

WEIGHT WATCHERS INTERNATIONAL INC
Form 10-Q
November 02, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 29, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-16769

WEIGHT WATCHERS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Virginia 11-6040273
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)
675 Avenue of the Americas, 6th Floor, New York, New York 10010

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 589-2700

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of common stock outstanding as of October 26, 2018 was 66,837,077.

WEIGHT WATCHERS INTERNATIONAL, INC.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS AT

(IN THOUSANDS)

	September 29, 2018	December 30, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 219,770	\$ 83,054
Receivables (net of allowances: September 29, 2018 - \$1,786 and December 30, 2017 - \$2,001)	28,871	23,913
Inventories	14,270	31,728
Prepaid income taxes	39,950	43,488
Prepaid expenses and other current assets	33,259	26,805
TOTAL CURRENT ASSETS	336,120	208,988
Property and equipment, net	49,811	47,978
Franchise rights acquired	750,730	754,040
Goodwill	154,697	156,281
Other intangible assets, net	56,605	46,536
Deferred income taxes	14,170	12,447
Other noncurrent assets	19,370	19,730
TOTAL ASSETS	\$ 1,381,503	\$ 1,246,000
LIABILITIES AND TOTAL DEFICIT		
CURRENT LIABILITIES		
Portion of long-term debt due within one year	\$ 57,750	\$ 82,750
Accounts payable	22,960	24,356
Salaries and wages payable	58,119	62,179
Accrued marketing and advertising	16,058	18,154
Accrued interest	31,932	10,834
Other accrued liabilities	66,843	58,251
Derivative payable	0	12,171
Deferred revenue	58,367	74,332
TOTAL CURRENT LIABILITIES	312,029	343,027
Long-term debt, net	1,687,464	1,740,612
Deferred income taxes	206,070	143,591
Other	17,213	30,289
TOTAL LIABILITIES	2,222,776	2,257,519
Redeemable noncontrolling interest	3,939	4,467
TOTAL DEFICIT		
Common stock, \$0 par value; 1,000,000 shares authorized; 120,353 shares issued	0	0

at September 29, 2018 and 118,947 shares issued at December 30, 2017

Treasury stock, at cost, 53,517 shares at September 29, 2018 and 54,258 shares

at December 30, 2017	(3,180,015)	(3,208,836)
Retained earnings	2,340,255	2,203,317
Accumulated other comprehensive loss	(5,452)	(10,467)
TOTAL DEFICIT	(845,212)	(1,015,986)
TOTAL LIABILITIES AND TOTAL DEFICIT	\$ 1,381,503	\$ 1,246,000

The accompanying notes are an integral part of the consolidated financial statements.

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF NET INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 29,	September 30,
	2018	2017	2018	2017
Service revenues, net	\$311,963	\$ 273,219	\$984,362	\$ 817,696
Product sales and other, net	53,802	50,468	199,373	176,726
Revenues, net	365,765	323,687	1,183,735	994,422
Cost of services	122,357	118,073	390,296	363,284
Cost of product sales and other	28,014	28,526	112,250	100,943
Cost of revenues	150,371	146,599	502,546	464,227
Gross profit	215,394	177,088	681,189	530,195
Marketing expenses	35,515	30,310	189,855	158,707
Selling, general and administrative expenses	61,019	55,400	182,696	153,671
Operating income	118,860	91,378	308,638	217,817
Interest expense	35,506	26,993	107,238	82,227
Other expense, net	881	125	1,978	278
Gain on early extinguishment of debt	0	0	0	(1,554)
Income before income taxes	82,473	64,260	199,422	136,866
Provision for income taxes	12,374	19,593	19,580	36,457
Net income	70,099	44,667	179,842	100,409
Net loss attributable to the noncontrolling interest	33	52	122	135
Net income attributable to Weight Watchers International, Inc.	\$70,132	\$ 44,719	\$179,964	\$ 100,544
Earnings Per Share attributable to Weight Watchers International, Inc.				
Basic	\$1.05	\$ 0.69	\$2.72	\$ 1.57
Diluted	\$1.00	\$ 0.65	\$2.57	\$ 1.48
Weighted average common shares outstanding				
Basic	66,701	64,463	66,074	64,237
Diluted	70,331			