



Fourth Quarter and Fiscal Year 2019 Earnings Conference Call & Webcast Presentation

October 29, 2019

Disclaimer

Forward Looking Statements

Certain statements made herein 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”, “intends” or other similar words, phrases or expressions. These forward-looking statements include statements regarding the potential acquisition of Quest (the “Quest Transaction”), future plans for the Company, the estimated or anticipated future results (including those of Quest) and benefits of the Company’s future plans and operations, future capital structure, 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, one or more of the closing conditions to the Quest Transaction, not being satisfied or waived; the Quest Transaction not being completed in the timeframe expected by the Company or at all; delays or failures relating to the financing of the Quest Transaction; unexpected costs, charges or expenses resulting from the proposed Quest Transaction; failure to realize the anticipated benefits of the proposed Quest Transaction; difficulties and delays in achieving the synergies and cost savings in connection with the Quest Transaction; changes in the business environment in which the Company operates including general financial, economic, capital market, regulatory and political conditions affecting the Company and 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 or Quest’s management team; the completion of our financial statements for the fifty-three weeks ended August 31, 2019; 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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This presentation includes certain financial measures not presented in accordance with generally accepted accounting principles (“GAAP”) including, but not limited to, Adjusted EBITDA and certain ratios and other metrics derived there from. These non-GAAP financial measures are not measures of financial performance in accordance with GAAP and may exclude items that are significant in understanding and assessing financial results. Therefore, these measures should not be considered in isolation or as an alternative to net income, cash flows from operations or other measures of profitability, liquidity or performance under GAAP. You should be aware that the presentation of these measures may not be comparable to similarly-titled measures used by other companies. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are set forth in the Press Release dated July 2, 2019. We believe (i) these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to the financial condition and results of operations of Atkins Nutritionals, Inc. (“Atkins”) to date; and (ii) that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends in and in comparing financial measures with other similar companies, many of which present similar non-GAAP financial measures to investors. These non-GAAP financial measures are subject to inherent limitations as they reflect the exercise of judgments by management about which expense and income are excluded or included in determining these non-GAAP financial measures.

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Today's Speakers and Agenda

Speakers

Mark Pogharian

VP, Investor Relations

Joe Scalzo

President & Chief Executive Officer

Todd Cunfer

Chief Financial Officer

Agenda

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

JOSEPH E. SCALZO

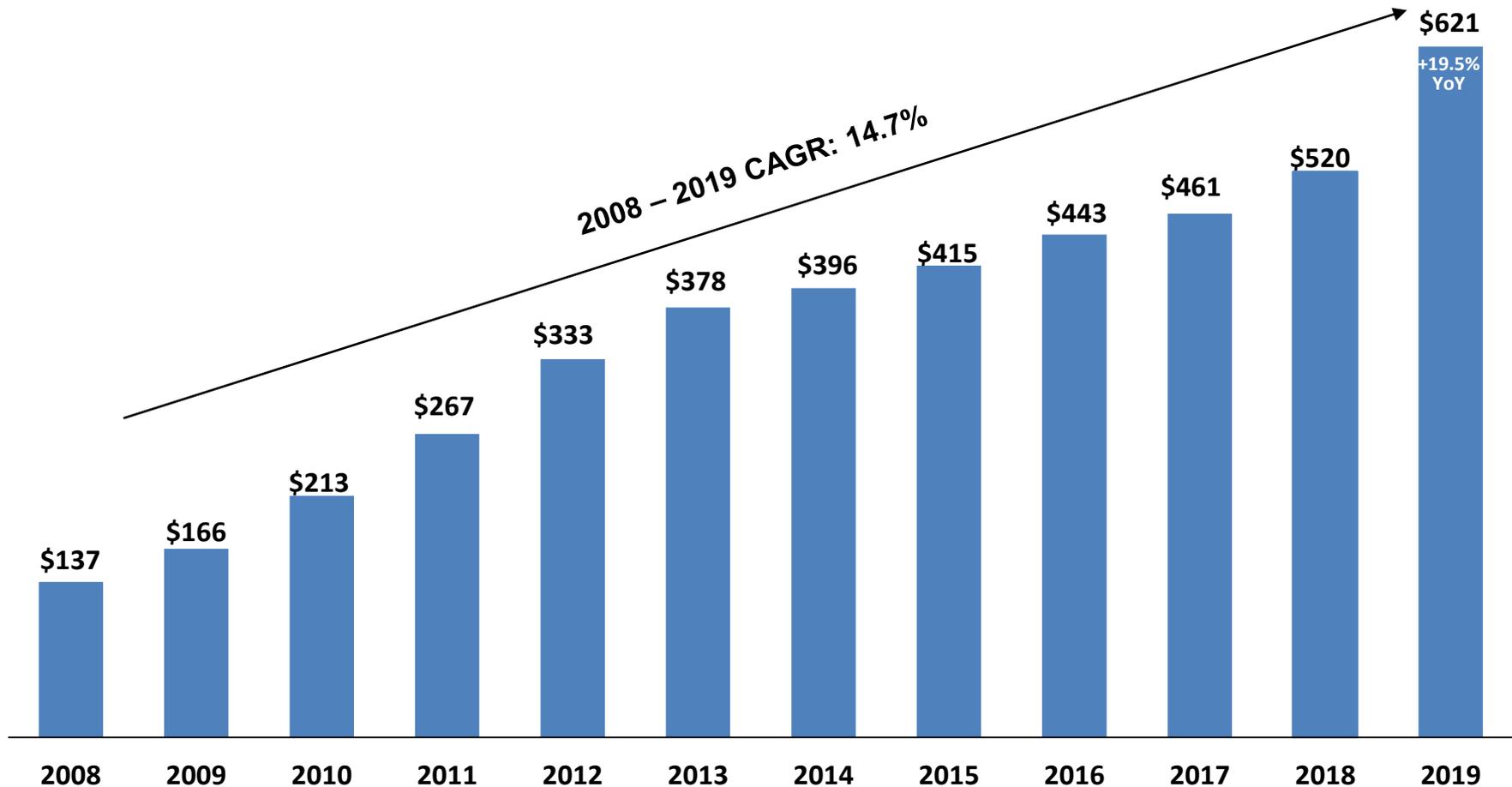
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Fiscal 2019 Highlights

- Exceeded fiscal 2019 targets for net sales, Adjusted EBITDA and free cash flow
 - Generated double digit net sales and Adjusted EBITDA growth in every quarter
- Expanded Adjusted EBITDA margin while continuing to make investments to drive growth
- Retail takeaway in IRI MULO measured channels increased 19.5%, resulting in 11 consecutive years of U.S. nutritional snacking point of sales growth
- E-commerce business strong, up 60% in 2019; about 5% of gross sales
- Nutritional snacking category growth solid with major manufacturers all growing
- Quest regulatory approvals obtained, financing on track, and closing is expected to occur in November

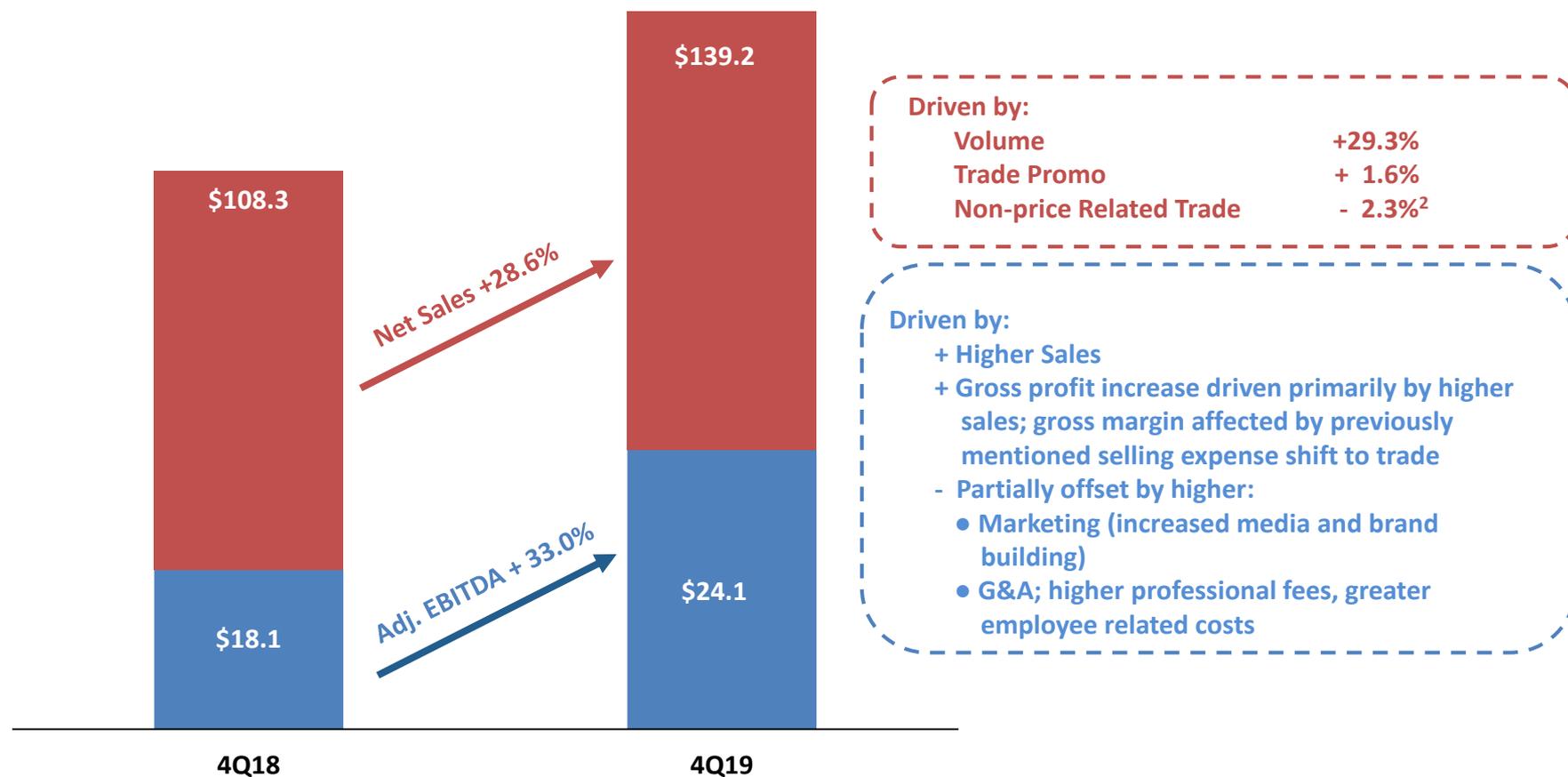
Continuous Point-of-Sales Growth

Atkins U.S. Snacking Point-of-Sale Data⁽¹⁾



4th Quarter Highlights: Revenue & Profit Growth

Strong End to the Year:



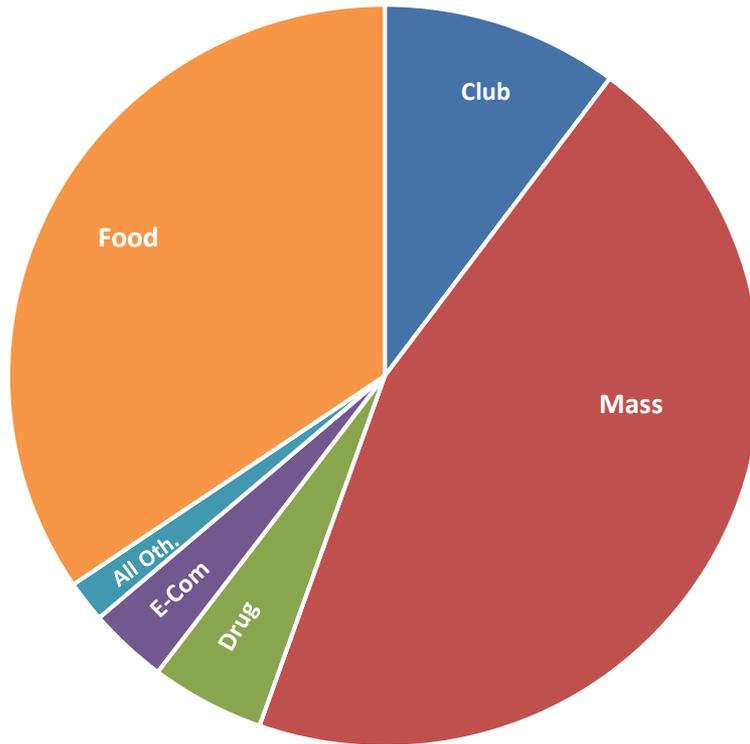
¹ Bars/graphs not to scale

² In the year ago period (4Q18) recorded in selling expense

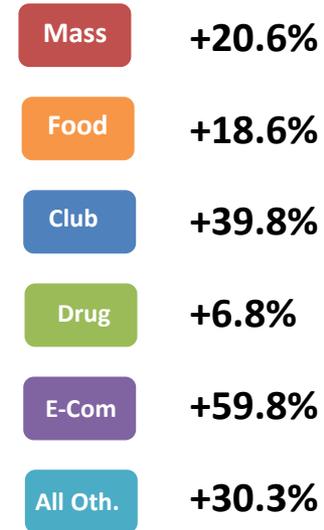
Growth Across All Major Channels

Sales growth across all major channels and customers in

U.S. Snacking Gross Sales by Channel

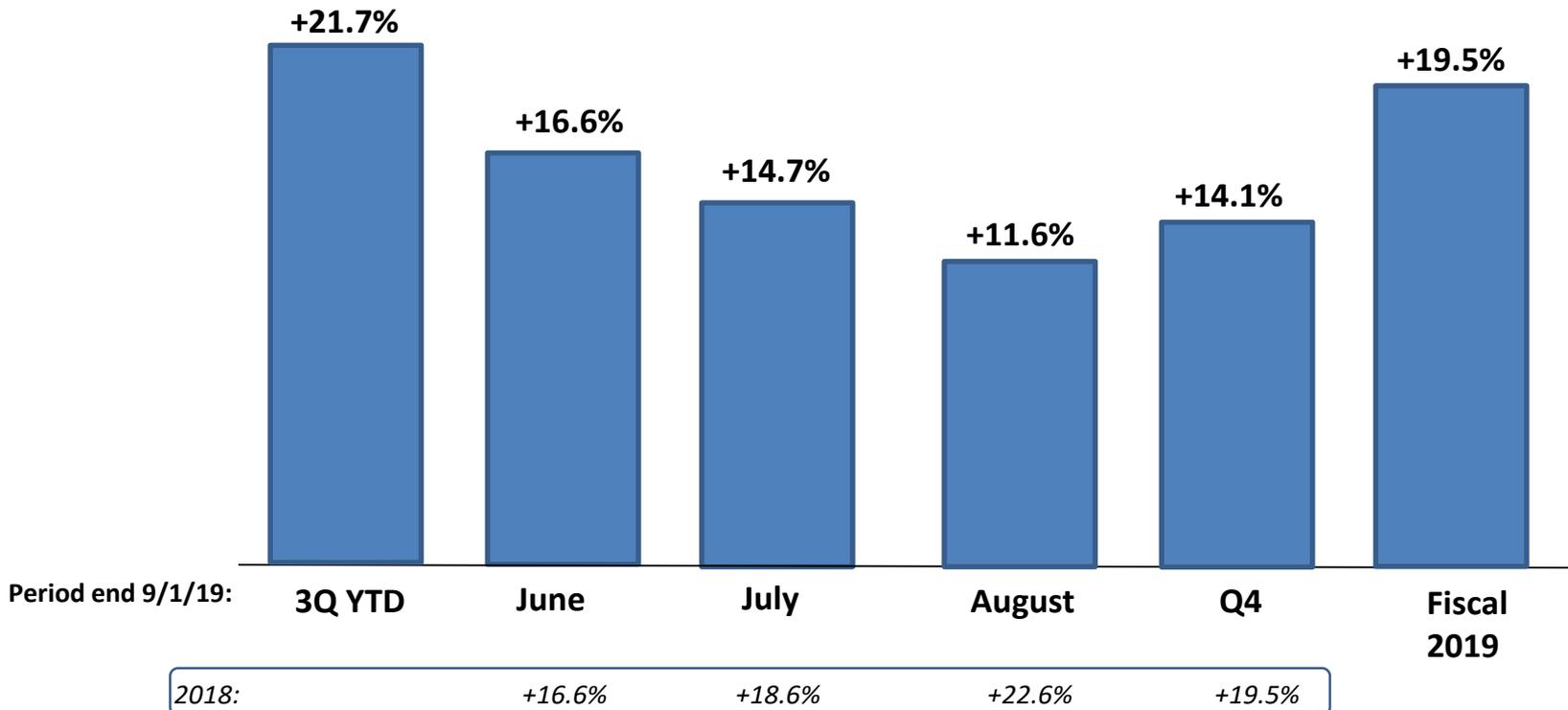


U.S. Snacking Gross Sales Growth by Channel Fiscal 2018 vs. 2019



Q4 Consumption Growth Solid vs. Tough Comps in Prior Year

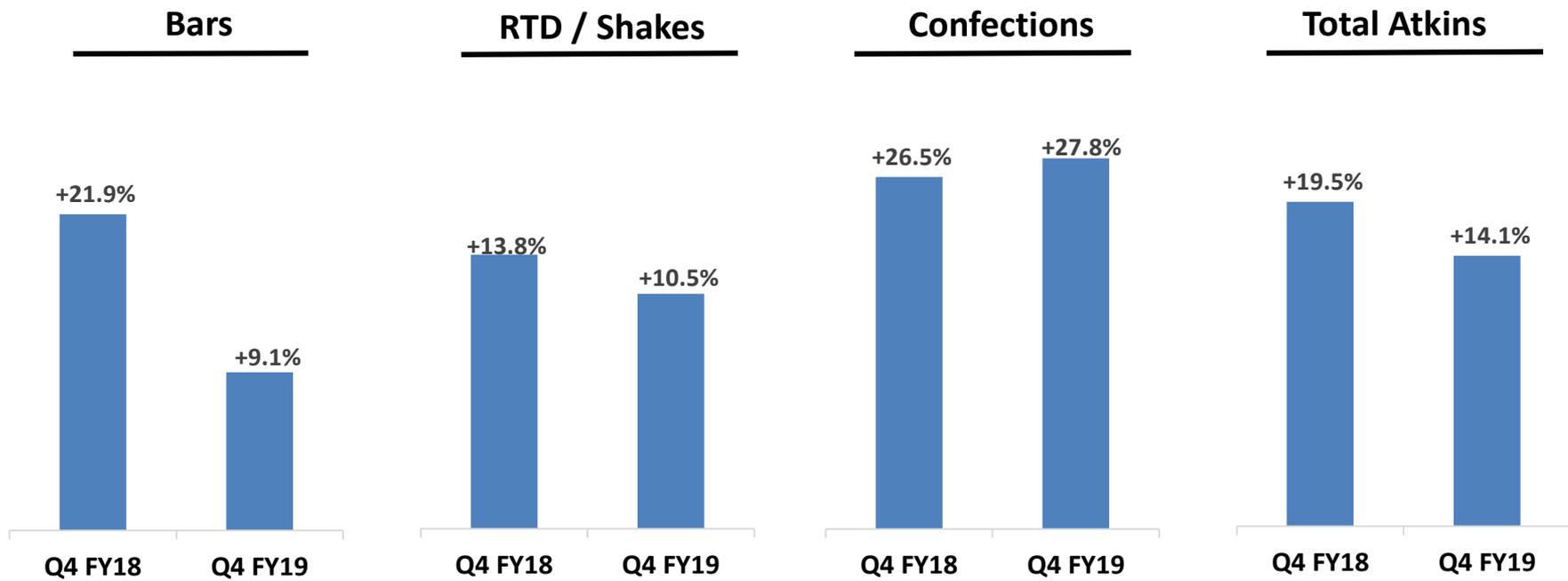
Total Atkins U.S. Snacking Point of Sale Data
% Change vs. Year Ago



Retail Takeaway by Form

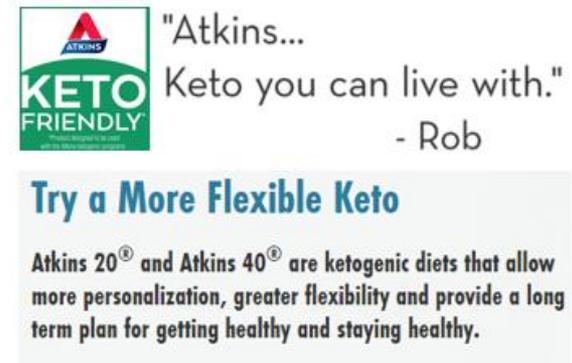
Retail takeaway by form in-line with estimates given challenging year ago comps

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



Committed to Advertising & Marketing

- Ad copy delivering desired results and resonating with consumers



	# (mil)	Buy Rate	Loyalty
Fiscal 2019 Total Buyers	↑	Greater than LT historical Avg.	≡
Fiscal 2020e Total Buyers	↑	= 2019 rate	≡

Confidence in Our Strategy & Delivering on Our Commitments

- Anticipate another year of solid POS growth, although challenging comps throughout the year

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

	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>F1Q</u>
Fiscal '20	+8.9%	+13.0% ¹	TBD	TBD
Fiscal '19	+25.8%	+23.9%	+22.4%	+24.0%

- Marketing expected to increase more in-line with net sales growth
- Positioned nicely to deliver on our 2020 plan and over our strategic planning cycle

TODD CUNFER

CHIEF FINANCIAL OFFICER

Change in Net Sales

	Net Sales YoY Drivers	
	4Q19	FY19
Volume growth	13.3	18.0
Volume 53 rd week	~8.0	~2.0
Sales in Transit (as discussed F4Q18)	<u>~8.0</u>	<u>~2.0</u>
	29.3	22.0
Trade Promo	1.6	1.4
Non—price related Trade	-2.3	-2.1
Net sales growth	<u>+28.6%</u>	<u>+21.3%</u>

IRI retail takeaway / point-of-sales growth¹
(Percent increase versus last year)

+14.1%

+19.5%

Income Statement Updates

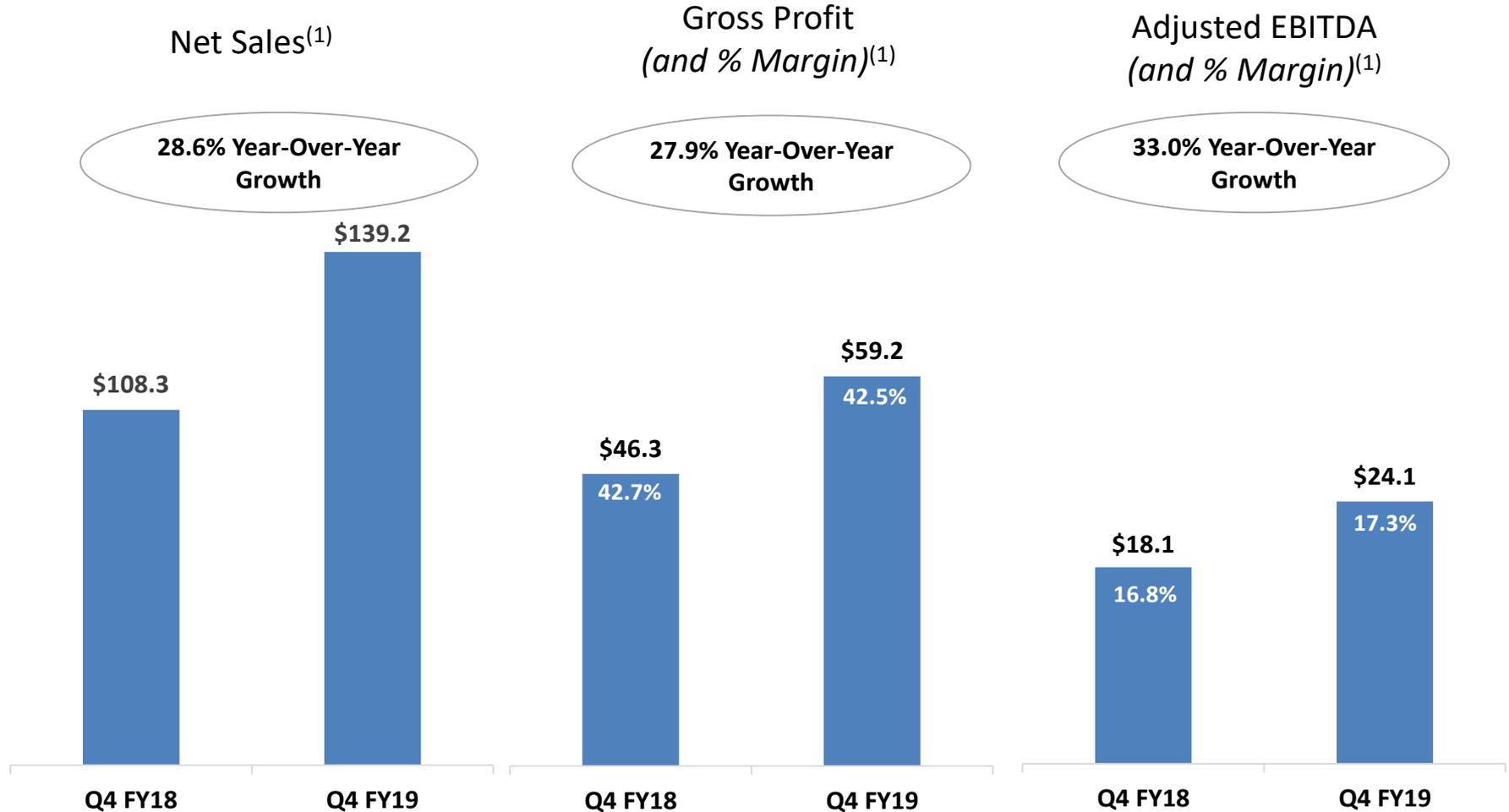
- Distribution and warehousing costs now included in Cost of goods sold
- Selling and marketing expenses combined
 - Lag effect of F4Q19 advertising positions us to get off to a good start to the year, but timing affects F1H20 Adjusted EBITDA growth

<u>Marketing Expense</u>	<u>F1H19</u>	<u>F2H19</u>	<u>F19</u>
YoY % Increase	+19.6%	+51.8%	+36.3%
Percent of Total '19 Spend	42%	58%	100%

- In fiscal 2020 we anticipate incentive compensation will be more evenly accrued by quarter throughout the year

Q4 FY19 – Solid Net Sales and Profit Growth

Fiscal 4th Quarter 2019 vs. Year Ago Period



A Successful Year Across Key Metrics

Full Year Fiscal 2019 vs. Fiscal 2018

Net Sales⁽¹⁾

21.3% Year-Over-Year Growth

\$523.4

\$431.4

FY18

FY19

Gross Profit
(and % Margin)⁽¹⁾

20.5% Year-Over-Year Growth

\$180.4

41.8%

FY18

\$217.4

41.5%

FY19

Adjusted EBITDA
(and % Margin)⁽¹⁾

25.6% Year-Over-Year Growth

\$78.6

18.2%

FY18

\$98.7

18.9%

FY19

Balance Sheet & Cash Flow Highlights

- Cash generated by operating activities of \$73.0 million and net cash provided by financing activities of \$83.4 million
- Solid balance sheet and cash flow provides financial flexibility to support future growth and pay down debt related to the Quest acquisition
- As of August 31, 2019, the Company had cash of \$266.4 million and a \$196.5 million term loan (Libor +350 bps), resulting in a net cash position of \$69.9 million
- After the end of the fourth quarter, on October 7th, the Company sold approximately 13.4 million shares of its common stock. The Company intends to use the net proceeds from the offering - about \$350 million - to fund in part the Quest Nutrition, LLC acquisition

Summary

- We are confident in our ability to deliver our plan and capture growth opportunities in fiscal 2020
- Full Year 2020 Outlook:
 - ❑ Anticipate full-year reported net sales growth to be at the high end of the Company's long-term target of +4-6%
 - 53rd week in fiscal 2019 is about a 2 ppt. headwind to growth rate in fiscal 2020
 - ❑ Adjusted EBITDA expected to increase somewhat higher than the reported net sales growth rate
 - ❑ Full year outlook reflects:
 - Significantly more challenging POS comps and expectation that retail takeaway will moderate
 - Input cost inflation expected to be offset by the previously mentioned SSI program
 - Marketing to increase more in-line with sales growth
- Quest Nutrition, LLC, requirements for closing are on track
- Anticipate net leverage of ~3.75x or less by year-end August 2020
- Excited about our near and long-term prospects and ability to create value for all shareholders

Q&A