

# Tivity Health

J.P. Morgan Healthcare Conference

*January 14, 2020*



# Cautionary 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 merger, integration and transition plans, synergies, opportunities and anticipated future performance. Readers of this communication 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 risk that expected benefits, synergies and growth opportunities of the transaction may not be achieved in a timely manner or at all; 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; 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 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 for the year ended December 31, 2018 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.





























# AGENDA

**Healthcare Business Unit**

**Nutrition Business Unit**

**Combining Healthcare + Nutrition = Social Determinants of Health Opportunity**

# Highly Experienced and Successful Management Team

Name & Title	Years of Experience	Experience	Selected Management Accomplishments
 <p><b>Donato Tramuto</b> Chief Executive Officer</p>	35+	   	<p>✓ Served as Co-Founder of Protocare, Inc., Founder, CEO and Chairman of Physicians Interactive (now Aptus Health), CEO of i3 (a division of UnitedHealth Group), and President at Caremark HomeHealth Care</p>
 <p><b>Adam Holland</b> Chief Financial Officer</p>	18+	  	<p>✓ Served as the CFO of Kirkland's, Inc. and was a senior auditor with Ernst &amp; Young, LLP</p>
 <p><b>Mary Flipse</b> Chief Legal &amp; Administrative Officer</p>	25+	 	<p>✓ Served as Assistant General Counsel of King Pharmaceuticals (a subsidiary of Pfizer) and was a senior associate with White &amp; Case</p>
 <p><b>Tommy Lewis</b> Chief Operating Officer Investor Relations Officer</p>	25+	   	<p>✓ Served as the Head of Strategic Enterprise Initiatives, Customer Experience Officer and Chief Marketing Officer of Change Healthcare; Chief Marketing Officer of Emdeon and WebMD Business Services</p>
 <p><b>Arra Yerganian</b> Group Chief Experience and Brand Officer</p>	25+	 	<p>✓ Served as Chief Marketing / Chief Experience Officer for leading companies like Sutter Health, Benchmark Capital &amp; Google Ventures-backed One Medical, and University of Phoenix</p>
 <p><b>Steve Janicak</b> Healthcare Business Unit President</p>	30+	  	<p>✓ Served as the Chief Sales and Marketing Officer at CareCentrix and worked in sales and marketing functions with specific expertise of working with Medicare and managed care clients</p>
 <p><b>Keira Krausz</b> Nutrition Business Unit President</p>	25+	  	<p>✓ Served as Chief Marketing Officer of Nutrisystem, as VP of Marketing for QSP, a subsidiary of Time Inc., and held roles at Reader's Digest Association</p>

# Our Family of Healthy Life-Changing Brands




Silver Sneakers<sup>®</sup>  
by Tivity Health

Empowering active aging



Nutrisystem<sup>®</sup>

Losing weight made simple



SOUTH BEACH  
diet

Keto-friendly approach to weight loss



WholeHealth Living<sup>®</sup>  
by Tivity Health

Holistic wellness solutions



wisely well  
- NUTRITION SOLUTIONS -

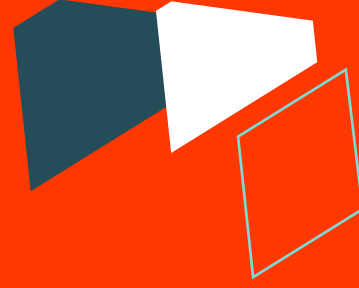
Convenient senior and medically-appropriate nutrition solutions



prime<sup>™</sup>

Enabling fitness with flexibility

Empowering members at every age and stage of life to enjoy greater physical ac*tivity*, social connec*tivity*, and product*ivity*



# Healthcare Business Unit Overview

# Steve Janicak



**Healthcare Business  
Unit President**

Years of Experience

**30+**

Companies Worked For



*MedSolutions*

Select Management  
Accomplishments

- Proven track record of **delivering revenue, profit and market share growth** for healthcare services companies
- Specific expertise **working with Medicare and managed care clients**

Responsible For...

- **Driving top-line and EBITDA growth** in SilverSneakers, Prime Fitness and WholeHealth Living
- **All aspects** of the customer and member experience
- Company's **efforts to address social isolation and loneliness**

# Healthcare Business Unit Overview

## Business Unit Overview

- A premier provider of fitness and health improvement programs for health plans, focused on advancing long-lasting health and vitality for members
- Works with Medicare Advantage, Medicare Supplement and commercial health plans to offer fitness solutions and health improvement programs to members
  - **SilverSneakers (80% of 2018A revenue):** targets 65+ y/o population through Medicare Advantage and Medicare Supplement plans
  - **Prime Fitness (17% of 2018A revenue):** targets 18-64 y/o population through commercial plans and employers
  - **WholeHealth Living (3% of 2018A revenue):** provides specialty physical-medicine benefits management services
- Fitness networks encompass ~18,000 participating locations

## Blue Chip Customer Base





# Driving the A-B-C-D Strategy

C

## Collaborate with partners to introduce new products and services that leverage our brand trust

- SilverSneakers Go App
- Tuition Rewards
- Partnerships with Stitch, Zeel and Papa
- Walmart Health

## Add new members in all networks

- Increased SilverSneakers eligible lives by 3M since 2016
- SilverSneakers enrollment growth ~8% CAGR 2016-2019
- Prime Fitness eligible lives increased to 43M

A

## Build more awareness, empowerment, and engagement

- Launched national TV marketing campaign during 2019
- SilverSneakers enrollment increased to 3.8M in 2019
- SilverSneakers visits to exceed 104M in 2019; 4 year CAGR ~7%
- Over 4M members in the SilverSneakers database
- Prime Fitness subscription growth ~20% CAGR 2016-2019

D

## Deepen relationships with our partners and instructors within our national network

- 34% increase in our partner location network since 2016 to 18,000
- 60% growth in FLEX network locations and 50% increase in number of instructors

B

# Walmart Partnership

## Walmart Associates Prime Fitness Program



- National rollout Q3 2019
- Subsidized program for all Walmart Associates
- Co-promotion opportunities exist in 2020
- Early adoption rates are on the higher side of traditional Prime Fitness implementations

## Community Room @ Walmart Health

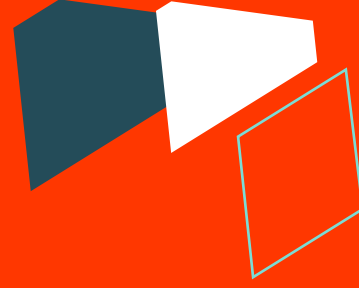


- Providing fitness classes and non-fitness workshops in the first two Walmart Health locations
- Nutrition curriculum is core to the offering, with the opportunity to fold in Nutrisystem food + curriculum
- The curriculum is designed to target both SilverSneakers and commercial populations

## Associates-focused Nutrisystem D Pilot



- Program is being designed in collaboration with Walmart
- Combination of structured weight loss solutions through Nutrisystem D and in-person curriculum
- Opportunity to subsidize grocery supplements with program adherence
- Targeting Q1 pilot launch



# Nutrition Business Unit Overview

# Keira Krausz



**Nutrition Business  
Unit President**

Years of Experience

**30+**

Companies Worked For



Select Management  
Accomplishments

- **Proven leader with a strong track record** of success both within and outside Tivity Health
- Currently serves on the **board of directors of the Association of National Advertisers (ANA)**
- **Driving top-line and EBITDA growth** for Nutrisystem and South Beach Diet
- **All aspects** of the consumer experience

Responsible For...

# Nutrition Business Unit Overview



Nimble, data-driven, customer-centric, e-commerce business serving a large and growing weight loss industry; predominantly direct-to-consumer (93% of 2019E Nutrition revenue) and certain products are also available at leading retail locations to expand brand reach and awareness.



Externally recognized and time-tested competency as performance-based and engagement marketers with deep expertise across all media channels; demonstrated ability to drive revenue per customer throughout the customer journey providing an attractive return on marketing investment.



Scientifically-backed product innovation has been a cornerstone of the success with an increased focus on personalized nutrition that can expand beyond weight loss. Programs are comprehensive and include food, companion apps, and counseling.



Proven experience developing new food to meet nutrition specifications, and an established supply, logistics, and fulfillment operation with capacity for growth.



Strong financial performance historically: ~14% revenue CAGR from 2015-2018.

## Key Products and Programs



- Program focused on portion control and moderate amounts of protein, fats and carbs
- Complementary app and free counseling



- America's top diabetes home delivery weight loss program
- Designed for weight loss to help you manage your Type 2 Diabetes
- Lose weight and lower blood glucose levels by 1.02% (A1C)



- Customers can lose up to 18 lbs and eight inches overall in their first month and retain muscle mass



- Delivers individualized nutrition by identifying members' genetic-based eating behaviors and metabolism and developing tailored nutrition plans
- A la carte offerings including food, shakes and DNA testing kits



- Developed by Dr. Arthur Agatston to promote good carbs, healthy fats and lean protein
- Customers can lose up to nine lbs and three inches in first two weeks
- Keto-friendly options introduced in 2019

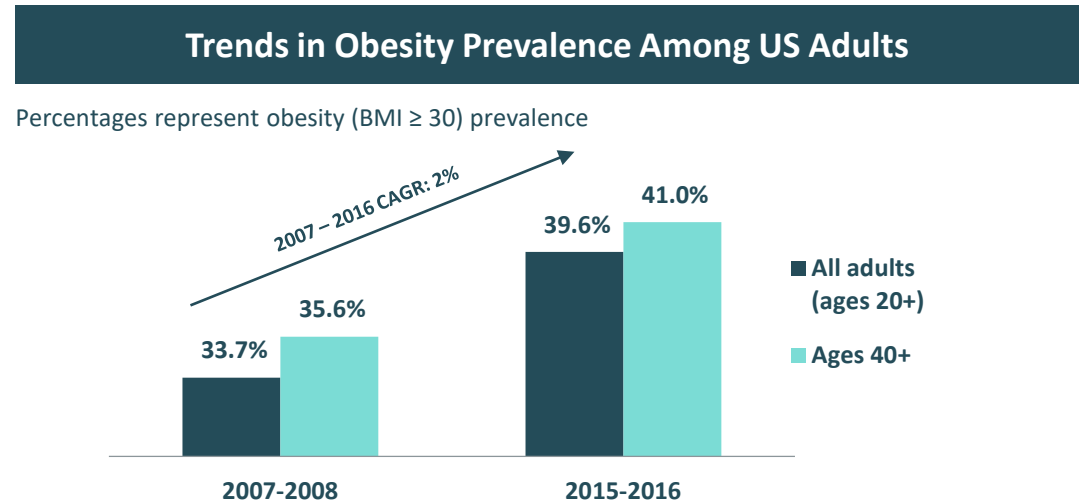
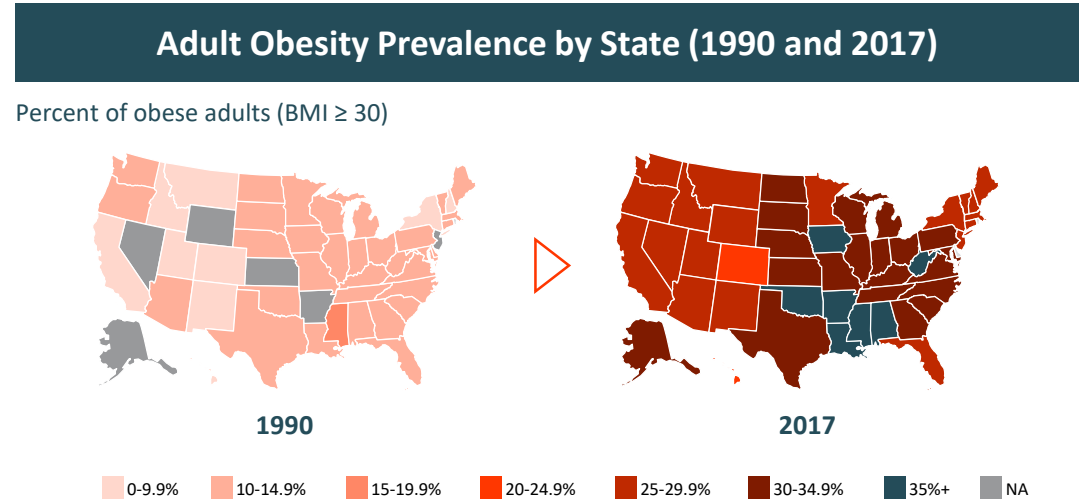
Plan pricing begins at ~\$9/day and averages between ~\$11.25 - \$13.50/day

# The Weight-Loss Industry Is Growing

## Obesity-Related Healthcare Costs of ~\$190B Annually

- Global weight loss industry is growing – reached over \$60B in 2014
- Global weight loss industry is expected to grow at 5%+ in 2020
- Over 170M overweight or obese adults in the U.S. at any one time
  - Over 85M are trying to lose weight
  - Over 48M are actively trying to prevent weight gain
- 70% of U.S. adults have a body mass index (“BMI”) that classifies them as overweight or obese
- Obesity officially recognized as a disease in 2013 according to the American Medical Association; a leading cause of type 2 diabetes and cardiovascular disease
- In the last 35 years, obesity rates in the United States have increased significantly; more than doubling among adults and quadrupling among adolescents<sup>(1)</sup>
- Adult obesity rates are 30% or higher in 31 states, compared to 1985, when no single state had an adult obesity rate higher than 15%<sup>(2)</sup>

Source: JAMA; <https://stateofobesity.org/adult-obesity> (Robert Wood Johnson Foundation), Data based on self-reported height and weight  
(1) National Center for Health Statistics, Centers for Disease Control and Prevention (2016). Prevalence of Overweight, Obesity, and Extreme Obesity Among Adults Aged 20 and Over: United States, 1960–1962 Through 2013–2014  
(2) Centers for Disease Control and Prevention. (2018). BRFSS Prevalence & Trends Data: Home | DPH | CDC



# Driving the O-E (Optimize & Expand) Strategy



## Optimize Core Business for 2020 & Beyond

### Return to growth:

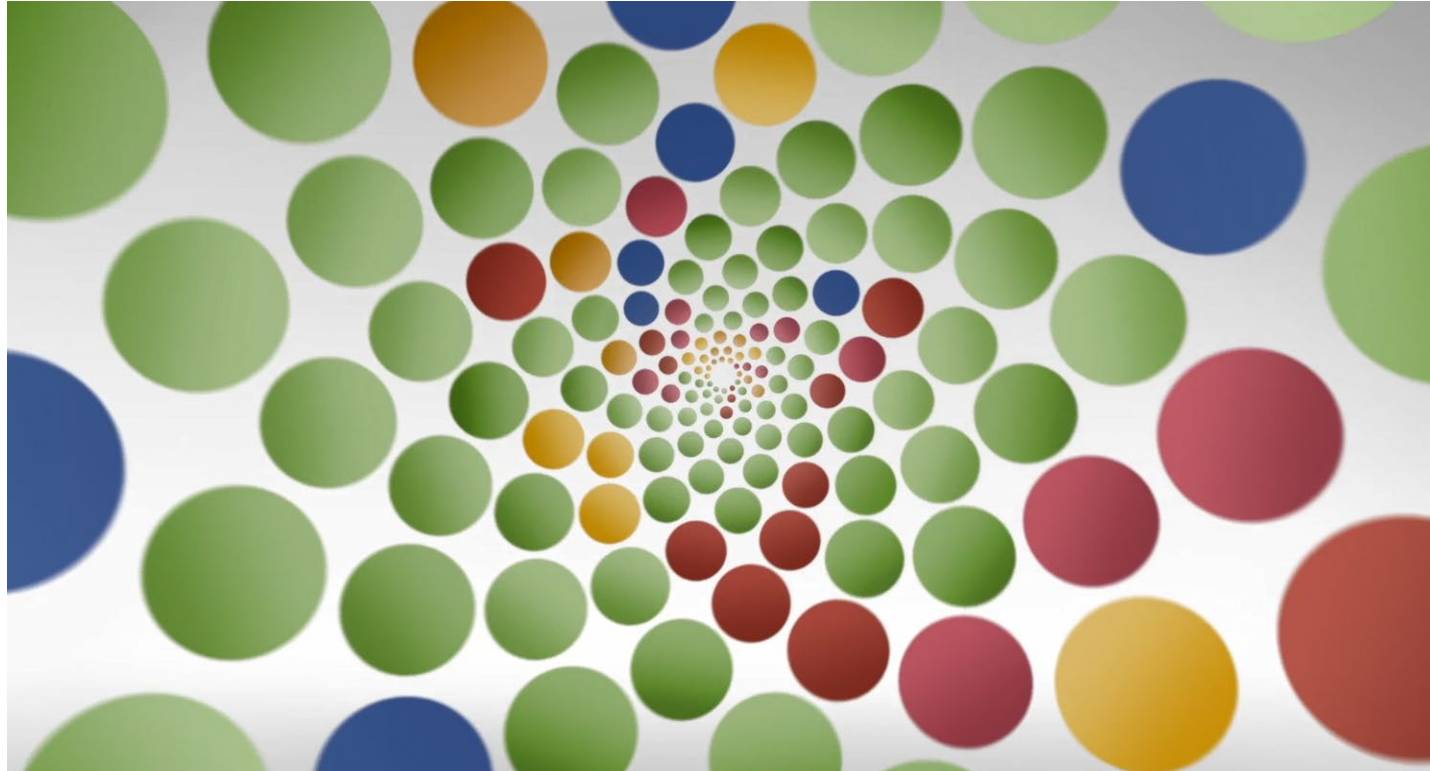
- Innovate – all new program for Nutrisystem & innovations for South Beach Diet
- Evolve the brands via high-performing creative
- Accelerate digital and extend media reach – target new audiences not best reached through TV

## Expand and Diversify Business

### Reduce reliance on legacy direct response approach to sales and marketing:

- Launch new revenue channels (e.g., Wisely Well) to hedge the diet business over time
- Leverage food science expertise to expand into broader nutritional segments and provide solutions to the food insecure and those with chronic conditions

# Diet Season 2020 Videos







# Healthcare + Nutrition = Social Determinants of Health

# Defining the Social Determinants of Health

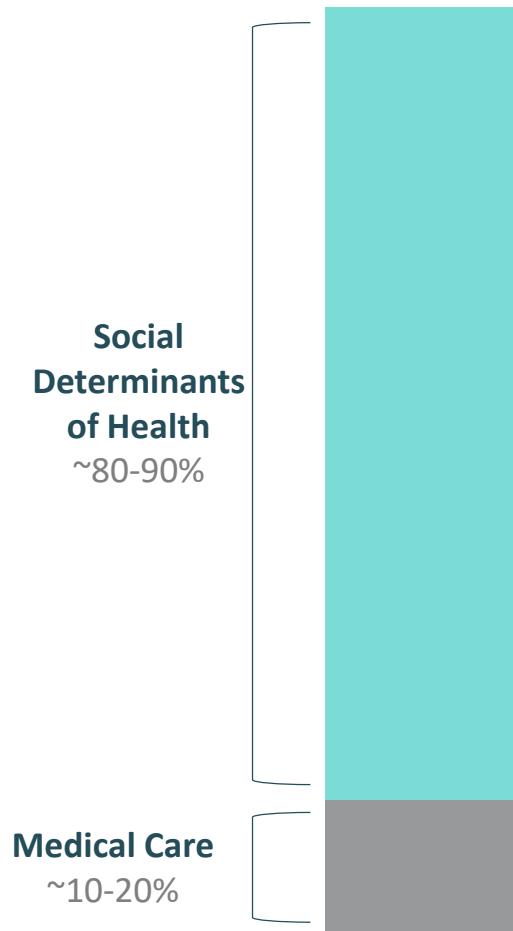
“ **The Social Determinants of Health** are the conditions in which people are born, grow, live, work and age...**responsible for health inequities...and avoidable differences in health status** ”

– WORLD HEALTH ORGANIZATION

# Magnitude of Opportunity

## 3 Reasons Tivity Health is focused on SDoH

### Drivers of Healthcare Outcomes



1

#### SDoH Drive Healthcare Outcomes

- SDoH are estimated to drive ~80-90% of healthcare outcomes (vs. 10-20% driven by medical care)
- 68% of patients have at least one SDoH challenge
- 57% of patients have a moderate-to-high risk for financial insecurity, isolation, housing insecurity, transportation, food insecurity, and/or health literacy

2

#### Climbing Healthcare Costs

- In 2017, US healthcare costs approached nearly **\$3.5 trillion**
- By 2026, costs are expected to climb to **\$5.7 trillion**, representing nearly **20 percent** of the economy

3

#### The Rise of Value-Based Care

- The value-based payment model is expected to account for **59 percent** of healthcare payments by 2020

# TVTY SDoH: Insights to Action



## Our Mission

is to be the leader in transforming healthy living for adults



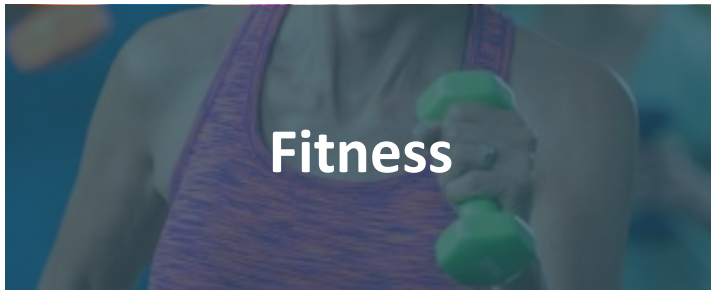
## Our Targeted Approach

uses fitness, nutrition and social connection solutions to actively address conditions that have been shown to negatively impact health, such as such as social isolation, loneliness, food insecurity and inactivity



## Our Solutions

help its members treat chronic conditions, fight obesity, reduce medical costs and ultimately live longer, healthier and happier lives



# Social Determinants of Health Program Details

## Post-Discharge Meal Program

*Post-Discharge Meal Delivery program is designed to support the nutritional needs of members recovering from an inpatient stay in a hospital or skilled nursing facility.*

### Customer Profile:

- Health plans and at-risk provider groups focused on addressing the social determinants of health and value-based healthcare.

### Program Details:

- Home delivery of medically appropriate Meal Bundles
- Coordination with healthcare team for referrals and ordering
- Customizable meals
- Nutritional counseling
- Referral to SilverSneakers where appropriate

Estimated Addressable Market\* \$120M - \$400M

## Wellness Meal Bundles

*Wellness Meal Bundles offer health plans, individuals, and caregivers access to convenient, medically appropriate meal options. Bundles containing 10 or 20 meals may be provided to members by the health plan as a part of a medical benefit, or made available for direct purchase by caregivers and individual members.*

### Customer Profile:

- Lifestyle benefit targeting Caregivers and 50+ population sold either Direct-to-Consumer or through Health Plan Value Added Services. Serves both a convenience need as well as supporting care transitions when not covered by a medical benefit.

### Program Details:

- Access to convenient, flexible recurring meal delivery
- Discounted or benefit-covered meals
- Recipe ideas via the NuMi app
- On-demand nutritional counseling and education

Estimated Addressable Market\* \$4B - \$6B

## Chronic Condition Program

*Chronic Condition Program supports the nutritional needs of members diagnosed with chronic conditions. Current programs focus on Diabetes and Obesity. Programs designed to complement existing chronic condition care management programs.*

### Customer Profile:

- Health plans or self-insured employers that are focused on addressing various chronic conditions via nutritionally balanced meal programs.

### Program Details:

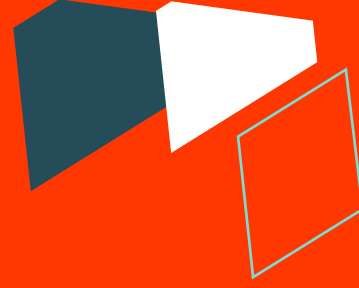
- Structured 3-6 month meal program
- Nutritionally balanced, medically appropriate meals
- Coordination with care management
- Condition-specific nutritional counseling
- Healthy behaviors curriculum
- Referral to SilverSneakers where appropriate

Estimated Addressable Market\* \$2B - \$5B

\* Company Estimates

# Key Takeaways

- 1 Growth in Healthcare Business**
- 2 Execution of O-E Strategy in Nutrition Business**
- 3 Execution to Achieve Scalable Revenue for Integration**



# Appendix

# Financial Overview



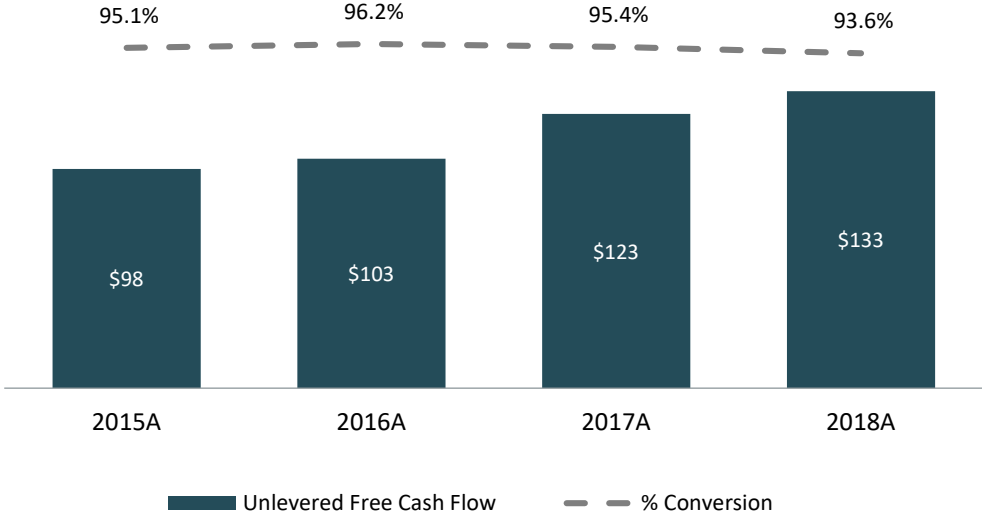
# Overview of Tivity Health Financial Performance

- **Healthcare has exhibited stable and consistent growth** with no seasonality
- **Nutrition has exhibited growth over sustained periods**
  - Q1 diet season represents seasonal revenue peak and EBITDA trough
  - Q2 – Q4 harvests marketing investments made in Q1
  - Gross margin and revenue per customer have grown significantly
- **Nutrition actively manages marketing spend** and marketing channels after diet season to maximize Q2 – Q4 cash flow
  - Reactivation revenue has grown significantly in recent years
  - Driven by lower cost marketing and the power of Nutrition’s customer database
- Modest and **consistent capital expenditure requirements** due to **asset-light business model**
- **Minimal and predictable net working capital requirements**
- **Potential free cash flow upside** from revenue, marketing, and additional cost synergies

# Track Record of Growth and Free Cash Flow Generation

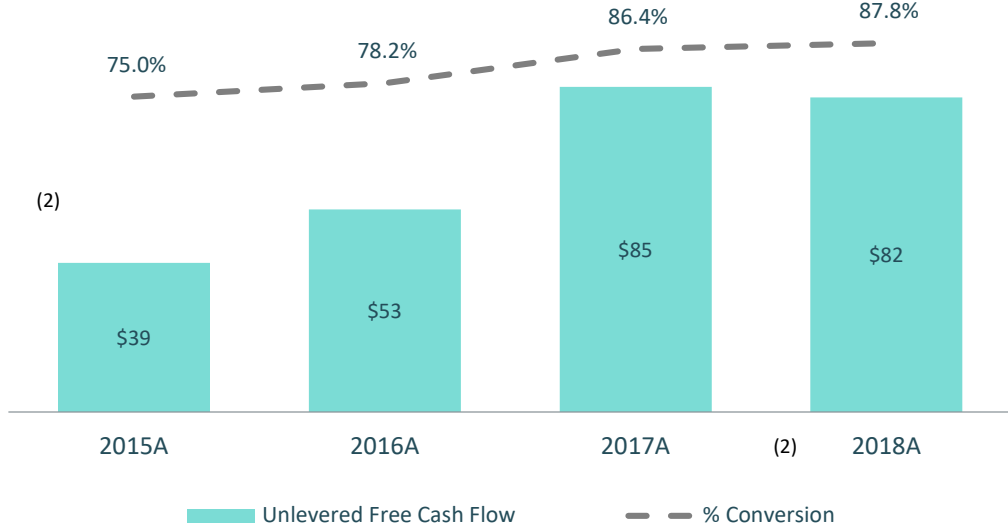
## Healthcare Unlevered Free Cash Flow<sup>(1)</sup>

(\$ in millions)



## Nutrition Unlevered Free Cash Flow<sup>(1)</sup>

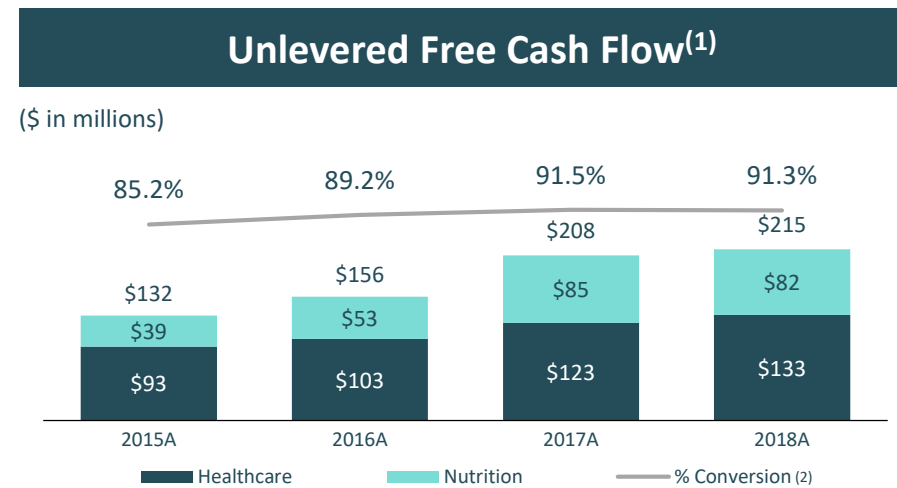
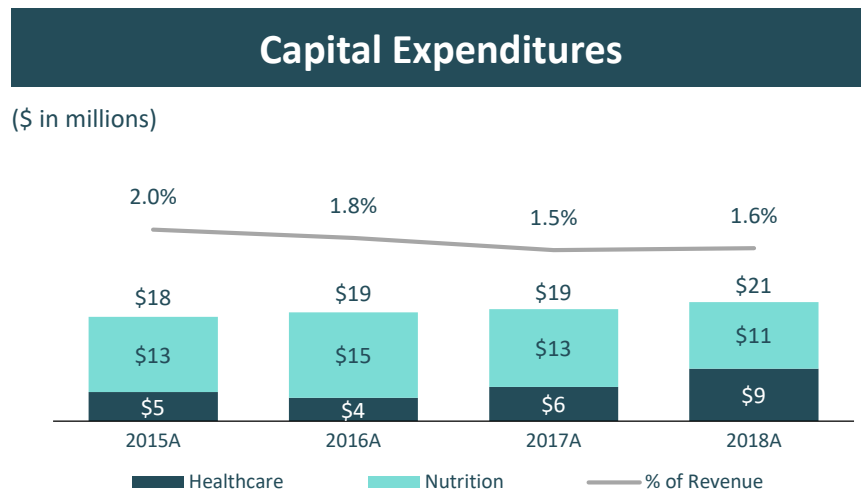
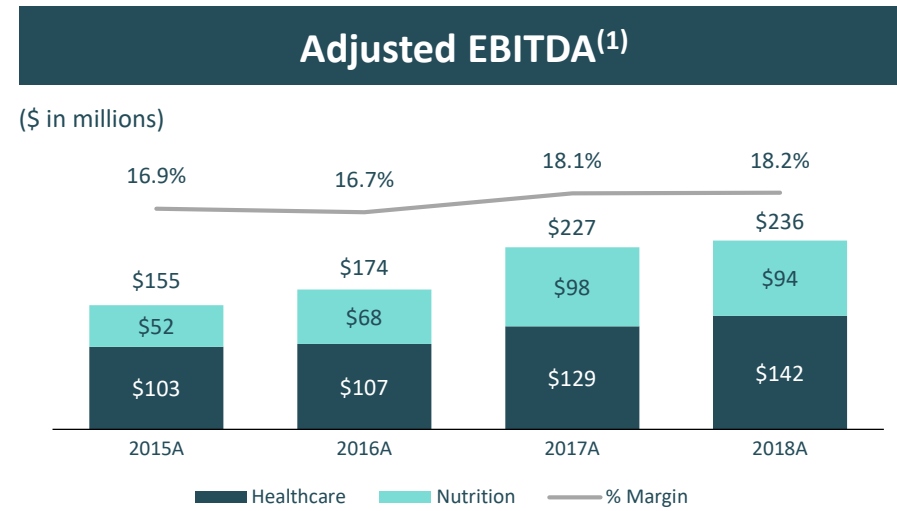
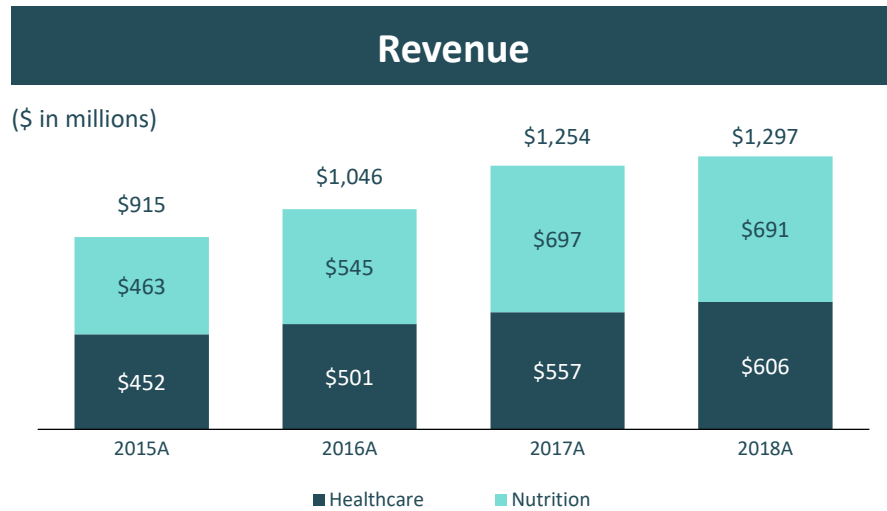
(\$ in millions)



<sup>1</sup> Unlevered Free Cash Flow is a non-GAAP financial measure calculated as Adjusted EBITDA less Capital Expenditures. Adjusted EBITDA is also a non-GAAP financial measure. Reconciliation of Adjusted EBITDA to the comparable GAAP measure is included in Appendix A.

<sup>2</sup> Free Cash Flow conversion is calculated as Adjusted EBITDA less Capital Expenditures divided by Adjusted EBITDA. Adjusted EBITDA is also a non-GAAP financial measure. Reconciliation of Adjusted EBITDA to the comparable GAAP measure is included in Appendix A.

# Combined Historical Annual Financial Performance



<sup>1</sup> Adjusted EBITDA and Unlevered Free Cash Flow are non-GAAP financial measures. The Company includes stock-based compensation expense and excludes acquisition and integration costs and restructuring charges from Adjusted EBITDA because of comparability to the Company's historical operating results. Reconciliation of Adjusted EBITDA to the comparable GAAP measure is included in Appendix A. Unlevered Free Cash Flow is calculated as Adjusted EBITDA less Capital Expenditures.

<sup>2</sup> Free Cash Flow Conversion is a non-GAAP measure calculated as Adjusted EBITDA less Capital Expenditures, divided by Adjusted EBITDA.

# Reconciliation of Adjusted EBITDA, Non-GAAP Basis to Income from Continuing Operations, GAAP Basis (in millions)

	Healthcare				Nutrition			
	Twelve Months Ended December 31,				Twelve Months Ended December 31,			
	2015	2016	2017	2018	2015	2016	2017	2018
Income from continuing operations, GAAP basis	\$44	\$56	\$61	\$98	\$26	\$35	\$58	\$59
Depreciation and amortization	7	4	3	5	9	14	15	16
Interest expense (income)	18	17	16	9	-	-	-	(1)
Income tax expense	29	22	43	27	14	19	26	16
<b>EBITDA<sup>(1) (8)</sup></b>	<b>98</b>	<b>99</b>	<b>124</b>	<b>138</b>	<b>49</b>	<b>68</b>	<b>98</b>	<b>90</b>
Transaction costs relating to merger <sup>(2)</sup>	-	-	-	-	3	-	-	3
Transaction costs relating to stockholder cooperation agreement	-	-	-	-	-	-	-	1
CEO separation expenses <sup>(3)</sup>	5	-	-	-	-	-	-	-
Business separation costs <sup>(4)</sup>	-	2	2	-	-	-	-	-
Project costs <sup>(5)</sup>	-	-	-	4	-	-	-	-
Restructuring charges <sup>(6)</sup>	1	5	3	-	-	-	-	-
<b>Adjusted EBITDA, non GAAP basis<sup>(7) (8)</sup></b>	<b>103</b>	<b>107</b>	<b>129</b>	<b>142</b>	<b>52</b>	<b>68</b>	<b>98</b>	<b>94</b>
Stock-based compensation expense	7	7	7	6	5	7	11	10
<b>Adjusted EBITDA excluding stock-based compensation expense<sup>(7) (8)</sup></b>	<b>110</b>	<b>114</b>	<b>136</b>	<b>148</b>	<b>57</b>	<b>75</b>	<b>109</b>	<b>104</b>

<sup>1</sup> EBITDA is a non-GAAP financial measure. The Company believes it is useful to investors to provide disclosures of its operating results and guidance on the same basis as that used by management. You should not consider EBITDA in isolation or as a substitute for income from continuing operations determined in accordance with U.S. GAAP.

<sup>2</sup> Transaction costs relating to merger consist of pre-tax charges of \$2,498,000 for fiscal 2015 related to the South Beach Diet acquisition and \$2,795,000 for fiscal 2018 incurred in connection with the acquisition of Nutrisystem, Inc. by Tivity Health, Inc.

<sup>3</sup> CEO separation expenses consist of pre-tax charges of \$4,467,000 for fiscal 2015 associated with the termination in May 2015 of our former President and Chief Executive Officer.

<sup>4</sup> Business separation costs consist of pre-tax charges of \$2,189,000 and \$1,639,000 for fiscal 2016 and fiscal 2017, respectively, related to the separation of the Network Solutions business from the disposed total population health business.

<sup>5</sup> Project costs consists of pre-tax charges of \$3,696,000 for fiscal 2018 incurred in connection with potential and pending acquisitions.

<sup>6</sup> Restructuring charges consist of pre-tax charges of \$702,000, \$4,933,000, \$3,223,000, and \$124,000 for fiscal 2015, 2016, 2017, and 2018, respectively.

<sup>7</sup> Adjusted EBITDA and adjusted EBITDA excluding stock-based compensation expense are non-GAAP financial measures. The Company certain costs from these measures because of their comparability to the Company's historical operating results. The Company believes it is useful to investors to provide disclosures of its operating results on the same basis as that used by management. You should not consider adjusted EBITDA or adjusted EBITDA excluding stock-based compensation expense in isolation or as a substitute for income from continuing operations determined in accordance with U.S. GAAP. Additionally, because Adjusted EBITDA or adjusted EBITDA excluding stock-based compensation expense 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.

<sup>8</sup> Figures may not add due to rounding.

# Thank You

