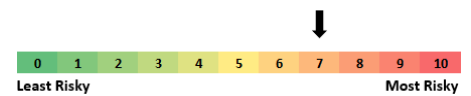


Recommendation: Strong Buy



Overview

Medifast is the global company behind one of the fastest-growing health and wellness communities called OPTAVIA, which offers lifelong transformation, one healthy habit at a time. Medifast helps clients to achieve their health goals through a network of more than 60,900 independent OPTAVIA Coaches, approximately 90% of whom were clients first, and have impacted almost 2.0 million lives to date. OPTAVIA Coaches introduce clients to a set of healthy habits, in most cases starting with the habit of healthy eating, and offer exclusive OPTAVIA-branded nutritional products, or Fuelings. Fuelings are nutrient-dense, portion-controlled, nutritionally interchangeable and simple to use.

Key Stock Statistics

- Last: \$69.25
- Market Cap: \$757.7M
- Dividend Yield: 9.52%
- EPS (TTM): \$12.16
- P/E: 5.71, Earnings Yield: 17.51%
- Current Ratio: 1.99
- Return on Equity (ROE): 84.38%
- Return on Assets (ROA): 40.32%
- Altman Z-Score: 11.77

Earnings Yield

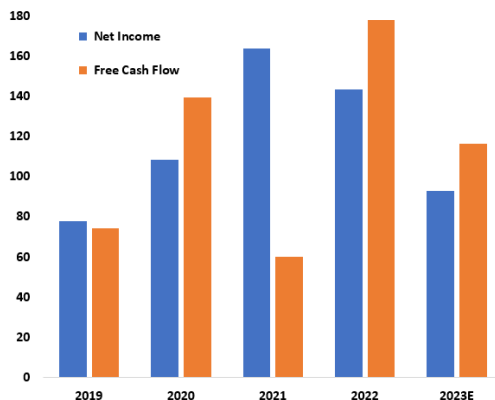


Earnings Yield

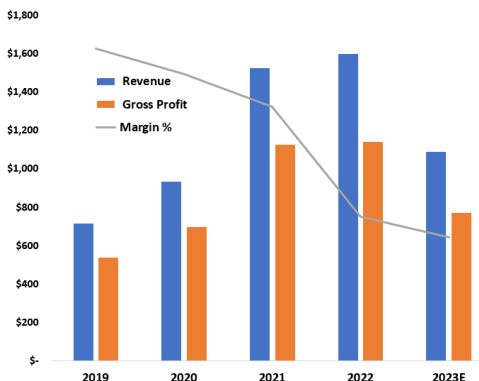


Medifast's Earnings Yield is now sitting at a two-decade high of 17.5%, giving the stock a P/E multiple of just 5.71x. A vast majority of the stock's valuation multiples are within their lowest decile in history, while their profitability and cash generating ability remain within the top decile vs. its own 20-year and history.

Income and Free Cash Flow



Profitability



Analyst Summary

Our buy recommendation for Medifast is derived primarily from a number of a fundamental valuation metrics and is intended to be a long-term position. While highly profitable, it is a relatively illiquid stock with a daily bid/ask spread often exceeding 50bps, so market orders should generally be avoided.

In addition to its relative illiquidity, the stock itself is inherently volatile. Not to the same extent as some small cap stocks, but volatile nonetheless; within the last three years alone, MED peaked at \$336.99 per share and is now at only \$69.25, representing a decline of over 79%. This displays the risk involved with holding the position, but also the return potential over a multi-year period.

If investors are comfortable bearing the risk of holding a long position, they are also expected to earn a hefty dividend, which is now in excess of 9%, also at a historical high in terms of both dollars and percentage yield.

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