



NEWS RELEASE

# Medifast Announces Fourth Quarter and Full Year 2022 Financial Results

2023-02-21

BALTIMORE, Feb. 21, 2023 /PRNewswire/ -- **Medifast** (NYSE: MED), the global company behind one of the fastest-growing health and wellness communities, **OPTAVIA®**, today reported results for the fourth quarter ended December 31, 2022.

## Fourth Quarter 2022

- Revenue of \$337.2 million, with revenue per active earning coach of \$5,538
- Independent active earning OPTAVIA Coaches of 60,900
- Net income of \$26.5 million (non-GAAP adjusted net income of \$40.6 million)
- Earnings per diluted share ("EPS") of \$2.41 (non-GAAP adjusted EPS of \$3.70)

## Full Year 2022 Highlights

- Revenue increased 4.8% to \$1.6 billion
- Net income of \$143.6 million (non-GAAP adjusted net income of \$163.5 million)
- EPS of \$12.73 (non-GAAP adjusted EPS of \$14.50)
- Cash, cash equivalents and investment securities of \$87.7 million and the Company remains free of interest-bearing debt as of December 31, 2022

"We've placed a substantial focus on driving stability in customer retention rates, and with customer satisfaction metrics at all-time highs, we've seen retention return to and hold at normal levels," said Dan Chard, Medifast's Chairman & Chief Executive Officer. "Our attention is now on driving productivity and Coach growth which were

both disrupted in the second half of last year. Additionally, we continue to take steps to mitigate cost pressures, drive efficiency and build financial resilience into our model. We're already seeing some of the impact of that work begin to play out, and while it will take some time to work through our business cadence, we remain highly confident in both the long-term efficacy of our model and our prospects for stable and sustainable growth."

## Fourth Quarter 2022 Results

Fourth quarter 2022 revenue decreased 10.7% to \$337.2 million from \$377.8 million for the fourth quarter of 2021, reflecting lower revenue and Coach productivity. The average revenue per active earning **OPTAVIA** Coach was \$5,538, compared to \$6,321 for the fourth quarter last year, a decline of 12.4% driven by continued pressure on customer acquisition. The total number of independent active earning **OPTAVIA** Coaches increased 1.8% to 60,900 compared to 59,800 for the fourth quarter of 2021.

Gross profit decreased 16.1% to \$233.6 million from \$278.3 million for the fourth quarter of 2021 and gross profit margin was 69.3% compared to 73.7% in the fourth quarter of 2021. These decreases were mainly due to \$12.2 million of one time expenses in connection with the restructuring of certain external manufacturing agreements to optimize our supply chain for 2023 and inflation outpacing pricing adjustments, partially offset by lower shipping costs due to reduced express shipping compared to the prior year. Excluding these one-time expenses related to the restructuring of certain external manufacturing agreements, on a non-GAAP adjusted basis, gross profit decreased 11.7% to \$245.8 million and gross profit margin decreased 80 basis points to 72.9%.

Selling, general, and administrative expenses ("SG&A") decreased 13.1% to \$200.9 million compared to \$231.4 million for the fourth quarter of 2021. As a percentage of revenue, SG&A decreased 170 basis points year-over-year to 59.6% of revenue, as compared to 61.3% for the fourth quarter of 2021. The decrease in SG&A was primarily due to lower **OPTAVIA** Coach compensation expense, lower internal labor expense and greater field operation efficiencies, partially offset by one-time expenses of \$8.5 million related to donations made to support the Ukrainian relief effort ("Donations"). On a non-GAAP adjusted basis, which excludes Donations, SG&A decreased 16.8% to \$192.5 million and as a percentage of revenue decreased 420 basis points year-over-year to 57.1%.

Income from operations decreased 30.4% to \$32.6 million from \$46.8 million in the prior-year period. As a percentage of revenue, income from operations was 9.7% for the fourth quarter of 2022 compared to 12.4% in the prior-year period. On a non-GAAP adjusted basis, which excludes one-time expenses described in the gross profit and SG&A sections, income from operations increased 13.7% to \$53.3 million. As a percentage of revenue, non-GAAP adjusted income from operations was 15.8%, an increase of 340 basis points from the year-ago period.

The effective tax rate was 18.2% for the fourth quarter of 2022 compared to 27.2% in the prior-year period. The decrease in the effective tax rate was primarily driven by an increase in the charitable contribution benefit and a

reduction in the limitation for executive compensation, partially offset by a decrease in the stock compensation benefit. On a non-GAAP adjusted basis, the effective tax rate in the fourth quarter was 23.5%.

In the fourth quarter of 2022, net income was \$26.5 million, or \$2.41 per diluted share, based on approximately 11.0 million shares of common stock outstanding. In the fourth quarter of 2021, net income was \$34.0 million, or \$2.91 per diluted share, based on approximately 11.7 million shares of common stock outstanding. On a non-GAAP adjusted basis, net income in the fourth quarter of 2022 was \$40.6 million, or \$3.70 per diluted share.

## Full Year Fiscal 2022 Results

For the fiscal year ended December 31, 2022, revenue increased 4.8% to \$1.6 billion compared to revenue of \$1.5 billion in 2021.

Net income for 2022 was \$143.6 million, or \$12.73 per diluted share, based on approximately 11.3 million shares outstanding. This compares to 2021 net income of \$164.0 million, or \$13.89 per diluted share, based on approximately 11.8 million shares outstanding. On a non-GAAP adjusted basis, net income decreased 0.3% to \$163.5 million and EPS increased 4.4% to \$14.50 compared to the prior year period.

## Capital Allocation and Balance Sheet

The company announced a quarterly cash dividend of \$17.9 million, or \$1.64 per share, which was paid on February 7, 2023, to stockholders of record as of the close of business on December 20, 2022.

The company's balance sheet remains strong with \$87.7 million in cash, cash equivalents and investment securities and no interest-bearing debt as of December 31, 2022, compared to \$109.5 million in cash, cash equivalents and investment securities and no debt at December 31, 2021.

## Outlook

The company expects first quarter 2023 revenue to be in the range of \$300 million to \$320 million and first quarter 2023 diluted EPS to be in the range of \$1.75 to \$2.40. The first quarter 2023 earnings guidance assumes a 26% to 27% effective tax rate.

## Conference Call Information

The conference call is scheduled for today, Tuesday, February 21, 2023 at 4:30 p.m. ET. The call will be broadcast live over the Internet, hosted on the Investor Relations section of Medifast's website at [www.MedifastInc.com](http://www.MedifastInc.com) or directly at <https://app.webinar.net/L31bk8pkVE4> and will be archived online and available through March 7, 2023.

In addition, listeners may dial (855) 560-2579 to join via telephone.

A telephonic playback will be available from 6:30 p.m. ET, February 21, 2023, through February 28, 2023.

Participants can dial (877) 344-7529 and enter passcode 3443014 to hear the playback.

### About Medifast®:

Medifast (NYSE: MED) is the global company behind one of the fastest-growing health and wellness communities, **OPTAVIA®**, which offers scientifically developed products, clinically proven plans and the support of independent OPTAVIA Coaches and a Community to help Customers achieve Lifelong Transformation, One Healthy Habit at a Time®. As the publicly traded market leader by revenue in the U.S. \$7 billion weight management industry, the company has impacted more than 2 million lives through its Community of OPTAVIA Coaches, who teach Customers how to develop holistic healthy habits through the proprietary Habits of Health® Transformational System. Medifast was recognized in 2022 as one of **America's Best Mid-Sized Companies by Forbes**, in 2020 and 2021 as one of **FORTUNE's 100 Fastest-Growing Companies** and was named to **Forbes' 100 Most Trustworthy Companies in America list in 2017**. For more information, visit [MedifastInc.com](http://MedifastInc.com) or [OPTAVIA.com](http://OPTAVIA.com) and follow **@Medifast** on Twitter.

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### Forward Looking Statements

Please Note: This release 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. These 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, outlook or targets contained herein are also considered forward-looking statements. These statements are based on the current expectations of the management of Medifast and are subject to certain events, risks, uncertainties and other factors. Some of these factors include, among others, risks associated with Medifast's direct-to-consumer business model; the impact of rapid growth on Medifast's systems; disruptions in Medifast's supply chain; Medifast's inability to continue to develop new products; effectiveness of Medifast's advertising and marketing programs, including use of social media by independent OPTAVIA Coaches; Medifast's inability to maintain and grow the network of independent OPTAVIA Coaches; the departure of one or more key personnel; Medifast's inability to protect against online security risks and cyberattacks; to protect its brand and intellectual property, or to protect against product liability claims; Medifast's planned growth into domestic and international markets; adverse publicity associated with Medifast's products; Medifast's inability to continue declaring dividends; fluctuations of Medifast's common stock

market price; the prolonged effects of COVID-19 on consumer spending and disruptions to our distribution network, supply chains and operations; increases in competition or litigation; the consequences of other geopolitical events, including natural disasters, global health crises, acts of war (including the war in Ukraine), changes in trade policies and tariffs, climate change, regulatory changes, increases in costs of raw materials, fuel, or other energy, transportation, or utility costs and in the costs of labor and employment, labor shortages, supply chain issues and the resulting impact on market conditions and consumer sentiment and spending; and Medifast's ability to prevent or detect a failure of internal control over financial reporting. 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 release, as well as those set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2022, and other filings filed with the United States Securities and Exchange Commission, including its quarterly reports on Form 10-Q and current reports on Form 8-K. All of the forward-looking statements contained herein speak only as of the date of this release.

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MEDIFAST, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(U.S. dollars in thousands, except per share amounts & dividend data)

	Three months ended December 31,		Years ended December 31,	
	2022	2021	2022	2021
Revenue	\$337,245	\$377,834	\$1,598,577	\$1,526,087
Cost of sales	103,649	99,548	458,163	398,490
Gross profit	233,596	278,286	1,140,414	1,127,597
Selling, general, and administrative	200,998	231,449	955,608	911,356
Income from operations	32,598	46,837	184,806	216,241
Other expense				
Interest expense	(181)	(93)	(701)	(231)

Other (expense) income	(9)	7	(46)	119	
	(190)	(86)	(747)	(112)	
Income before provision for income taxes	32,408	46,751	184,059	216,129	
Provision for income taxes	5,890	12,728	40,491	52,098	
Net income	\$ 26,518	\$ 34,023	\$ 143,568	\$ 164,031	
Earnings per share - basic	\$ 2.43	\$ 2.93	\$ 12.82	\$ 14.01	
Earnings per share - diluted	\$ 2.41	\$ 2.91	\$ 12.73	\$ 13.89	
Weighted average shares outstanding					
Basic		10,913	11,605	11,195	11,705
Diluted		10,993	11,699	11,276	11,813
Cash dividends declared per share	\$ 1.64	\$ 1.42	\$ 6.56	\$ 5.68	

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MEDIFAST, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(U.S. dollars in thousands, except par value)

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 87,691	\$104,183
Inventories	118,856	180,043
Investment securities	—	5,361

Income taxes, prepaid	—	945
Prepaid expenses and other current assets	16,237	16,334
<b>Total current assets</b>	<b>222,784</b>	<b>306,866</b>
Property, plant and equipment - net of accumulated depreciation	57,185	56,131
Right-of-use assets	18,460	24,457
Other assets	12,456	6,468
Deferred tax assets	5,328	4,404
<b>TOTAL ASSETS</b>	<b>\$316,213</b>	<b>\$398,326</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$134,690	\$163,309
Income taxes payable	428	—
Current lease obligations	5,776	6,523
<b>Total current liabilities</b>	<b>140,894</b>	<b>169,832</b>
Lease obligations, net of current lease obligations	20,275	26,020
<b>Total liabilities</b>	<b>161,169</b>	<b>195,852</b>
<b>Stockholders' Equity</b>		
Common stock, par value \$.001 per share: 20,000 shares authorized; 10,928 and 11,594 issued and 10,873 and 11,593 outstanding at December 31, 2022 and December 31, 2021, respectively	11	12
Additional paid-in capital	21,555	12,018
Accumulated other comprehensive income	24	111
Retained earnings	139,852	190,333
Less: treasury stock at cost, 54 and 0 shares at December 31, 2022 and December 31, 2021, respectively	(6,398)	—
<b>Total stockholders' equity</b>	<b>155,044</b>	<b>202,474</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$316,213</b>	<b>\$398,326</b>

## 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 earnings press release, our annual report, 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 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 our donations to support the Ukrainian relief effort and costs of restructuring of certain external manufacturing agreements, 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 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 release:

### MEDIFAST, INC. AND SUBSIDIARIES

#### CONDENSED CONSOLIDATED NON-GAAP (UNAUDITED)

(U.S. dollars in thousands, except per share amounts)

	Three months ended December 31, 2022				Three months ended December 31, 2021			
	GAAP	Donations Adjustments	Restructuring of External Manufacturing Agreements	Non-GAAP	GAAP	Donations Adjustments	Restructuring of External Manufacturing Agreements	Non-GAAP
Cost of sales	\$ 103,649	\$ —	\$ (12,195)	\$ 91,454	\$ 99,548	\$ —	\$ —	\$ 99,548
Gross profit	233,596	—	12,195	245,791	278,286	—	—	278,286
Selling, general, and administrative	200,998	(8,473)	—	192,525	231,449	—	—	231,449

Income from operations	32,598	8,473	12,195	53,266	46,837	—	—	46,837
Other expense	(190)	—	—	(190)	(86)	—	—	(86)
Provision for income taxes	5,890	3,813	2,744	12,447	12,728	—	—	12,728
Net income	26,518	4,660	9,451	40,629	34,023	—	—	34,023
Diluted earnings per share <sup>(1)</sup>	2.41	0.42	0.86	3.70	2.91	—	—	2.91

Year ended December 31, 2022

Year ended December 31, 2021

	GAAP	Donations Adjustments	Restructuring of External Manufacturing Agreements	Non-GAAP	GAAP	Donations Adjustments	Restructuring of External Manufacturing Agreements	Non-GAAP
Cost of sales	\$ 458,163	\$ —	\$ (12,195)	\$ 445,968	\$ 398,490	\$ —	\$ —	\$ 398,490
Gross profit	1,140,414	—	12,195	1,152,609	1,127,597	—	—	1,127,597
Selling, general, and administrative	955,608	(18,986)	—	936,622	911,356	—	—	911,356
Income from operations	184,806	18,986	12,195	215,987	216,241	—	—	216,241
Other expense	(747)	—	—	(747)	(112)	—	—	(112)
Provision for income taxes	40,491	8,544	2,744	51,779	52,098	—	—	52,098
Net income	143,568	10,442	9,451	163,461	164,031	—	—	164,031
Diluted earnings per share <sup>(1)</sup>	12.73	0.93	0.84	14.50	13.89	—	—	13.89

(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.

SOURCE Medifast, Inc.