



# **Fourth Quarter and Full Fiscal Year 2023 Earnings Conference Call & Webcast Presentation**

**October 24, 2023**

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## **Forward Looking Statements**

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**GEOFF TANNER**

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**PRESIDENT AND CHIEF EXECUTIVE OFFICER**

# Today's Speakers and Agenda

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## Speakers

Mark Pogharian  
*VP, Investor Relations*

Geoff Tanner, *President & CEO*

Shaun Mara, *CFO*

## Agenda

- Introduction
- Business Overview
- Quest and Atkins Update
- Financial Summary
- Fiscal Year 2024 Outlook
- Q&A

# Key Messages

- Delivered **strong Q4 Net Sales growth of about 17%**
  - As expected, Net Sales outpaced retail takeaway due to the retail customer inventory draw down in the year ago period
  - Gross margin expansion slightly greater than expectations
- **Full year fiscal 2023 organic Net Sales increased about 7%**
  - Performance reflects the benefits of a diversified portfolio across brands, retail channels, customers, products and forms
  - Customer analysis indicates retail trade inventory at normal levels
  - Gross margin improved during the year
- **Nutritional Snacking Category solid throughout the year** with Q4 and full year fiscal 2023 growth of 15%<sup>1</sup> and 17%<sup>1</sup>
  - Given the twin tailwinds of snacking and health and wellness, as well as low household penetration of about 50%, the category is expected to maintain its momentum and build on its multi-year growth trajectory
- Total Simply Good Foods **Q4 and full year fiscal 2023 retail takeaway growth of 11%<sup>2</sup> and 13%<sup>2</sup>**
  - Quest and Atkins full year fiscal 2023 POS growth of 24%<sup>2</sup> and 1%<sup>2</sup>
  - Atkins retail takeaway slowed in 2H23 and was off about 3%<sup>2</sup>. Performance is below expectations, and a comprehensive revitalization plan is in process to address this and restore brand growth
- **Positioned well to succeed in fiscal 2024 with sales growth driven by volume**
  - Expect Net Sales growth at the high end of the Company's 4-6% long-term algorithm, including the benefit of a 53<sup>rd</sup> week
  - Solid gross margin expansion enables investment in brand building, growth initiatives and organizational capabilities
  - Anticipate Adjusted EBITDA to increase slightly greater than the Net Sales growth rate
- **Solid cash flow** provides financial flexibility to pursue value enhancing acquisitions, pay down debt or opportunistically buy back common stock
- **Focused on delivering near and long-term, sustainable Net Sales and earnings growth**

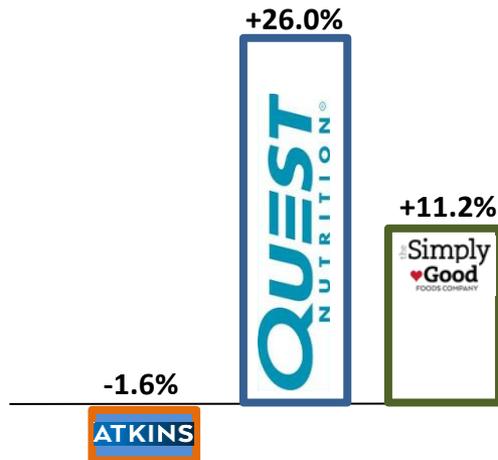
<sup>1</sup>IRI MULO + C-store + for the 13 and 52-weeks ending 8/27/23

<sup>2</sup>Combined IRI MULO + C-store and unmeasured channel estimate for the 13, 26 or 52 weeks ending August 27, 2023

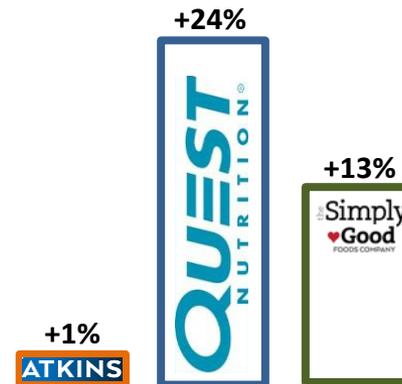
# Simply Good Foods Full Year Retail Takeaway Performance

- Unmeasured channels continue to be additive to total Simply Good Foods IRI MULO + C-store marketplace performance

*FY23 Measured Channels<sup>1</sup>*  
Retail Takeaway % Change vs. Year Ago



*FY23 Measured + Unmeasured Channels<sup>2</sup>*  
Retail Takeaway % Change vs. Year Ago



<sup>1</sup>IRI MULO + C-store, 52 weeks ending August 27, 2023

<sup>2</sup>Combined IRI MULO + C-store and unmeasured channel estimate, 52 weeks ending August 27, 2023

# Quest® Overview



- Strong Quest marketplace performance throughout the year
  - Retail takeaway growth of 24%<sup>1</sup> in both Q4 and FY23 in combined measured and unmeasured channels
  - A diversified brand with balanced growth across channels and product forms; strong household penetration and distribution gains during the year as well as increasing buy rate
- Quest Q4 POS growth in IRI MULO + C-store universe about 26%<sup>2</sup>
  - Performance driven by volume, about a 22 percentage point contribution to growth
  - Bars and snacks POS growth about 25%; performance driven by distribution, base velocity and new product success. Salty snacks<sup>3</sup> particularly strong with POS growth of about 40%
- Quest Q4 e-commerce POS 18%; solid performance across all major forms
- In fiscal 2024, expect solid retail takeaway driven by volume and higher base velocity. Key growth drivers include:
  - New advertising and increased media to drive awareness
  - Partnering with retailers who view Quest as a leader and pioneer of the Nutritional Snacking Category
  - Continued innovation across product forms



<sup>1</sup>Combined IRI MULO + C-store and unmeasured channel estimate for the 13 and 52 weeks ending August 27, 2023

<sup>2</sup>IRI MULO + C-store 13 weeks ending August 27, 2023

<sup>3</sup>Snack = chips, crackers, cookies & confections

- Atkins Q4 retail takeaway in the combined measured and unmeasured channels off 4%.<sup>1</sup>
- Retail takeaway in Q4 at Amazon up 12%; performance driven by bars and shakes that increased about 11% and 16%
- Atkins Q4 IRI MULO + C-Store retail takeaway declined 5.6%<sup>2</sup>
  - Positive shakes POS, offset by softness in bars and snacks
  - Marketplace performance at our largest Mass retail customer increased driven by shakes
- Atkins revitalization plan in place to stabilize performance and position the brand to achieve full potential

<sup>1</sup>Combined IRI MULO + C-store and unmeasured channel estimate for the 13 weeks ending August 27, 2023

<sup>2</sup>IRI MULO + C-store 13 weeks ending August 27, 2023

- Consumer research and analysis reaffirmed our belief of the high potential of the Atkins brand:
  - About 80% of consumers expressed their desire to lose weight or maintain a healthy eating lifestyle;
  - Atkins is a trusted leader of the low carb, low sugar approach to eating; and
  - The products taste great
- Consumer research also identified missteps and opportunities that we need to address to improve brand performance:

## Innovation Gaps

- Insufficient innovation, particularly bars
- Lack of bar innovation resulted in distribution losses

## Executional Missteps at Retail

- Sub-optimal assortments and price points at a few key customers

## Brand Perception / Experience

- Some consumer confusion and skepticism
- On occasion, viewed as a regimented weight-loss program

# 5 Point Atkins Revitalization Plan



- Revitalization plan focus areas:

## Innovation Gaps

- 1 Accelerate near term bar innovation and build a robust multi-year pipeline
- 2 Product upgrades to deliver a superior taste experience

## Executorial Missteps at Retail

- 3 Optimize assortment and price points & Continue to accelerate eCommerce growth

## Brand Perception / Experience

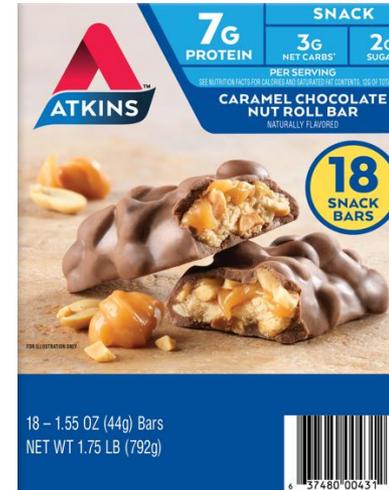
- 4 New advertising on air mid-October with expanded media reach & Targeted communication strategy to consumers interested in or using weight loss drugs
- 5 Packaging refresh to modernize the brand and make it easier to shop

- A new leadership structure and team is in place
  - Focused and operating with a sense of urgency
  - Executing the revitalization plan with the goal to first stabilize marketplace performance, while also driving growth initiatives that will enable the brand to ultimately achieve full potential

## Innovation



## Customer Execution Club & Ecommerce



# New Advertising and Marketing Campaign



- New advertising campaign launched in mid-October
  - Addresses feedback from consumer research which indicated that some potential new buyers are unaware, or skeptical, of the brand benefits and how delicious the products taste
  - New “Who Knew” campaign gives voice to the core users and skeptics by reinforcing you can eat and enjoy these delicious products and maintain or lose weight.
- Features brand ambassador, Rob Lowe, with perennial skeptic and renowned comedian, Wanda Sykes
  - A playful dialogue of the brand ambassador trying to convert a skeptic into a new user
- Greater consumer reach across traditional and new digital platforms



# Summary

- Delivered solid fiscal 2023 results in a challenging operating environment
- Simply Good Foods is uniquely positioned as the U.S. leader in nutritional snacking
  - Atkins® and Quest® are scale brands that are highly relevant and well developed across multiple forms
  - Low category household penetration a tailwind, as well as the consumer megatrends of wellness snacking, convenience and meal replacement
- Fiscal 2024 is a year of continued growth, driven by strong Quest performance
  - Total Company net sales growth predicated on volume growth



Simply  Good  
FOODS

**SHAUN MARA**

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**CHIEF FINANCIAL OFFICER**

# Net Sales Growth

- Fourth quarter and full year Net Sales \$320.4 million and \$1.24 billion, an increase of 16.9% and 6.3% versus the year ago period

## Net Sales Drivers of Growth

	<u>4Q23</u>	<u>FY23</u>	<u>FY22</u>
Pricing	3.5%	7.0%	9.4%
Volume	13.4%	-0.2%	8.7%
Europe Exit <sup>1</sup> , Pizza Licensing & Rounding	--	-0.5%	-1.9%
Total Simply Good Foods Net Sales YoY Change	16.9%	6.3%	16.2%

## Reconciliation of N. America Retail Takeaway to Net Sales Growth

	<u>4Q23</u>	<u>FY23</u>	<u>FY22</u>
Combined Measured & Unmeasured POS <sup>2</sup>	11%	13%	16%
Estimated Retail Inventory Change	7%	-4%	4%
Europe Exit, Pizza Licensing & Rounding <sup>3</sup>	-1%	-2%	-2%
N. America Net Sales Growth	17%	7%	18%

# 4<sup>th</sup> Quarter Profit

## Fiscal Q4 2023 vs. Year Ago Period

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

+18.3% Year-Over-Year Percent Change

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

+32.0% Year-Over-Year Percent Change

Net Income<sup>1</sup>

+21.6% Year-Over-Year Percent Change



<sup>1</sup> Dollars in millions. Unaudited financial information for the 13-weeks ended August 27, 2022 and 13-weeks ended August 26, 2023

<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 October 24, 2023 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

# Full Year Fiscal 2023 Profit

## Full Year Fiscal 2023 vs. Year Ago Period

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

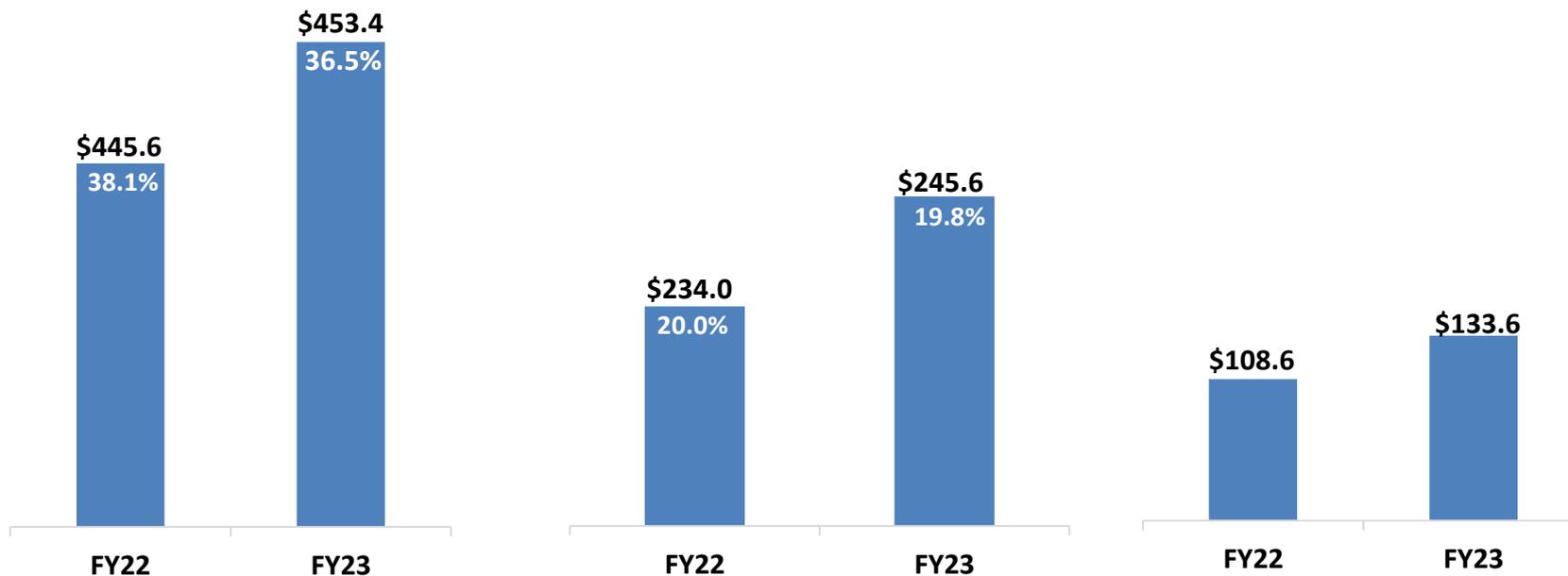
+1.8% Year-Over-Year  
Percent Change

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

+4.9% Year-Over-Year  
Percent Change

Net Income<sup>1</sup>

+23.0% Year-Over-Year  
Percent Change



<sup>1</sup> Dollars in millions. Unaudited financial information for the 52-weeks ended August 27, 2022 and 52-weeks ended August 26, 2023

<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 October 24, 2023 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>Q4</u>	<u>FY23</u>
GAAP Diluted EPS	\$0.36	\$1.32
Depreciation & Amortization	\$0.05	\$0.20
Stock Based Compensation	\$0.04	\$0.14
Executive Transition Costs	\$0.02	\$0.03
Term Debt Extension Transaction Costs	--	\$0.02
Tax Effects of Adjustments & Rounding <sup>1</sup>	-\$0.02	-\$0.08
Adjusted Diluted EPS	<u>\$0.45</u>	<u>\$1.63</u>

<sup>1</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 25% for the 13 & 52 weeks ended August 26, 2023.

## Balance Sheet & Cash Flow

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- Fiscal fourth quarter and full year cash flow from operations of about \$61 and \$171 million, respectively
  - Cash and cash equivalents balance at August 26, 2023 \$87.7 million
- In fiscal 2023, term loan debt pay-down was \$121.5 million
  - Term loan debt balance at August 26, 2023, \$285 million (SOFR<sup>1</sup>+250 bps)
- Full year fiscal 2023 capital expenditures of \$11.6 million
  - Fiscal 2024 capital expenditures expected to be in the \$8-10 million range
- Anticipate fiscal 2024 interest income and GAAP interest expense, including amortization of debt issuance costs, of approximately \$18-20 million

# Fiscal 2024 Outlook

- In a challenging macro-economic environment, Nutritional Snacking Category growth continues to be strong
- Expect lower ingredient and packaging costs to drive solid gross margin expansion
  - Provides the Company with flexibility to invest in capabilities and marketing initiatives that drive growth
- While early, in fiscal 2024 we are on track to deliver solid Net Sales and Adjusted EBITDA growth
- Fiscal Year 2024 Outlook:

	Fiscal 2023A		Fiscal '24 Outlook	
Net Sales	\$1,242.7 <sup>1</sup>		Growth to be at the high end of LT algorithm of +4-6%	- Includes benefit of the 53rd week
Gross Margin	36.5%		Higher than fiscal 2023	- Solid gross margin expansion driven by lower ingredient and packaging costs
Adjusted EBITDA	\$245.6 <sup>1</sup>		Growth rate expected to be slightly greater than the Net Sales increase	- Anticipate advertising & marketing growth rate to be greater than the Net Sales increase
Adjusted Diluted EPS	\$1.63		Growth rate expected to be higher than the Adjusted EBITDA increase	

# Q&A