



# **First Quarter Fiscal Year 2022 Earnings Conference Call & Webcast Presentation**

**January 5, 2022**

# 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 the expected effects from the COVID-19 outbreak, statements regarding the integration of Quest, future plans for the Company, the estimated or anticipated future results 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 the effect of the COVID-19 outbreak on the Company’s business, suppliers (including its contract manufacturing and logistics suppliers), customers, consumers and employees along with disruptions or inefficiencies in the supply chain resulting from any effects of the COVID-19 outbreak; 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; 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 and Adjusted Diluted EPS. 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, earnings per share, 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 5, 2022. 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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**JOSEPH E. SCALZO**

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**PRESIDENT AND CHIEF EXECUTIVE OFFICER**

# Today's Speakers and Agenda

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## Speakers

Mark Pogharian  
*VP, Investor Relations*

Joe Scalzo  
*President & Chief Executive Officer*

Todd Cunfer  
*Chief Financial Officer*

Joe Scalzo  
*President & Chief Executive Officer*

## Agenda

- Introduction
- Overview and Q1 Highlights
- Business Update
- Financial Summary
- Fiscal Year 2022 Outlook Update
- Q&A

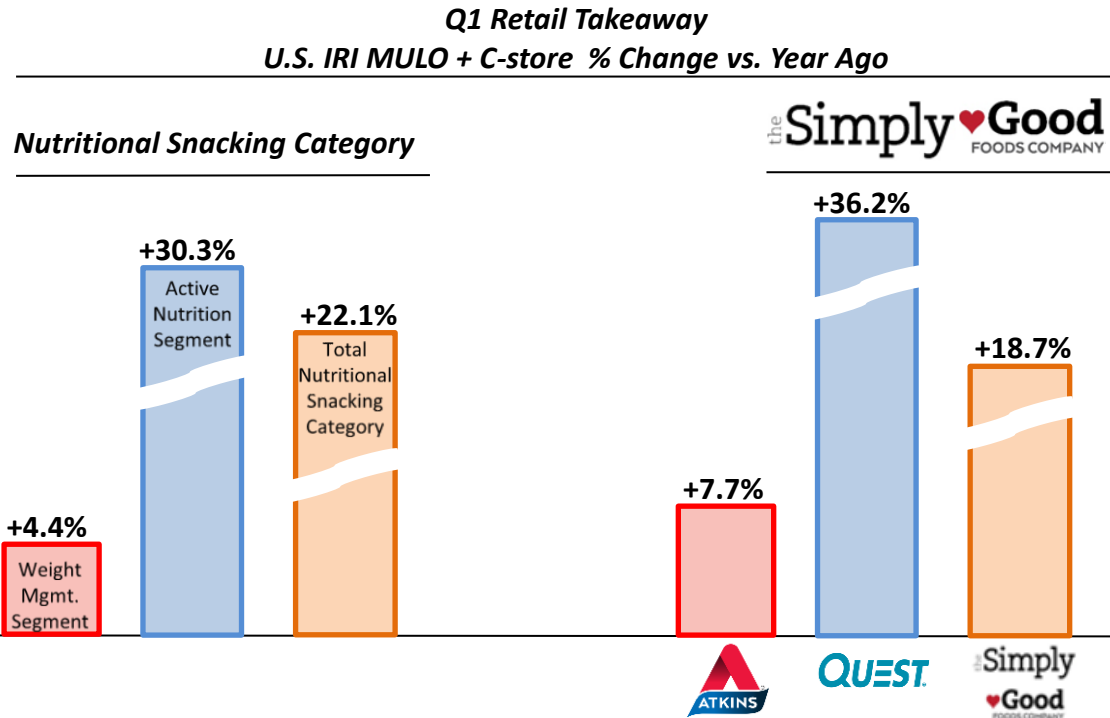
# First Quarter Fiscal 2022 Overview

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- First quarter results slightly greater than our estimates; a good start to the year
- Simply Good Foods Q1 net sales increased +21.7%, driven by higher retail takeaway of our brands versus our estimate
  - Year over year growth benefited from higher level of consumer mobility versus the year ago period and innovation that continues to resonate with consumers
  - Q1 net sales growth slightly greater than consumption due to the timing of shipments at the end of last quarter and the typical seasonal inventory build
- Total U.S. Simply Good Foods Q1 IRI MULO + C-store retail takeaway +18.7%
- Net income of \$21.2 million was affected by a non-operating, non-cash charge of \$17.3 million related to the fair value change of private warrant liabilities
- Q1 Adjusted EBITDA of \$65.6 million, increased 34.7% versus last year
  - Strong sales and gross profit growth, as well as G&A cost control, more than offset supply chain cost inflation
- Gross margin increased 70 basis points versus the year ago period
  - Supply chain costs a headwind but more than offset by:
    - Price increase initiated in mid-September
    - Favorable product and customer mix
  - Inflation headwinds persist and will pressure gross margin over the remainder of the year
- Executed well against our priorities and remain committed to doing the right thing for our brands, customers, and consumers

# Simply Good Foods and Nutritional Snacking Category Retail Performance

- Simply Good Foods IRI MULO + C-store retail takeaway similar to Q4
- Atkins and Quest outpaced respective sub-segments of weight management and active nutrition
- Simply Good Foods fiscal 2021 e-commerce retail takeaway about the same as measured channels



- Atkins Q1 IRI MULO + C-store retail takeaway increased 7.7%<sup>1</sup>, with growth across all forms and in key retail channels
  - Atkins continues to grow across all major customers and channels
- Atkins bars Q1 measured channel retail takeaway increased 3.3%; consumption affected by minimal improvement in return-to-work trends
- Atkins ready-to-drink shakes Q1 measured channel retail takeaway increased 12.9%
- Atkins “all other” Q1 measured channel retail takeaway increased 8.8%
  - While early, Atkins cookies off to a good start with performance in line with our estimates
- Retail takeaway at Amazon was solid; up low teens on a percentage basis versus last year
  - Total Q1 e-commerce retail takeaway growth slightly less than measured channels
- Total buyer metrics remain strong
  - Buy rate lower than historical average due to the high correlation of Atkins bars consumption in the workplace
  - Improvement in Atkins buy rate remains an opportunity for the brand

- Quest Q1 measured channel retail takeaway increased 36.2%<sup>1</sup>, outpacing the category
  - Growth driven by the increase of household penetration, improving shopper trips and stronger bar growth along with new product form success
  - While early, pleased with distribution gains and consumption performance of recent innovation
- Bars measured channels retail takeaway in Q1 increased +22.8%
- Cookies, chips and confections, about 40% of total Quest U.S. retail sales, continued its momentum in Q1. Measured channel retail takeaway in Q1 increased ~106% versus a tough year ago comp of 76%
  - Adding additional chips supply in fiscal year 2022
- Quest continues to grow across all major customers and channels:
  - Mass and C-store channels retail takeaway increased 50% and 40%
- Quest Q1 e-commerce retail takeaway was solid and increased about 22%
  - As expected, due to strong performance in the year ago period, the growth rate moderated



# Summary

- First quarter results better than expected
- Continue to expect that net sales and Adjusted EBITDA growth in the first half of the year will be stronger than the second half of the year:
  - Anticipate that retail takeaway will continue to be solid, although growth rate in 2H22 is more challenging due to difficult year-over-year comparisons:

	Total Simply Good Foods			
	U.S. Retail Takeaway IRI MULO +C-store			
	1Q	2Q	3Q	4Q
	(end Nov)	(end Feb)	(end May)	(end Aug)
Fiscal '21	+1.4%	+1.7%	+29.1%	+18.7%
Fiscal '22	+18.7%	TBD	TBD	TBD

- Supply chain cost inflation in fiscal 2022 expected to be greater than previous estimate
- As we move into fiscal Q2:
  - Remain cautious of consumer seasonal participation and return-to-work trends due to the recent surge in COVID-19 cases
- Believe we are positioned well to build on our momentum and deliver solid net sales and Adjusted EBITDA growth in fiscal 2022

**TODD CUNFER**

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**CHIEF FINANCIAL OFFICER**

# Net Sales Performance

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## Net Sales Growth by Segment Fiscal Q1 2022 vs. Year Ago Period

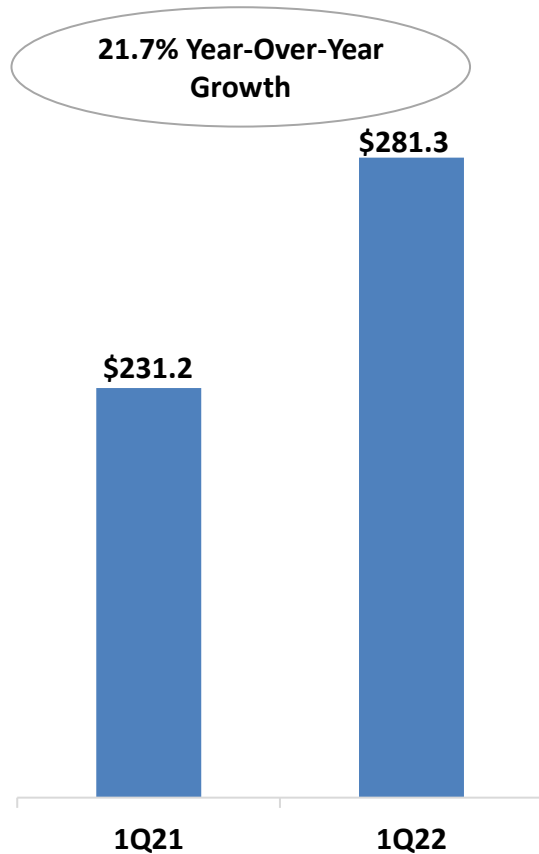
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North America	24.5%
International <sup>1</sup>	-27.3%
Total Simply Goods Foods	21.7%

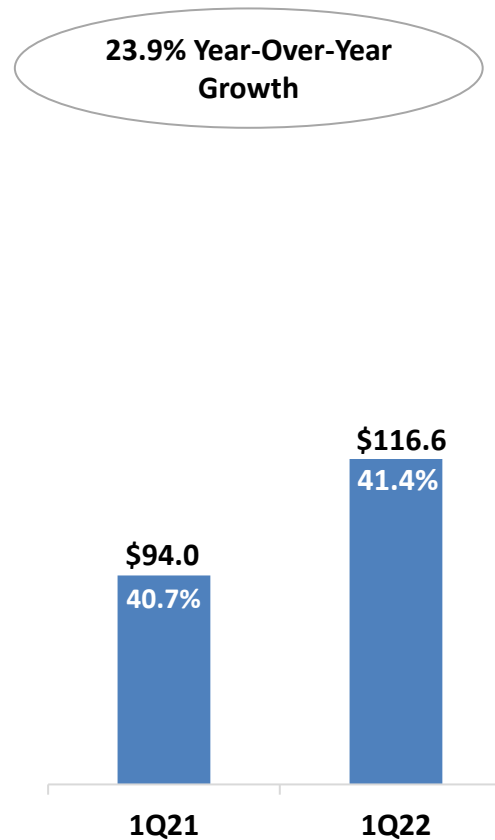
# 1<sup>st</sup> Quarter Net Sales and Profit

## Fiscal Q1 2022 vs. Year Ago Period

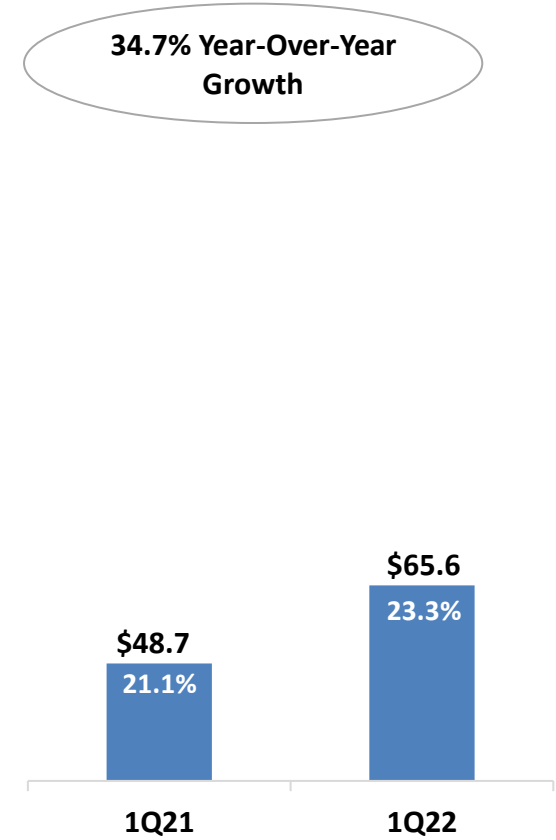
### Net Sales<sup>1</sup>



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



### Adjusted EBITDA (and % Margin)<sup>1,2</sup>



<sup>1</sup> Dollars in millions. Unaudited financial information for the 13-weeks ended November 28, 2020 and 13 weeks ended November 27, 2021

<sup>2</sup> Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization) is a non-GAAP financial measure. Please refer to "Reconciliation of EBITDA and Adjusted EBITDA" in the earnings release dated January 5, 2022 available on our website for a presentation of the most directly comparable GAAP financial measure and an explanation and reconciliation of this non-GAAP financial measure.

Note: Dollar amounts in millions; Bars/graphs not to scale

# Adjusted Diluted Earnings Per Share

## Reconciliation of Adjusted Diluted EPS

	<u>1Q22</u>
GAAP Diluted EPS	\$0.22
Depreciation & Amortization	\$0.05
Stock Based Compensation	\$0.03
Other <sup>1</sup>	\$0.01
Tax Effects of Adjustments <sup>2</sup>	-\$0.02
Loss in fair value change of warrant liability <sup>3,4</sup>	\$0.18
Dilution impact from Warrant Accounting Treatment <sup>3,4</sup>	-\$0.02
Rounding	-\$0.02
Adjusted Diluted EPS	<u><u>\$0.43</u></u>

<sup>1</sup>Other items consist principally of exchange impact of foreign currency transactions and other expenses.

<sup>2</sup>This line item reflects the aggregate tax effect of all non-tax adjustments reflected in the preceding line items of the table. The tax effect of each adjustment is computed (i) by dividing the gross amount of the adjustment, as shown in the Adjusted EBITDA reconciliation, by the number of diluted weighted average shares outstanding for the applicable fiscal period and (ii) applying an overall assumed statutory tax rate of 27% for the thirteen weeks ended November 27, 2021.

<sup>3</sup>Adjusted Diluted EPS for the 13 weeks ended November 27, 2021 reflects fully diluted shares outstanding of 102.5million which includes 4.6 million shares to reverse the exclusion of the private warrants in fully diluted shares outstanding under GAAP due to the private warrants being classified as a liability on our balance sheet.

<sup>4</sup>Diluted earnings per share includes the fair value loss and the resulting exclusion of anti-dilutive shares related to the Private Warrants. Fair value adjustments are a permanent tax difference and do not impact tax expense. The Company excludes the non-cash fair value loss and subsequently considers the dilutive share count effect of such adjustment in the non-GAAP measure. Note, mark to market gain adjustments are already excluded from the numerator, and dilutive shares are included, in calculating diluted earnings per share in accordance with GAAP.

# Balance Sheet & Cash Flow

- In fiscal 1Q22 term loan debt pay-down of \$25million; term loan debt balance at November 27, 2021, \$431.5 million (LIBOR<sup>1</sup>+375 bps)
- Fiscal first quarter net cash used in operating activities \$7.3 million
  - Cash flow from operations affected by the timing of working capital; full year fiscal 2022 cash flow from operations expected to be greater than last year
  - Cash and cash equivalents balance at November 27, 2021 of \$35.4 million
  - Trailing twelve-month Net Debt to Adjusted EBITDA<sup>2,3</sup> ratio 1.8x
- Fiscal first quarter capital expenditures \$2.7 million
  - Full year fiscal 2022 capital expenditures expected to be about \$5-6 million
- Anticipate fiscal 2022 GAAP interest expense, including amortization of debt issuance costs, of approximately \$25 million

<sup>1</sup> LIBOR minimum floor 1.00%







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<sup>3</sup> Please refer to the earnings release dated January 5, 2022 available on our website for a presentation of the trailing twelve-month net debt to Adjusted EBITDA calculation

# Fiscal 2022 Outlook and Commentary

- Anticipate that we will deliver solid net sales and Adjusted EBITDA growth in fiscal 2022
  - We do not expect any meaningful changes in workplace mobility in our outlook
  - Both Atkins and Quest are strong brands with marketing and innovation initiatives in place to drive growth

- Full Fiscal Year 2022 Outlook versus 2021:

	Previous 10/22/21	Updated 1/5/22	
Net Sales	+8% to +10%	+12% to +14%	- Includes Europe exit, a ~1 ppt. headwind
Gross Margin	 Modestly Lower	 Decline of about ~250bps	- Increased supply chain cost inflation, driven primarily by ingredient costs, versus our previous outlook
Adjusted EBITDA	 Slightly higher than Net Sales growth rate	 Slightly less than Net Sales growth rate	- Marketing will increase versus last year, although less than the Net Sales growth rate - Anticipate significant SG&A leverage
Adjusted EPS	 Higher than Adj. EBITDA growth rate	 Higher than Adj. EBITDA growth rate	

- Net sales growth in the 1<sup>st</sup> half of fiscal 2022 expected to be stronger than the 2<sup>nd</sup> half of fiscal 2022 as year-over-year comparisons are more difficult as we proceed through the year
- 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

# Q&A