



Fourth Quarter and Fiscal Year 2020 Earnings Conference Call & Webcast Presentation

October 26, 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 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.

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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 October 26, 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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JOSEPH E. SCALZO

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Today's Speakers and Agenda

Speakers

Mark Pogharian

VP, Investor Relations

Joe Scalzo

President & Chief Executive Officer

Todd Cunfer

Chief Financial Officer

Agenda

- Introduction
- 2020 Highlights
- Business Update
- Financial Summary
- Q&A

Fiscal 2020 Overview

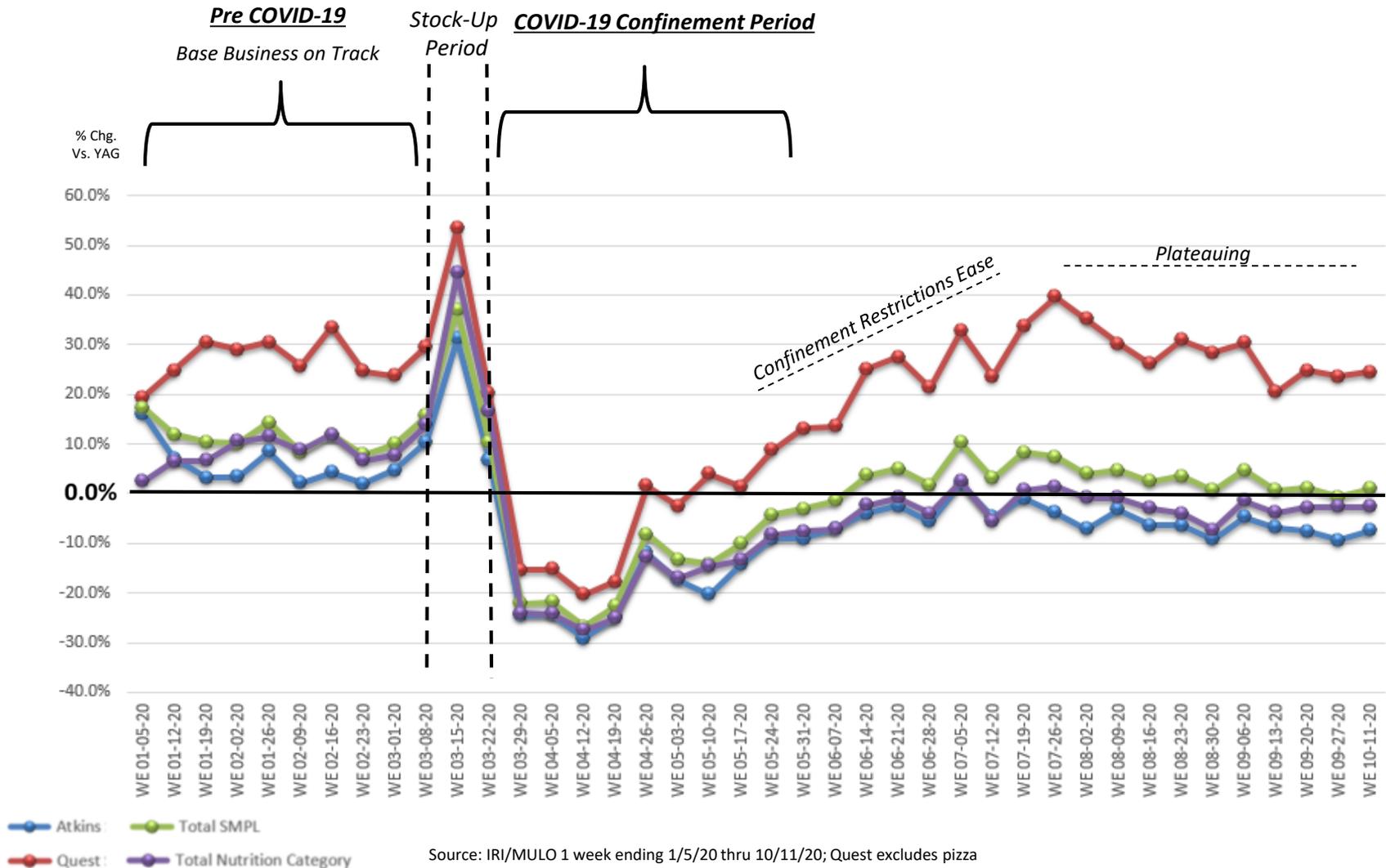
- In a challenging environment Simply Good Foods' market share increased within total nutritional snacking and the sub-segments of active nutrition and weight management
- Successfully diversified our portfolio with the acquisition of Quest
 - A unique portfolio of leading brands in on-trend consumer categories and formats
 - Completed the initial integration and full ERP implementation in a remote work environment
 - Synergy target of \$20 million on track to be achieved prior to the end of 2022
- Supply chain – procurement, manufacturing and distribution – performed exceptionally well in fiscal 2020, with no major issues
- Variable business model working and cash flow from operations strong
 - Solid cash flow provides financial flexibility to support future growth and term loan debt pay-down
- Executing against our priorities and positioning our business for long-term, sustainable net sales and earnings growth

Fourth Quarter Overview

- Atkins and Quest marketplace trends improved sequentially from Q3 to Q4 as COVID-19 restrictions eased
- Q4 Simply Good Foods net sales exceeded our expectations due to:
 - Strong Quest retail takeaway
 - Slightly better Atkins retail takeaway versus our expectation; continued e-commerce momentum and earlier than anticipated shipment of promotional product
- Q4 Adjusted EBITDA growth driven by:
 - Greater than anticipated net sales increase
 - Strong cost controls, partially offset by \$3 million SimplyProtein brand impairment charge
- Total Simply Good Foods Q4 retail takeaway increased +3.9%; Nutritional snacking category declined -3.1%
 - Performance driven by confections, chips and cookies; bars remained pressured due to fewer on-the-go and away-from-home consumption occasions

2020 Weekly Retail Takeaway

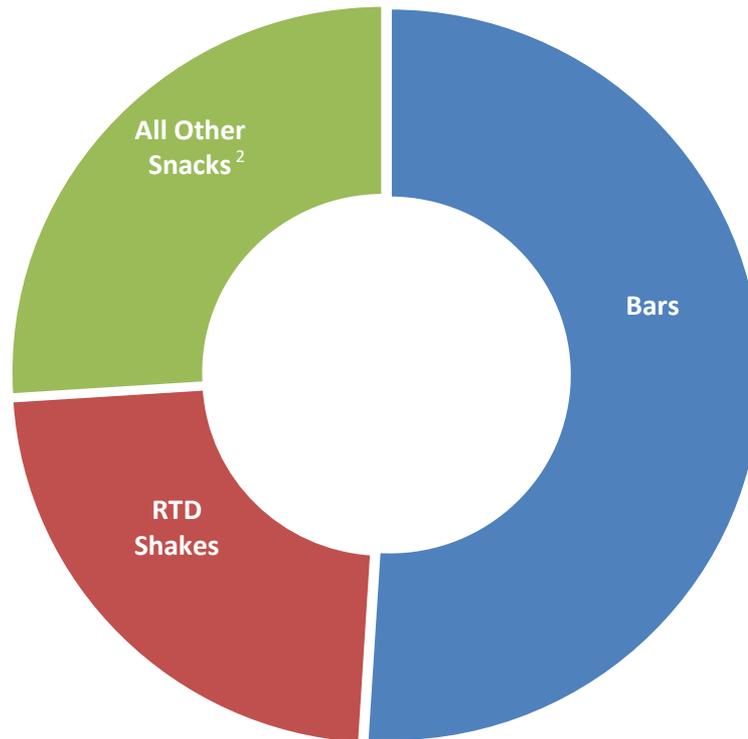
As the partial “reopening” of the country began, nutritional snacking category trends improved. In late July, post peak “reopening,” marketplace performance plateaued



Simply Goods Foods Sales by Form

Bars and RTD shakes remain a large part of the portfolio. Snacks increasing as growth has been strong.

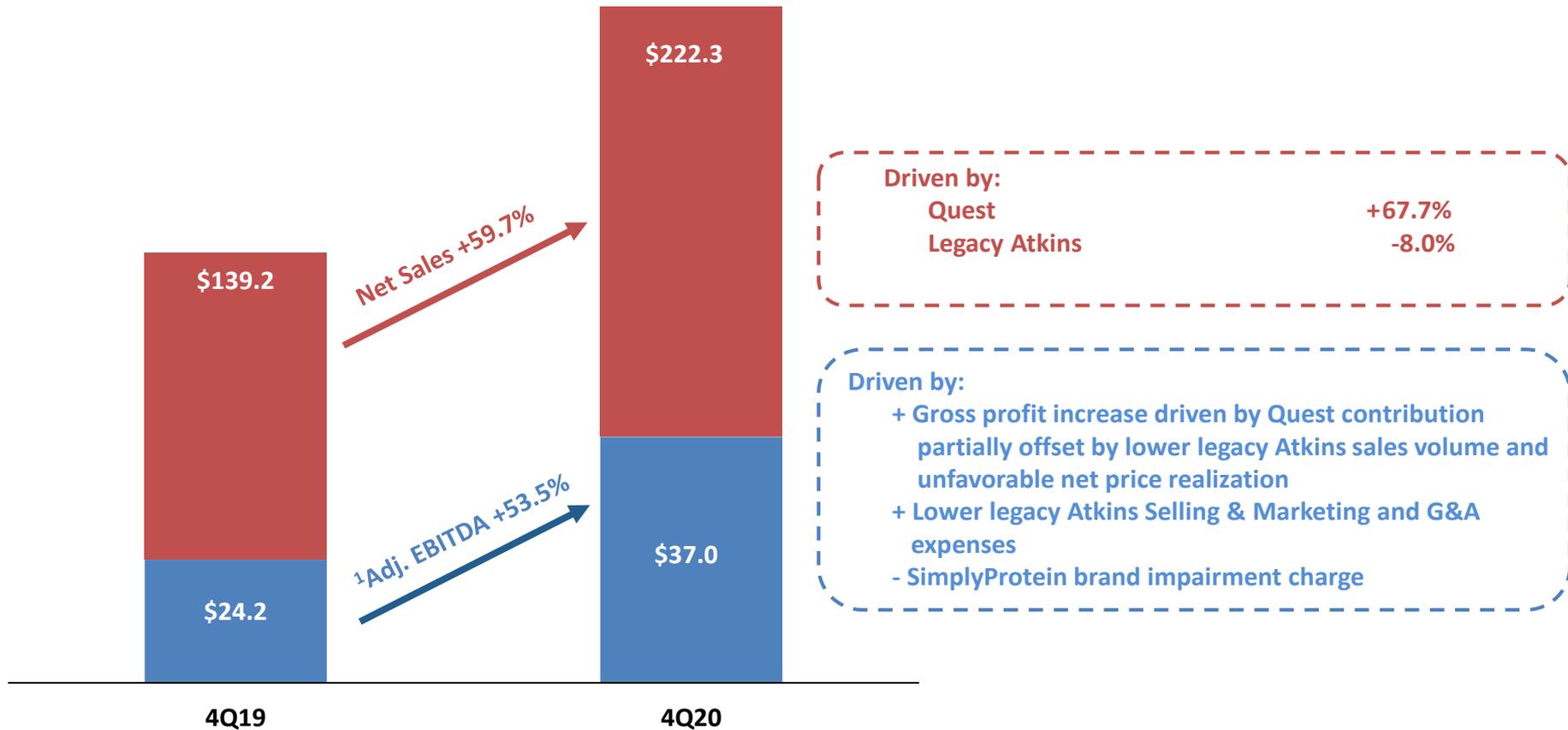
Simply Goods Foods
U.S. Snacking Gross Sales by Form¹



¹ Total U.S. estimated gross sales for both legacy Atkins (52 weeks) and Quest (42 weeks)

² All Other Snacks = Confections, Chips, Cookies, Powder, Frozen Pizza

4th Quarter Net Sales and Adjusted EBITDA

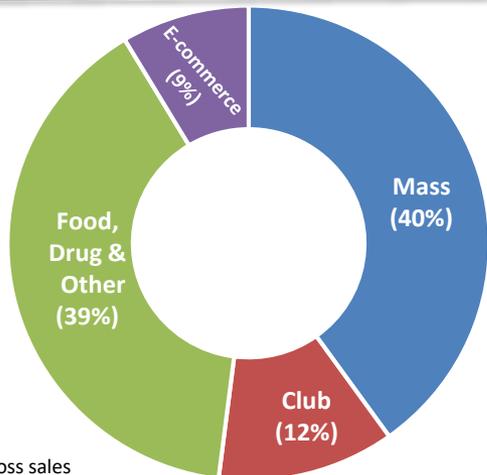


Atkins® Q4 and Full Year Retail Takeaway



- Atkins Q4 and full year retail takeaway off -4.9% and -0.4%; due to temporary softer consumer interest in weight management during COVID-19 era along with lower on-the-go usage occasions
 - Bars off -11.1% in Q4, down -2.4% for full year
 - RTD shakes declined -8.3% in Q4, -9.2% for full year
 - Atkins confections momentum continues; POS increased +17.3% in Q4 and +21.9% for the year
- E-commerce gross sales up about +55% in Q4 and +77% for the year
- About 40% of Atkins consumption occurs away from home; bars particularly impacted
 - In fiscal 2020 total buyer growth slightly down, but buy rate slightly up
- Lower trips at large Mass channel customer a headwind for Atkins and the broader nutritional snacking category

Total Atkins U.S. Gross Sales by Channel¹



U.S. Gross Sales % Chg. By Channel
Fiscal year 2019 vs. 2020



¹ Full year fiscal 2020 Atkins U.S. gross sales

- Quest significantly outpaced the category with Q4 retail takeaway increasing +28.4%
 - Full year retail takeaway up +21.3%
 - Q4 and full year retail takeaway increased across all IRI MULO measured channels
 - 60% of Quest sales in measured channels
- Quest Q4 e-commerce gross sales increased nearly +25%
 - about ~21% of Quest gross sales¹
- Retail takeaway in Q4 and the full year driven by snacks such as cookies and chips, up about +95% and +72%, respectively, and RTD shakes
- Quest bars were impacted by lower on-the-go usage occasions, down -5.8% in Q4, although performed much better than the bar category that was down about -12%
 - Full year Quest bar retail takeaway off -1.0% versus category decline of -5.2%
- Shopper traffic in the specialty channels continues to be a headwind
 - about 9% of Quest gross sales¹, down meaningfully versus last year

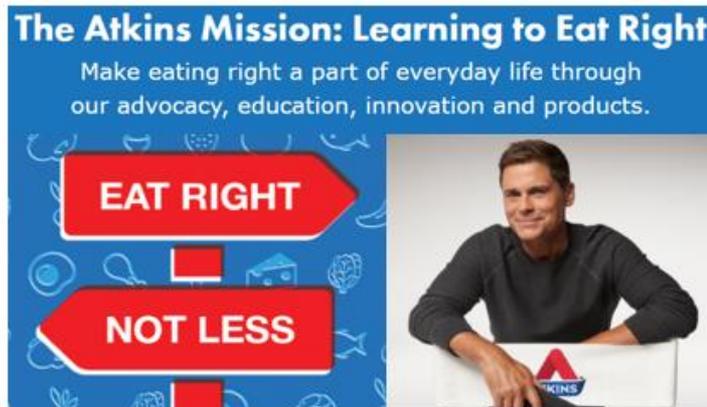
Simply Good Foods Brand Initiatives

- As movement restrictions began to ease, we increased marketing spending on both brands
- New Rob Lowe Atkins advertising now on air; messaging focused on at home consumption:
 - Bars as better, healthier, alternative to other at-home snacks
 - Losing weight gained during pandemic
 - RTD's include key vitamins and minerals that support the immune system
 - Solutions for people to eat better while working from home
- Fall shelf reset and distribution on track
- Innovation and variety across brands and forms; sell-in related to fall shelf resets progressing



Summary

- Simply Good Foods is uniquely positioned as a U.S. leader in nutritional snacking
 - *Atkins*® and *Quest*® are compelling consumer lifestyle brands that transcend multiple forms
- Quest cost synergies of \$20 million on track; majority to be achieved in fiscal '21-22;
 - Initial integration and ERP implementation largely complete
- Snacking portion of portfolio – confections, chips and cookies - consumed at home performing well
 - Gaining share in active nutrition and, despite near term challenges, diet weight management
 - Expect bar performance to improve as / when “reopening” moves to the next level
- Atkins and Quest are category leading brands aligned around consumer mega trends of better-for-you and on the go meal replacement and snacking



TODD CUNFER

CHIEF FINANCIAL OFFICER

Net Sales Drivers

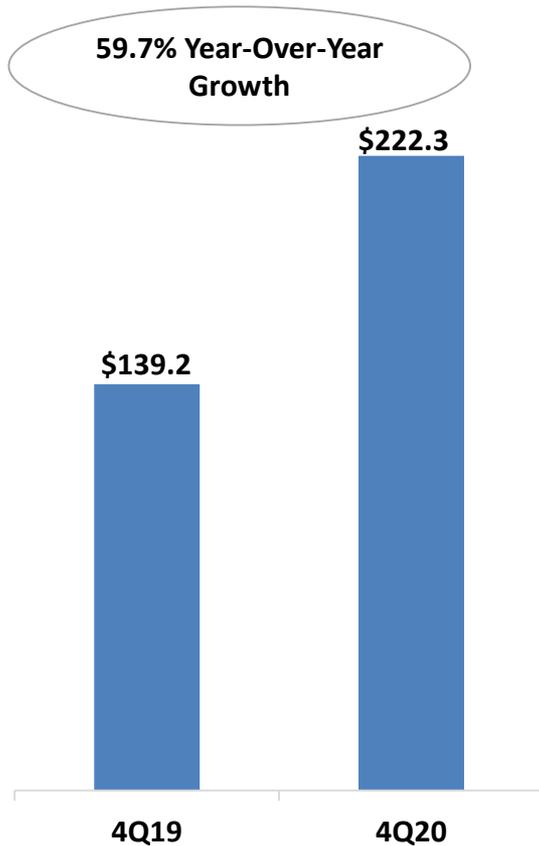
Total Simply Good Foods

	<u>4Q</u>	<u>FY20</u>
	<u>% of Total</u>	<u>% of Total</u>
	<u>NS Growth</u>	<u>NS Growth</u>
Legacy Atkins Business:		
Volume	0.4%	3.9%
Net Price Realization	-1.4%	-0.7%
"Core" 52-week Net Sales YoY % Chg.	-1.0%	3.2%
Impact of 53rd week in YAG Period	-7.0%	-2.0%
Total Legacy Atkins Nets Sales YoY % Chg.	-8.0%	1.2%
Quest Nutrition	67.7%	54.8%
Total Net Sales Growth	<u>59.7%</u>	<u>56.0%</u>

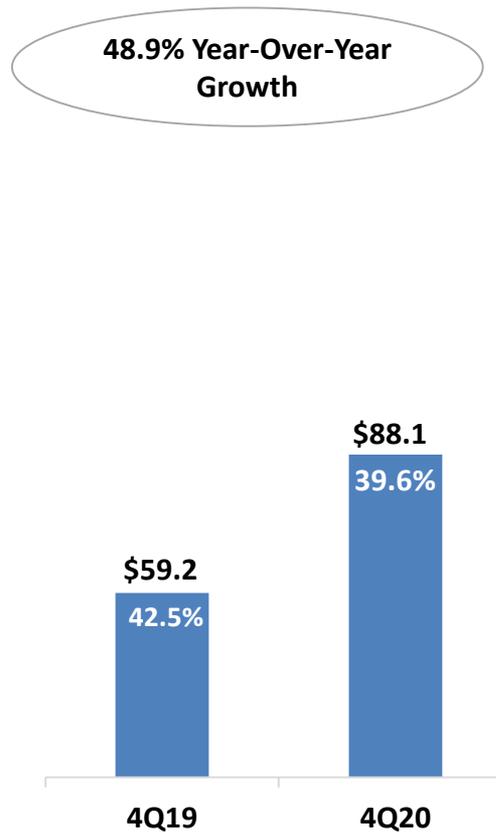
4th Quarter Net Sales and Profit

Fiscal Q4 2020 vs. Year Ago Period

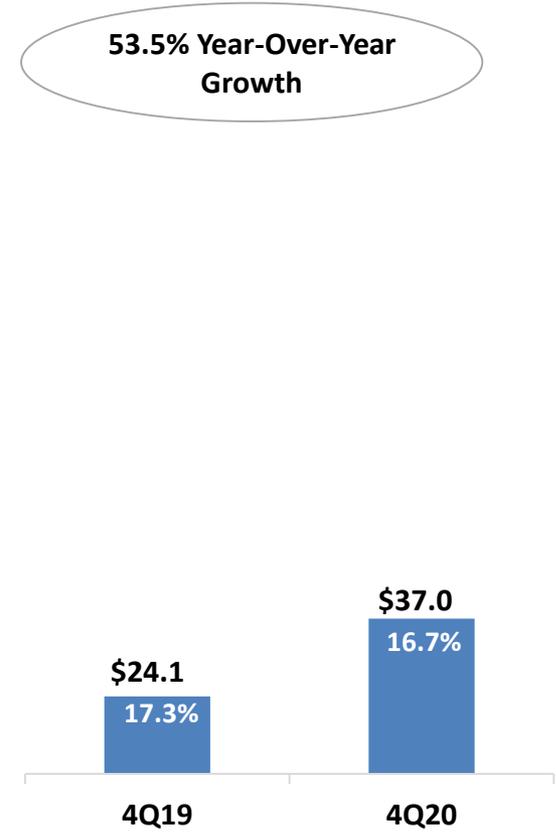
Net Sales¹



Gross Profit (and % Margin)¹



Adjusted EBITDA (and % Margin)^{1,2}



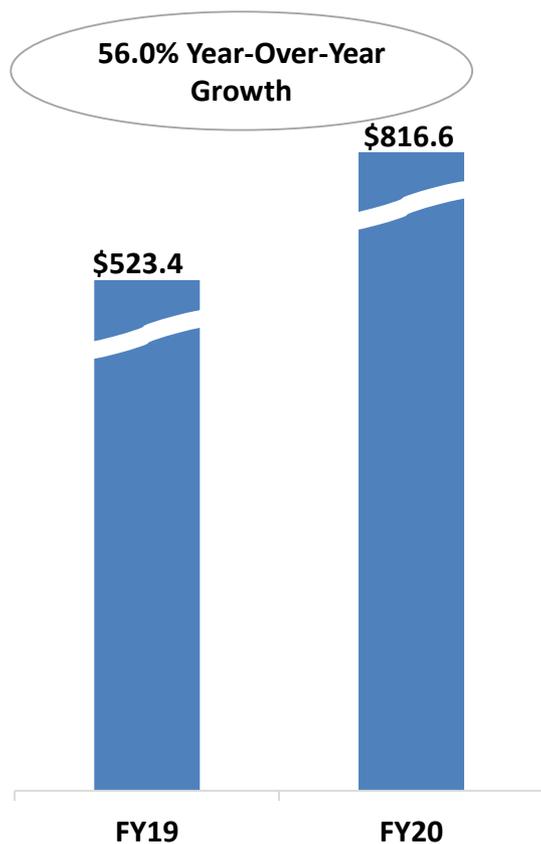
¹ Dollars in millions. Unaudited financial information for the 14-weeks ended August 31, 2019 and 13 weeks ended August 29, 2020

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 October 26, 2020 for an explanation and reconciliations of non-GAAP financial measure. 15

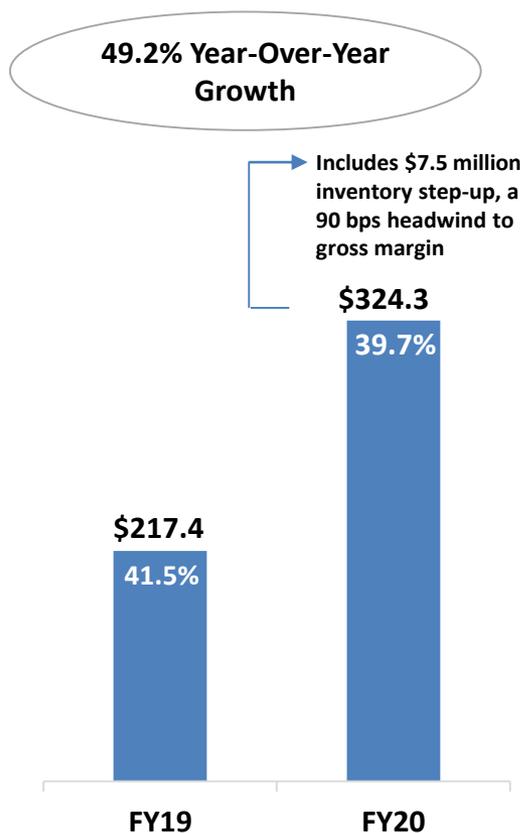
Full Year Fiscal 2020 Net Sales and Profit Growth

2020 vs. Year Ago Period

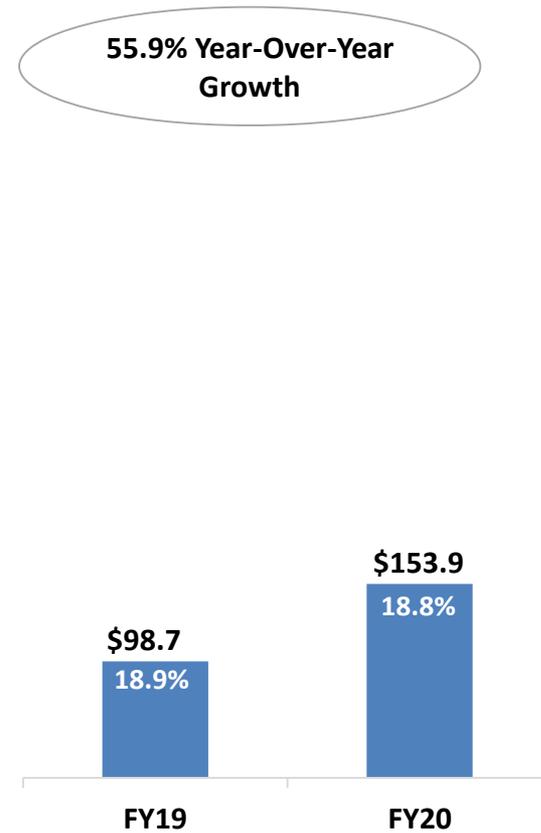
Net Sales¹



Gross Profit (and % Margin)¹



Adjusted EBITDA (and % Margin)^{1,2}



¹ Dollars in millions. Unaudited financial information for the 53-weeks ended August 31, 2019 and 52-weeks ended August 29, 2020

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 October 26, 2020 for an explanation and reconciliations of non-GAAP financial measure. 16

Earnings Per Share-Diluted

Reconciliation of 2020 Adjusted Diluted EPS ¹

	<u>4Q</u>	<u>FY20</u>
GAAP Diluted EPS	\$0.12	\$0.35
Business Transaction Costs	--	\$0.20
Integration Expense	\$0.01	\$0.08
Inventory Step-up	--	\$0.06
Stock Based Compensation	\$0.01	\$0.06
Depreciation & Amortization	\$0.03	\$0.12
Restructuring	\$0.03	\$0.04
Non-Core Legal	--	\$0.01
Other ²	(\$0.01)	(\$0.01)
Rounding	<u>\$0.01</u>	<u>--</u>
Adjusted Diluted EPS	\$0.20	\$0.91

¹Adjusted 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 October 26, for the full definition and reconciliation of this non-GAAP financial measure.

²Other items consist principally of exchange impact of foreign currency transactions and other expenses

Balance Sheet & Cash Flow

- Fiscal year 2020 term loan debt pay-down of \$50 million; term loan debt balance at August 29, 2020, \$606.5 million (LIBOR¹+375 bps)
- Q4 cash flow from operations about \$35 million, resulting in cash and cash equivalents balance at August 29, 2020 of \$95.8 million¹
 - Year end Net Debt to Adjusted EBITDA² ratio 3.3x
 - Currently anticipate year end fiscal 2021 Net Debt to Adjusted EBITDA ratio well below 3.0x
- Full year 2020 depreciation and amortization \$16.0 million and capital expenditures \$1.7 million
- Fiscal 2021 capital expenditures expected to be \$5-6 million driven by equipment at our new warehouse
- Anticipate fiscal 2021 interest expense, including amortization of debt issuance costs, of approximately \$30 million
- Divestiture of SimplyProtein brand and Europe exit about a 2% headwind to net sales growth in fiscal 2021
- Solid cash flow provides financial flexibility to support future growth

Fiscal 2021

- The unknown duration of changes in consumer shopping behavior creates uncertainty to provide a full-year fiscal 2021 outlook at this time
- Total Simply Good Foods marketplace performance in the first half of fiscal 2021 expected to be somewhat similar to current trends
- In the first half of fiscal 2021, the Company expects net sales to be in the \$425-435 million range and Adjusted EBITDA in the \$77-82 million range
 - Inflation expected to be modest
 - Quest synergies on track, although more meaningful in fiscal Q2 to Q4
 - Advertising and marketing to increase in-line with organic sales growth
- Full year fiscal 2021 gross margin expected to be about the the same as fiscal 2020, Adjusted EBITDA margin expected to increase
- Variable business model with lean infrastructure enables strong cash flow from operations
- Health and wellness snacking is important to consumers; low household penetration a long term opportunity
- Executing against our priorities and positioning our business for long-term growth

Q&A