



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

**July 2, 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.

## **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 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 Nutritional, 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

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## Speakers

Mark Pogharian  
*VP, Investor Relations*

Joe Scalzo  
*Chief Executive Officer*

Todd Cunfer  
*Chief Financial Officer*

## Agenda

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

**JOSEPH E. SCALZO**

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**PRESIDENT AND CHIEF EXECUTIVE OFFICER**

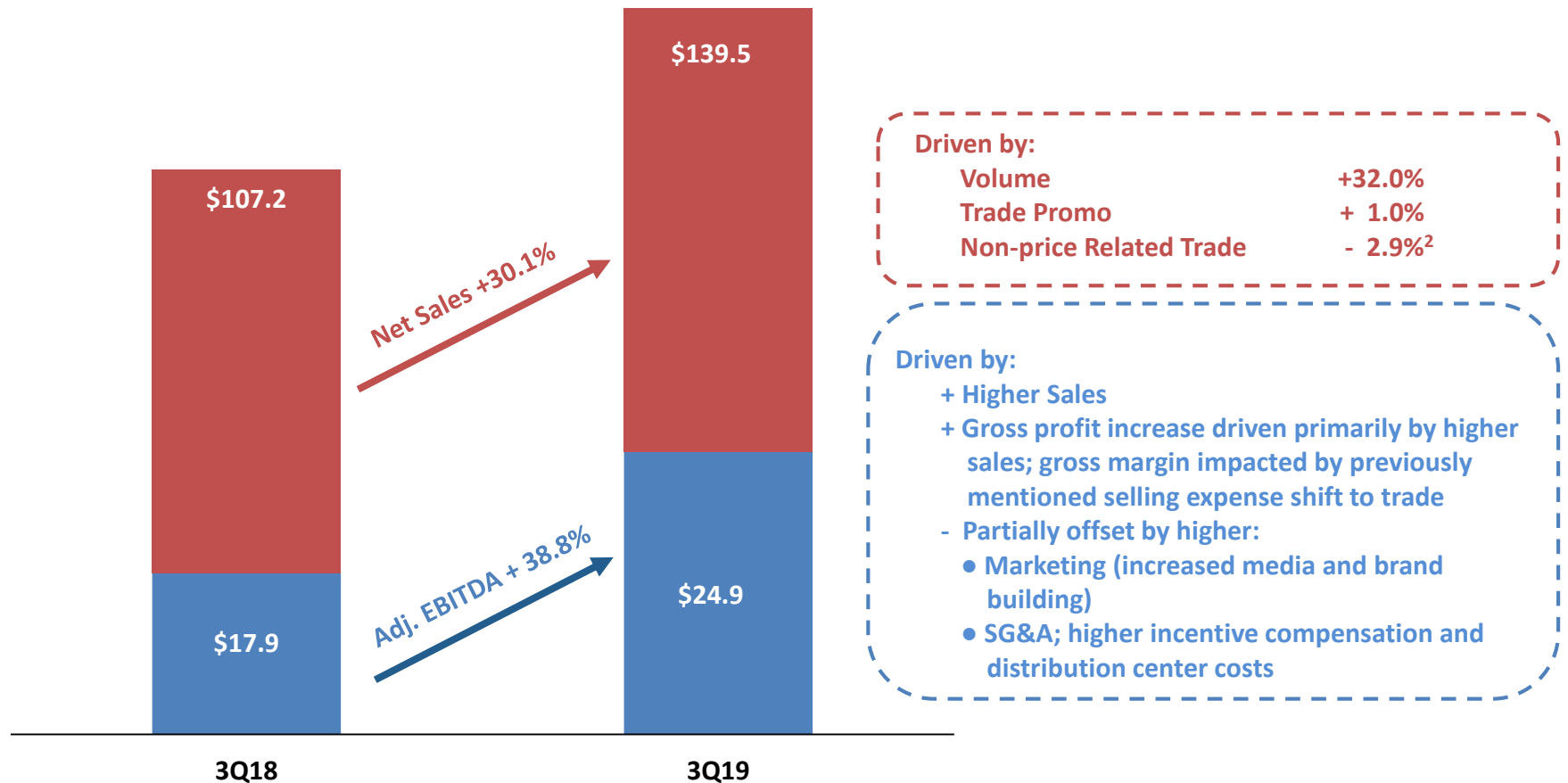
## 3rd QUARTER FISCAL 2019 HIGHLIGHTS

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- Delivered strong financial results, exceeded our expectation
- Atkins marketplace performance continued to be robust with retail takeaway up 19.5%, versus year ago comp of +9.8%
- E-commerce business strong, in-line with our expectations
- Nutritional snacking category growth continues to outpace most legacy center-of-store categories
  - Household penetration ~50% indicating long runway for growth

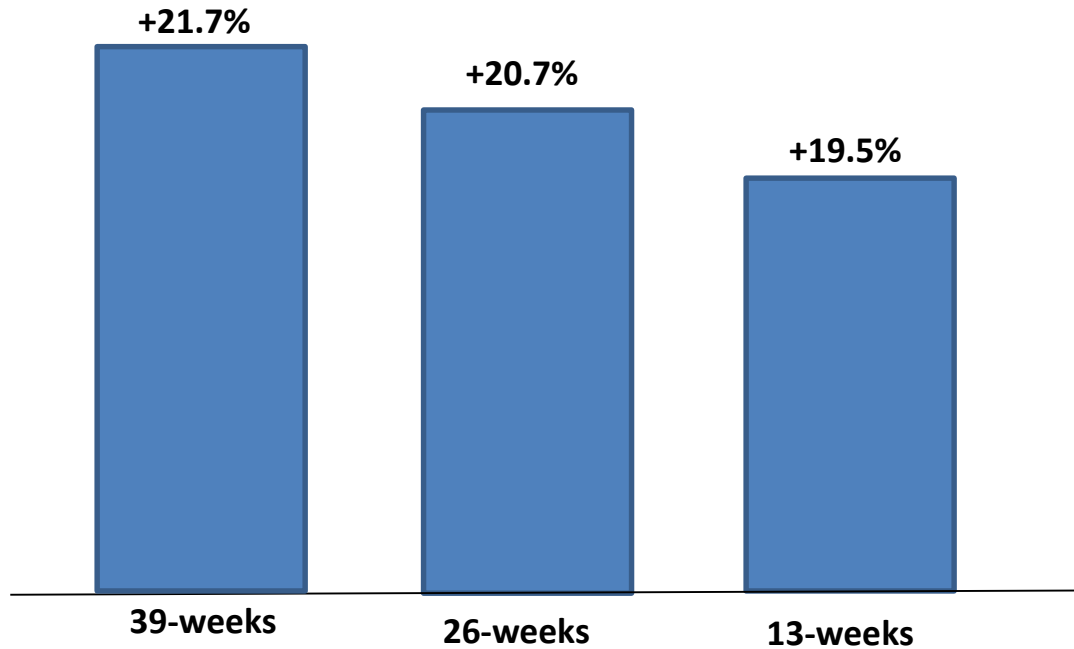
# 3rd QUARTER HIGHLIGHTS: REVENUE & PROFIT GROWTH

## Business Momentum Continues



# CONSUMPTION GROWTH HAS BEEN CONSISTENT

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

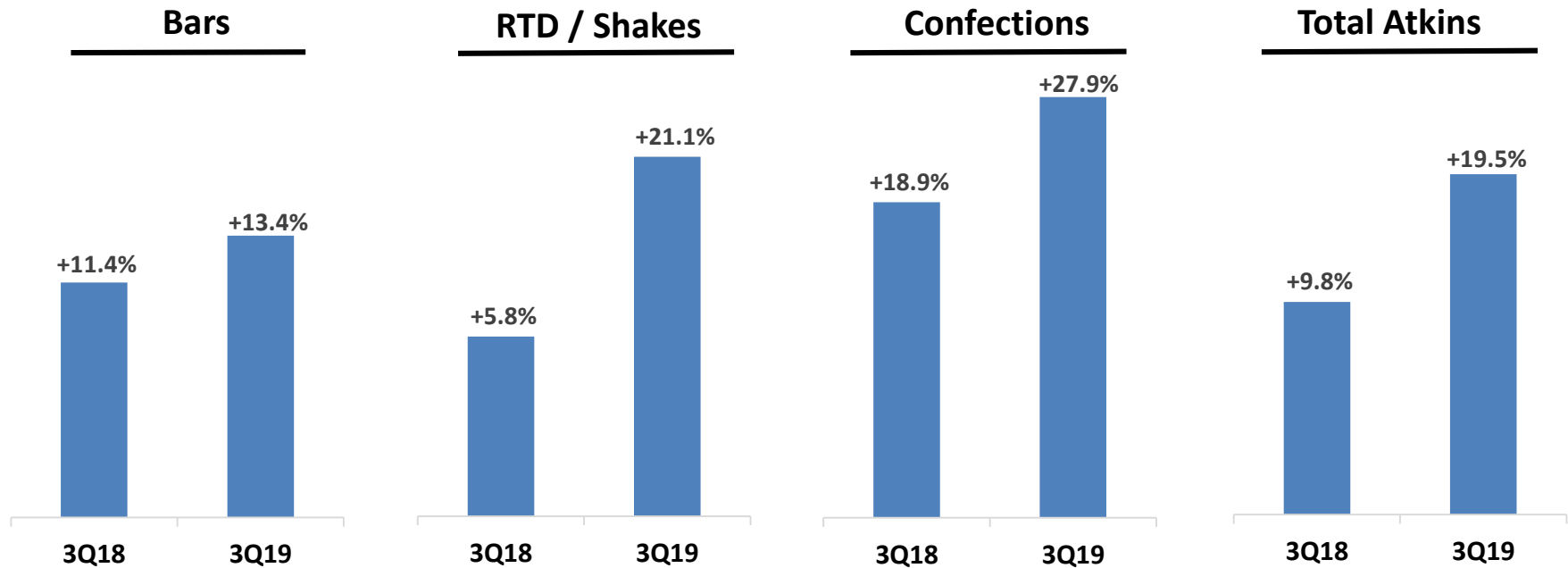


Period end 5/26/19:

# RETAIL TAKEAWAY BY FORM

Solid performance across all forms driven by marketing strategy that focuses on communicating nutritional benefits of the *Atkins* branded products

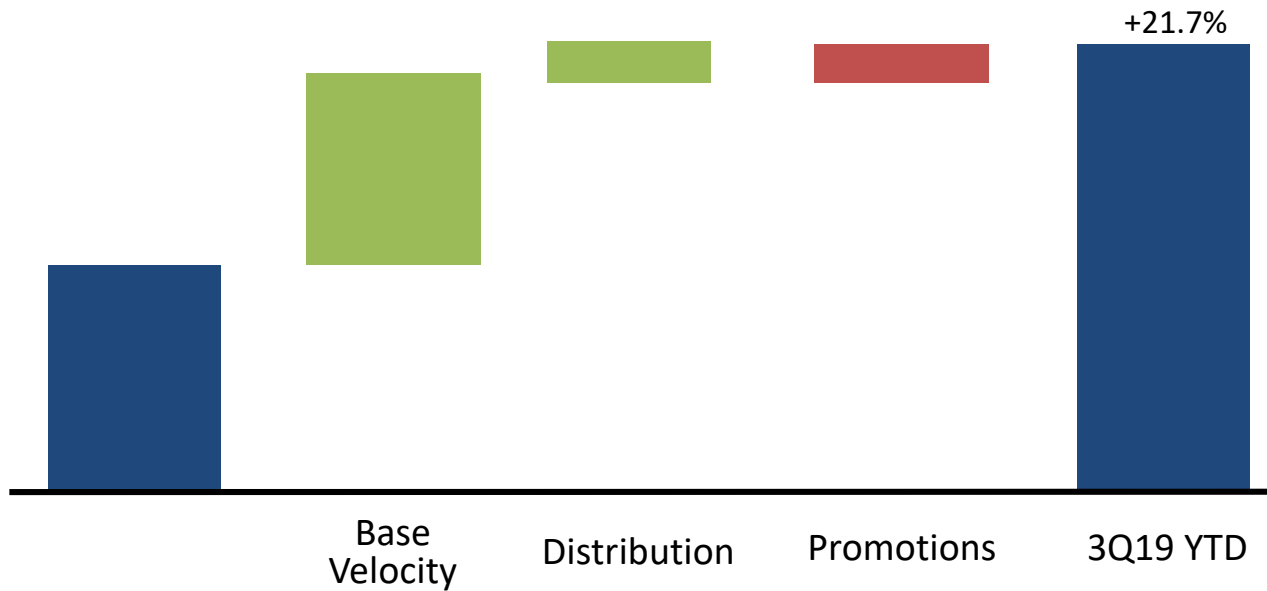
**Atkins U.S. Point of Sale Data by Form**  
**% Change vs. Year Ago**





# BASE VELOCITY GROWTH

## Atkins Year-to-Date U.S. Snacking Point of Sale Drivers of Growth



# NEW AD COPY DELIVERING

- New ad copy delivering desired results and resonating with consumers



Driving New Buyers and Consumption in throughout fiscal 2019

# (mil)

Buy Rate

Loyalty

Total Buyers



# NEW PRODUCTS PERFORMING WELL

- Distribution / ACV in-line with our target
- Retail velocity slightly better than planned



# DELIVERING ON OUR COMMITMENTS

- On pace for another strong year, with net sales growth exceeding our long-term target, although challenging comps in Q4

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

|      | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>June*</u> | <u>July</u> | <u>Aug.</u> | <u>Q4</u> |
|------|-----------|-----------|-----------|--------------|-------------|-------------|-----------|
| 2019 | +23.5%    | +22.1%    | +19.5%    | +16.2%       | TBD         | TBD         | TBD       |
| 2018 | +5.5%     | +4.7%     | +9.8%     | +16.6%       | +18.6%      | +22.6%      | +19.8%    |

Per IRI; percent change versus year ago period

\*4-weeks ended 6/24/18 and 6/23/19

- Advertising is working as “low carb, low sugar” nutrition messaging is resonating with consumers
- Confident in our ability to deliver double-digit sales and EBITDA growth in 2019, while positioning the business to deliver solid growth in 2020 and over our strategic planning cycle

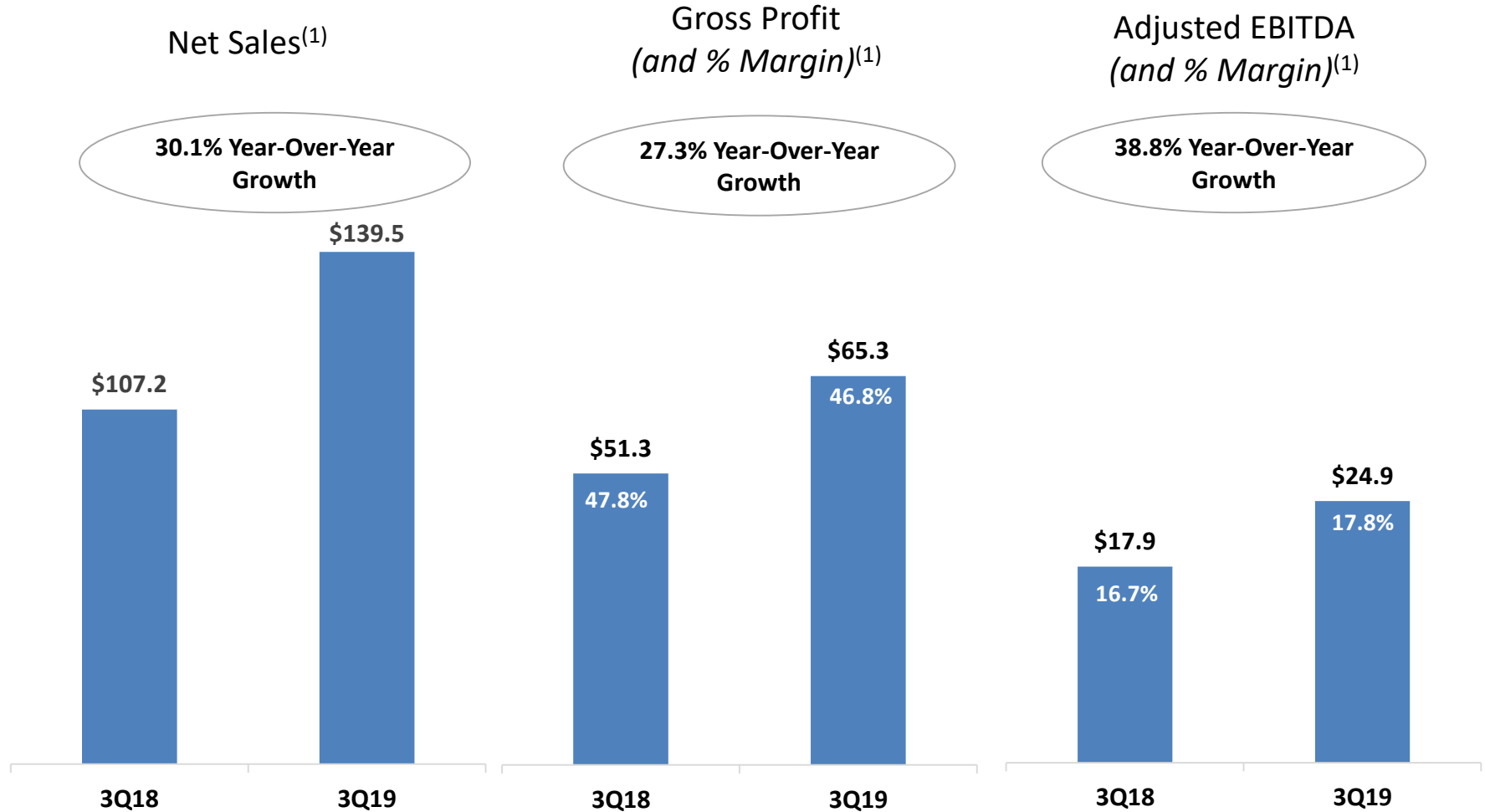
**TODD CUNFER**

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**CHIEF FINANCIAL OFFICER**

# 3Q19 - SOLID SALES AND PROFIT GROWTH

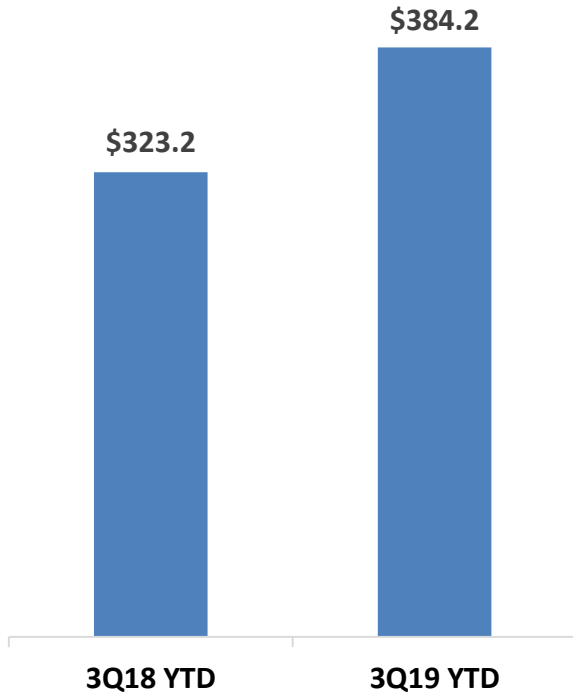
## Fiscal 3<sup>rd</sup> Quarter 2019 vs. Year Ago Period



# YTD 2019 RESULTS STRONG ACROSS KEY METRICS

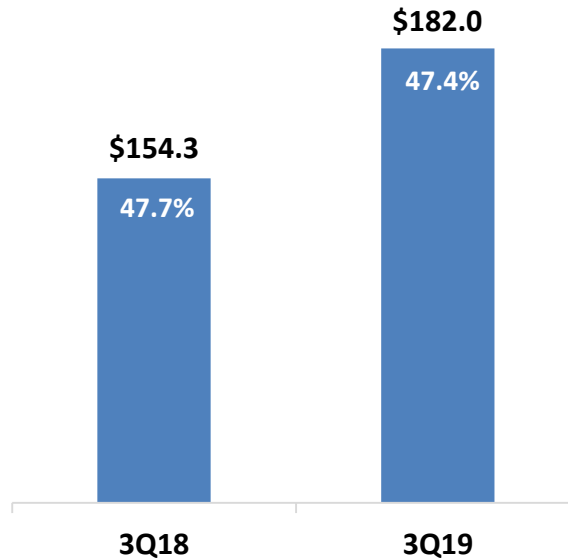
## Net Sales<sup>(1)</sup>

18.9% Year-Over-Year Growth



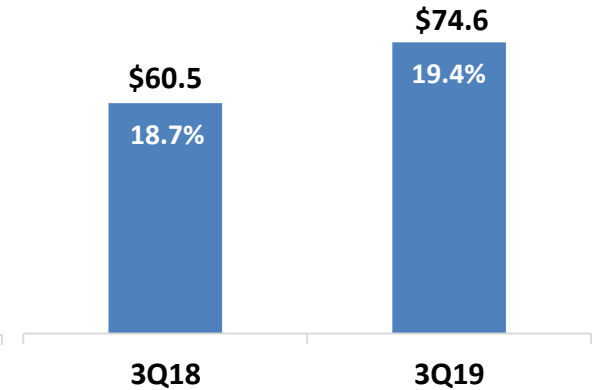
## Gross Profit (and % Margin)<sup>(1)</sup>

18.0% Year-Over-Year Growth



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

23.3% Year-Over-Year Growth



## 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 \$52.6 million and net cash provided by financing activities \$84.3 million
- Company has repurchased \$1.7 million in common stock against the \$50 million authorization announced last year
- As of May 25, 2019, the Company had cash of \$247.6 million and a \$197.0 million term loan (Libor +350 bps), resulting in a net cash position of \$50.6 million.



# SUMMARY

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- Full Year 2019 Outlook:
  - ❑ Anticipate full-year net sales and adjusted EBITDA growth to be similar to the year-to-date percentage increase
  - ❑ Full year outlook reflects:
    - Significantly more challenging POS comps in 4Q19 and expectation that retail takeaway will sequentially slow
    - Incremental strategic investments in marketing that should continue to drive buyer growth
    - Anticipate solid sales growth in 4Q19 with shipments outpacing consumption due to the previously discussed sales in transit and 53<sup>rd</sup> week
- Confident in our long-term opportunities and ability to deliver solid growth in 2020
- Executing against our strategy and delivering on our financial objectives with flexibility to invest in the business as a path to increasing shareholder value

# Q&A