

# Tivity Health

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Q4 2018 Earnings Release

Supplemental Material

February 19, 2019

# Cautionary Note on Forward-Looking Statements

## Note On Forward Looking Statements

This communication contains certain statements that are “forward-looking” statements within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based upon current expectations and include all statements that are not historical statements of fact and those regarding the intent, belief or expectations, including, without limitation, statements that are accompanied by words such as “will,” “expect,” “outlook,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” “will,” “would,” “target,” or other similar words, phrases or expressions and variations or negatives of these words. These forward-looking statements include, but are not limited to, statements regarding the proposed acquisition of Nutrisystem, Inc. (the “**proposed transaction**”), integration and transition plans, synergies, opportunities and anticipated future performance, as well as guidance and financial expectations for future periods. Readers should understand that these statements are not guarantees of performance or results. Many risks and uncertainties could affect actual results and cause them to vary materially from the expectations contained in the forward-looking statements.

These risks and uncertainties include, among other things: the timing and likelihood of, and any conditions or requirements imposed in connection with, obtaining required stockholder or regulatory approval of the proposed transaction; the possibility that the closing conditions to the proposed transaction may not be satisfied or waived; delay in closing the proposed transaction or the possibility of non consummation of the proposed transaction; the risk that expected benefits, synergies and growth opportunities of the proposed transaction may not be achieved in a timely manner or at all, including that the proposed transaction may not be accretive within the expected timeframe or to the extent anticipated; the occurrence of any event that could give rise to termination of the merger agreement; the risk that stockholder litigation in connection with the proposed transaction may affect the timing or occurrence of the proposed transaction or result in significant costs of defense, indemnification and liability; the risk that Tivity Health and Nutrisystem will be unable to retain or hire key personnel; the ability to successfully integrate Nutrisystem’s business with Tivity Health following the closing; the risk that the significant indebtedness incurred to fund the purchase price may limit Tivity Health’s ability to adapt to changes in the economy or market conditions, expose the company to interest rate risk for the variable rate indebtedness and require a substantial portion of cash flows from operations to be dedicated to the payment of indebtedness; and the risk that disruption from the proposed transaction may adversely affect Tivity Health’s and Nutrisystem’s business and their respective relationships with customers, vendors or employees; Tivity Health’s and Nutrisystem’s ability to develop and implement effective strategies; Tivity Health’s and Nutrisystem’s ability to effectively compete against other entities, whose financial, research, staff, and marketing resources may exceed Tivity Health’s and Nutrisystem’s resources; Tivity Health’s and Nutrisystem’s ability to accurately forecast its revenues, margins, earnings and net income, as well as any potential charges that Tivity Health and Nutrisystem may incur as a result of changes in their respective businesses and leadership teams; the risks associated with deriving a significant concentration of revenues from a limited number of customers; Tivity Health’s and Nutrisystem’s ability to develop and maintain customer relationships and/or the ability of Tivity Health’s customers to enroll participants and to accurately forecast their level of enrollment and participation in Tivity Health’s and Nutrisystem’s programs in a manner and within the timeframe anticipated by Tivity Health and Nutrisystem; the risks associated with data privacy or security breaches, computer hacking, network penetration and other illegal intrusions of our information systems or those of third-party vendors or other service providers, which may result in unauthorized access by third parties to customer, employee or other proprietary information or member health information and may lead to a disruption in Tivity Health’s and Nutrisystem’s businesses, costs to modify, enhance, or remediate Tivity Health’s and Nutrisystem’s cybersecurity measures, enforcement actions, fines or litigation against, or damage to the business reputation of, Tivity Health and Nutrisystem; other risks detailed in Tivity Health’s and Nutrisystem’s most recent Annual Reports on Form 10-K and other filings with the Securities and Exchange Commission (“SEC”). For additional information about factors that could cause actual results to differ materially from those described in the forward-looking statements, please refer to both Tivity Health’s and Nutrisystem’s filings with the SEC. Except as required by law, neither Tivity Health nor Nutrisystem undertakes any obligation to update forward-looking statements made by it to reflect new information, subsequent events or circumstances.

# Additional Information

## Important Additional Information and Where to Find It

In connection with the proposed transaction, on January 14, 2019, Tivity Health filed with the SEC an amendment to the registration statement on Form S-4 that was originally filed on January 7, 2019 (the “**registration statement**”), which includes a proxy statement of Nutrisystem and that also constitutes a prospectus of Tivity Health (the “**proxy statement/prospectus**”) in preliminary form. The registration statement became effective on February 3, 2019 and Nutrisystem commenced mailing the definitive proxy statement/prospectus to its stockholders on or about February 4, 2019. **INVESTORS AND SECURITY HOLDERS ARE URGED TO CAREFULLY READ THE ENTIRE REGISTRATION STATEMENT, PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT INFORMATION FILED AND TO BE FILED WITH THE SEC, BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT TIVITY HEALTH, NUTRISYSTEM AND THE PROPOSED TRANSACTION.** The registration statement and other documents filed by Tivity Health with the SEC may be obtained free of charge at Tivity Health’s website at <http://www.tivityhealth.com> or at the SEC’s website at <http://www.sec.gov>. These documents may also be obtained free of charge from Tivity Health by requesting them by mail at Tivity Health, Inc., 701 Cool Springs Boulevard, Franklin, Tennessee 37067, Attention: Investor Relations, or by telephone at (615) 614-4576. The proxy statement/prospectus and other documents filed by Nutrisystem with the SEC may be obtained free of charge at Nutrisystem’s website at <http://www.nutrisystem.com> or at the SEC’s website at <http://www.sec.gov>. These documents may also be obtained free of charge from Nutrisystem by requesting them by mail at Nutrisystem, Inc., 600 Office Center Drive, Fort Washington, Pennsylvania 19034, Attention: Investor Relations, or by telephone at (646) 277-1254.

## Participants in Solicitation

Tivity Health and Nutrisystem and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information about Tivity Health’s directors and executive officers is available in Tivity Health’s proxy statement for Tivity Health’s 2018 annual meeting of stockholders filed with the SEC on April 13, 2018 on Schedule 14A. Information about Nutrisystem’s directors and executive officers is available in Nutrisystem’s proxy statement for Nutrisystem’s 2018 annual meeting of stockholders filed with the SEC on March 26, 2018 on Schedule 14A. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC regarding the transaction when they become available. Investors should read the proxy statement/prospectus carefully when it becomes available before making any voting or investment decisions. You may obtain free copies of these documents from Tivity Health or Nutrisystem as indicated above.

## No Offer or Solicitation

This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

# TVTY – Stand-Alone Full Year 2018 Results and 2019 Guidance

\$ in millions

Metric	2018 Results	2019 Guidance
Revenue	\$606.3	\$612.0 - \$627.0
Adjusted EBITDA <sup>1, 2</sup>	\$142.2	\$140.0 - \$145.0
Free Cash Flow <sup>1, 2</sup>	\$99.7	\$95.0 - \$100.0
SilverSneakers Eligible Lives	15.9 million	14.9 – 15.1 million
SilverSneakers Hybrid Lives	9.8 million	11.1 – 11.3 million
SilverSneakers Enrolled Members	3.7 million	3.6 million +
SilverSneakers Visits	103.2 million	98 - 100 million
Prime Fitness Eligible Lives	41.0 million	42.5 million
Member Pay Prime Enrolled Members	0.30 million	0.36 million

1 Adjusted EBITDA and Free Cash Flow are non-GAAP financial measures. Reconciliations of Adjusted EBITDA and Free Cash Flow for fiscal 2018 to the comparable GAAP measures are included as an exhibit to Tivity Health's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 19, 2019.

2 We believe Adjusted EBITDA and Free Cash Flow are useful measures of performance. You should not consider Adjusted EBITDA and Free Cash Flow in isolation or as a substitute for net income or net cash flows provided by operating activities, respectively, in each case, determined in accordance with U.S. GAAP. Additionally, because Adjusted EBITDA and Free Cash Flow may be defined differently by other companies in the Company's industry, the non-GAAP financial measures presented here may not be comparable to similarly titled measures of other companies.

# TVTY Revenue Growth Excluding United Healthcare Contribution

\$ in millions

	TVTY Standalone Revenue	Revenue Associated with United Healthcare	TVTY Revenue Excluding United Healthcare	Year Over Year Growth <sup>1</sup>
2019E*	\$620.0	\$61.0 <sup>2</sup>	\$559.0	8.0%

1 Reflects growth in TVTY revenues over prior year assuming revenues associated with United Healthcare are excluded from both periods under comparison

2 Estimated 2019 revenues associated with United Healthcare of \$61 million is comprised of approximately 1/3 individual lives and 2/3 group lives

\* Based on the midpoint of guidance ranges

# NTRI – Stand-Alone Full Year 2018 Results and 2019 Guidance

*\$ in millions*

Metric	2018 Results	2019 Guidance
Revenue	\$691.0	\$682.0 - \$702.0
Adjusted EBITDA <sup>1,2,3</sup>	\$93.8	\$90.0 - \$100.0
Free Cash Flow <sup>1,3</sup>	\$68.4	\$65.0 - \$75.0

1 Adjusted EBITDA and Free Cash Flow are non-GAAP financial measures. Reconciliations of Adjusted EBITDA and Free Cash Flow for fiscal 2018 to the comparable GAAP measures are included in Nutrisystem’s earnings release included as an Exhibit to Nutrisystem’s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 19, 2019.

2 Adjusted EBITDA for Nutrisystem includes non-cash share-based compensation expense, consistent with Tivity Health’s historical reporting methodology. Nutrisystem has historically removed this expense from Adjusted EBITDA. The expense was \$10.3 in 2018 and is expected to be \$10.0 in 2019.

3 We believe Adjusted EBITDA and Free Cash Flow are useful measures of performance. You should not consider Adjusted EBITDA and Free Cash Flow in isolation or as a substitute for net income or net cash flows provided by operating activities, respectively, in each case, determined in accordance with U.S. GAAP. Additionally, because Adjusted EBITDA and Free Cash Flow may be defined differently by other companies in Nutrisystem’s industry, the non-GAAP financial measures presented here may not be comparable to similarly titled measures of other companies.

# Transaction Summary

## TRANSACTION VALUE

- \$1.3 billion in cash and stock

## TERMS

- \$38.75 per share in cash
- 0.2141 Tivity Health shares for each share of Nutrisystem common stock

## PRO FORMA OWNERSHIP

- 86% Tivity Health pro forma ownership on a fully diluted basis

## NUTRISYSTEM LEADERSHIP

- Dawn Zier to become President and Chief Operating Officer of Tivity Health, responsible for the company's nutrition and fitness divisions

## NUTRISYSTEM BRANDS

- Expects to maintain all of the existing Nutrisystem brands

## ANTICIPATED CLOSE

- Early March

## CLOSING CONDITIONS

- Subject to the approval of Nutrisystem shareholders and other customary closing conditions

# Combined Company – Full Year 2019 Financial Guidance

*\$ in millions*

Metric	2019 Guidance
Revenue	\$1,146.0 - \$1,177.0
Adjusted EBITDA	\$240.0 - \$258.0

- Combined Company guidance assumptions include:
  - The transaction closes in early March
  - Includes full year results for TVTY and estimated results for NTRI from transaction close through the end of 2019
  - The Q1 NTRI revenue contribution to the combined company is expected to be in the range of \$42.0 - \$44.0
  - Impact of cost synergies for 2019 are expected to be in the range of \$9.0 - \$12.0
  - Non-cash share based compensation expense is included in Adjusted EBITDA
- The Company expects to provide Net income and Earnings Per Share outlook for 2019 during the Q1 2019 earnings conference call, after the purchase accounting adjustments and terms of the debt financing are finalized.
- The Adjusted EBITDA guidance does not include the impact of transaction related costs, integration-related expenses or other expenses related to the acquisition of Nutrisystem. Adjusted EBITDA guidance is a forward-looking non-GAAP financial measure, and its reconciliation to the most directly comparable GAAP financial measure is not provided because the Company is unable to provide such reconciliation without unreasonable effort due to the uncertainty and inherent difficulty of predicting the financial impact of certain items. These items include, but are not limited to, purchase accounting adjustments and final terms of the financing related to the pending acquisition of Nutrisystem.

# Thank You