



**nutrisystem**<sup>®</sup>  
*A Leading Weight Management Company*

NutriSystem, Inc.  
**Nasdaq: NTRI**  
**Customer Economics and Reactivation**  
**October 24, 2007 Conference Call**



# Safe Harbor



Delivering Success in the Business of Weight Loss

*We make forward-looking statements in this presentation which represent our expectations or beliefs about future events and financial performance. Forward-looking statements are identifiable by words such as “believe,” “anticipate,” “expect,” “intend,” “plan,” “will,” “may” and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Forward-looking statements are subject to known and unknown risks and uncertainties, including those described in the Company’s filings with the Securities and Exchange Commission. In addition, actual results could differ materially from those suggested by the forward-looking statements, and therefore you should not place undue reliance on the forward-looking statements.*



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# Definitions

- **Net revenue per customer, trailing nine months**: revenue per customer obtained in the first nine months following a customer's initial purchase, referred to as the initial diet cycle. The revenue per customer in the initial diet cycle for a given month is the revenue obtained in that month from customers within nine months of their initial purchase divided by the new customer count for each of the last nine months. For reporting purposes, we use the average revenue per customer computed in the trailing nine months.
- **Customer acquisition cost**: total Direct channel marketing expense less marketing expense used to reach former customers divided by the total new customers for the period.
- **Initial diet cycle contribution**: net revenue per customer less cost of revenues and customer acquisition cost. Incremental general and administrative expenses are excluded from the calculation of initial diet cycle contribution.
- **Reactivation revenue**: revenue from customers who were more than nine months removed from the initial purchase.
- **Marketing reactivation costs**: marketing expense used to reach former customers, generally direct mail costs.
- **Reactivation contribution**: reactivation revenue less cost of revenues and marketing reactivation cost. Incremental general and administrative expenses are excluded from the calculation of reactivation contribution.



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# Customer Revenue & Contribution

## Direct Channel

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>9M 2006</u>	<u>9M 2007</u>
<b>Net Revenue per Customer*</b>	\$ 513	\$ 605	\$ 632	\$ 641	\$ 670
<b>Direct Gross Margin %</b>	48.2%	51.6%	54.2%	53.7%	55.7%
<b>Direct Gross Margin, \$</b>	247	312	343	344	373
<b>Customer Acquisition Cost</b>	<u>146</u>	<u>136</u>	<u>146</u>	<u>135</u>	<u>173</u>
<b>Initial Diet Cycle Contribution</b>	<u>\$ 101</u>	<u>\$ 176</u>	<u>\$ 197</u>	<u>\$ 209</u>	<u>\$ 200</u>

\*Trailing 9 Month

# Aggregate Reactivation Revenue and Contribution



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(Millions)	<u>2005</u>	<u>2006</u>	<u>Projected</u> <u>2007</u>
<b>Reactivation Revenue</b>	\$ 10.5	\$ 37.8	\$ 96.0
<b>Direct Gross Margin, \$</b>	5.4	20.5	53.5
<b>Gross Margin %</b>	51.6%	54.2%	55.7%
<b>Approx. Reactivation Cost <sup>(1)</sup></b>	<u>-</u>	<u>1.9</u>	<u>3.4</u>
<b>Reactivation Contribution</b>	<u>\$ 5.4</u>	<u>\$ 18.6</u>	<u>\$ 50.1</u>
<b>Approx. EPS</b>	<u>\$ 0.09</u>	<u>\$ 0.31</u>	<u>\$ 0.90</u>

<sup>(1)</sup> The Company did not break out marketing for ex-customers prior to 2006.