



First Quarter Fiscal Year 2020 Earnings Conference Call & Webcast Presentation

January 9, 2020

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 integration of Quest, 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 achieving the anticipated benefits of the Quest acquisition; difficulties and delays in achieving the synergies and cost savings in connection with the Quest acquisition; 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; 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.

Non-GAAP Financial Measures

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 January 9, 2020. 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 the Company 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
- First Quarter 2020 Highlights
- Business Update
- Financial Summary
- Q&A

JOSEPH E. SCALZO

PRESIDENT AND CHIEF EXECUTIVE OFFICER

GROWTH

VISION:

Simply Good Foods aims to lead the nutritious snacking movement with **trusted brands** that offer a variety of convenient, innovative, great-tasting, better-for-you snacks and meal replacements

TRUSTED BRANDS



1

Compelling consumer lifestyle brands

2

Scale, outsourced supply chain

3

Leverage consumer mega trends in nascent underpenetrated category

4

Diversified snacking product portfolio

5

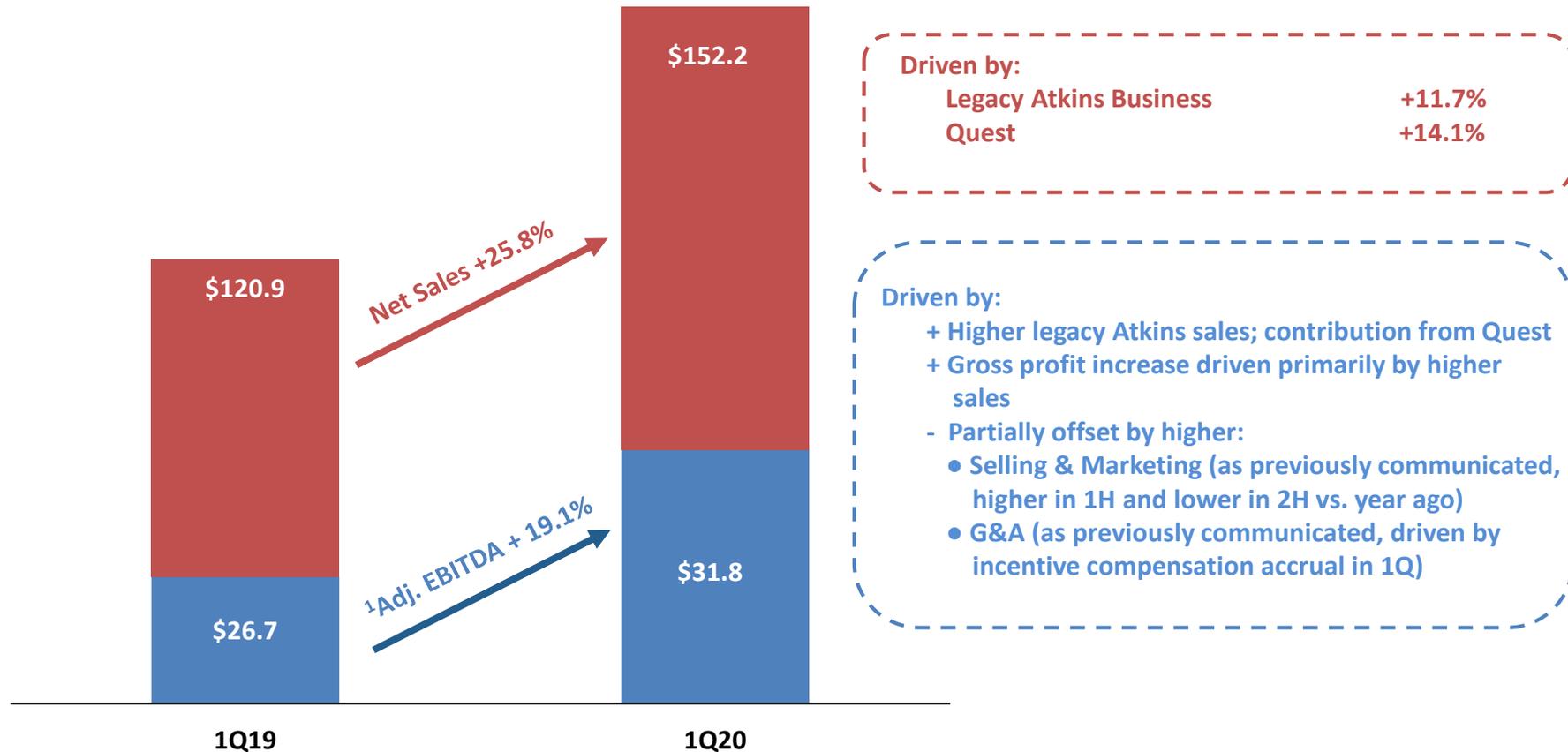
Broad availability across channels



1st QUARTER FISCAL 2020 HIGHLIGHTS

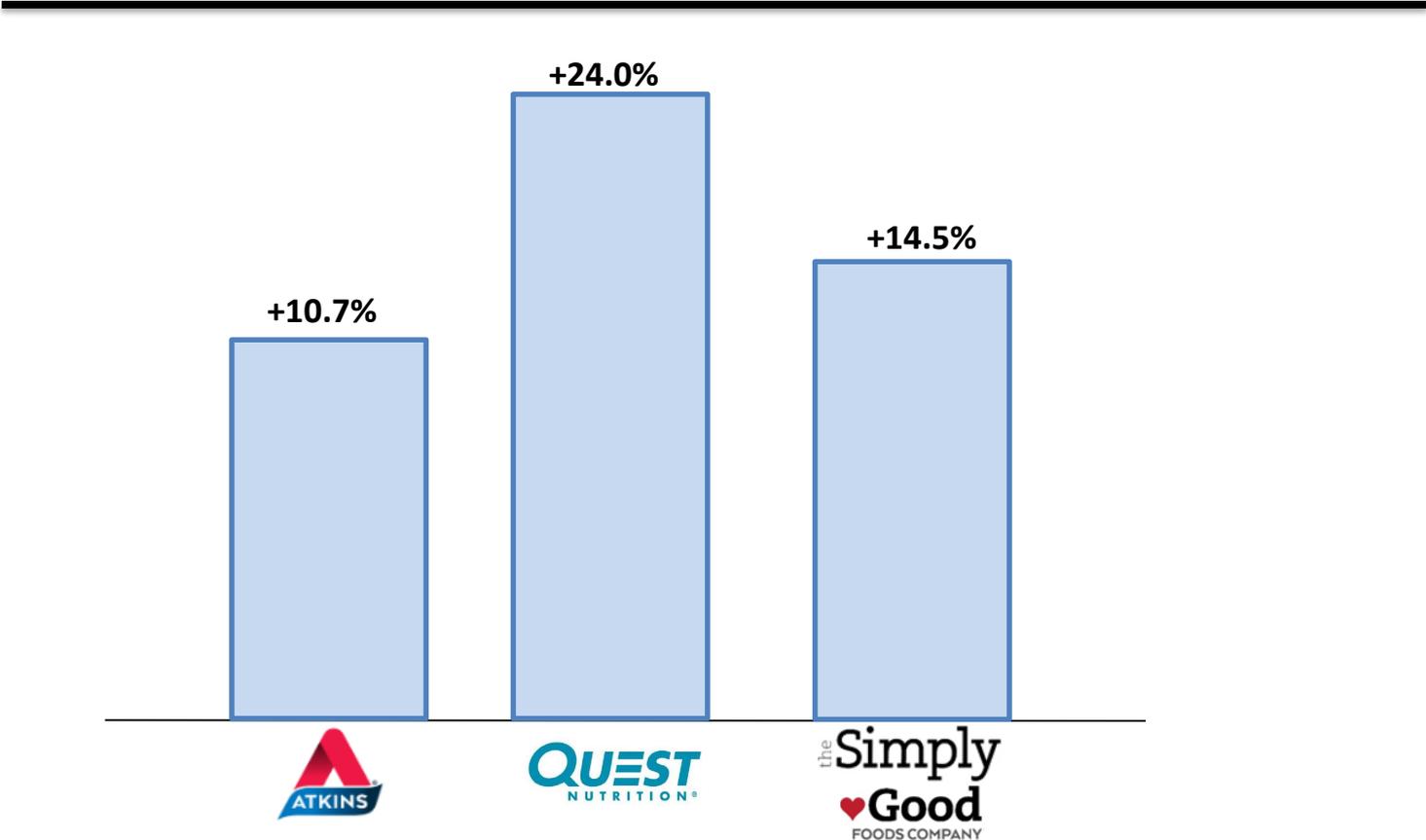
- Delivered solid financial results:
 - Atkins legacy business net sales, Adjusted EBITDA growth and increase in retail takeaway all in-line with expectations
 - Quest tracking to acquisition model
- Successfully closed on the Quest acquisition on November 7th
 - Dave Ritterbush appointed to The Simply Good Foods Company Board of Directors and continues in his role as President of Quest
 - Integration planning occurred throughout September & October; “hit the ground running” post close
- Nutritional snacking category growth continues to outpace most legacy center-of-store categories
 - Household penetration of ~50% indicates long runway for growth

1st QUARTER HIGHLIGHTS: REVENUE & PROFIT GROWTH



SIMPLY GOOD FOODS FIRST QUARTER CONSUMPTION SOLID

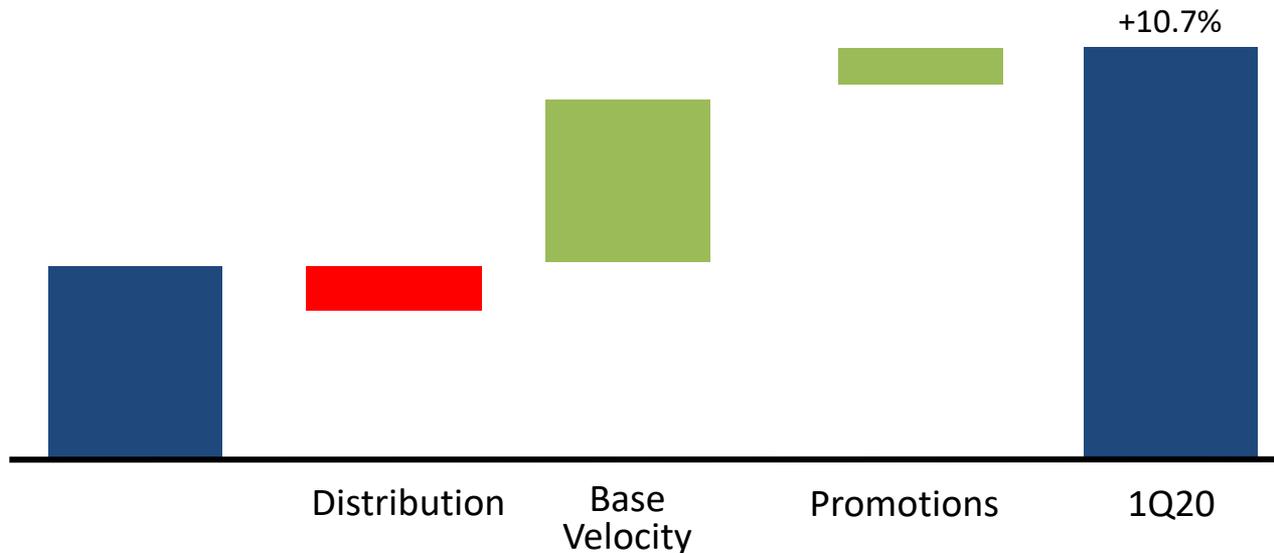
Simply Good Foods U.S. Snacking Point of Sale Data
% Change vs. Year Ago



ATKINS® POINT OF SALES DRIVERS OF GROWTH

- Retail takeaway continues to be driven by base velocity
- Bars and confections growth solid, POS +10.6% and +33.6%, respectively
- As expected, RTD Shakes down slightly due to increased competitive activity

Atkins® Fiscal 1st Qtr. U.S. Snacking Point of Sale Drivers of Growth



ADVERTISING & MARKETING

- Television and Digital /Social ad copy delivering desired results and resonating with consumers

PROTEIN-RICH MEAL BAR
16g PROTEIN | **3g** NET CARBS | **2g** SUGAR | **12g** FIBER
ATKINS
CHOCOLATE PEANUT BUTTER BAR
 Excellent source of **PROTEIN**
3g Net Carbs
NO Added Sugar
 NO ARTIFICIAL COLORS, FLAVORS OR PRESERVATIVES

This is me...
 living Atkins for years...
Want to join us?
 WATCH ROB'S STORY

ATKINS
This is Today's Atkins
 Where you'll learn how to get the most out of protein and how to live a delicious low carb lifestyle.
3g NET CARBS | **1g** SUGAR
 MADE WITH REAL ALMOND BUTTER!
 GLUTEN FREE
ATKINS SNACK LEMON BAR

ATKINS HOW IT WORKS | OUR STORY | YOUR WAY | PRODUCTS | RECIPES | MY PLANS & GROUPS

Try a More Flexible Keto
 Atkins 20[®]* and Atkins 40[®] are ketogenic diets that allow more personalization, greater flexibility and provide a long term plan for getting healthy and staying healthy.
 Get Started

ATKINS IS A KETOGENIC DIET
 A KETOGENIC DIET IS LOW IN CARBS AND HIGH IN FAT, BUT, ATKINS IS A MORE FLEXIBLE KETOGENIC DIET.

THE GOAL OF A KETOGENIC DIET IS TO ACHIEVE KETOSIS

Most people can CONSUME UP TO 50g TOTAL CARBS per day (and stay in ketosis)!
 ATKINS 20[®] & ATKINS 40[®] CAN GET YOU THERE with the help of a variety of satisfying foods.
*A standard ketogenic diet with 30g restriction.

The "classic" ketogenic diet – or keto diet – was developed to treat epilepsy. Traditionally, it's extremely strict and should be done only under medical supervision.

HOW IS ATKINS BETTER?

On Atkins you get more food choices and eat a greater balance of macronutrients.

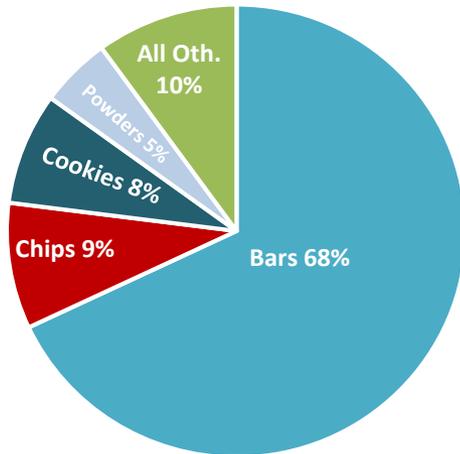
DIET BREAKDOWN

Category	Classic Ketogenic Diet	Atkins 20	Atkins 40
% of Calories from Fat	71.90%	68.70%	53.81%
% of Calories from Protein	2.98%	30.30%	33.80%
% of Calories from Carbs	25.12%	1.00%	12.39%

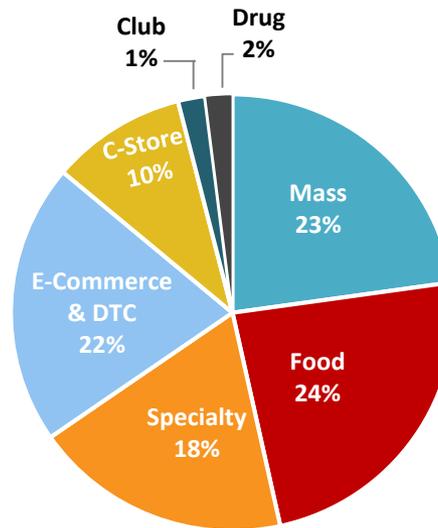
QUEST SALES BREAKDOWN

- Predominantly a growing U.S. bar business
- About ~50% of sales in traditional U.S. tracked Food, Drug, Mass & Club channels
 - Specialty channel challenged given announced store closures
- International footprint similar to Atkins

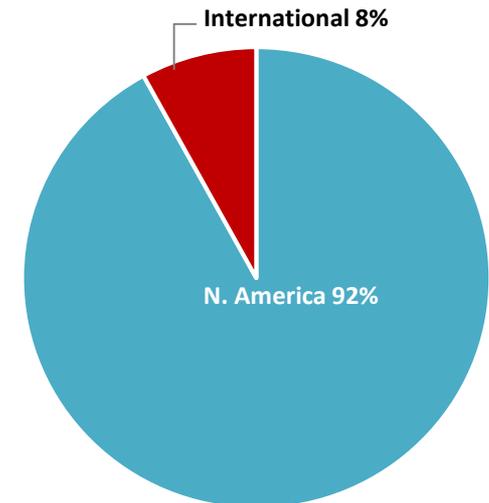
Product¹



Channel (U.S.)¹



Geography

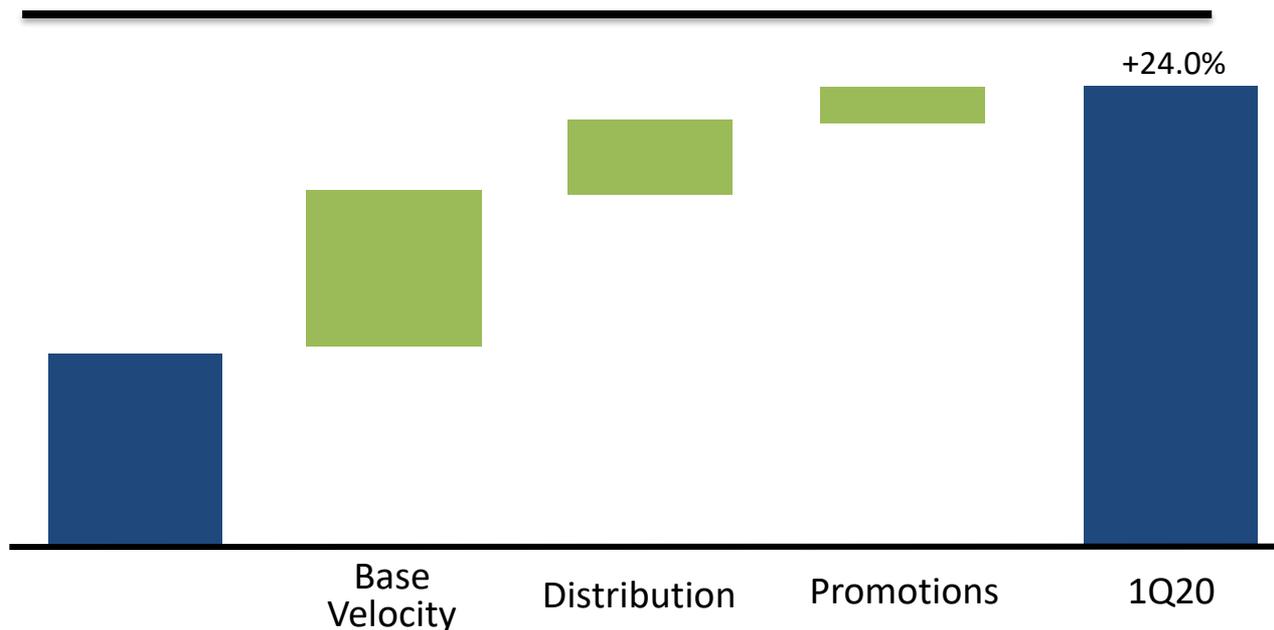


QUEST® POINT OF SALES DRIVERS OF GROWTH



- Retail takeaway by form in-line with estimates in measured channels
 - ~50% of U.S. sales in non-measured channels
 - Non-measured channel growth less than the increase of IRI MULO universe
- Core bar business consumption and loyalty solid; IRI MULO retail takeaway +15.8% in F1Q20
- Recent launches of cookies, chips, and pizza continue to perform well with solid velocity and increased distribution gains

Quest® Fiscal 1st Qtr. U.S. Snacking Point of Sale Drivers of Growth



STRONG QUEST® PLANS IN PLACE TO DRIVE GROWTH

- Increases in marketing efforts to drive awareness, consideration and trial
- Continue to build distribution of key products
- Support new snacking forms; chips, cookies, pizza, drinks

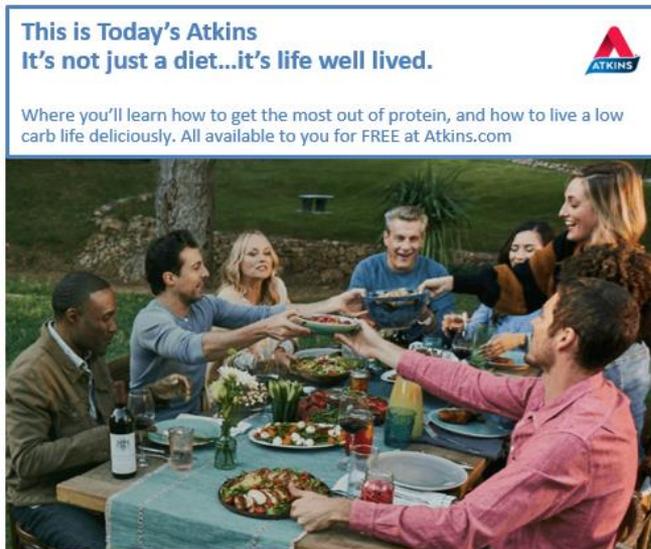


Instagram
questnutrition

877k followers

SUMMARY

- Simply Good Foods is uniquely positioned as a U.S. leader in nutritional snacking
- Quest acquisition expands portfolio breadth and provides us with select key capabilities
- A portfolio aligned with megatrend of low carb, minimal sugar, rich in protein lifestyle
- A high performance business culture with motivated and highly engaged employees
- Confident in our ability to effectively integrate Quest into our business and deliver on our fiscal 2020 commitments



TODD CUNFER

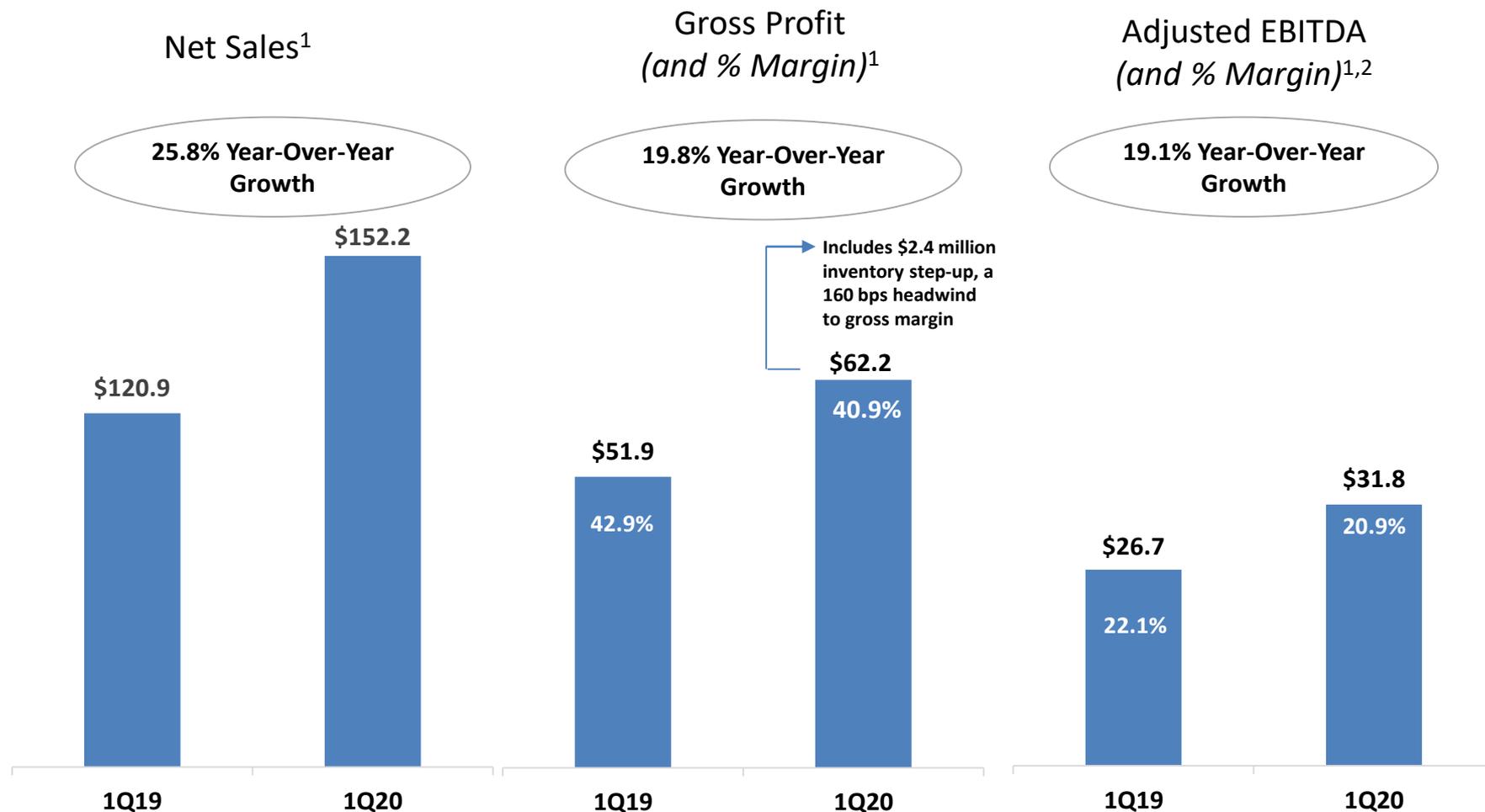
CHIEF FINANCIAL OFFICER

FIRST QUARTER NET SALES DRIVERS OF GROWTH

	<u>Total Simply Good Foods</u>
U.S. Legacy Atkins Business:	
Volume	+13.5%
Shift in timing of Trade Promotion	-0.8%
Non U.S. Legacy Atkins Business	-1.0%
Total Organic Net Sales Growth	<u>+11.7%</u>
Quest Acquisition (24 days)	<u>+14.1%</u>
Total Net Sales Growth	+25.8%

NET SALES AND PROFIT GROWTH

Fiscal 1st Quarter 2020 vs. Year Ago Period



¹ Dollars in millions. Unaudited financial information for the 13-weeks ended November 24, 2018 and November 30, 2019

² Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization) is a non-GAAP financial measure. Please refer to "Reconciliation of Adjusted EBITDA" in the earning release dated January 9, 2020 for an explanation and reconciliations of non-GAAP financial measure.

EARNING PER SHARE-DILUTED

Fiscal 1st Quarter 2020 vs. Year Ago Period

GAAP EPS-Diluted

Adjusted Diluted EPS¹

Reconciliation of
Adjusted Diluted EPS¹



GAAP Diluted EPS	(\$0.05)
Business Transaction Costs	\$0.22
Integration Expense	\$0.01
Inventory Step-up	\$0.02
Stock Based Compensation	\$0.01
Depreciation & Amortization	\$0.02
Net loss impact on diluted EPS	<u>(\$0.01)</u>
Adjusted Diluted EPS	\$0.22

¹ Adjusted Diluted Earnings Per Share is a non-GAAP financial measure. The Company excludes, among other items, acquisition related costs, such as business transaction costs, integration expense and non-cash deal amortization expense to derive Adjusted Diluted Earnings Per Share. Please refer to the earnings release dated January 9, 2020, for the full definition and reconciliation of this non-GAAP financial measure.

BALANCE SHEET & CASH FLOW

- As of November 30, 2019, the Company had cash of \$72.7 million and a \$655.5 million term loan
- On October 7th, the Company sold approximately 13.4 million shares of its common stock. The net proceeds from the offering - about \$350 million – were used to fund in part the Quest acquisition
- The term loan was increased in early November by \$460 million to fund in part the Quest acquisition
- Depreciation and amortization of \$2.5 million
- Capital expenditures of \$0.3 million; expect full year fiscal 2020 capital expenditures of \$5-6 million due to ERP implementation
- Solid cash flow provides financial flexibility to support future growth and pay down debt related to the Quest acquisition

QUEST ACQUISITION UPDATE

Financing & Closing:

- Acquisition closed on November 7th
- Issued approximately 13.4 million shares on October 7th to finance purchase price
 - Anticipate fully diluted shares outstanding of about ~100 million for the remainder of the year
- Completed \$460 million term loan borrowing at favorable rates
 - Total term loan debt at November 30, 2019 \$655.5 million (LIBOR +375 bps)

Cash Generation & Debt Leverage:

- Expect to make prepayments beginning in January 2020
- Targeting a Net Debt to Adjusted EBITDA¹ ratio of less than 3.75x by fiscal year-end August 2020
- Anticipate fiscal 2020 net interest income and interest expense, including amortization of debt financing fees of about \$4 million, to be in the range of \$32-34 million
- Non-cash amortization expense of \$8 million per year
- Transaction costs of ~\$27 million and integration expenses in-line with deals of similar size

Integration

- Integration planning occurred throughout September & October; “hit the ground running” post close
- Focused on ensuring the business continues to be wired for growth; presence in CA to be maintained
- Initial efforts concentrated on retail customer initiatives, ERP implementation and integrated supply chain
- Majority of \$20 million identified cost synergies to be achieved in years 2 and 3

SUMMARY

- We are confident in our ability to deliver our plan and capture growth opportunities in fiscal 2020

- Full Year 2020 Outlook Updated:
 - ❑ Anticipate full-year reported net sales of \$850-870 million

 - ❑ Existing base business Net Sales and Adjusted EBITDA growth remains unchanged from outlook provided on October 29, 2019:
 - Anticipate existing base business net sales growth to be at the high end of the Company's long-term target of +4-6%; existing base business Adjusted EBITDA expected to increase somewhat higher than the net sales growth rate
 - 53rd week in fiscal 2019 is about a 2 ppt. headwind to fiscal 2020 net sales growth rate

 - ❑ Adjusted EBITDA¹ expected to be in the \$154-158 million range

 - ❑ Adjusted Diluted Earnings¹ Per Share expected to be in the \$0.90 to \$0.95 range, versus \$0.77 in the year ago period

- Excited about our near and long-term prospects and ability to create value for all stockholders

Q&A