



Medifast Reports Record Second Quarter 2009 Financial Results

--Record Quarterly Revenues: \$40.7 million vs. \$27.5 million -- Increase of 48% --Record Quarterly Diluted EPS: \$0.20 vs. \$0.11 -- Increase of 82% --Company Generates \$4.8 million of Free Cash Flow

OWINGS MILLS, Md., July 30, 2009 /PRNewswire-FirstCall via COMTEX News Network/ -- Medifast, Inc. (NYSE: MED) announced today second quarter financial results for the period ended June 30, 2009.

Second Quarter highlights included:

- Second quarter revenues increased 48% compared to 2008 to \$40.7 million;
- Diluted EPS for the quarter increased 82% to \$0.20 versus \$0.11 year-over-year;
- Direct sales segment, Take Shape for Life, increased sales 98% year-over-year for the quarter;
- Medifast Weight Control Centers quarterly revenues increased 111%;
- Direct response revenue-to-spend ratio improves to 2.7 versus 2.5 a year ago;
- Operating margins improve to 11.8% versus 8.7% in the comparable quarter;
- Free Cash Flow of \$4.8 million generated.

For the second quarter ended June 30, 2009, Medifast reported revenue of \$40.7 million, a 48% increase from \$27.5 million in the second quarter of 2008. The Company reported net income of \$3.0 million, or \$0.20 per fully diluted share, compared with \$1.5 million, or \$0.11 per fully diluted share in the second quarter of 2008, a diluted EPS increase of 82%.

For the six months ended June 30, 2009, Medifast reported revenue of \$74.4 million, an increase of 41% from \$52.7 million for the six months ended June 30, 2008. The Company reported net income of \$5.5 million, or \$0.37 per fully diluted share, versus \$2.9 million, or \$0.21 per fully diluted share, in 2008.

"The second quarter of 2009 was another quarter of record revenues and net income for Medifast that featured growth or improvement in all three of our main distribution platforms," commented Michael S. McDevitt, Chief Executive Officer of Medifast, Inc. "Medifast is showing that even in a weak economy, the value proposition it provides its customers continued to be communicated and accepted. Additionally, with the increasing focus that preventative healthcare is currently experiencing, the Medifast program is perfectly positioned to be the leader in the medical weight loss marketplace. Millions of Americans are in need of an effective and safe solution to effectively manage their body weight and to improve their quality of life. As a clinically proven weight loss meal replacement program Medifast has been recommended by more than 20,000 doctors over the past 30 years. This powerful endorsement by the medical community coupled with the safety and efficacy profile of the Medifast products and programs are powerful attributes that help in developing customers that seek a safe and proven method to address their weight issues."

Revenues in the direct sales segment, Take Shape for Life, increased 98% to \$24.0 million compared with \$12.1 million in the comparable quarter of 2008. Growth in revenues for the segment was driven by increased customer product sales as a result of an increase in the number of active health coaches as well as an increase in the average product sales per health coach. The number of active health coaches during the second quarter increased to approximately 4,650 compared with 2,800 during the period a year ago, an increase of 66% and up from 4,000 at the end of the first quarter of 2009. We also experienced a 19% increase in the average product sales per health coach compared with a year ago. It is clear that in today's environment where individuals are looking to make the change to lead a healthier lifestyle but sometimes find it difficult to achieve, the assistance of a health coach to guide them along the way to success is a huge benefit. Additionally, the tools and assistance that the Company has provided over the last number of years in terms of training seminars, materials, and increased product offerings in conjunction with our historic medical community support, provides the platform for the Take Shape for Life health coaches to achieve their goals of getting America healthy.

For the second consecutive quarter, we saw improvement in our direct response segment's ability to operate on a much more effective basis. During the second quarter, our revenue-to-spend improved to 2.7 to 1 versus 2.5 to 1 in the second quarter of

2008 and versus 2.6 to 1 in the first quarter of 2009. During the quarter, we spent \$4.5 million on advertising in support of our direct response segment, a decrease of \$700,000 or 16% compared to a year ago. However, revenues in our direct response segment decreased only 1% during the quarter to \$12.2 million compared to \$12.4 million a year ago. This dramatic improvement in the profitability of this segment is attributable to much tighter controls on the platforms in which we advertise, increased closing rates in our call centers and website, and a much more effective messaging campaign. We continued to take advantage of our long-time relationship with the medical community.

The Medifast Weight Control Centers saw its strongest quarter with substantial increases in same store sales and the expansion into profitable markets," Mr. McDevitt continued. "Sales increased during the second quarter to \$4.1 million compared to \$1.9 million, an increase of 111%. We experienced increases in same store sales during the quarter as average monthly store sales for clinics open greater than one year increased 25% to \$52,000. During the quarter we opened three clinics in the Austin, Texas market with all three stores generating revenues well above traditional opening revenue expectations. With the strength in new store openings as well the growth in same-store sales, we plan on opening seven to ten additional corporate clinics throughout the country before the end of the year to provide consumers with the level of support that only a Medifast Weight Control Center can provide.

Ms. Meg Sheetz, President and COO of Medifast, Inc. commented, "Gross margins increased during the quarter to 76% compared with 75.8% a year ago. Operating margins improved significantly during the second quarter to 11.8% compared to 8.7% in the second 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 \$45 million and working capital of \$19.8 million as of June 30, 2009. Cash and cash equivalents increased by \$4.8 million or 11.7% as a percent of revenues to \$11.1 million at the end of the quarter as a result of operating cash flows and the decrease of capital expenditures.

Colonel Brad MacDonald, USMC (Ret.), chairman of the Board of Directors of Medifast, Inc. commented, "The Board of Directors of Medifast appreciates the leadership of Michael McDevitt and Meg Sheetz, and congratulates the entire Medifast team on their execution upon the 2009 strategic plan during the most recent quarter. Importantly, the team has continued to maintain a culture that is passionate about helping the millions of Americans who are overweight or obese and trying to obtain a healthier lifestyle."

Mr. McDevitt concluded, "Americans continue to spend billions of dollars every year on weight loss solutions, yet the number of individuals that are overweight or obese continues to climb. For years, the marketplace has been unable to provide a solution that is effective and strives to provide long-lasting support. We are on the cutting edge of not only combating obesity but also providing consumers with alternative support solutions - from their physician's office, to a Medifast Weight Loss Center, to health coach and online support. These various levels of support, along with a product and program that allows users to experience rapid weight loss is finally making its way into the consciousness of those that need it most. The entire Medifast family is dedicated to providing innovative choices to support the health of all those that need to address body weight and the attendant health issues to do so in a compassionate, supportive and, ultimately in a successful manner. That is our mission."

Second Quarter 2009 Conference Call

The Company will hold a conference call and web cast to discuss the results on Thursday, July 30, 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 October 30, 2009 or by playback at (877) 660-6853 or (201) 612-7415 through August 8, 2009. Please use account #286 and conference #328083 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 15,000 physicians and used by over one million customers. Medifast 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) national network of physicians, 3) medically supervised Medifast Weight Control Centers, and 4) the Take Shape For Life direct-selling division, a network of health coaches. 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:

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's 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.

Contact:	Brendan Connors	Lytham Partners, LLC
	Vice President - Finance	Joe Diaz
	ir@choosemedifast.com	Robert Blum
		Joe Dorame
		602-889-9700

Financial tables to follow:

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

	June 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$11,073,000	\$1,841,000
Accounts receivable-net of allowance for doubtful accounts of \$100,000	582,000	448,000
Inventory	11,188,000	13,856,000
Investment securities	1,339,000	1,099,000
Deferred compensation	535,000	531,000
Prepaid expenses and other current assets	1,723,000	2,034,000
Prepaid income tax	1,777,000	1,131,000
Note receivable - current	180,000	180,000
Deferred tax asset	100,000	100,000
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Total Current Assets	28,497,000	21,220,000
Property, plant and equipment - net	21,880,000	21,709,000
Trademarks and intangibles - net	4,697,000	5,547,000
Deferred tax asset, net of current portion	1,351,000	1,131,000
Note receivable, net of current portion	1,012,000	1,080,000
Other assets	352,000	350,000
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TOTAL ASSETS	\$57,789,000	\$51,037,000
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$5,711,000	\$5,130,000
Line of credit	2,693,000	3,164,000
Current maturities of long-term debt	257,000	257,000

Total Current liabilities	8,661,000	8,551,000
Long-term debt, net of current liabilities	4,185,000	4,313,000
Total liabilities	12,846,000	12,864,000
Stockholders' equity:		
Common stock; par value \$.001 per share; 20,000,000 authorized; 15,220,960 and 14,585,960 shares issued and outstanding, respectively	15,000	15,000
Additional paid-in capital	34,705,000	30,787,000
Accumulated other comprehensive (loss)	(173,000)	(389,000)
Retained earnings	20,737,000	15,253,000
	55,284,000	45,666,000
Less: cost of 301,092 and 272,192 shares of common stock in treasury, respectively	(2,058,000)	(1,956,000)
Less: unearned compensation	(8,283,000)	(5,537,000)
Total Stockholders' Equity	44,943,000	38,173,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$57,789,000	\$51,037,000

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenue	\$40,713,000	\$27,537,000	\$74,393,000	\$52,706,000
Cost of sales	9,751,000	6,677,000	17,805,000	12,777,000
Gross Profit	30,962,000	20,860,000	56,588,000	39,929,000
Selling, general, and administration	26,174,000	18,451,000	47,785,000	35,457,000
Income from operations	4,788,000	2,409,000	8,803,000	4,472,000
Other income/(expense)				
Interest expense	(37,000)	(87,000)	(74,000)	(191,000)
Interest income	40,000	43,000	73,000	82,000
Other income/expense	(32,000)	(41,000)	(67,000)	(6,000)
	(29,000)	(85,000)	(68,000)	(115,000)
Income before provision for income taxes	4,759,000	2,324,000	8,735,000	4,357,000
Provision for income tax (expense)	(1,760,000)	(752,000)	(3,251,000)	(1,420,000)
Net income	\$2,999,000	\$1,572,000	\$5,484,000	\$2,937,000

Basic earnings per share	\$0.22 =====	\$0.12 =====	\$0.41 =====	\$0.22 =====
Diluted earnings per share	\$0.20 =====	\$0.11 =====	\$0.37 =====	\$0.21 =====
Weighted average shares outstanding -				
Basic	13,417,667 =====	13,138,202 =====	13,277,293 =====	13,119,497 =====
Diluted	15,039,547 =====	13,791,623 =====	14,899,173 =====	13,772,918 =====

SOURCE Medifast, Inc.

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