



NEWS RELEASE

# Medifast Announces Fourth Quarter and Full Year 2023 Financial Results

2024-02-20

BALTIMORE--(BUSINESS WIRE)-- **Medifast** (NYSE: MED), the health and wellness company known for its habit-based and Coach-guided lifestyle solution, **OPTAVIA®**, today reported results for the fourth quarter and full year ended December 31, 2023.

## Fourth Quarter 2023

- Revenue of \$191.0 million, with revenue per active earning Coach of \$4,648
- Independent active earning OPTAVIA Coaches of 41,100
- Net income of \$6.0 million (non-GAAP adjusted net income of \$11.9 million)
- Earnings per diluted share ("EPS") of \$0.55 (non-GAAP adjusted EPS of \$1.09)

## Full Year 2023

- Revenue of \$1.1 billion
- Net income of \$99.4 million (non-GAAP adjusted net income of \$105.2 million)
- EPS of \$9.10 (non-GAAP adjusted EPS of \$9.64)
- Cash, Cash Equivalents, and Investments of \$150.0 million and no interest-bearing debt

"We are realigning our business to respond to the evolving dynamics of the weight loss industry and to aggressively execute on bold initiatives to transform our business model," said Dan Chard, Chairman & CEO of Medifast. "We are broadening our customer acquisition activities significantly, launching a broad-based national marketing effort and



leaning into the medically-supported weight loss market through our collaboration with LifeMD.” Chard continued, “This remains a challenging market, and it will take time to navigate the transformational path that we are on. However, I believe that the investments we’re making in our business will broaden our addressable market and strengthen our ability to drive future growth.”

#### Fourth Quarter 2023 Results

Fourth quarter 2023 revenue decreased 43.4% to \$191.0 million from \$337.2 million for the fourth quarter of 2022, primarily driven by a decrease in the number of active earning OPTAVIA Coaches and the decline in the productivity per active earning OPTAVIA Coach. The average revenue per active earning OPTAVIA Coach was \$4,648, compared to \$5,538 for the fourth quarter last year, a decline of 16.1%, primarily driven by continued pressure on customer acquisition. The total number of active earning OPTAVIA Coaches decreased 32.5% to 41,100 compared to 60,900 for the fourth quarter of 2022.

Gross profit decreased 39.5% to \$141.4 million from \$233.6 million for the fourth quarter of 2022. The decrease in gross profit was primarily attributable to lower revenue, partially offset by the absence of restructuring costs of certain manufacturing agreements that occurred in the fourth quarter of 2022. The company’s gross profit as a percentage of revenue was 74.0% compared to 69.3% in the fourth quarter of 2022. The increase in gross margin percentage was primarily due to cost savings from the company’s Fuel for the Future program as well as the absence of the restructuring costs that occurred in the prior year period. On a non-GAAP adjusted gross profit basis, excluding one-time expenses related to the 2022 restructuring, gross profit decreased 42.5% to \$141.4 million and gross profit as a percentage of revenue increased 110 basis points to 74.0%.

Selling, general, and administrative expenses (“SG&A”) decreased 34.0% to \$132.7 million compared to \$201.0 million for the fourth quarter of 2022. The decrease in SG&A was primarily due to decreased Coach compensation on lower volumes and fewer active earning Coaches, progress on several cost reduction and optimization initiatives, and charitable donations in the fourth quarter of 2022, partially offset by market research and investment costs related to medically supported weight loss activities. As a percentage of revenue, SG&A increased 990 basis points year-over-year to 69.5% of revenue, as compared to 59.6% for the fourth quarter of 2022. The increase in SG&A as a percentage of revenue was primarily due to the loss of leverage on fixed costs due to lower sales volumes and market research and investment costs related to medically supported weight loss activities, partially offset by progress on several cost reduction and optimization initiatives and the charitable donations in 2022. On a non-GAAP adjusted basis, which excludes one-time costs to initiate the LifeMD collaboration and reorganize the IT and supply chain functions, SG&A decreased 35.0% to \$125.1 million and as a percentage of revenue increased 840 basis points year-over-year to 65.5%.

Income from operations decreased 73.4% to \$8.7 million from \$32.6 million in the prior-year period, primarily as a

result of decreased gross profit, partially offset by decreased SG&A. As a percentage of revenue, income from operations was 4.5% for the fourth quarter of 2023 compared to 9.7% in the prior-year period due to the factors described above impacting SG&A, partially offset by the factors impacting gross profit. On a non-GAAP adjusted basis, which excludes one-time expenses described previously, income from operations decreased 69.5% to \$16.2 million. As a percentage of revenue, non-GAAP adjusted income from operations was 8.5%, a decrease of 730 basis points from the year-ago period.

The effective tax rate for the fourth quarter of 2023 was 38.4%, which was higher than expected and higher than the 18.2% recorded in the prior year's fourth quarter, due to inventory overhead adjustments for tax reporting purposes, which reduced the expected tax benefit for charitable donations of inventory in the current period. On a non-GAAP adjusted basis, the effective tax rate in the fourth quarter of 2023 was 31.6%.

In the fourth quarter of 2023, net income was \$6.0 million, or \$0.55 per diluted share, based on approximately 10.9 million shares of common stock outstanding. 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. On a non-GAAP adjusted basis, net income in the fourth quarter of 2023 was \$11.9 million, or \$1.09 per diluted share.

#### Full Year Fiscal 2023 Results

For the fiscal year ended December 31, 2023, revenue decreased 32.9% to \$1.1 billion compared to revenue of \$1.6 billion in 2022.

Net income for 2023 was \$99.4 million, or \$9.10 per diluted share, based on approximately 10.9 million shares outstanding. This compares to 2022 net income of \$143.6 million, or \$12.73 per diluted share, based on approximately 11.3 million shares outstanding. On a non-GAAP adjusted basis, net income decreased 35.6% to \$105.2 million and EPS decreased 33.5% to \$9.64 per diluted share compared to the prior year period's adjusted EPS of \$14.50 per diluted share.

#### Capital Allocation and Balance Sheet

The company's balance sheet remains strong with cash, cash equivalents, and investments of \$150.0 million and no interest-bearing debt as of December 31, 2023, compared to \$87.7 million in cash, cash equivalents, and investments and no interest-bearing debt as of December 31, 2022.

#### Outlook

The company expects first quarter 2024 revenue to be in the range of \$155 million to \$175 million and first quarter

2024 diluted EPS to be in the range of \$0.25 to \$0.95. The EPS range excludes the costs related to the initiation of the LifeMD collaboration and any gains or losses from changes in the market price of the company's LifeMD common stock investment.

#### Conference Call Information

The conference call is scheduled for today, Tuesday, February 20, 2024 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 <http://www.MedifastInc.com> or directly at [https://viaid.webcasts.com/starthere.jsp?ei=1652383&tp\\_key=34080c5b97](https://viaid.webcasts.com/starthere.jsp?ei=1652383&tp_key=34080c5b97) and will be archived online and available through May 20, 2024. In addition, listeners may dial (877) 451-6152 to join via telephone. A telephonic playback will be available from 8:30 p.m. ET, February 20, 2024, through February 27, 2024. Participants can dial (844) 512-2921 and enter access code 13743876 to hear the playback.

#### About Medifast®:

Medifast (NYSE: MED) is the health and wellness company known for its habit-based and coach-guided lifestyle solution OPTAVIA®, which provides people with a simple, yet comprehensive approach to help them achieve lasting optimal health and wellbeing. OPTAVIA's lifestyle plans deliver clinically proven health benefits as well as evidence-based tools, including scientifically developed products and a framework for habit creation reinforced by independent Coaches and Community support. As a physician-founded company with a 40+ year history, Medifast is a leader in the U.S. weight management industry. Through a collaboration with the national virtual primary care provider **LifeMD**, OPTAVIA customers have access to board-certified affiliated clinicians and medications, such as GLP-1s, that support treatment plans for obesity and other health conditions. The company continues to innovate and build upon its scientific and clinical heritage to fulfill its mission of offering the world Lifelong Transformation, One Healthy Habit at a Time®. Medifast was recognized in 2023 by Financial Times as one of **The Americas' Fastest Growing Companies** and in 2022 as one of **America's Best Mid-Sized Companies** by Forbes. For more information, visit [MedifastInc.com](http://MedifastInc.com) and [OPTAVIA.com](http://OPTAVIA.com) and follow [@Medifast](https://twitter.com/Medifast) on X.

MED-F

#### 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, Medifast's inability to maintain and grow the network of independent OPTAVIA Coaches; Industry competition and new weight loss products, including weight loss medications, or services; Medifast's health or advertising related claims by our OPTAVIA customers; Medifast's inability to continue to develop new products; effectiveness of Medifast's advertising and marketing programs, including use of social media by OPTAVIA Coaches; the departure of one or more key personnel; Medifast's inability to protect against online security risks and cyberattacks; risks associated with Medifast's direct-to-consumer business model; disruptions in Medifast's supply chain; product liability claims; Medifast's planned growth into domestic markets including through its collaboration with LifeMD, Inc.; adverse publicity associated with Medifast's products; the impact of existing and future laws and regulations on Medifast's business; fluctuations of Medifast's common stock market price; increases in litigation; actions of activist investors; the consequences of other geopolitical events, overall economic and market conditions and the resulting impact on consumer sentiment and spending patterns; 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, 2023, 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.

MEDIFAST, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME (THREE MONTHS ENDED)  
(U.S. dollars in thousands, except per share amounts)

	Three months ended December	
	2023	
Revenue	\$ 191,015	\$
Cost of sales	49,646	
Gross profit	141,369	
Selling, general, and administrative	132,693	
Income from operations	8,676	

Other income (expense)			
Interest income (expense)		1,176	
Other expense		(50 )	
		<u>1,126</u>	
Income from operations before income taxes		9,802	
Provision for income taxes		3,766	
Net income	\$	<u>6,036</u>	\$
Earnings per share - basic	\$	<u>0.55</u>	\$
Earnings per share - diluted	\$	<u>0.55</u>	\$
Weighted average shares outstanding			
Basic		<u>10,893</u>	
Diluted		<u>10,935</u>	
Cash dividends declared per share	\$	<u>—</u>	\$

MEDIFAST, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
(U.S. dollars in thousands, except for share and per share amounts)

## ASSETS

Current Assets

Cash and cash equivalents

Inventories

Investments

Income taxes, prepaid

Prepaid expenses and other current assets

Total current assets

Property, plant and equipment - net of accumulated depreciation

Right-of-use assets

Other assets

Deferred tax assets

TOTAL ASSETS

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts payable and accrued expenses

Income taxes payable

Current lease obligations

Total current liabilities

Lease obligations, net of current lease obligations

Total liabilities

Stockholders' Equity

Common stock, par value 0.001 per share: 20,000 shares authorized;

10,896 and 10,928 issued and 10,896 and 10,873 outstanding

at December 31, 2023 and December 31, 2022, respectively

Additional paid-in capital

Accumulated other comprehensive income

Retained earnings

Less: treasury stock at cost, 0 and 54 shares at December 31, 2023 and December 31, 2022, respectively

Total stockholders' equity

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY



## 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 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 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:

---

	GAAP
Cost of sales	\$ 49,646
Gross profit	141,369
Selling, general, and administrative	132,693
Income from operations	8,676
Other income	1,126
Provision for income taxes	3,766
Net income	6,036
Diluted earnings per share <sup>(1)</sup>	0.55

---

	GAAP		
Cost of sales	\$	103,649	\$
Gross profit		233,596	
Selling, general, and administrative		200,998	
Income from operations		32,598	
Other expense		(190 )	
Provision for income taxes		5,890	
Net income		26,518	
Diluted earnings per share <sup>(1)</sup>		2.41	

	GAAP		
Cost of sales	\$	296,204	\$
Gross profit		775,850	
Selling, general, and administrative		649,448	
Income from operations		126,402	
Other income		2,395	
Provision for income taxes		29,382	
Net income		99,415	
Diluted earnings per share <sup>(1)</sup>		9.10	

	GAAP		
Cost of sales	\$	458,163	\$
Gross profit		1,140,414	

Selling, general, and administrative	955,608
Income from operations	184,806
Other expense	(747 )
Provision for income taxes	40,491
Net income	143,568
Diluted earnings per share <sup>(1)</sup>	12.73



<sup>(1)</sup> 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.

<sup>(2)</sup> It is expected that the remaining \$5.0 million of LifeMD Collaboration Costs will be recorded in 2024.

#### Contacts

Investor Contact:

Medifast, Inc.

Steven Zenker

**InvestorRelations@medifastinc.com**

(443) 379-5256