a change in strategy, and costs for the collaboration with LifeMD. Refer to "Non-GAAP Financial Measures" section below for a reconciliation of each non-GAAP financial measure to its most comparable GAAP financial measure.

**Income from operations:** For the three months ended September 30, 2024, the Company's income from operations was \$2.1 million, a \$23.4 million decrease from the \$25.5 million income from operations for the corresponding period in 2023 primarily as a result of decreased gross profit partially offset by decreased SG&A expenses. For the three months ended September 30, 2024 the Company's income from operations as a percentage of revenue was 1.5% as compared to the Company's income from operations as a percentage of revenue of 10.8% for the corresponding period in 2023, due to the factors described above impacting SG&A expenses, partially offset by the factors impacting gross profit. For the nine months ended September 30,

[Table of Contents](#)

2024, income from operations decreased \$115.6 million to less than \$2.2 million from \$117.7 million for the corresponding period in 2023 primarily as a result of the factors described above impacting SG&A expenses, partially offset by the factors impacting gross profit. Income from operations as a percentage of revenue decreased to less than 0.4% for the nine months ended September 30, 2024 from 13.4% for the corresponding period in 2023 due to the factors above impacting SG&A expenses, partially offset by the factors impacting gross profit.

Non-GAAP adjusted income from operations was \$3.8 million for the three months ended September 30, 2024, a decrease of \$21.8 million, or 85.3%, as compared to \$25.5 million from the corresponding period in 2023. Non-GAAP adjusted income from operations as a percentage of revenue was 2.7% for the three months ended September 30, 2024, a decrease of 810 basis points from 10.8% for the corresponding period in the prior year. Non-GAAP adjusted income from operations was \$25.3 million for the nine months ended September 30, 2024, a decrease of \$92.5 million, or 78.6%, as compared to \$117.7 million from the corresponding period in 2023. Non-GAAP adjusted income from operations as a percentage of revenue was 5.2% for the nine months ended September 30, 2024, a decrease of 810 basis points from 13.4% for the corresponding period in the prior year. Refer to “Non-GAAP Financial Measures” section below for a reconciliation of each non-GAAP financial measure to its most comparable GAAP financial measure.

**Provision for income taxes:** For the three months ended September 30, 2024, the Company recorded \$0.4 million in income tax expense, an effective tax rate of 28.5%, as compared to \$3.4 million, an effective tax rate of 12.9%, for the three months ended September 30, 2023. The change in the effective tax rate for the three months ended September 30, 2024 was primarily driven by a decrease in the tax benefit for donations of inventory compared to 2023. For the nine months ended September 30, 2024, the Company recorded \$1.2 million in income tax expense, an effective tax rate of 48.6%, as compared to \$25.6 million, an effective tax rate of 21.5%, for the nine months ended September 30, 2023. The increase in the effective tax rate for the nine months ended September 30, 2024 was primarily driven by the impact of the tax shortfall for stock compensation, which was magnified by the near break-even pre-tax income position in the current year.

Non-GAAP adjusted income tax provision was \$1.4 million for the three months ended September 30, 2024, an effective tax rate of 26.0% as compared to 12.9% for the corresponding period in 2023. Non-GAAP adjusted income tax provision was \$7.9 million for the nine months ended September 30, 2024, an effective tax rate of 27.0%, as compared to 21.5% for the corresponding period in 2023. Refer to “Non-GAAP Financial Measures” section below for a reconciliation of each non-GAAP financial measure to its most comparable GAAP financial measure.

**Net income:** Net income was \$1.1 million, or \$0.10 per diluted share for the three months ended September 30, 2024 as compared \$23.1 million, or \$2.12 per diluted share, for the three months ended September 30, 2023. Net income was \$1.3 million, or \$0.12 per diluted share for the nine months ended September 30, 2024, as compared to \$93.4 million, or \$8.55 per diluted share for the nine months ended September 30, 2023. The period-over-period changes were driven by the factors described above.

Non-GAAP adjusted net income was \$3.9 million or \$0.35 per diluted share for the three months ended September 30, 2024 as compared to \$2.12 per diluted share for the corresponding period in 2023. Non-GAAP adjusted net income was \$21.4 million or \$1.95 per diluted share for the nine months ended September 30, 2024 as compared to \$8.55 per diluted share for the corresponding period in 2023. Refer to “Non-GAAP Financial Measures” section below for a reconciliation of each non-GAAP financial measure to its most comparable GAAP financial measure.

### Non-GAAP Financial Measures

In an effort to provide investors with additional information regarding our results as determined by GAAP, we disclose various non-GAAP financial measures in this quarterly report, our quarterly earnings press release, and other public disclosures. The following GAAP financial measures have been presented on an as-adjusted basis: Cost of sales, Gross profit, SG&A expenses, income from operations, other income (expense), provision for income taxes, net income, and diluted earnings per share. Each of these as-adjusted financial measures excludes the impact of certain amounts related to supply chain optimization and restructuring of external manufacturing agreements, costs to exit hotel commitments for our **OPTAVIA** convention in future years, unrealized gains or losses on our investment in LifeMD common stock, and the LifeMD collaboration as further identified below and have not been calculated in accordance with GAAP. A reconciliation of each of these non-GAAP financial measures to its most comparable GAAP financial measure is included below. These non-GAAP financial measures are not intended to replace GAAP financial measures.

We use these non-GAAP financial measures internally to evaluate and manage the Company’s operations because we believe they provide useful supplemental information regarding the Company’s on-going economic performance. We have chosen to

[Table of Contents](#)

provide this information to investors to enable them to perform more meaningful comparisons of operating results and as a means to emphasize the results of on-going operations.

The following tables reconcile the non-GAAP financial measures included in this report (in thousands, except per share amounts):

	<b>Three Months Ended September 30, 2024</b>			
	<b>GAAP</b>	<b>Unrealized Loss on Investment in LifeMD Common Stock</b>	<b>LifeMD Prepaid Services Amortization</b>	<b>Non-GAAP</b>
Cost of sales	\$ 34,489	\$ —	\$ —	\$ 34,489
Gross profit	105,674	—	—	105,674
Selling, general, and administrative	103,568	—	(1,652)	101,916
Income from operations	2,106	—	1,652	3,758
Other income (expense)	(528)	1,984	—	1,456
Provision for income taxes	449	496	413	1,358
Net income	1,129	1,488	1,239	3,856
Diluted earnings per share <sup>(1)</sup>	0.10	0.14	0.11	0.35

	<b>Three Months Ended September 30, 2023</b>			
	<b>GAAP</b>	<b>Unrealized Loss on Investment in LifeMD Common Stock</b>	<b>LifeMD Prepaid Services Amortization</b>	<b>Non-GAAP</b>
Cost of sales	\$ 58,492	\$ —	\$ —	\$ 58,492
Gross profit	177,377	—	—	177,377
Selling, general, and administrative	151,868	—	—	151,868
Income from operations	25,509	—	—	25,509
Other income	1,040	—	—	1,040
Provision for income taxes	3,418	—	—	3,418
Net income	23,131	—	—	23,131
Diluted earnings per share <sup>(1)</sup>	2.12	—	—	2.12

Nine Months Ended September 30, 2024						
GAAP	Supply Chain Optimization and Restructuring of External Manufacturing Agreements	OPTAVIA Convention Cancellation	Unrealized Loss on Investment in LifeMD Common Stock	LifeMD Prepaid Services Amortization	Non-GAAP	
Cost of sales	\$ 127,056	\$ (2,579)	\$ —	\$ —	\$ —	\$ 124,477
Gross profit	356,404	2,579	—	—	—	358,983
Selling, general, and administrative	354,235	(12,502)	(3,000)	—	(5,000)	333,733
Income from operations	2,169	15,081	3,000	—	5,000	25,250
Other income	343	—	—	3,734	—	4,077
Provision for income taxes	1,222	3,770	750	934	1,250	7,926
Net income	1,290	11,311	2,250	2,800	3,750	21,400
Diluted earnings per share <sup>(1)</sup>	0.12	1.03	0.21	0.26	0.34	1.95

Nine Months Ended September 30, 2023						
GAAP	Supply Chain Optimization and Restructuring of External Manufacturing Agreements	OPTAVIA Convention Cancellation	Unrealized Loss on Investment in LifeMD Common Stock	LifeMD Prepaid Services Amortization	Non-GAAP	
Cost of sales	\$ 246,558	\$ —	\$ —	\$ —	\$ —	\$ 246,558
Gross profit	634,481	—	—	—	—	634,481
Selling, general, and administrative	516,755	—	—	—	—	516,755
Income from operations	117,726	—	—	—	—	117,726
Other income	1,269	—	—	—	—	1,269
Provision for income taxes	25,615	—	—	—	—	25,615
Net income	93,380	—	—	—	—	93,380
Diluted earnings per share <sup>(1)</sup>	8.55	—	—	—	—	8.55

(1) 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.

### Liquidity and Capital Resources

The Company had stockholders' equity of \$207.3 million and working capital of \$152.6 million at September 30, 2024 as compared with \$201.5 million and \$131.7 million at December 31, 2023, respectively. The \$5.9 million net increase in stockholders' equity was primarily driven by a \$5.2 million increase in share-based compensation and \$1.1 million of net income for the period, partially offset by \$0.8 million in net shares repurchased for employee taxes. The Company's cash, cash equivalents and investment securities increased from \$150.0 million at December 31, 2023 to \$170.0 million at September 30, 2024.

Net cash provided by operating activities decreased by \$107.7 million to \$29.4 million for the nine months ended September 30, 2024 from \$137.1 million for the nine months ended September 30, 2023. This was primarily driven by a \$73.3 million decrease in net income excluding non-cash charges, a \$46.1 million decrease related to a smaller inventory reduction in the period ending September 30, 2024 to align with sales demand, and a \$4.0 million decrease resulting from lower prepaid

[Table of Contents](#)

expenses and other current assets, partially offset by a \$11.6 million increase resulting from a smaller reduction in accounts payable and accrued expenses during the period, and a \$4.6 million increase resulting from lower other assets.

Net cash used in investing activities was \$7.1 million for the nine months ended September 30, 2024 as compared to \$50.3 million for the nine months ended September 30, 2023. The decrease was primarily driven by investments purchased during the nine months ended September 30, 2023 resulting in a \$42.9 million decrease of net purchases of investment securities during the nine months ended September 30, 2024.

Net cash used in financing activities decreased by \$60.4 million to \$1.5 million for the nine months ended September 30, 2024 from \$61.9 million for the nine months ended September 30, 2023. This decrease was primarily due to a \$54.3 million decrease in cash dividends paid to stockholders, a \$3.6 million decrease in stock repurchases, and a \$2.5 million decrease in net shares repurchased for employee taxes.

In pursuing its business strategy, the Company may require additional cash for operating and investing activities. The Company expects future cash requirements in both the short term and the long term, if any, to be funded from operating cash flow and financing activities.

The Company is currently investing in new growth initiatives which have the potential to impact liquidity in future periods. The Company's current growth initiatives, which are primarily comprised of Company-led customer acquisition, new product development and the Company's Medically Support Weight Loss collaboration with LifeMD, do not require any material contractual commitments or capital expenditures in future periods. Since the future costs of these endeavors are variable in nature and will be scaled at the discretion of management, we do not believe there is any significant impact on our liquidity or capital resources.

From time to time, the Company evaluates potential acquisitions that complement our business. If consummated, any such transactions may use a portion of our working capital or require the issuance of equity or debt. We have no present understandings, commitments or agreements with respect to any material acquisitions.

On April 13, 2021, the Company and certain of its subsidiaries (collectively, the "Guarantors") entered into a credit agreement among the Company, the Guarantors, the lenders party thereto and Citibank, N.A., in its capacity as administrative agent. On May 31, 2022, the Credit Agreement was amended to increase the borrowing capacity and convert the interest rate to be based on SOFR, from LIBOR (the "Amended Credit Agreement"). The Amended Credit Agreement provides for a \$225.0 million senior secured revolving credit facility with a \$20.0 million letter of credit sublimit. The Amended Credit Agreement also provides for an uncommitted incremental facility that permits the Company, subject to certain conditions, to increase the senior secured revolving credit facility by up to \$100.0 million. The Amended Credit Agreement contains affirmative and negative covenants customarily applicable to credit facilities. As of September 30, 2024, the Company had no borrowings under the credit facility and was in compliance with all of its debt covenants.

On October 30, 2024, the Company terminated its Amended Credit Agreement with Citibank, N.A. The Company had no borrowings under the Amended Credit Agreement, inclusive of the credit facility and letter of credit sublimit, between September 30, 2024, and the termination date.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates and a decline in the stock market. The Company does not enter into derivatives, foreign exchange transactions or other financial instruments for trading or speculative purposes.

The Company is exposed to market risk related to changes in interest rates and market pricing impacting our credit facility and investment in money market securities, government and agency securities, and corporate bonds. Other than for strategic investments, its current investment policy is to maintain an investment portfolio consisting of corporate bonds and U.S. money market securities directly or through managed funds. Its cash is deposited in and invested through highly rated financial institutions in North America. Its marketable securities are subject to interest rate risk and market pricing risk and will fall in value if market interest rates increase or if market pricing decreases. If market interest rates were to increase and market pricing were to decrease immediately and uniformly by 10% from levels at September 30, 2024, the Company estimates that the fair value of its investment portfolio would decline by an immaterial amount and therefore it would not expect its operating results or cash flows to be affected to any significant degree by the effect of a change in market conditions on our investments. Additionally, the Company is exposed to market risk related to price fluctuations in equity markets related to its investment in

LifeMD common stock, purchased in December of 2023. If equity prices were to decrease immediately and uniformly by 10% from levels at September 30, 2024, the Company estimates that the fair value of the Company investment would decline by an immaterial amount and therefore it would not expect its operating results or cash flows to be affected by any significant degree by the effect of a change in market conditions on our investment.

There have been no material changes to our market risk exposure since December 31, 2023.

#### **Item 4. Controls and Procedures**

Management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Act, as amended, as of September 30, 2024. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Act is recorded, processed, summarized and reported accurately and on a timely basis. Based on this evaluation performed in accordance with the criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, our management concluded that the Company’s disclosure controls and procedures are effective at the reasonable assurance level as of the end of the period covered by this report.

#### **Changes in Internal Control over Financial Reporting**

There have been no material changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Act) during the fiscal quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Part II Other Information**

### **Item 1. Legal Proceedings**

The Company is, from time to time, subject to a variety of litigation and similar proceedings that arise out of the ordinary course of its business. Based upon the Company's experience, current information and applicable law, it does not believe that these proceedings and claims will have a material adverse effect on its results of operations, financial position or liquidity. However, the results of legal actions cannot be predicted with certainty. Therefore, it is possible that the Company's results of operations, financial condition or cash flows could be materially adversely affected in any particular period by the unfavorable resolution of one or more legal actions.

### **Item 1A. Risk Factors**

There have been no material changes to the risk factors set forth in Part I, Item 1A of the 2023 Form 10-K.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

#### **Issuer Purchases of Equity Securities**

<b>2024</b>	<b>Total Number of Shares Purchased <sup>(1)</sup></b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup></b>
July 1 - July 31	5	20.49	—	1,323,568
August 1 - August 31	—	—	—	1,323,568
September 1 - September 30	87	19.07	—	1,323,568

(1) All of the shares of the Company's common stock reflected in this column were surrendered by employees and directors to the Company to cover minimum tax liability withholding obligations upon the exercise of stock options or the vesting of shares of restricted stock and performance-based share awards previously granted to such employees and directors.

(2) At the outset of the quarter ended September 30, 2024, there were 1,323,568 shares of the Company's common stock eligible for repurchase under the stock repurchase authorization dated September 16, 2014 (the "Stock Repurchase Plan").

As of September 30, 2024, there were 1,323,568 shares of the Company's common stock eligible for repurchase under the Stock Repurchase Plan. There can be no assurances as to the amount, timing or prices of repurchases, which may vary based on market conditions and other factors. The Stock Repurchase Plan does not have an expiration date and can be modified or terminated by the Board of Directors at any time.

### **Item 5. Other Information**

#### **Rule 10b5-1 and Non-Rule 10b5-1 Trading Arrangements**

During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
3.1	<a href="#">Restated and Amended Certificate of Incorporation of Medifast, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (File No. 001-31573) filed February 27, 2015).</a>
3.2	<a href="#">Amended and Restated Bylaws of Medifast, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Amendment No. 1 Current Report on Form 8-K (File No. 001-31573) filed on December 4, 2019).</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</a>
32.1	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</a>
101	The following financial statements from Medifast, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 filed November 4, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statements of Changes in Stockholders' Equity, and (vi) Notes to the Condensed Consolidated Financial Statements (filed herewith).
104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

In accordance with SEC Release No. 33-8238, Exhibit 32.1 is being furnished and not filed.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Medifast, Inc.**

By: /s/ DANIEL R. CHARD  
Daniel R. Chard  
Chief Executive Officer  
(Principal Executive Officer)

Dated: November 4, 2024

/s/ JAMES P. MALONEY  
James P. Maloney  
Chief Financial Officer  
(Principal Financial Officer)

Dated: November 4, 2024

**RULE 13a-14(a) CERTIFICATION**

I, Daniel R. Chard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medifast, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: November 4, 2024

/s/ Daniel R. Chard

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Daniel R. Chard  
Chief Executive Officer

**RULE 13a-14(a) CERTIFICATION**

I, James P. Maloney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medifast, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: November 4, 2024

/s/ James P. Maloney

James P. Maloney  
Chief Financial Officer

**MEDIFAST, INC.**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q (the "Report") for the quarter ended September 30, 2024 of Medifast, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel R. Chard, Chief Executive Officer and I, James P. Maloney, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

By: /s/ DANIEL R. CHARD

Daniel R. Chard  
Chief Executive Officer  
November 4, 2024

/s/ JAMES P. MALONEY

James P. Maloney  
Chief Financial Officer  
November 4, 2024