



Third Quarter Fiscal Year 2020 Earnings Conference Call & Webcast Presentation

July 8, 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.

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 8, 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
- Third Quarter 2020 Highlights
- Business Update
- Financial Summary
- Q&A

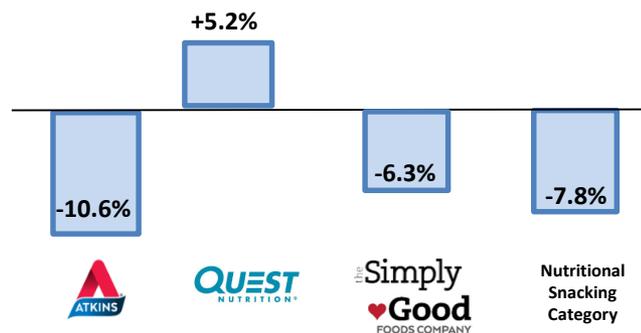
COVID-19 Impact

- Supply chain – procurement, manufacturing and distribution – performed flawlessly during the quarter, with no major issues
- During the first 3 weeks of March, similar to the nutritional snacking category, Atkins® and Quest® generated above average growth during consumer “stock-up” period
- Post the “stock up” period and during the instituted stay at home confinement period, lower on-the-go and away-from-home consumption occasions impacted category growth
- Change in consumer shopping behavior resulted in higher e-commerce purchases and increases in brick and mortar “click & collect” pick-up and delivery. Trips down in large format, traditional grocery channel better
- Consumers continue to indicate that better-for-you snacking, proper nutrition and good overall health are important attributes
 - Atkins and Quest consumer benefits not initially a priority during the early stages of “stay at home” confinement
- Simply Good Foods and nutritional snacking category trends improved sequentially during Q3 as movement restrictions began to ease

3rd Quarter Fiscal 2020 Overview

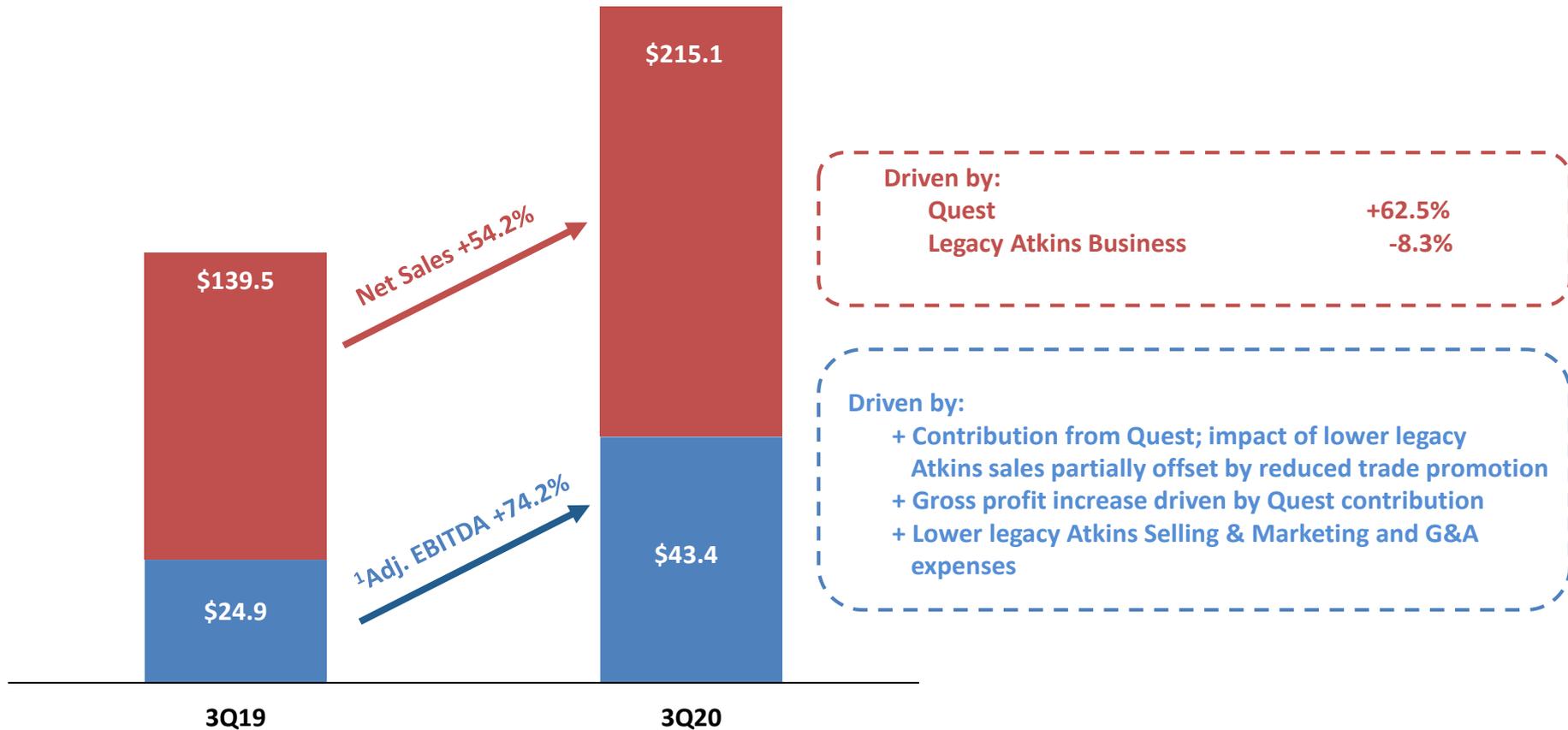
- Atkins and Quest net sales impacted by COVID-19 movement restrictions
- Gross and EBITDA margin expansion driven by a decline in trade promotion, as well as lower Selling & Marketing and General & Administrative expenses
- Quest integration and ERP implementation on track and progressing as planned
- Simply Goods Foods retail takeaway outpaced the category

Q3 Retail Takeaway % Chg. vs. Year Ago



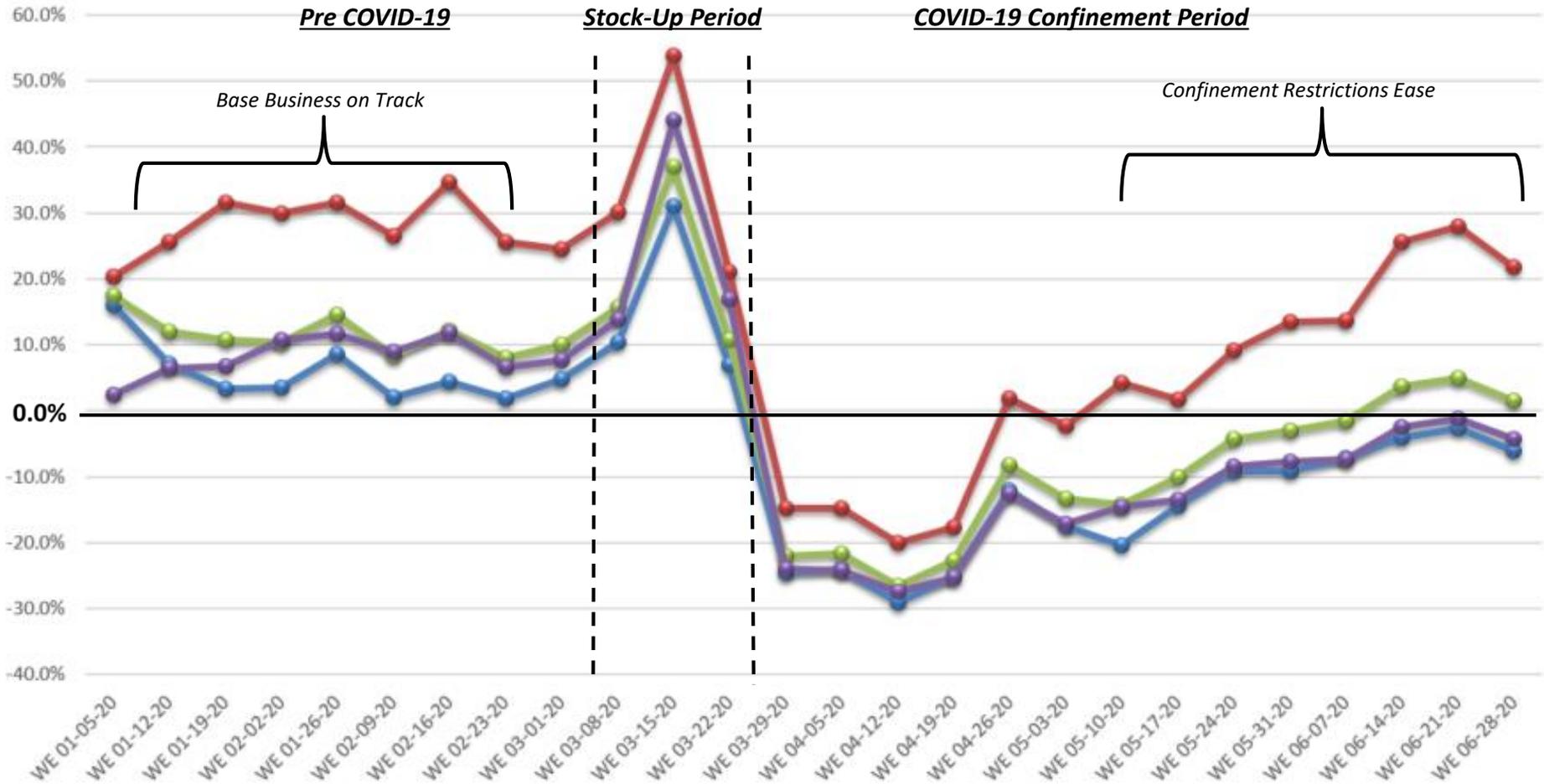
Note: Bars/graphs not to scale

3rd Quarter Revenue and Profit



Year-to-Date Retail Takeaway

Weekly Retail Takeaway % Chg. Vs. YAG



- Atkins confections momentum continues, retail takeaway increased +12.4% in Q3. Bars off -13.4%, slightly better than category; RTD shakes declined -19.2%
 - Weight management less relevant in early stages of confinement period
 - About 40% of consumption occurs away from home; bars particularly impacted
- E-commerce gross sales up about 125% in Q3 and 85% year-to-date
 - Solid gains in retailer “click & collect” pick-up and delivery
- Shopping behavior impacting trips with traditional grocery channel performing better than large format
- Our brand benefits will become increasingly more relevant as movement and confinement restrictions are lifted
- Buy rate slightly softened due to lower on-the-go usage occasions
 - New buyer growth was down versus last year
- As movement restrictions eased, Atkins trends improved

- Quest outpaced the category with retail takeaway increasing +5.2%
 - ~55% of U.S. sales in measured channels
- Retail takeaway driven by cookies and chips, up a combined 54.2%, and RTD shakes
- Quest bars were impacted by lower on-the-go usage occasions, down -17.6% in Q3, relatively in-line with the category
- Specialty channel continues to be challenged and below average traffic in convenience stores a headwind
- As movement restrictions eased, Quest out performed the category
 - In June, Quest retail takeaway was up across all measured channels

Simply Good Foods Brand Initiatives

- As movement restrictions began to ease we increased marketing spending
 - Anticipate Q4 advertising and marketing spend to be greater than Q3
- Initiatives focused on:
 - in-store display activity and promotion
 - improved TV, digital and print communications
- Innovation and variety across brands and forms; sell-in for fall shelf resets progressing

NEW!

ATKINS

Smart Snacking just got a little more fun!

Introducing Birthday Cake and S'mores Bars.

KETO FRIENDLY

15-16g PROTEIN **1g SUGAR** **4g NET CARBS**

*Product designed to be used with the Atkins ketogenic diet. Visit Atkins.com/how-it-works/keto.

Find in the Health & Nutrition Aisle

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Also try
creamy shakes that deliver key nutrients to support immune health.

MANUFACTURERS COUPON
EXPIRES 12/15/20

\$1.00 OFF

\$1 off any One (1) Atkins 5pk Bar, 5pk Treat or 4pk Shake

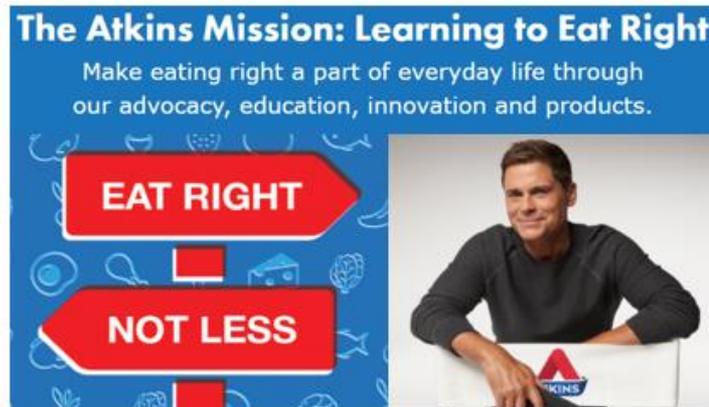
Includes: We will reimburse you the face value of this coupon plus 3.0¢ handling provided you are the owner of this coupon and the terms of this offer. Coupon is valid only on the purchase of Atkins products. Coupon must be shown at request. Any other application may constitute fraud. Coupon good where prohibited. Void or restricted. Limit one coupon per customer. This coupon cannot be combined with any other coupon offer. Offer valid in the US. Consumer must pay any sales tax. Cash value 1/10¢ per cent. Any violation of this coupon is expressly prohibited. And no sale. Cash Stop 12/15/20. One Request Only. See Req. 12/15/20.

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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 integration and cost synergies of \$20 million on track; majority to be achieved in fiscal '21-22
- A portfolio of brands aligned around consumer mega trends of better-for-you snacking
 - Consumers continue to express that protein, low carb and minimal sugar are important attributes when making snacking decisions
- Expect that the nutritional snacking category and our brands will improve as home confinement restrictions ease
- Operating our business for the long-term and committed to do the right thing for our brands, employees, customers and consumers during this challenging time



TODD CUNFER

CHIEF FINANCIAL OFFICER

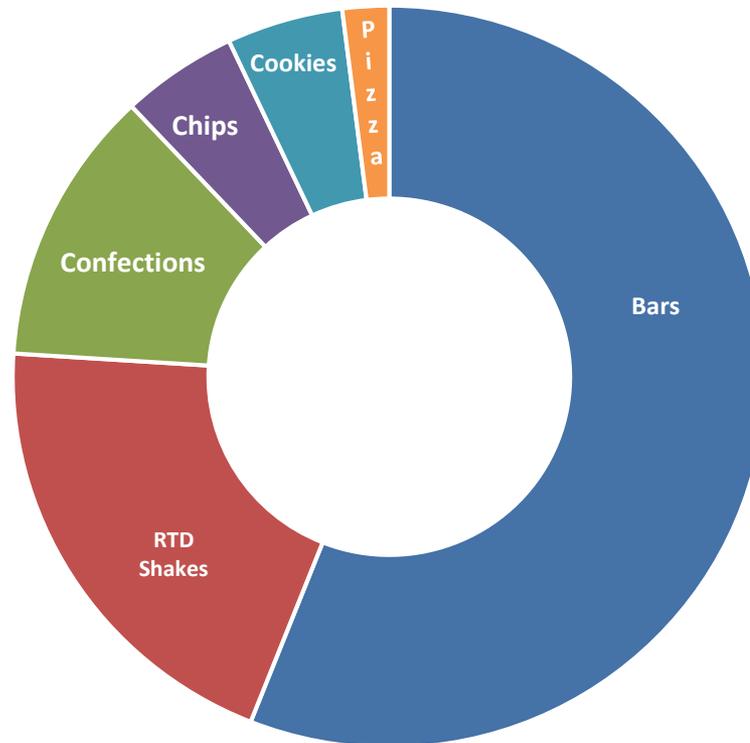
Net Sales Drivers

	Total Simply Good Foods	
	3Q	YTD
	% of Total NS Growth	% of Total NS Growth
Legacy Atkins Business:		
Volume	-9.4%	5.1%
Net Price Realization	1.1%	-0.5%
Total Legacy Atkins Nets Sales Growth	-8.3%	4.6%
Quest Nutrition	62.5%	50.1%
Total Net Sales Growth	54.2%	54.7%

Simply Good Foods Sales by Form

Bars is a big part of the portfolio

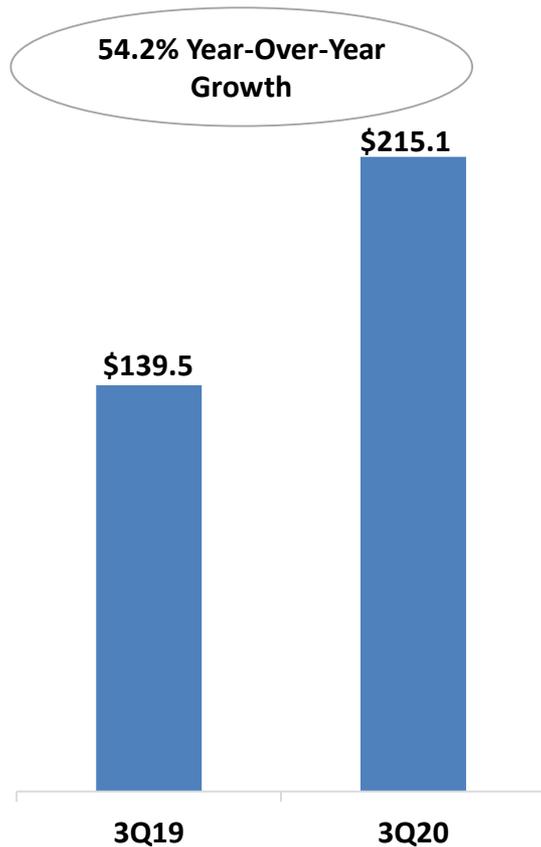
**Simply Goods Foods
U.S. Snacking Gross Sales by Channel**



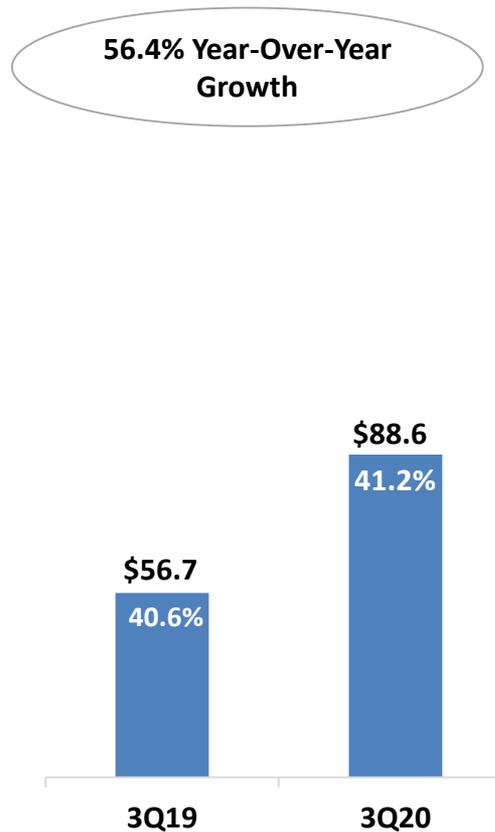
3rd Quarter Net Sales and Profit

Fiscal Q3 2020 vs. Year Ago Period

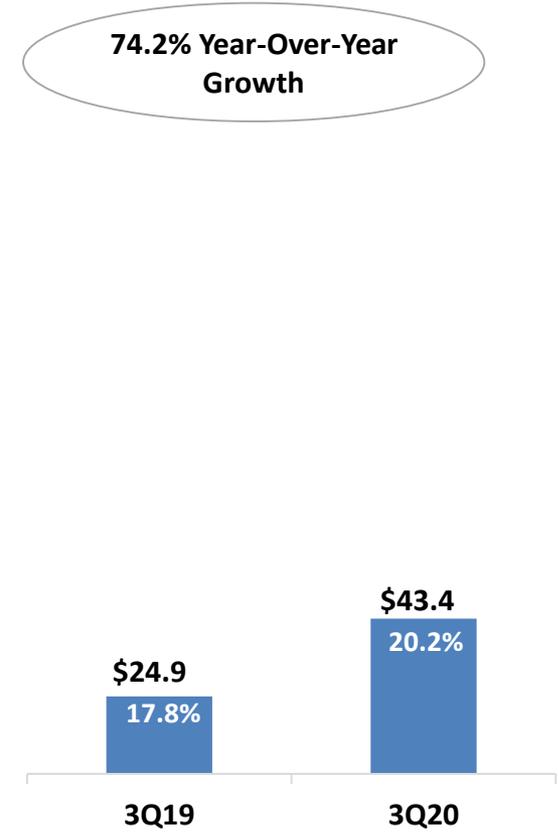
Net Sales¹



Gross Profit (and % Margin)¹



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



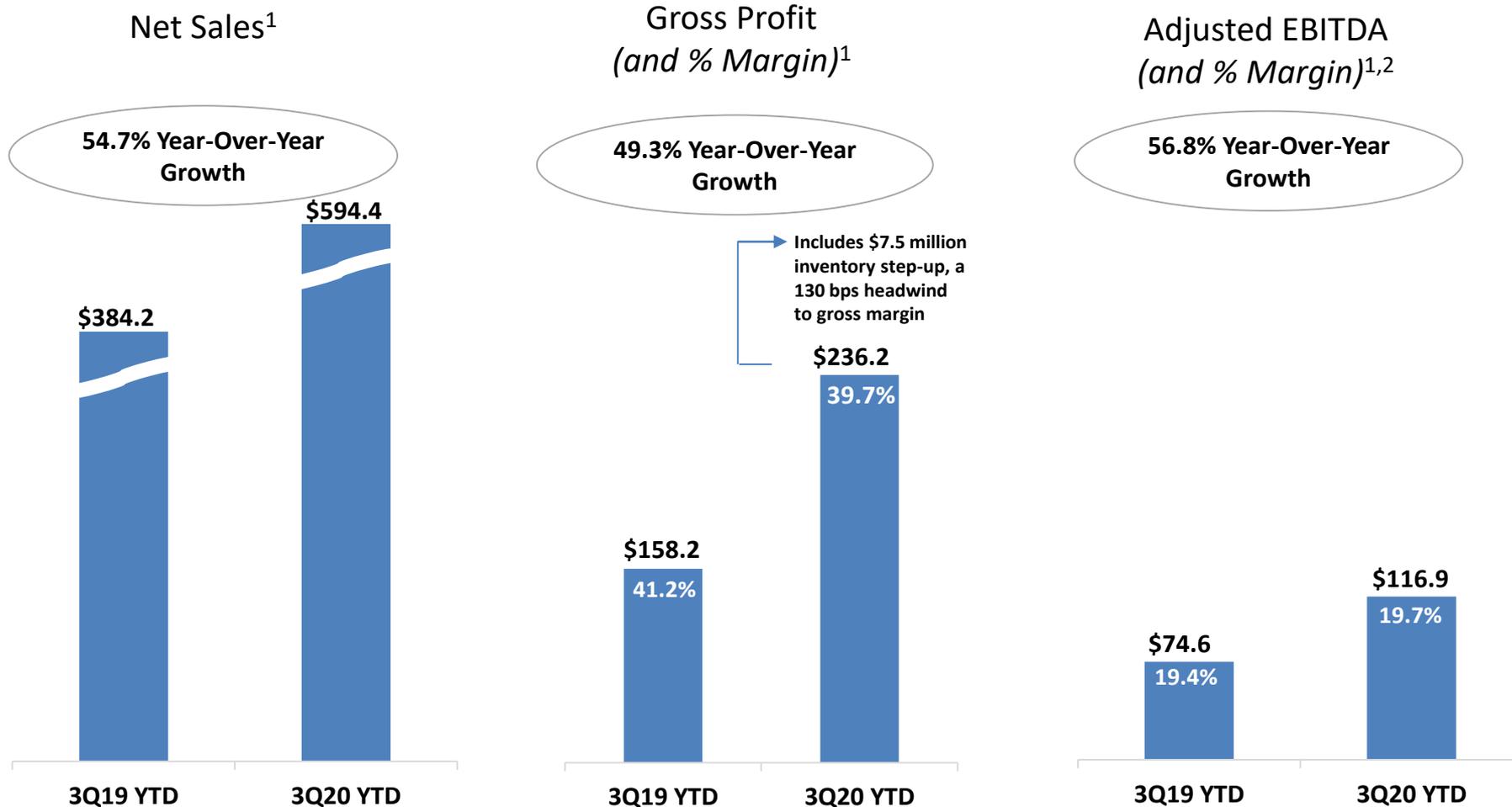
¹ Dollars in millions. Unaudited financial information for the 13-weeks ended May 25, 2019 and May 30, 2020

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 July 8, 2020 for an explanation and reconciliations of non-GAAP financial measure.

Note: Bars/graphs not to scale

Year-to-Date Net Sales and Profit Growth

Fiscal YTD 2020 vs. Year Ago Period



¹ Dollars in millions. Unaudited financial information for the 39-weeks ended May 25, 2019 and May 30, 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 July 8, 2020 for an explanation and reconciliations of non-GAAP financial measure.

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Earnings Per Share-Diluted

Reconciliation of 2020 Adjusted Diluted EPS ¹

	<u>3Q</u>	<u>YTD</u>
GAAP Diluted EPS	\$0.17	\$0.23
Business Transaction Costs	--	\$0.20
Integration Expense	\$0.03	\$0.07
Inventory Step-up	--	\$0.06
Stock Based Compensation	\$0.02	\$0.04
Depreciation & Amortization	\$0.03	\$0.09
Restructuring	\$0.01	\$0.01
Rounding	--	\$0.01
Adjusted Diluted EPS	<u>\$0.26</u>	<u>\$0.71</u>

Balance Sheet & Cash Flow

- Year-to-date debt pay-down of \$21 million; term loan debt at May 30 , 2020, \$635.5 million (LIBOR +375 bps)
- Q3 free-cash-flow generation about \$40 million; on target to achieve trailing 12 months Net Debt to Adjusted EBITDA ratio of less than 3.75x by fiscal year-end August 2020¹
- The Company has a \$75.0 million revolving credit facility. Subsequent to the end of the third quarter, in mid-June, the Company completed repayment of the March \$25 million draw down
- The Company believes it is more than adequately positioned to meet its obligations and at the end of June the Company's estimated cash and cash equivalents balance is about \$80 million
- Anticipate fiscal 2020 interest expense, including amortization of debt issuance costs, of \$31-32 million
- Year-to-date depreciation and amortization of \$11.6 million; capital expenditures of \$0.8 million; expect full year fiscal 2020 capital expenditures of \$2 million driven by ERP implementation

Summary

- Marketplace trends should improve as movement restrictions and at home confinement eases
 - ❑ Anticipate increasing on-the-go and away-from-home usage occasions
 - ❑ Channel shifting from large format stores, as well as lower traffic in specialty and convenience store channels, a near term headwind
 - ❑ We believe our brand benefits will become increasingly more relevant as movement and confinement restrictions are lifted
 - ❑ “Health and wellness” snacking is important to consumers; low category household penetration a long term benefit

- Full Year 2020 Outlook:
 - ❑ Assuming U.S. movement restrictions remain at the current levels, anticipate full-year reported net sales of \$790-800 million
 - Legacy Atkins net sales expected to be about the same as last year; 53rd week in fiscal 2019 is about a 200 basis point headwind to fiscal 2020 net sales growth
 - ❑ Adjusted EBITDA expected to be in the \$145-150 million range
 - ❑ Adjusted Diluted Earnings Per Share expected to be in the \$0.86 to \$0.90 range, versus \$0.77 in the year ago period

¹ Adjusted EBITDA and Adjusted Diluted Earnings Per Share are non-GAAP financial measures. The Company excludes, among other items, acquisition related costs, such as business transaction costs, integration expense and non-cash deal amortization expense to derive these non-GAAP financial measures. Please refer to the earnings release dated July 8, 2020, for the full definitions and reconciliations of these non-GAAP financial measures.

Q&A