



# **Second Quarter Fiscal Year 2019 Earnings Conference Call & Webcast Presentation**

**April 4, 2019**

# Disclaimer

## **Forward Looking Statements**

This presentation contains certain statements made herein that are not historical facts but are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. Forward-looking statements generally are accompanied by or include words such as “will”, “expect”, “aspire”, “outlook” or other similar words, phrases or expressions. These forward-looking statements include statements regarding future plans for the Company, the estimated or anticipated future results and benefits of the Company’s future plans and operations, future opportunities for the Company, and other statements that are not historical facts. These statements are based on the current expectations of the Company’s management and are not predictions of actual performance. These statements are subject to a number of risks and uncertainties and the Company’s business and actual results may differ materially. These risks and uncertainties include, but are not limited to, changes in the business environment in which the Company operates including general financial, economic, regulatory and political conditions affecting the industry in which the Company operates; changes in consumer preferences and purchasing habits; the Company’s ability to maintain adequate product inventory levels to timely supply customer orders; the impact of the Tax Act on the Company’s business; changes in taxes, tariffs, duties, governmental laws and regulations; the availability of or competition for other brands, assets or other opportunities for investment by the Company or to expand the Company’s business; competitive product and pricing activity; difficulties of managing growth profitably; the loss of one or more members of the Company’s management team; and other risk factors described from time to time in the Company’s Form 10-K, Form 10-Q, and Form 8-K reports (including all amendments to those reports) filed with the U.S. Securities and Exchange Commission from time to time. In addition, forward-looking statements provide the Company’s expectations, plans or forecasts of future events and views as of the date of this communication. Except as required by law, the Company undertakes no obligation to update such statements to reflect events or circumstances arising after such date, and cautions investors not to place undue reliance on any such forward-looking statements. These forward-looking statements should not be relied upon as representing the Company’s assessments as of any date subsequent to the date of this communication.

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# TODAY'S SPEAKERS AND AGENDA

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## Speakers

Mark Pogharian

*VP, Investor Relations*

Joe Scalzo

*Chief Executive Officer*

Todd Cunfer

*Chief Financial Officer*

## Agenda

- Introduction
- Second Quarter 2019 Highlights
- Business Update
- Financial Summary
- Q&A

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# **JOSEPH E. SCALZO**

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**PRESIDENT AND CHIEF EXECUTIVE OFFICER**

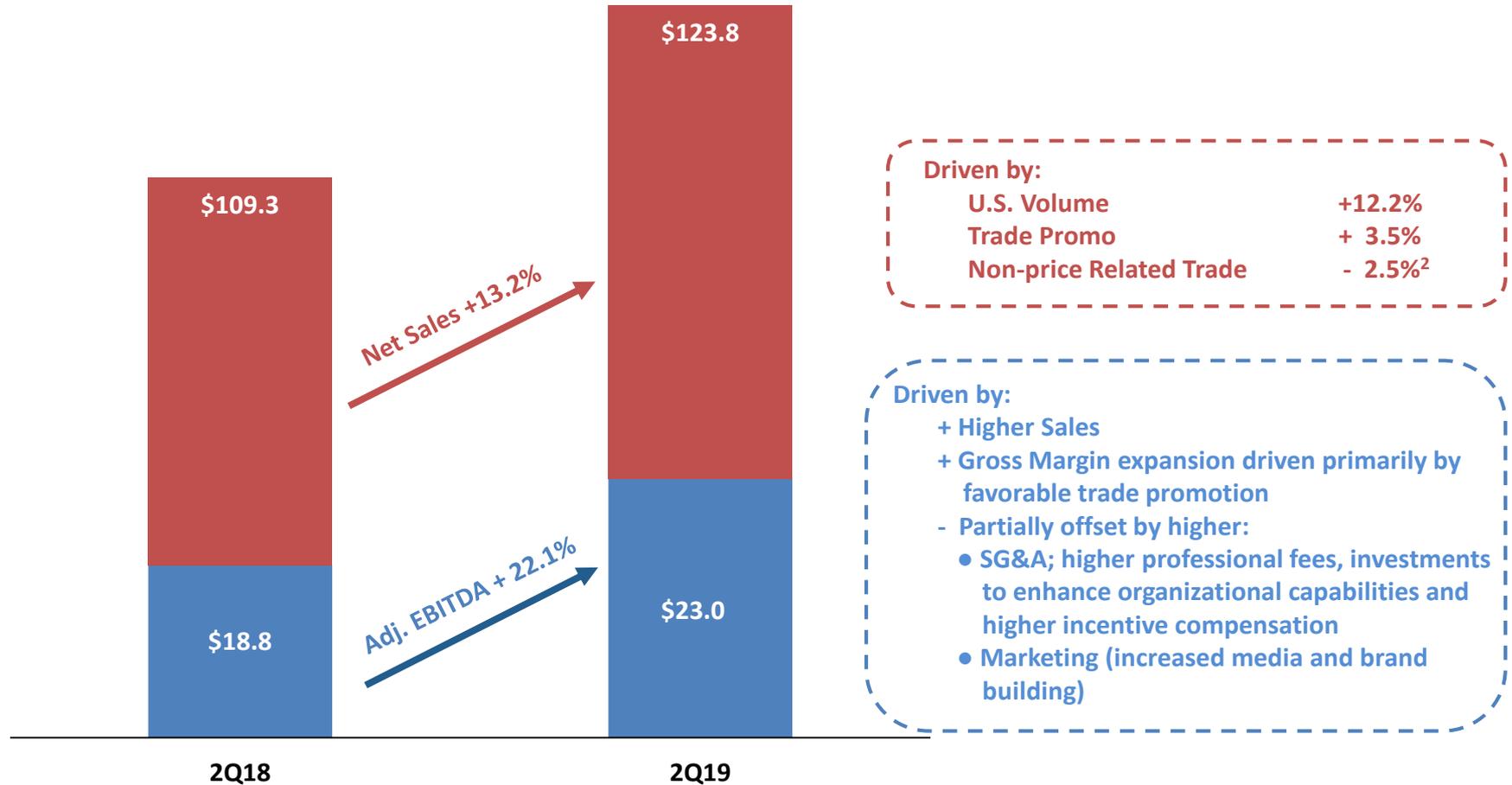
# 2<sup>nd</sup> QUARTER FISCAL 2019 HIGHLIGHTS

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- Delivered solid financial results, exceeded our expectation
- Marketplace performance continued to be strong
- Broad based growth across all forms (Bars, RTD/Shakes, Confections) and retail channels
- Reduced frequency of promotions on bar products resulted in net price realization; enabled improvement of retail inventory levels to near normal levels
- Fiscal 3<sup>rd</sup> quarter off to a good start, encouraged by momentum as we enter the second half of the year

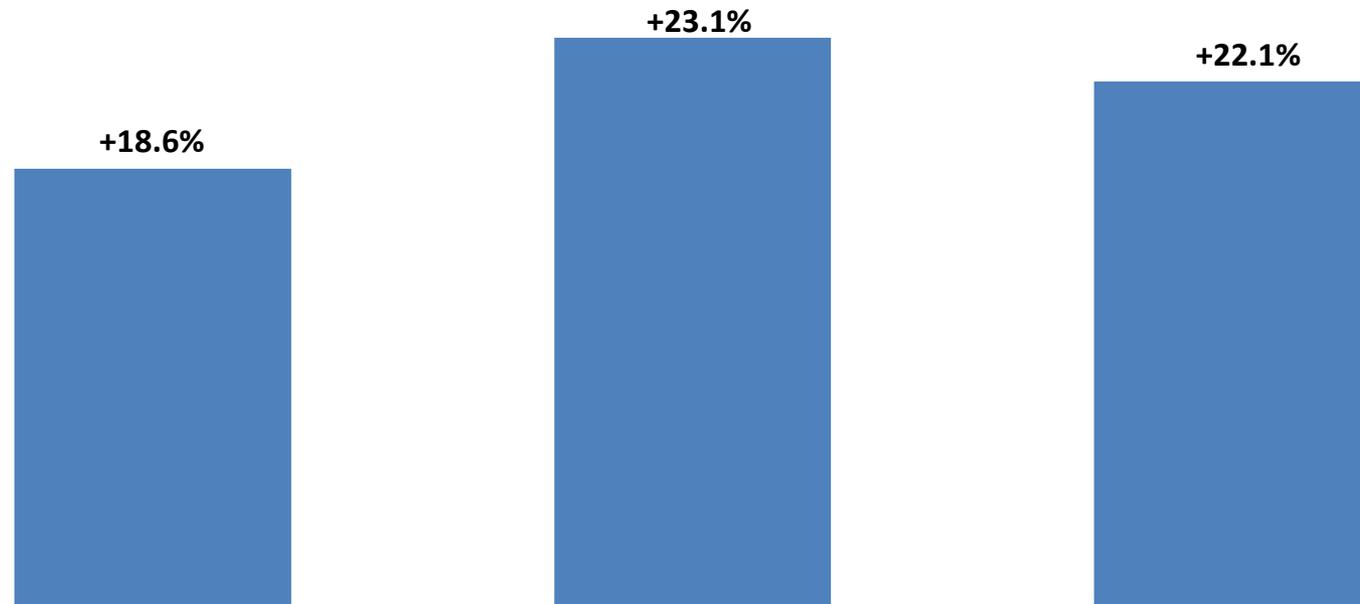
# 2<sup>nd</sup> QUARTER HIGHLIGHTS: REVENUE & PROFIT GROWTH

## Business Momentum Continues



# CONSUMPTION GROWTH REMAINS STRONG

Total Atkins U.S. Snacking Point of Sale Data  
% Change vs. Year Ago



Period end 2/24/19:

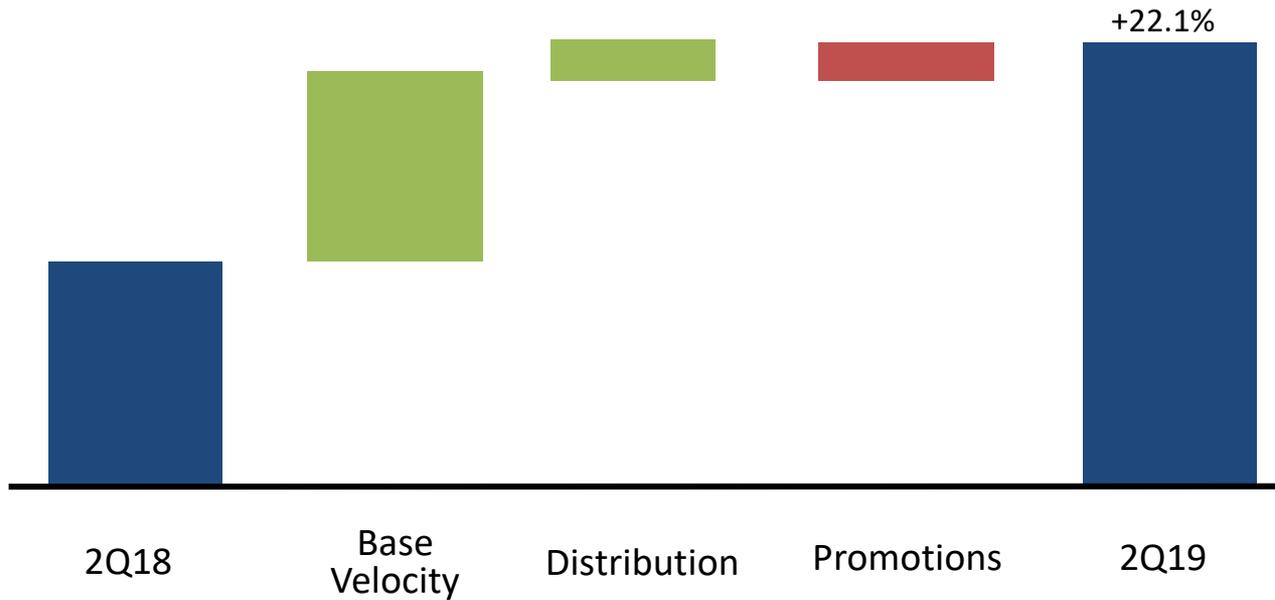
52-weeks

26-weeks

13-weeks

# BASE VELOCITY GROWTH

## Atkins U.S. Snacking Point of Sale Drivers of Growth

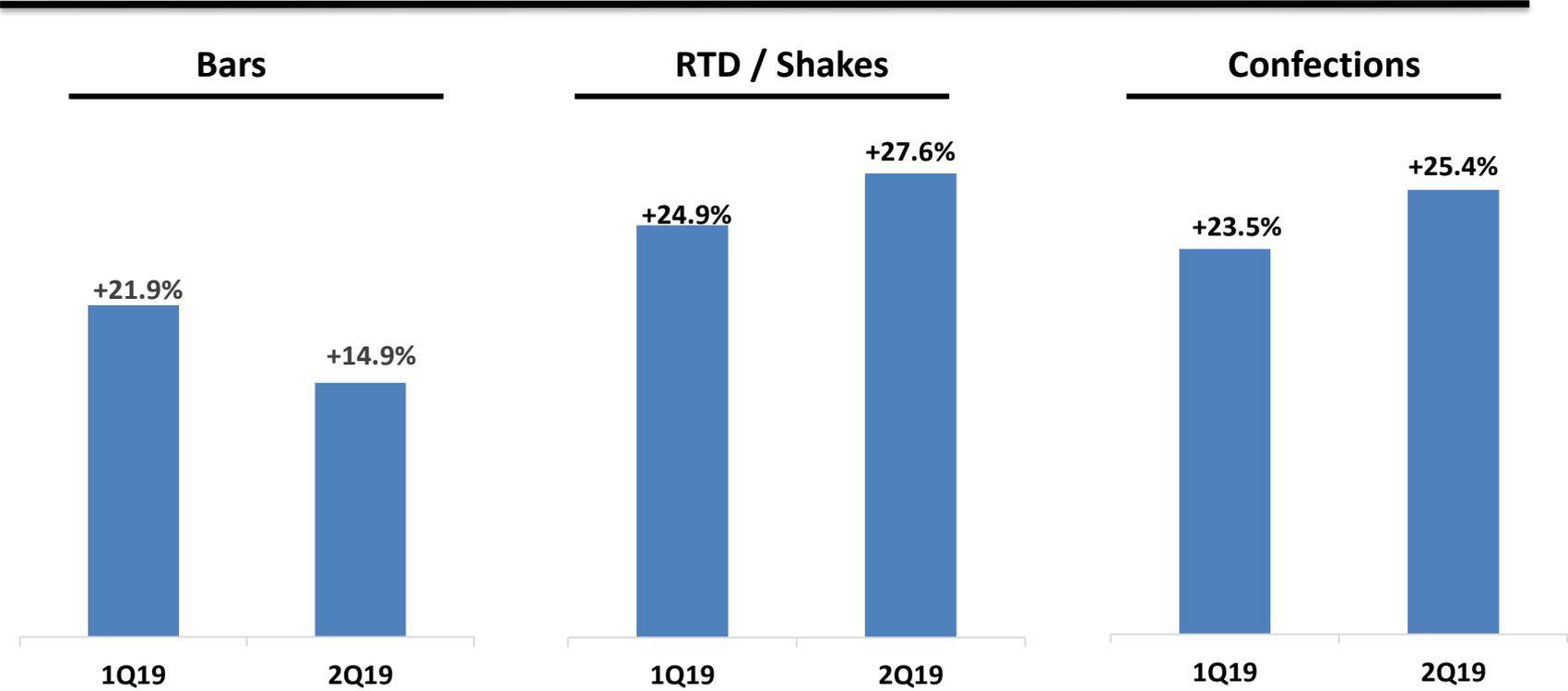


# RETAIL TAKEAWAY BY FORM

Growth across all forms relatively in-line with estimates:

- Solid performance across all forms as marketing strategy focuses on communicating nutritional benefits of the Atkins brand
- Bars performance impacted by strategic choice of reduced frequency of promotions versus the prior year

**Atkins U.S. Point of Sale Data by Form**  
**% Change vs. Year Ago**

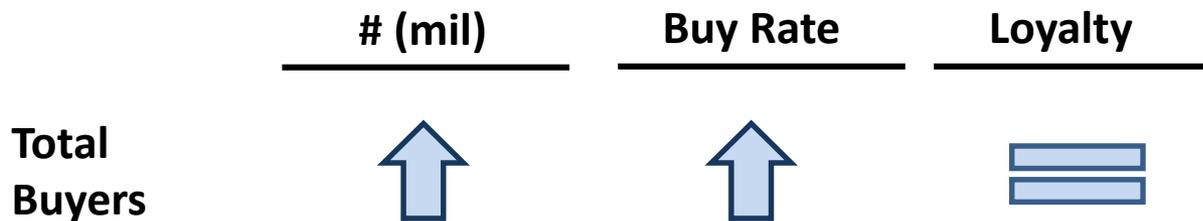


# NEW AD COPY ON AIR JANUARY 2019

- New ad copy tested well, early marketplace results encouraging
- Advertising investments driving new buyers to the brand



Driving New Buyers and Consumption in F1Q19 & F2Q19



# SOLID PIPELINE OF NEW PRODUCTS

Annual new product launches provide variety to current consumers and helps introduce the brand and nutritional philosophy to new buyers

- Distribution of fiscal 2019 innovation building as planned



# FIRST HALF OF FISCAL 2019 OFF TO A SOLID START

- A solid start to the year with net sales growth exceeding our long-term target, although challenging comps over the remainder of the year

Total Atkins U.S. Snacking Point of Sale Data\*

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
2019	+23.5%	+22.1%	March off to a good start	TBD
2018	+5.5%	+4.7%	+9.8%	+19.5%

\*Per IRI; percent change versus year ago period

- Strategy of targeting and reaching lifestyle-orientated consumers continues to work
- We are confident in our ability to outperform our growth algorithm for the year driven by the effectiveness of our marketing, our improved supply position and our ability to invest in proven growth initiatives

# FINANCIAL OVERVIEW

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**TODD CUNFER**

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**CHIEF FINANCIAL OFFICER**

# 2Q19 - SOLID SALES GROWTH & MARGIN EXPANSION

## Fiscal 2<sup>nd</sup> Quarter 2019 vs. Year Ago Period

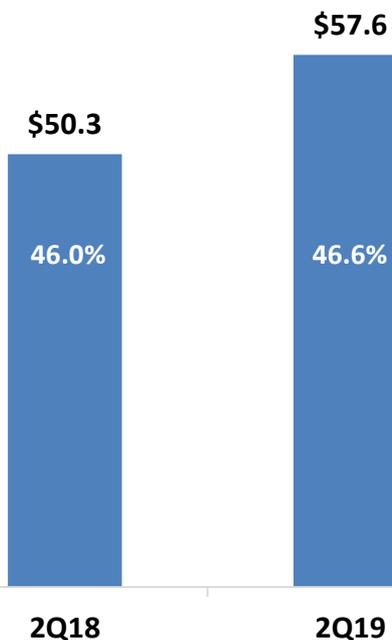
### Net Sales<sup>(1)</sup>

13.2% Year-Over-Year  
Growth



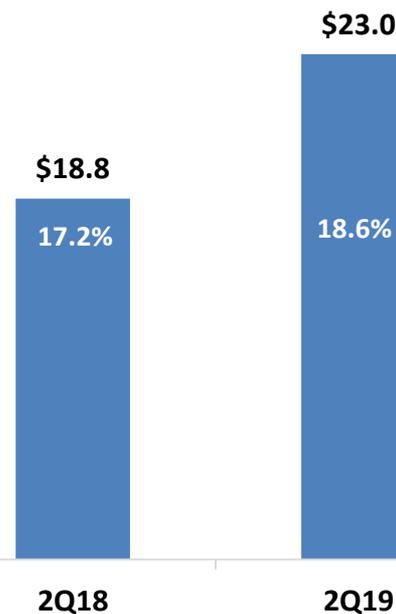
### Gross Profit (and % Margin)<sup>(1)</sup>

14.7% Year-Over-Year  
Growth

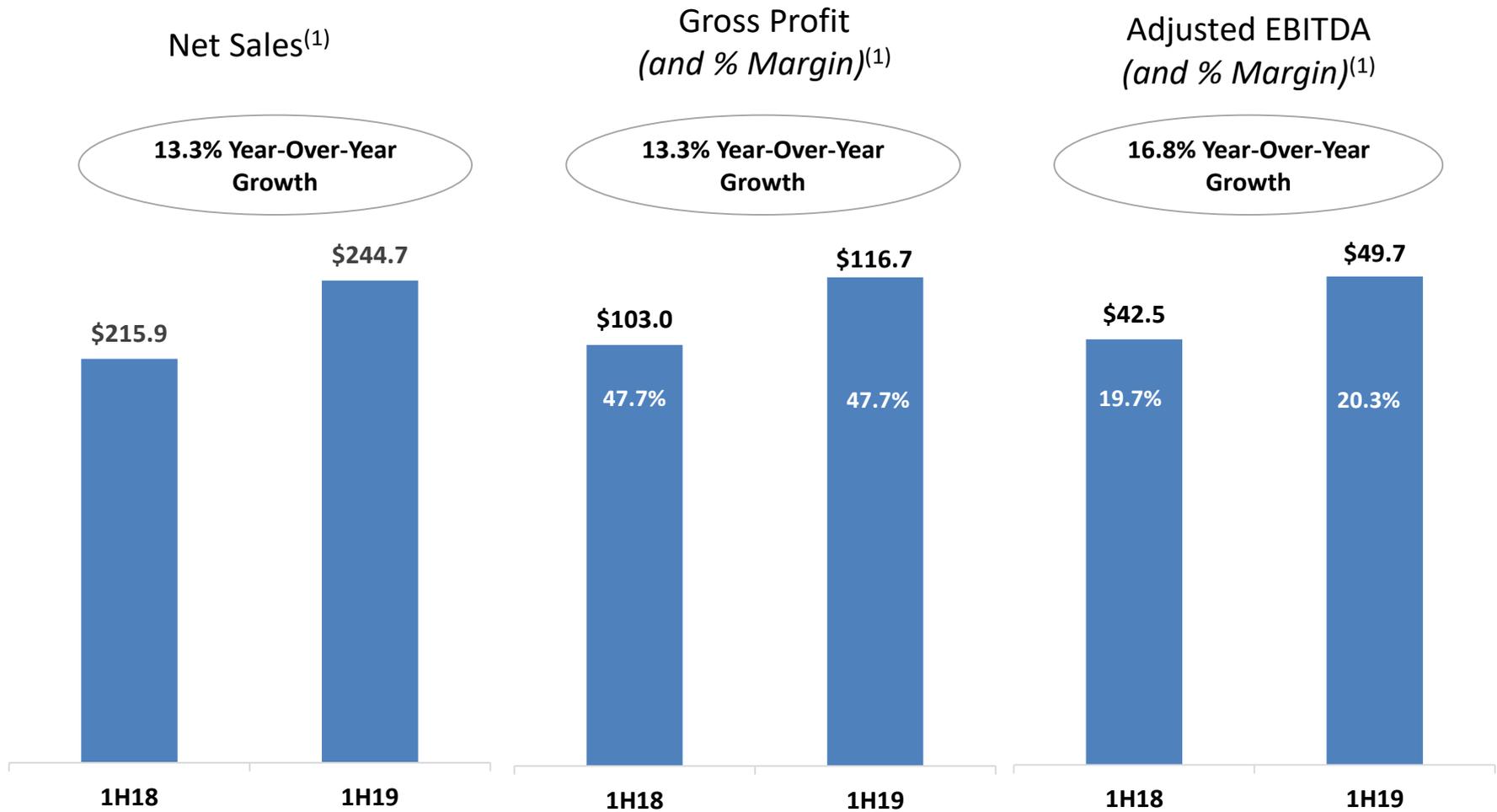


### Adjusted EBITDA (and % Margin)<sup>(1)</sup>

22.1% Year-Over-Year  
Growth



# YTD 2019 RESULTS STRONG ACROSS KEY METRICS



# BALANCE SHEET & CASH FLOW HIGHLIGHTS

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- Solid balance sheet and cash flow provides financial flexibility to support future growth; both organic and M&A
- Year-to-date cash generated by operating activities \$21.8 million and net cash provided by financing activities \$86.2 million
- As of February 23, 2019, the Company has cash of \$218.9 million and a \$197.5 million term loan (Libor +350 bps), resulting in a net cash position of \$21.5 million.
- The Company also has a \$75.0 million revolving line of credit currently not utilized

# SUMMARY

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- Strong first half of the year and entering Q3 with momentum and improved supply chain position
- Full Year 2019 Outlook Updated:
  - ❑ Given year-to-date marketplace and financial results we're more optimistic than last quarter in our ability to exceed our long-term net sales target of 4% to 6%
  - ❑ Anticipate full-year net sales and adjusted EBITDA growth to both increase double digits on a percentage basis versus last year
    - Full year outlook reflects:
      - Significantly more challenging POS comps in the second half of the year
      - Lower levels of bar promotions versus the prior year as we manage bar demand within our available supply
      - Incremental strategic investments in marketing and brand building initiatives that should continue to drive growth over the long term
    - Second half of year impacts:
      - Anticipate solid sales growth in second half of the year with shipments outpacing consumption as we enter Q3 with lower levels of inventory versus the prior year
      - As previously discussed, sales in transit and a 53<sup>rd</sup> week a benefit in Q4
- Executing against our strategy and delivering on our financial objectives with flexibility to invest in the business as a path to increasing shareholder value over the long term

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# Q&A