

WEIGHT WATCHERS INTERNATIONAL INC
Form 10-K
February 26, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 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
(State or other jurisdiction of incorporation or organization)

11-6040273
(I.R.S. Employer
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

Securities registered pursuant to Section 12(b) of the Act:

Edgar Filing: WEIGHT WATCHERS INTERNATIONAL INC - Form 10-K

Title of each class Name of each exchange on which registered
Common Stock, no par value The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 Act).

Yes No

The aggregate market value of the registrant's common stock held by non-affiliates as of June 29, 2018 (based upon the closing price of \$101.10 per share of common stock as of June 29, 2018, the last business day of the registrant's second fiscal quarter of 2018, as quoted on the New York Stock Exchange) was \$4,004,158,613. For purposes of this computation, it is assumed that shares of common stock held by our directors, executive officers and certain shareholders as of June 29, 2018 would be deemed stock held by affiliates.

The number of shares outstanding of common stock as of February 1, 2019 was 66,960,122.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2019 annual meeting of shareholders are incorporated herein by reference in Part III, Items 10-14. Such Proxy Statement will be filed with the SEC no later than 120 days after the registrant's fiscal year ended December 29, 2018.

Weight Watchers International, Inc.

Annual Report on Form 10-K

Table of Contents

	Page
<u>Part I</u>	
Item 1. <u>Business</u>	1
Item 1A. <u>Risk Factors</u>	11
Item 1B. <u>Unresolved Staff Comments</u>	21
Item 2. <u>Properties</u>	21
Item 3. <u>Legal Proceedings</u>	21
Item 4. <u>Mine Safety Disclosures</u>	21
<u>Executive Officers and Directors of the Company</u>	22
<u>Part II</u>	
Item 5. <u>Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</u>	26
Item 6. <u>Selected Financial Data</u>	28
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	32
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	61
Item 8. <u>Financial Statements and Supplementary Data</u>	62
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	62
Item 9A. <u>Controls and Procedures</u>	62
Item 9B. <u>Other Information</u>	62
<u>Part III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	63
Item 11. <u>Executive Compensation</u>	63
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters</u>	63
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	63
Item 14. <u>Principal Accountant Fees and Services</u>	63
<u>Part IV</u>	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	65
Item 16. <u>Form 10-K Summary</u>	70

BASIS OF PRESENTATION

Weight Watchers International, Inc. is a Virginia corporation with its principal executive offices in New York, New York. In this Annual Report on Form 10-K unless the context indicates otherwise: “we,” “us,” “our,” the “Company” and “WW” refer to Weight Watchers International, Inc. and all of its operations consolidated for purposes of its financial statements; “North America” refers to our North American Company-owned operations; “Continental Europe” refers to our Continental Europe Company-owned operations; “United Kingdom” refers to our United Kingdom Company-owned operations; and “Other” refers to Australia, New Zealand and emerging markets operations and franchise revenues and related costs. Each of North America, Continental Europe, United Kingdom and Other is also a reportable segment.

Our fiscal year ends on the Saturday closest to December 31st and consists of either 52- or 53-week periods. In this Annual Report on Form 10-K:

- “fiscal 2008” refers to our fiscal year ended January 3, 2009 (included a 53week);
- “fiscal 2009” refers to our fiscal year ended January 2, 2010;
- “fiscal 2014” refers to our fiscal year ended January 3, 2015 (included a 53week);
- “fiscal 2015” refers to our fiscal year ended January 2, 2016;
- “fiscal 2016” refers to our fiscal year ended December 31, 2016;
- “fiscal 2017” refers to our fiscal year ended December 30, 2017;
- “fiscal 2018” refers to our fiscal year ended December 29, 2018;
- “fiscal 2019” refers to our fiscal year ended December 28, 2019;
- “fiscal 2020” refers to our fiscal year ended January 2, 2021 (includes a 53week);
- “fiscal 2021” refers to our fiscal year ended January 1, 2022;
- “fiscal 2022” refers to our fiscal year ended December 31, 2022;
- “fiscal 2023” refers to our fiscal year ended December 30, 2023;
- “fiscal 2024” refers to our fiscal year ended December 28, 2024; and
- “fiscal 2025” refers to our fiscal year ended January 3, 2026 (includes a 53week).

The following terms used in this Annual Report on Form 10-K are our trademarks: Weight Watchers®, SmartPoints®, Points®, WW Freestyle™, FitPoints®, WellnessWins™, ZeroPoint™ and the WW logo.

PART I

Item 1. Business Overview

We are a global wellness company and the world's leading commercial weight management program. We are focused on inspiring people to adopt healthy habits for real life. With over five decades of weight management experience, expertise and know-how, we have established Weight Watchers as one of the most recognized and trusted brand names among weight-conscious consumers. In 2018, we announced new articulations of our brands, including our evolving focus on WW, to further reinforce our mission to focus on overall health and wellness. We educate our members and provide them with guidance and an inspiring community to enable them to develop healthy habits. WW-branded services and products include digital offerings provided through our websites, mobile sites and apps, workshops conducted by us and our franchisees, consumer products sold direct to consumers, licensed and endorsed products sold in retail channels, and publications. Our primary sources of revenue are subscriptions for our digital products and for our workshops. Our "Digital" business refers to providing subscriptions to our digital product offerings, including the Personal Coaching + Digital product. Our "Studio + Digital" business refers to providing access to our weekly in-person workshops combined with our digital subscription product offerings to commitment plan subscribers. Our "Studio + Digital" business also includes the provision of access to workshops for members who do not subscribe to commitment plans, including our "pay-as-you-go" members.

We believe that the power of our communities, both digitally via our Connect platform and in workshops, increases accountability and provides our members with inspiration, human connection, and support, which inspires them and enables them to build healthier and more fulfilling food, activity and lifestyle habits. Our brands enjoy high awareness and credibility among all types of consumers—women and men, consumers online and offline, the support-inclined and the self-help-inclined. We believe that our program conveys an image of healthy, livable, sustainable and effective weight management in a supportive environment. The efficacy of our commercial weight management programs has been clinically proven in numerous studies and trials. As the number of overweight and obese people worldwide grows, the demand for an effective, scalable and consumer-friendly weight management program increases. We believe our global presence and brand awareness uniquely position us in the global weight management market, and thereby provide us a unique platform to impact the wellness market.

We have built our business by helping millions of people around the world lose weight through a sensible, sustainable and livable approach to food, activity and mindset. We believe we are the leading global provider of paid digital subscription weight management products. As of the end of fiscal 2018, we had a total of approximately 3.9 million subscribers, of which approximately 2.6 million were Digital subscribers. At that time, we also had approximately 1.3 million Studio + Digital subscribers, who could attend approximately 31,000 workshops each week around the world, which were run by approximately 8,300 coaches. Our strong brands, together with the effectiveness of our program, loyal customer base, strong digital offerings and unparalleled network of workshops and coaches, enable us to attract new and returning customers.

Business Organization and Global Operations

We have four reportable segments based on an integrated geographical structure as follows: North America, Continental Europe (CE), United Kingdom and Other. Each reportable segment provides similar services and products. We operate in numerous countries around the world. Our "North America" reportable segment consists of our United States and Canada Company-owned operations; our "Continental Europe" reportable segment consists of our Germany, Switzerland, France, Belgium, Netherlands and Sweden Company-owned operations; our "United Kingdom" reportable segment consists of our United Kingdom Company-owned operations; and our "Other" reportable segment consists of our Australia, New Zealand, Mexico (operations ceased in the first quarter of fiscal 2018), and Brazil

Company-owned operations, as well as revenues and costs from our franchises in the United States and certain other countries.

1

Our Services and Products

Our Program and Food Plan

In each of our major markets, we offer services and products that are based on our healthy weight management program, known as WW Freestyle in the majority of our markets. The program encompasses a holistic approach for the body and mind to help our members lead a healthier, more active, more fulfilling life, and provides flexibility to make significant changes towards that life. It is comprised of a range of nutritional, activity, behavioral and lifestyle tools and approaches that can be personalized for maximum livability. Our program also gives members science-based techniques that guide them to a helpful mindset. Our food plan, known as SmartPoints, was developed from a combination of advancements in scientific research and consumer insights, including from customers who experienced prior WW plans. With the SmartPoints system, each food has a SmartPoints value determined by the food's calorie, saturated fat, sugar and protein content. Customers following the SmartPoints system can eat any food as long as the SmartPoints value of their total food consumption stays within their personalized SmartPoints "budget". Since the program has designated over 200 zeroPoint foods, and nutritious foods generally have lower SmartPoints values, this approach guides customers toward healthier eating patterns. Based on a personalized assessment included in the program, members get daily and weekly SmartPoints targets. Prior to the launch of WW Freestyle in December 2017, we offered a weight management program known as Beyond the Scale in North America.

In addition to focusing on healthy eating habits, and in furtherance of our mission to focus on overall health and wellness, WW Freestyle also addresses other aspects of a healthy and fulfilled life, such as mindset, activity and community. In 2018, we enhanced our offerings with tools focused on these wellness areas. As part of this enhancement, we carefully selected partners in the mindset and activity spaces with services that could aid our members. For example, in both our workshops and our digital experiences, members can typically access meditation and/or mindfulness content to assist them in developing and maintaining a helpful mindset on their wellness journeys. Our customized FitPoints system accounts for height, weight, age and sex. This personalization allows members to know exactly what each activity is worth to them and then track their activities and routines within the WW app. WW's Connect Groups, a part of our digital community, foster meaningful relationships that inspire healthy habits by helping people find communities based on food, life stages, wellness journey, activity, mindset and hobbies. Finally, to further inspire and reinforce healthy habits, we recently launched WellnessWins, our rewards program that inspires members to build, and recognizes members for building, healthy habits. Members can earn "Wins" and redeem them for exclusive products and experiences.

Our Businesses

The two main ways our customers can participate in our program are digitally and through in-person group workshops. Within these two channels, we offer a variety of services and products to meet each customer's preferences. Additionally, our wellness coaches educate members on our program and provide inspiration and support to members in developing healthy habits.

Digital Business

In our Digital business, we offer digital subscription products based on the WW approach to wellness and weight management. These products provide interactive and personalized resources that allow users to follow our weight management program via our web-based and mobile app products. They help subscribers adopt a healthier and more active lifestyle, a helpful mindset, and healthy habits, with a view toward long-term behavior modification — a key aspect of the WW approach toward healthy and sustainable weight loss. These products provide subscribers with content, functionality and resources and interactive weight management plans and wellness tools. We believe our personalized and interactive Digital subscription products give subscribers an engaging experience. Our online

community, which can be accessed via the web and the Connect feature in our mobile app, gives our subscribers a way to stay virtually connected, and support and inspire each other. We continue to upgrade the design, usability, features and capabilities of our digital products. As of the end of fiscal 2018, we had approximately 2.6 million Digital subscribers.

2

Studio + Digital Business

In our Studio + Digital business, we present our program in regular weekly workshops of 30 to 45 minutes in duration, conveniently scheduled throughout the day. Our interactive, in-person community remains the cornerstone of our workshops. Wellness coaches facilitate interactive workshops that encourage learning and inspire members to make positive changes towards their individual goals. Members provide each other inspiration and support by sharing their experiences with, and by providing encouragement and empathy to, other people on weight management and wellness journeys. In addition, our members can choose to access our digital tools to assist them on their journeys. The primary payment structure for our Studio + Digital business globally is through commitment plans. Under these plans, members generally receive unlimited access to workshops at a monthly price plus access to our Digital products. Pursuant to these plans, a member is automatically charged on a monthly basis until the member elects to cancel. As of the end of fiscal 2018, we had approximately 1.3 million subscribers to these commitment plans.

We have franchisees in certain territories. Pursuant to long-standing agreements, we typically pay each other commissions and other fees. In fiscal 2018, revenues from our franchisees represented less than 1% of our total revenues. We have enjoyed a mutually beneficial relationship with our franchisees over many years. Most franchise agreements are perpetual and can be terminated only upon a material breach or bankruptcy of the franchisee.

Our Consumer Product Sales

We sell a range of consumer products, including bars, snacks, cookbooks, kitchen tools and other products from time to time. These products complement our weight management program and help our customers in their weight management and wellness efforts. We have focused on selling products that drive recurring purchases. Our products are designed to be high quality and offer benefits related to the WW program.

We sell our products primarily at our workshops, online through our ecommerce platforms and to our franchisees. Excluding sales to or by our franchisees, in fiscal 2018, direct sales of products to consumers represented approximately 12.6% of our revenues. We seek to optimize our product offerings by updating existing products, selectively introducing new products and sharing best practices across geographies.

Licensing and Endorsements

We license our trademarks and other intellectual property in certain categories of food, beverages and other relevant consumer products and services. We also endorse or co-brand with carefully selected branded consumer products and services. By partnering with carefully selected companies in categories relevant and helpful to weight- and health-conscious consumers, we have a high margin licensing business that gives us access to these consumers and also increases the awareness of our brands. In connection with our acquisition from The Kraft Heinz Company (successor to H.J. Heinz Company), or Heinz, in September 1999, Heinz received a perpetual royalty-free license to continue using our brand in certain food categories. We believe that the strength of the WW brands will create new long-term licensing and partnership opportunities for us.

Health Solutions

As healthcare costs continue to be a significant concern on the minds of employers and their employees, we believe that our broad range of services and products uniquely positions us to serve the market and help employers reduce their healthcare costs and improve the overall well-being of their employees. Our strategy is focused on leveraging our organizational capability to serve companies of every size and type with offerings that include workplace workshops, local community workshops and access to our Digital products.

We believe the healthcare market represents an important channel to reach new consumers. We continue to explore different approaches to this market.

3

Our Clinical Efficacy and Reputation in the Marketplace

WW is one of the most clinically-studied commercial weight management programs, with dozens of peer-reviewed publications in the last 20 years. For example, in 2017, a randomized controlled trial conducted by research teams at the University of Cambridge, the University of Liverpool and the University of Oxford and partially funded by us was published in *The Lancet* and found that adults with obesity referred to WW for one year lost significantly more weight and were able to keep it off for longer compared to those who either received brief advice and self-help materials, or who were referred to a 12-week WW program. In addition, compared to adults receiving brief advice and self-help, adults who followed either the 12- or 52-week WW program achieved greater reductions in body fat; those who followed 52 weeks of WW also achieved greater blood sugar control. Research has shown that WW has impact that reaches beyond our members. In 2018, a 6-month randomized controlled trial conducted by researchers at the University of Connecticut funded by WW and published in *Obesity* showed a “ripple effect” of WW – significant weight loss among untreated spouses of WW members.

WW also has demonstrated efficacy among individuals with diabetes and prediabetes. In 2016, a randomized controlled trial conducted by the Indiana University School of Medicine and funded by us was published in the *American Journal of Public Health* and found that adults with prediabetes following our Diabetes Prevention Program, or DPP, lost significantly more weight and experienced better blood sugar control than those following a self-initiated diabetes prevention program using supplemental counseling materials. A continuation study published in 2018 showed that these outcomes were maintained at 18 and 24 months and that our DPP was highly cost-effective. Another randomized controlled trial conducted by The Medical University of South Carolina, funded by us and published in *Obesity* in 2016, found that adults with Type 2 diabetes who followed our diabetes program lost significantly more weight and experienced better blood sugar control than those in a standard diabetes care program.

In 2017, a six-month clinical trial of the WW Freestyle program conducted by the University of North Carolina Weight Research Lab and funded by us found that participants on the program experienced an average weight loss of 7.9% and reported significantly improved sleep quality and happiness after six months. Among participants who reported trying to lose weight in the past, 82.2% reported that the program is easier to do and 92.6% reported that it gives them more flexibility in their food choices compared to other times they have tried to lose weight in the past. Our efficacy and the value of our offerings are also well-acknowledged in the marketplace. For instance, in 2019, we again were recognized by U.S. News & World Report in the “Best Diets” rankings, including ranking #1 for “Best Weight-Loss Diets” and “Best Commercial Diet Plans” and tying for #2 for “Best Fast Weight-Loss Diets” and “Easiest Diets to Follow.”

Marketing and Promotion

Our communications with consumers and other promotional efforts enhance our brand image and awareness, and motivate both former and potential new customers to join WW. In October 2015, we entered into a Strategic Collaboration Agreement with Oprah Winfrey, pursuant to which, among other things, Ms. Winfrey provides us with services in her discretion to promote the Company and our programs, products and services, including in advertisements and promotions, and making personal appearances on our behalf. For example, in fiscal 2019, as part of our collaboration with Ms. Winfrey, she is appearing in our global advertising campaign. Further information on this agreement and our partnership with Ms. Winfrey can be found below under “—History—Winfrey Transaction.”

Our advertising campaigns are supported across multiple platforms (e.g. broadcast, digital, electronic customer relationship marketing (eCRM), direct mail, social media and public relations). We develop and maintain a high level of engagement with current and potential customers on various social media platforms including Facebook, Instagram

and Twitter. Also, we utilize brand ambassadors, spokespersons and social media influencers, including celebrities, as part of our advertising and marketing.

In addition to the above advertising channels, we take advantage of other channels for which we are uniquely positioned given our long history and network of WW coaches and members. The word of mouth generated by our current and former customers, combined with our strong brand and known effectiveness, enable us to attract new and returning customers. We also carry out many of our key public relations initiatives through the efforts of current and former WW coaches and members, and celebrity brand ambassadors.

Seasonality

Our business is seasonal due to the importance of the winter season to our overall member recruitment environment. Historically, we experience our highest level of recruitment during the first quarter of the year, which is supported with the highest concentration of advertising spending. Therefore, our number of End of Period Subscribers (as defined below) in the first quarter of the year is typically higher than the number in other quarters of the year, reflecting a decline over the course of the year.

Competition

We compete in the global weight management and wellness market. The weight management and wellness industries include commercial weight management programs; hardware and software-based mobile app and web-based weight management programs and approaches; surgical procedures; the pharmaceutical industry; self-help weight management regimens and other self-help weight management products, services and publications, such as books, magazines, websites and social media groups; dietary supplements and meal replacement products; healthy living services, products and publications; weight management services administered by doctors, nutritionists and dieticians; government agencies and non-profit groups that offer weight management services; fitness centers and national drug store chains.

Competition among commercial weight management programs is largely based on program recognition and reputation and the effectiveness, safety and price of the program. In the United States, we compete with several other companies in the commercial weight management industry, although we believe that their businesses are not comparable to ours. For example, many of these competitors' businesses are based on the sale of pre-packaged meals and meal replacements. In conjunction with a flexible food plan that allows customers the freedom to choose what they eat, we believe that the power of our communities, both digitally via our Connect platform and in workshops, increases accountability and provides our members with inspiration, human connection, and support, which inspires them and enables them to build healthier and more fulfilling food, activity and lifestyle habits. There are no significant group education-based competitors in any of our major markets, except in the United Kingdom.

We believe that food manufacturers that produce meal replacement products are not comparable competition because these businesses' meal replacement products do not engender behavior modification through education in conjunction with a flexible, healthy food plan.

We also compete with various self-help diets, products, services and publications, such as free mobile and other weight management apps.

Trademarks, Patents and Other Proprietary Rights

We own numerous domestic and international trademarks, patents and other proprietary rights that are valuable assets and are important to our business. Depending upon the jurisdiction, trademarks are valid as long as they are used in the regular course of trade and/or their registrations are properly maintained. Patent protection extends for varying periods according to the date of patent filing or grant and the legal term of patents in the jurisdiction in which the patent is granted. The actual protection afforded by a patent may vary from country to country depending upon the type of patent, the scope of its coverage and the availability of legal remedies in the country. We believe the protection of our trademarks, copyrights, patents, domain names, trade dress and trade secrets is important to our success. We aggressively protect our intellectual property rights by relying on a combination of trademark, copyright, patent, trade dress, trade secret and other intellectual property laws, and through domain name dispute resolution systems.

History

Early Development

In 1961, Jean Nidetch, our founder, attended a New York City obesity clinic and took what she learned from her personal experience at the obesity clinic and began weight-loss meetings with a group of her overweight friends in the basement of a New York apartment building. Under Ms. Nidetch's leadership, the group members supported each other in their weight-loss efforts, and word of the group's success quickly spread. Ms. Nidetch and Al and Felice Lippert, who all successfully lost weight through these efforts, formally launched our business in 1963. Weight Watchers International, Inc. was incorporated as a Virginia corporation in 1974 and succeeded to the business started in New York in 1963. Heinz acquired us in 1978.

Artal Ownership

In September 1999, Artal Luxembourg S.A., or Artal Luxembourg, acquired us from Heinz. Artal Luxembourg is an indirect subsidiary of Artal Group S.A., or Artal Group, which together with its parents and its subsidiaries is referred to in this Annual Report on Form 10-K as Artal. Currently, Artal Luxembourg is the record holder of all our shares owned by Artal. As a result of Artal selling a portion of its shares of our common stock in fiscal 2018, the Voting Agreement described below under "Winfrey Transaction" terminated and we are no longer a "controlled company" under the rules of The Nasdaq Global Select Market, or Nasdaq.

Winfrey Transaction

On October 18, 2015, we entered into a Strategic Collaboration Agreement with Ms. Winfrey, or the Strategic Collaboration Agreement, pursuant to which Ms. Winfrey granted us the right to use, subject to her approval, her name, image, likeness and endorsement for and in connection with the Company and its programs, products and services (including in advertising, promotion, materials and content), and we granted Ms. Winfrey the right to use our trademarks and service marks to collaborate with and promote the Company and its programs, products and services. The Strategic Collaboration Agreement has an initial term of five years, with additional successive one year renewal terms. During this period, Ms. Winfrey will consult with us and participate in developing, planning, executing and enhancing the WW program and related initiatives, and provide us with services in her discretion to promote the Company and its programs, products and services, including in advertisements and promotions, and making personal appearances on our behalf. Ms. Winfrey will not grant anyone but the Company the right to use her name, image, likeness or endorsement for or in connection with any other weight loss or weight management programs during the term of the Strategic Collaboration Agreement, and she will not engage in any other weight loss or weight management business, program, products, or services during the term of the Strategic Collaboration Agreement and for one year thereafter.

On that same date, we entered into a Share Purchase Agreement with Ms. Winfrey, or the Winfrey Purchase Agreement, pursuant to which we issued and sold to Ms. Winfrey an aggregate of 6,362,103 shares of our common stock for an aggregate cash purchase price of \$43,198,679. The purchased shares are subject to certain transfer restrictions and a right of first offer and right of first refusal held by the Company. Under the Winfrey Purchase Agreement, Ms. Winfrey has certain demand registration rights and piggyback rights with respect to these purchased shares. The Winfrey Purchase Agreement also provides Ms. Winfrey with the right to be nominated as director of the Company for so long as she and certain permitted transferees own at least 3% of our issued and outstanding common stock.

In consideration of Ms. Winfrey entering into the Strategic Collaboration Agreement and the performance of her obligations thereunder, on October 18, 2015, we granted Ms. Winfrey a fully vested option to purchase 3,513,468 shares of our common stock, or the Winfrey Option. The term sheet for the Winfrey Option, which includes the terms and conditions appended thereto, relating to the grant of the Winfrey Option is referred to herein as the Winfrey Option Agreement. The Winfrey Option is exercisable at a price of \$6.97 per share, in whole or in part, at any time prior to October 18, 2025, subject to earlier termination under certain circumstances, including if (i) the Strategic Collaboration Agreement expires as a result of Ms. Winfrey's decision not to renew the term of such agreement and (ii) a change in control (as defined in the Winfrey Option Agreement) of the Company occurs. The shares issuable upon exercise of the Winfrey Option are subject to certain transfer restrictions and a right of first offer and right of first refusal held by the Company.

In March 2018, as permitted under the Winfrey Purchase Agreement and the Winfrey Option Agreement transfer provisions, Ms. Winfrey sold 954,315 of the purchased shares discussed above and exercised a portion of the Winfrey Option resulting in the sale of 1,405,387 shares issuable under such option, respectively.

In connection with Ms. Winfrey's purchase of our common stock and the grant of the Winfrey Option described above, Artal Luxembourg entered into a Voting Agreement with Ms. Winfrey on October 18, 2015, or the Voting Agreement, pursuant to which Ms. Winfrey agreed to vote all of her common stock or preferred stock of the Company and other securities convertible into or exercisable or exchangeable for any common stock or preferred stock of the Company so as to elect as directors such nominees designated by Artal. The Voting Agreement terminated pursuant to its terms on May 15, 2018 in connection with Artal's sale of our common stock on that same date.

The transactions contemplated by the Strategic Collaboration Agreement, Winfrey Purchase Agreement and Winfrey Option Agreement are collectively referred to herein as the Winfrey Transaction.

Regulation

A number of laws and regulations govern our advertising and marketing, services, products, operations and relations with consumers, licensees, franchisees, coaches, guides, employees and government authorities in the countries in which we operate. Certain federal, state and foreign agencies, such as the U.S. Federal Trade Commission, or FTC, and the U.S. Food and Drug Administration, or FDA, regulate and enforce such laws and regulations relating to advertising and marketing, promotions, packaging, privacy, consumer pricing and billing arrangements and other consumer protection matters. We are subject to many distinct employment, labor, commercial, benefits and tax laws and regulations in each country in which we operate, including regulations affecting our employment and wage and hour practices and our relations with our coaches, guides and employees. Laws and regulations directly applicable to data protection and communications, operations or commerce over the Internet, such as those governing intellectual property, privacy and taxation, continue to evolve. Our operations are subject to these laws and regulations and we continue to monitor their development and our compliance. In addition, we are subject to other laws and regulations in the United States and internationally.

During the mid-1990s, the FTC filed complaints against a number of commercial weight management providers alleging violations of federal law in connection with the use of advertisements that featured testimonials, claims for program success and program costs. In 1997, we entered into a consent order with the FTC settling all contested issues raised in the complaint filed against us. The consent order required us to comply with certain procedures and disclosures in connection with our advertisements of services and products and expired by its terms in 2017. From time to time, we have been in discussions with the FTC regarding such matters.

Employees

As of December 29, 2018, we had approximately 18,000 employees, a majority of whom were part-time employees. In addition, in certain of our markets, our coaches and guides are self-employed and are not included in this total. We consider our relations with our employees, coaches and guides to be satisfactory.

Available Information

Corporate information and our press releases, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments thereto, are available free of charge on our corporate website at corporate.ww.com as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (i.e., generally the same day as the filing), or the SEC. Moreover, we also make available at that site the Section 16 reports filed electronically by our officers, directors and 10 percent shareholders.

We use our corporate website at corporate.ww.com and our corporate Facebook page (www.facebook.com/WW), Instagram account ([Instagram.com/WW](https://www.instagram.com/WW)) and Twitter account ([@ww_us](https://twitter.com/ww_us)) as channels of distribution of Company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. The contents of our website and social media channels shall not be deemed to be incorporated herein by reference.

Our Amended and Restated Code of Business Conduct and Ethics, or the Code of Business Conduct and Ethics, and our Corporate Governance Guidelines are also available on our corporate website at corporate.ww.com.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, this Annual Report on Form 10-K includes “forward-looking statements,” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Exchange Act, including, in particular, the statements about our plans, strategies and prospects under the headings “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” We have generally used the words “may,” “will,” “could,” “expect,” “anticipate,” “believe,” “estimate,” “plan,” “similar expressions in this Annual Report on Form 10-K and the documents incorporated by reference herein to identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. Actual