



Medifast Reports Record Third Quarter 2009 Financial Results

Record Quarterly Revenues: \$45.0 million vs. \$27.3 million - Increase of 65%

Record Quarterly Diluted EPS: \$0.23 vs. \$0.11 - Increase of 109%

Company Generates \$5.3 million of Free Cash Flow

OWINGS MILLS, Md., Oct 29, 2009 /PRNewswire-FirstCall via COMTEX News Network/ -- Medifast, Inc. (NYSE: MED), a provider of leading clinically proven portion-controlled weight-loss programs, announced today third quarter financial results for the period ended September 30, 2009.

Third Quarter 2009 highlights included:

- Third quarter revenues increased 65% to \$45.0 million, compared to 2008;
- Diluted EPS for the quarter increased 109% to \$0.23 versus \$0.11 year-over-year;
- Direct sales segment, Take Shape for Life, increased sales 105% year-over-year for the quarter;
- Medifast Weight Control Centers quarterly revenues increased 106%;
- Direct response quarterly revenues increased 14% versus a year ago;
- Operating margins improve to 12.4% versus 8.8% in the comparable quarter;

- Generated Free Cash Flow of \$5.3 million.

For the third quarter ended September 30, 2009, Medifast reported revenue of \$45.0 million, a 65% increase over the \$27.3 million reported in the third quarter of 2008. The Company reported net income of \$3.4 million, or \$0.23 per fully diluted share, compared with \$1.5 million, or \$0.11 per fully diluted share in the third quarter of 2008, a diluted EPS increase of 109%.

For the nine months ended September 30, 2009, Medifast reported revenue of \$119.4 million, an increase of 49% from the \$80.0 million reported for the nine months ended September 30, 2008. The Company reported net income of \$8.9 million, or \$0.60 per fully diluted share, for the nine month period, versus \$4.5 million, or \$0.32 per fully diluted share, in 2008.

"We are extremely pleased to report yet another quarter of record revenues and net income," commented Michael S. McDevitt, Chief Executive Officer of Medifast, Inc. "The Medifast program is clearly resonating with consumers as a strong value proposition with the best possible support options for rapid and safe weight loss, as well as the recommendation of 20,000 physicians over 30 years. The growth reported in our direct sales, direct response and clinics segments re-enforces our belief that the outlook for all distribution channels remains strong."

Revenues in the direct sales segment, Take Shape for Life, increased 105% to \$27.9 million compared with \$13.6 million in the same quarter of 2008. Revenue growth was driven by an increase in the number of active health coaches, which resulted in increased customer product sales. The number of active health coaches during the third quarter increased to approximately 5,800 compared with 3,200 during the period a year ago, an increase of 81% and up from 4,650 at the end of the second quarter of 2009. The net increase of 1,150 health coaches during the quarter is a record for the company and should lead to continued strong growth in the segment. The growth in Take Shape for Life is a result of the hard work, commitment and passion of our coaches. To help fuel this growth, the Company continued to improve tools and training, particularly during its July 2009 National Convention. The unique opportunity to supplement income while helping family, friends and associates improve their quality of life continues to gain significant traction.

During the second quarter, sales in the Company's direct response segment experienced growth of 14% during the quarter to \$12.2 million compared with \$10.6 million a year ago. This is the first year-over-year increase in five quarters for the direct response segment, as diligent controls of the revenue-to-spend metric, which measures advertising effectiveness, cultivated a 2.7 to 1 ratio for the third quarter, compared with 2.5 to 1 a year ago on an advertising spend increase of \$200,000. The increase in the revenue-to-spend metric, coupled with the increase in advertising spend, provided tremendous margin improvement for the segment. Medifast Direct's continued improvement in its advertising effectiveness was primarily attributable to several factors to including a more focused print campaign, continued improvements in the contact center conversion rates, and the use of its customized web analytics tool, C3 Metrics, implemented this time last year, which allows the Company to more

accurately track originating clicks and customer conversion related to our web spending.

The Company reported record revenues in its Medifast Weight Control Centers segment of \$4.5 million, a 106% increase compared to the third quarter of a year ago, driven by strong same-store sales and new clinics opened during the year. Same-store sales increased 20% for the quarter compared to the third quarter of 2008 for clinics open greater than one year, as a result of effective advertising and increased closing rates. With the growth being experienced by its corporate clinics and franchisees, management expects continued future growth in the Medifast Weight Control Centers channel and will focus on building the best internal infrastructure to support this market segment. With a foundation of proven clinical results and physician support, products and programs that deliver rapid, guaranteed weight loss coupled with accountability and support, consumers are embracing the unique value offered by Medifast Weight Control Centers.

Ms. Meg Sheetz, President and COO of Medifast, Inc. commented, "Gross margins during the first nine months of 2009 have increased to 76.1% compared to 75.9% a year ago. Operating margins improved significantly during the third quarter to 12.4% compared to 8.8% in the third quarter of last year as we continue to experience the benefits of our vertically integrated business model and see improvement in our advertising effectiveness ratios."

The Company's balance sheet remains strong with stockholders' equity of \$48.4 million and working capital of \$25.5 million as of September 30, 2009. Cash and cash equivalents increased by \$5.3 million to \$16.3 million at the end of the quarter as a result of operating cash flows, reduction in inventory on hand due to improved functionality and forecasting in our ERP system, and a decrease in capital expenditures.

Colonel Brad MacDonald, USMC (Ret.), chairman of the Board of Directors of Medifast, Inc. commented, "The Board of Directors of Medifast is very pleased with the performance of our executive team and the Medifast organization for their execution of the 2009 business plan in a very tough economic environment. The Company eclipsed a milestone by posting its 40th consecutive quarter of profitability. We will continue in our goal of getting America healthy."

Mr. McDevitt concluded, "I would like to extend my thanks to our partners, health coaches and franchisees. Our multi-channel distribution model is designed to provide the best customer support systems and we appreciate their partnership in helping to meet our customers' needs for their continued success in sustainable weight loss and improved health. "

Third Quarter 2009 Conference Call

The Company will hold a conference call and web cast to discuss the results on Thursday, October 29, 2009 at 11:00 a.m. ET.

Interested parties can access the call by dialing (877) 407-0782 or (201) 689-8567, or can listen via a live Internet web cast, which can be found at www.choosemedifast.com in the section marked "Investor Relations." A replay of the call is available via web cast at www.choosemedifast.com until January 29, 2010 or by playback at (877) 660-6853 or (201) 612-7415 through November 15, 2009. Please use account #286 and conference #335591 for the replay.

About Medifast:

Medifast (NYSE: MED) is the leading easy-to-use, clinically proven, portion-controlled weight-loss program. Medifast has been recommended by over 20,000 doctors and used by over one million customers since 1980. It is committed to enriching lives by providing innovative choices for lasting health. Medifast programs have been proven effective through studies by major university teaching hospitals. The company sells its products and programs via four unique distribution channels: 1) the web and national call centers, 2) the Take Shape For Life personal coaching division, 3) medically supervised Medifast Weight Control Centers, and 4) a national network of physicians. Medifast was founded in 1980 and is located in Owings Mills, Maryland. For more information, log onto <http://www.choosemedifast.com>. MED-F

Safe Harbor Statement

Please Note: This release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by use of phrases or terminology such as "intend" or other similar words or the negative of such terminology. Similarly, descriptions of Medifast's objectives, strategies, plans, goals or targets contained herein are also considered forward-looking statements. Medifast believes this release should be read in conjunction with all of its filings with the United States Securities and Exchange Commission and cautions its readers that these forward-looking statements are subject to certain events, risks, uncertainties, and other factors. Some of these factors include, among others, Medifast's inability to attract and retain independent Associates and Members, stability in the pricing of print, TV and Direct Mail marketing initiatives affecting the cost to acquire customers, increases in competition, litigation, regulatory changes, and its planned growth into new domestic and international markets and new channels of distribution. Although Medifast believes that the expectations, statements, and assumptions reflected in these forward-looking statements are reasonable, it cautions readers to always consider all of the risk factors and any other cautionary statements carefully in evaluating each forward-looking statement in this release, as well as those set forth in its latest Annual Report on

Form 10-K and Quarterly Report on Form 10-Q, and other filings filed with the United States Securities and Exchange Commission, including its current reports on Form 8-K. All of the forward-looking statements contained herein speak only as of the date of this release.

MEDIFAST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

September 30, 2009 December 31, 2008

ASSETS

Current assets:

Cash and cash equivalents	\$16,347,000	\$1,841,000
Accounts receivable-net of allowance for doubtful of \$100,000	697,000	448,000
Inventory	10,759,000	13,856,000
Investment securities	1,476,000	1,099,000
Deferred compensation	629,000	531,000
Prepaid expenses and other current assets	2,142,000	2,034,000
Prepaid income tax	1,293,000	1,131,000
Note receivable - current	93,000	180,000
Deferred tax asset	100,000	100,000
	-----	-----
Total Current Assets	33,536,000	21,220,000

Property, plant and equipment - net	22,305,000	21,709,000
Trademarks and intangibles - net	4,277,000	5,547,000
Deferred tax asset, net of current portion	1,461,000	1,131,000
Note receivable, net of current portion	143,000	1,080,000
Other assets	365,000	350,000
	-----	-----
TOTAL ASSETS	\$62,087,000	\$51,037,000
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities

Accounts payable and accrued expenses	\$7,213,000	\$5,130,000
Line of credit	-	3,164,000
Current maturities of long-term debt	796,000	257,000
	-----	-----
Total Current liabilities	8,009,000	8,551,000

Long-term debt, net of current liabilities	5,643,000	4,313,000
	-----	-----
Total liabilities	13,652,000	12,864,000
	-----	-----

Stockholders' equity:

Common stock; par value

\$.001 per share; 20,000,000 authorized; 15,383,941 and 14,585,960 shares issued and outstanding, respectively	15,000	15,000
Additional paid-in capital	35,178,000	30,787,000
Accumulated other comprehensive (loss)	113,000	(389,000)
Retained earnings	24,171,000	15,253,000
	-----	-----
	59,477,000	45,666,000
Less: cost of 367,838 and 272,192 shares of common stock in treasury, respectively	(3,320,000)	(1,956,000)
Less: unearned stock compensation	(7,722,000)	(5,537,000)
	-----	-----
Total Stockholders' Equity	48,435,000	38,173,000
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$62,087,000	\$51,037,000
	=====	=====

MEDIFAST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Revenue	\$45,006,000	\$27,281,000	\$119,398,000	\$79,987,000
Cost of sales	10,771,000	6,522,000	28,576,000	19,299,000
	-----	-----	-----	-----
Gross Profit	34,235,000	20,759,000	90,822,000	60,688,000
Selling, general, and administration	28,672,000	18,363,000	76,456,000	53,820,000
	-----	-----	-----	-----
Income from operations	5,563,000	2,396,000	14,366,000	6,868,000
Other income/ (expense)				
Interest (expense)	(40,000)	(50,000)	(114,000)	(159,000)
Interest income	38,000	-	111,000	-
Other income/ (expense)	(15,000)	5,000	(82,000)	(1,000)
	-----	-----	-----	-----
	(17,000)	(45,000)	(85,000)	(160,000)
Income before				

provision for income taxes	5,546,000	2,351,000	14,281,000	6,708,000
Provision for income tax (expense)	(2,112,000)	(802,000)	(5,363,000)	(2,222,000)
	-----	-----	-----	-----
Net income	\$3,434,000	\$1,549,000	\$8,918,000	\$4,486,000
	=====	=====	=====	=====
Basic earnings per share	\$0.25	\$0.12	\$0.66	\$0.34
	=====	=====	=====	=====
Diluted earnings per share	\$0.23	\$0.11	\$0.60	\$0.32
	=====	=====	=====	=====
Weighted average shares outstanding -				
Basic	13,584,600	13,179,527	13,429,060	13,139,520
	=====	=====	=====	=====
Diluted	14,918,563	14,178,031	14,763,023	14,138,024
	=====	=====	=====	=====

Contact: Brendan Connors
Vice President - Finance
ir@choosemedifast.com

Lytham Partners, LLC
Robert Blum
Joe Diaz
Joe Dorame
602-889-9700

SOURCE Medifast, Inc.

<http://www.choosemedifast.com>

Copyright (C) 2009 PR Newswire. All rights reserved