



2020 ANNUAL REPORT

**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 January 2, 2021

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

WW INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Virginia 11-6040273
(State or other jurisdiction of incorporation or organization) (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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	WW	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 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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
	Emerging growth company <input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 26, 2020 (based upon the closing price of \$25.02 per share of common stock as of June 26, 2020, the last business day of the registrant's second fiscal quarter of 2020, as quoted on The Nasdaq Stock Market LLC) was \$1,194,189,688. 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 26, 2020 would be deemed stock held by affiliates.

The number of shares of common stock outstanding as of February 1, 2021 was 68,983,051.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2021 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 January 2, 2021.

*Incorporates changes as reflected in Form 10-K/A filed on March 30, 2021.

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WW International, Inc.
Annual Report on Form 10-K
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BASIS OF PRESENTATION

WW International, Inc., formerly known as 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 WW 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 2009” refers to our fiscal year ended January 2, 2010;
- “fiscal 2014” refers to our fiscal year ended January 3, 2015 (included a 53rd week);
- “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 (included a 53rd week);
- “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;
- “fiscal 2025” refers to our fiscal year ended January 3, 2026 (includes a 53rd week); and
- “fiscal 2026” refers to our fiscal year ended January 2, 2027.

The following terms used in this Annual Report on Form 10-K are our trademarks: Digital 360TM, FitPoints[®], *myWW*[®], Points[®], SmartPoints[®], Weight Watchers[®], WellnessWins[®], WW Freestyle[®], ZeroPointTM and the WW logo.

PART I

Item 1. Business

Overview

We are a global wellness company powered by the world’s leading commercial weight management program and an award-winning digital subscription platform. We are focused on inspiring people to adopt healthy habits for real life and aim to democratize and deliver wellness for all. With nearly six decades of weight management experience, expertise and know-how, we are 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 apps and websites, workshops, consumer products, and various events and experiences. Our business has gone through a significant shift to a digital subscription model over the past several years and 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 Digital 360 and Personal Coaching + Digital. Our “Workshops + Digital” (formerly known as “Studio + Digital”) business refers to providing unlimited access to our workshops combined with our digital subscription product offerings to commitment plan subscribers. It 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 -- via our Connect platform, workshops and Digital 360 offering -- increases accountability and provides our members with inspiration, human connection, and support. This inspires them and enables them to build healthier and more fulfilling food, activity, mindset and sleep 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 2020, we had a total of approximately 4.4 million subscribers, of which approximately 3.7 million were Digital subscribers and approximately 0.7 million were Workshops + Digital subscribers. 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, and Brazil Company-owned operations, as well as revenues and costs from our franchises in the United States and certain other countries.

Our Services and Products

Our Program and Food Plans

In each of our major markets, we offer services and products that are based on our new, customized, healthy weight management program, known as *myWW+* in the majority of our markets. The program is founded on a holistic approach for the body and mind to help each of 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 science-based nutritional, activity, behavioral and lifestyle tools and approaches that can be personalized for maximum livability, based on the understanding that everyone's needs and eating patterns are different. *myWW+* delivers customized content powered by a smart personalization platform that uses machine learning and artificial intelligence to identify the preferences of each unique member. There are three comprehensive ways to follow our program – the Green, Purple, or Blue food plan – each of which is grounded in our SmartPoints system. Members are assisted in the selection of the plan that will work best for them based on a personalized assessment. SmartPoints was developed from a combination of advancements in scientific research and consumer insights, including from customers who experienced prior WW food 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 daily and weekly SmartPoints "budget," which is based on age, weight, height and sex. Each of *myWW+*'s Green, Purple and Blue food plans has a unique balance of allotted SmartPoints and ZeroPoint foods. ZeroPoint foods do not need to be weighed, measured, or tracked and form the foundation of a healthy eating pattern. Prior to the launch of *myWW+* in November 2020, we offered a program known as *myWW* in the majority of our markets, which launched in November 2019.

In addition to focusing on healthy eating habits, and in furtherance of our mission to focus on overall health and wellness, our program also addresses other aspects of a healthy and fulfilled life, such as mindset, activity, community, hydration and sleep. We carefully select partners in the wellness space who offer services that can aid our members. For example, members can typically access meditation and/or mindfulness content to assist them in developing and maintaining a helpful mindset on their wellness journeys. Like our SmartPoints system, our customized FitPoints system accounts for age, weight, height and sex, as well as the type of activity being done and the duration. 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, identity, wellness journey, activity, mindset, hobbies, locations, events and workshops. Finally, to further inspire and reinforce healthy habits, WellnessWins, our rewards program, inspires members to build, and recognizes members for building, healthy habits. Members can earn "Wins" and redeem them for products and experiences.

Our Subscription Businesses

Our members mainly participate in our program either by solely using our digital products or by using our digital products supplemented by group workshops. Within these two channels, we offer a variety of services and products to meet each member's preferences. Additionally, our wellness coaches educate members on our program and provide inspiration and support to members in developing healthy habits.

The primary payment structure for our services globally is through subscription plans. Pursuant to these plans, a member typically commits to a minimum term and is automatically charged on a monthly basis until the member elects to cancel.

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 app and web-based 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, access to coaches 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 Connect online community, which can be accessed via our app and our web-based platform, gives our subscribers a way to stay virtually connected, and support and inspire each other. We continually innovate our Digital offerings, including their design, usability, features and capabilities. For example, in December 2020, we expanded our Digital offerings by introducing Digital 360, a new digitally-enabled, community-focused and coach-led membership plan, in our U.S. and U.K. markets. This premium-priced Digital offering is designed to give members next-level support, motivation and accountability with expert coaches through live and on-demand exclusive content and events. As of the end of fiscal 2020, we had approximately 3.7 million Digital subscribers.

Workshops + Digital Business

In our Workshops + Digital business, we present our program in workshops of 30 to 45 minutes in duration, conveniently scheduled throughout the day. In March 2020, we introduced virtual workshops in immediate response to the impact of COVID-19, and we continue to innovate this offering to address the shift in consumer sentiment towards digitally-enabled offerings. For more information on the impact of COVID-19, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Material Trends—COVID-19 Pandemic” of this Annual Report on Form 10-K. Workshops + Digital members can attend unlimited workshops both virtually and, where available, in-person. Our face-to-face, interactive 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 have access to our digital tools to assist them on their journeys. As of the end of fiscal 2020, we had approximately 0.7 million Workshops + Digital subscribers.

We have franchisees in certain territories. Pursuant to long-standing agreements, we typically pay each other royalties and other fees. In fiscal 2020, revenues from our franchisees represented less than 0.5% 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 WW-branded, endorsed, and curated products. These products complement our weight management program and help our customers in their weight management and wellness efforts. Our products are designed to be high quality and offer benefits related to the WW program.

We primarily sell our products online through our e-commerce platforms, at our studios and through our trusted partners. In fiscal 2020, sales of consumer products represented approximately 9.8% of our total revenues. We seek to optimize our product offerings by updating existing products, introducing new products and sharing best practices across geographies.

Our WW-branded products include bars, snacks, cookbooks and kitchen tools. We also license our trademarks and other intellectual property in certain categories of food, beverages and other relevant consumer products and services. We also co-brand or endorse 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 employers, both directly and through aggregators, with both our Digital and Workshops + Digital offerings.

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

Our Clinical Efficacy and Reputation in the Marketplace

WW is one of the most clinically-studied commercial weight management programs, including by way of dozens of peer-reviewed publications in the last 20 years. For example, in 2019, a randomized controlled trial conducted by research teams at the University of North Carolina - Chapel Hill, University of British Columbia, and University of Leeds and funded by us found that study participants assigned to WW for 12 months had over two times more weight loss compared to participants who were assigned to a do-it-yourself weight loss approach. 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 us 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 2020, a review published in *Endocrinology and Metabolism Clinics of North America* highlighted the potential for physicians to refer patients with obesity to commercial weight loss programs. It noted that WW is one of only four commercial weight loss programs meeting guideline-recommended standards with demonstrated safety and efficacy at 12 months and one of only two commercial weight loss programs with demonstrated effects on reducing HbA1c levels in participants with Type 2 diabetes. Authors of the review concluded physicians might consider referral to WW for patients with obesity and those with obesity and Type 2 diabetes.

In 2019, a six-month clinical trial of the *myWW* program conducted by the Medical University of South Carolina’s Weight Management Center and funded by us found that participants on the program experienced clinically significant benefits, including, on average, weight loss of 8%. Among study participants who reported trying to lose weight in the past, 90% agreed *myWW* is easier to stick with compared to when they have tried to lose weight on their own and 88% agreed that *myWW* is an easier way to lose weight than when they have tried to lose weight on their own. Our efficacy and the value of our offerings are also well-acknowledged in the marketplace. For instance, in 2021, we again were recognized by U.S. News & World Report in the “Best Diets” rankings, including tying for #1 for “Best Weight-Loss Diets” for the eleventh year in a row and ranking #1 for “Best Commercial Diet Plans.”

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 2020, as part of our collaboration with Ms. Winfrey, in addition to appearing in our advertising campaign in the United States and other select markets, she embarked on a wellness-focused, national arena tour called *WW Presents: Oprah's 2020 Vision: Your Life in Focus*, and hosted *Oprah's Your Life in Focus: A Vision Forward*, a live, free, interactive, four-week wellness-focused virtual experience. In fiscal 2021, in addition to being featured in our U.S. winter advertising campaign, Ms. Winfrey will host a live, free, interactive virtual series inspired by her 2020 arena tour and virtual experience. 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 members, combined with our strong brand and known effectiveness, enable us to attract new and returning members. 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, historically 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; weight loss and wellness apps; surgical procedures; the pharmaceutical industry; the genetics and biotechnology industry; self-help weight management regimens and other self-help weight management products, services and publications, such as books, magazines, websites, and social media influencers and groups; dietary supplements and meal replacement products; healthy living services, coaching, products, content and publications; weight management services administered by doctors, nutritionists and dietitians; 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, the effectiveness, safety and price of the program and the related digital platform, content and user experience. We compete with several other companies in the commercial weight management industry, although we believe that in certain cases their businesses are not comparable to ours. For example, we believe our prominence as one of the most clinically-studied commercial weight management programs differentiates us from many of our competitors. Additionally, certain 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 -- via our Connect platform, workshops and Digital 360 offering -- 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.

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 weight management apps.

Trademarks, Patents and Other Proprietary Rights

We own numerous domestic and international trademarks, patents, domain names 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. WW International, Inc. (formerly known as 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, 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, as amended, 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 had an initial term of five years, or the Initial Term, with additional successive one year renewal terms. On December 15, 2019, we entered into an amendment of the Strategic Collaboration Agreement, or the Strategic Collaboration Amendment, with Ms. Winfrey, pursuant to which, among other things, the Initial Term was extended until April 17, 2023 (with no additional successive renewal terms) after which a second term will commence and continue through the earlier of the date of the Company's 2025 annual meeting of shareholders or May 31, 2025, or the Second Term and together with the Initial Term, the Strategic Term. During the remainder of the Initial Term, 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. Subsequently, during the Second Term, Ms. Winfrey and the Company will collaborate with each other towards the mutual objective of advancing and promoting the WW programs and the Company, and in connection therewith, Ms. Winfrey will consult with the Company and participate in developing, planning, executing and enhancing the WW programs and related initiatives. In connection therewith, Ms. Winfrey will make available to the Company her knowledge, expertise, and abilities in the areas of corporate management, consumer insights, advertising and marketing, consumer motivation, and community activation and consult and participate in the design and planning of creative strategy and the related execution of the consumer experience in connection with the WW programs. In addition, throughout the Second Term, except as otherwise prohibited by applicable law, the Company will cause Ms. Winfrey to be nominated as a director of the Company. 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 Strategic Term, and she will not engage in any other weight loss or weight management business, program, products, or services during the Strategic Term and for one year thereafter. The Strategic Collaboration Amendment became operative on May 6, 2020 when our shareholders approved the Winfrey Amendment Option (as defined below).

On October 18, 2015, we also entered into a Share Purchase Agreement with Ms. Winfrey, or, as amended, 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. On December 15, 2019, the Company entered into an amendment to the Winfrey Purchase Agreement with Ms. Winfrey. Initially, the Winfrey Purchase Agreement provided Ms. Winfrey with the right to be nominated as a director of the Company for so long as she and certain permitted transferees own at least 3% of our issued and outstanding common stock. The amendment to the Winfrey Purchase Agreement provides Ms. Winfrey with the right to be nominated as a director of the Company through and until January 1, 2023. Ms. Winfrey will not be required to resign as a director at such time. The amendment to the Winfrey Purchase Agreement became operative on May 6, 2020 when our shareholders approved the Winfrey Amendment Option (as defined below).

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 consideration of Ms. Winfrey entering into the Strategic Collaboration Amendment and the performance of her obligations thereunder, on December 15, 2019, the Company and Ms. Winfrey entered into a term sheet relating to the grant of a fully vested option to purchase 3,276,484 shares of our common stock, or the Winfrey Amendment Option. The term sheet for the Winfrey Amendment Option, which includes the terms and conditions appended thereto, is referred to herein as the Winfrey Amendment Option Agreement. Upon our shareholders approving the Winfrey Amendment Option on May 6, 2020, it became exercisable at a price of \$38.84 per share, in whole or in part, at any time prior to November 30, 2025, subject to earlier termination under certain circumstances, including if a change in control (as defined in the Winfrey Amendment Option Agreement) of the Company occurs. The shares issuable upon exercise of the Winfrey Amendment 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. Similarly, in fiscal 2020, Ms. Winfrey sold 2,782,476 of the purchased shares discussed above and exercised a portion of the Winfrey Option resulting in the sale of 1,118,036 shares issuable under such option.

The transactions contemplated by the Strategic Collaboration Agreement, Winfrey Purchase Agreement, Winfrey Option Agreement and Winfrey Amendment Option Agreement are collectively referred to herein as the Winfrey Transaction. For additional information on risks arising from a potential loss of Ms. Winfrey's services or a change in the nature of our partnership with her, please see "Item 1A. Risk Factors—Loss of key personnel, strategic partners or consultants or failure to effectively manage and motivate our workforce could negatively impact our sales of services and products, business, financial condition and results of operations." of this Annual Report on Form 10-K.

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, labeling, 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. Subsequent to our 2018 acquisition of Kurbo Health, Inc., or Kurbo, we have been in discussions with the FTC regarding online privacy obligations associated with that program. For additional details on Kurbo, see "Item 6. Selected Financial Data— Items Affecting Comparability" in Part II of this Annual Report on Form 10-K.

Human Capital Management

At WW our core mission is to inspire healthy habits for real life - for people, families, communities and the world. We believe that our workforce plays an integral role in achieving our mission. As of December 31, 2020, we had approximately 10,000 employees, a majority of whom were part-time employees. In addition, in certain of our international markets, our coaches and guides are self-employed and are not included in this total.

Diversity and Inclusion

We believe that a diverse and inclusive workforce helps us to explore and realize the many different paths to health and wellness for our members, which leads to better execution of our strategic initiatives. For example, over 50% of the members of our Executive Committee, including our Chief Executive Officer and our Chief Financial Officer, are women. To further our commitment to create an inclusive and diverse culture, we appointed a Head of Inclusion & Diversity who reports directly to our Chief People Officer. Additionally, we offer forums and formal training programs for our employees to enable them to share best practices and experiences with respect to diversity and inclusion in the workplace.

Training and Development

We develop our personnel by offering in-house learning and development resources. These include online and in-person training programs on a variety of topics in order to foster career growth both long term and short term. For example, we offer leadership training to help ensure our future business leaders have the necessary skill sets to manage and lead our organization.

Wellness, Health and Safety

We are focused on promoting the total wellness of our employees, and offer resources, programs and services to support our employees' physical, mental, financial and social wellness. For example, employees receive an annual wellness allowance, offering a flexible and personalized way to support their wellness goals.

In response to the COVID-19 pandemic, we implemented significant changes to best promote the health and safety of our employees and members. This includes currently having the vast majority of our employees work from home, while implementing additional safety measures through a digital capacity planning, hoteling and contact tracing app for employees continuing in-person work. For more information on our COVID-19 response, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Material Trends—COVID-19 Pandemic" of this Annual Report on Form 10-K.

Total Rewards

We provide competitive compensation and benefits programs for our employees. In addition to salaries, these programs (which vary by employee level and by the country where the employees are located) include, among other items, bonuses, stock awards, retirement benefits including 401(k) (or local market equivalent) and profit-sharing plan or participation in a non-qualified deferred compensation plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, paid parental leave, advocacy resources, flexible work schedules and employee assistance programs.

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 certain social media channels such as our corporate Facebook page (www.facebook.com/WW), Instagram account (Instagram.com/WW) and Twitter account (@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 Securities Exchange Act of 1934, as amended, or the Exchange Act, including, in particular, the statements about our plans, strategies, objectives 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,” “intend,” “aim” and 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 results could differ materially from those projected in these forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions, including, among other things:

- the impact of the global outbreak of the COVID-19 virus on our business and liquidity and on the business environment and markets in which we operate;
- competition from other weight management and wellness industry participants or the development of more effective or more favorably perceived weight management methods;
- our failure to continue to retain and grow our subscriber base;
- our ability to continue to develop new, innovative services and products and enhance our existing services and products or the failure of our services, products or brands to continue to appeal to the market, or our ability to successfully expand into new channels of distribution or respond to consumer trends;
- the ability to successfully implement strategic initiatives;
- the effectiveness of our advertising and marketing programs, including the strength of our social media presence;
- the impact on our reputation of actions taken by our franchisees, licensees, suppliers and other partners;
- the recognition of asset impairment charges;
- the loss of key personnel, strategic partners or consultants or failure to effectively manage and motivate our workforce;
- the inability to renew certain of our licenses, or the inability to do so on terms that are favorable to us;
- the expiration or early termination by us of leases;
- uncertainties related to a downturn in general economic conditions or consumer confidence;
- our ability to successfully make acquisitions or enter into joint ventures, including our ability to successfully integrate, operate or realize the anticipated benefits of such businesses;
- the seasonal nature of our business;
- the impact of events that discourage or impede people from gathering with others or accessing resources;
- our failure to maintain effective internal control over financial reporting;
- the impact of our substantial amount of debt, debt service obligations and debt covenants, and our exposure to variable rate indebtedness;
- the ability to generate sufficient cash to service our debt and satisfy our other liquidity requirements;
- uncertainties regarding the satisfactory operation of our technology or systems;
- the impact of data security breaches or privacy concerns, including the costs of compliance with evolving privacy laws and regulations;

- our ability to enforce our intellectual property rights both domestically and internationally, as well as the impact of our involvement in any claims related to intellectual property rights;
- risks and uncertainties associated with our international operations, including regulatory, economic, political, social, intellectual property, and foreign currency risks;
- the outcomes of litigation or regulatory actions;
- the impact of existing and future laws and regulations;
- the possibility that the interests of Artal, the largest holder of our common stock and a shareholder with significant influence over us, will conflict with our interests or the interests of other holders of our common stock;
- the impact that the sale of substantial amounts of our common stock by existing large shareholders, or the perception that such sales could occur, could have on the market price of our common stock; and
- other risks and uncertainties, including those detailed from time to time in our periodic reports filed with the SEC.

You should not put undue reliance on any forward-looking statements. You should understand that many important factors, including those discussed under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” could cause our results to differ materially from those expressed or suggested in any forward-looking statement. Except as required by law, we do not undertake any obligation to update or revise these forward-looking statements to reflect new information or events or circumstances that occur after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events or otherwise.

Item 1A. Risk Factors

You should consider carefully, in addition to the other information contained in this Annual Report on Form 10-K and the exhibits hereto, the following risk factors in evaluating our business. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The following discussion of risks is not all inclusive but is designed to highlight what we believe are the most significant risks that we face. Additional risks and uncertainties, not presently known to us or that we currently deem immaterial, may also have a material adverse effect on our business, financial condition or results of operations.

Risks Related to Our Business and Operations

The global outbreak of the COVID-19 virus is adversely impacting, and will continue to adversely impact, our business and may adversely impact our liquidity.

The global outbreak of the coronavirus (COVID-19) has had and will continue to have a significant adverse impact on our business as well as on the business environment and the markets in which we operate. This global health crisis has also had a significant adverse effect on overall economic conditions and we expect consumer demand to continue to be negatively impacted due to changes in consumer behavior and confidence and health concerns. The situation remains dynamic and subject to rapid and possibly significant change, and accordingly the full extent of the magnitude and duration of the negative impact to our business from the COVID-19 pandemic cannot be predicted with certainty.

While we have taken steps to address the risks and impact of the COVID-19 pandemic, as a result of the pandemic, we have experienced significant disruption to our business, including with respect to decreases in member recruitment. While the recruitment disruption was temporary in our Digital business, it has been more pronounced and sustained in our Workshops + Digital business, in part due to our suspension in mid-March 2020 of our in-person workshops. Our member retention in both our Digital and Workshops + Digital businesses may also be significantly negatively impacted by the pandemic.

Following the suspension of our in-person workshops, we rapidly transitioned these workshops to an entirely virtual experience. In June 2020, we began a phased re-opening with reduced operations of a limited number of our studio locations. However, during these uncertain times, we may need to close re-opened studios or may not be able to open studios as planned. We also continue to evolve our workshop strategy as we evaluate our cost structure and respond to shifting consumer sentiments, and accordingly we may need to further reduce operations. We continue to offer virtual workshops, which may not be successful in meeting the needs or preferences of many of our members, employees and the communities in which we operate. This may result in further decreases in our recruitment as well as a significant decrease in our retention of members. Our reduced operations have and will continue to adversely impact our in-studio product sales. We cannot predict how long these reduced operations will continue as federal, state, local and foreign authorities and public health officials have adopted numerous mitigation measures to address the spread of the virus, including temporary closure requirements with respect to non-essential business operations (including our workshops) to discourage people from congregating. The duration of these requirements will also likely vary by jurisdiction. The decision to resume in-person workshops has been and will continue to be influenced by a number of factors, including applicable legal restrictions, consumer confidence and preferences and the protection of the health and safety of our employees and members, and there is substantial uncertainty regarding the manner and timing of any resumption of our in-person workshops. We may face longer closure requirements than expected and other operational restrictions with respect to some or all of our studio and other physical locations due to, among other factors, evolving and stringent federal, state, local and foreign restrictions including social distancing requirements.

Even as we are able to re-open closed studio locations and resume in-person workshops, changes in consumer behavior, including willingness to meet in groups, increasing unemployment levels and associated changes in household income, as well as health concerns may impact consumer demand for our products, customer traffic at our studio locations and recruitment and retention of members in both our Digital and Workshops + Digital businesses. A number of our members may be more concerned with maintaining social distancing for a longer period if they perceive themselves to be a part of a higher at-risk group for complications arising from COVID-19. We may also find it more difficult to staff our business operations. The perceived risk of infection or health risk may adversely affect traffic to our studio locations and, in turn, our business, liquidity, financial condition and results of operations, particularly if any self-imposed or government-imposed restrictions are in place for a significant amount of time. In

addition, government requirements may increase our operating costs on a studio-by-studio basis as a studio location re-opens due to, among other things, social distancing requirements and costs associated with increased cleaning and other sanitary or protective measures. As part of our focus on best meeting our members' and consumers' needs as COVID-related restrictions are lifted or reinstated, we consolidated certain of our studios into branded studio locations and continue to close certain other branded studio locations. As a result, we have incurred and will incur significant costs associated with our real estate realignment. The decision to re-open a studio location, if at all, or further consolidate studio locations, will be influenced by a number of factors, including applicable legal restrictions, consumer confidence and preferences, changes in consumer behavior, and the protection of the health and safety of our employees and members, and will be dependent on cost efficiencies and alignment with our digital and brand strategy. We may not be able to successfully control our studio environments and realize the intended business advantages of maintaining a select group of studio locations, which could adversely affect our Workshops + Digital business and results of operations.

Our business depends on a number of third parties including vendors, landlords, lenders, marketing partners, third-party technology providers and suppliers. The COVID-19 outbreak may have a material adverse impact on these parties and their ability to meet their obligations to us. Any such failure by our third-party partners could negatively impact our ability to provide our products and services to customers. One or more of these third parties may experience financial distress, staffing shortages or liquidity challenges, file for bankruptcy protection, go out of business, or suffer disruptions in their business due to the COVID-19 outbreak. For example, the failure of any third-party technology provider to provide continuous and uninterrupted service could result in disruptions in our websites, services and products or network systems. The full extent of the impact of COVID-19 on these third-party partners continues to evolve and is uncertain.

If a significant percentage of our workforce, or the workforces of our suppliers and other third-party partners, is unable to work, whether because of illness, quarantine, limitations on travel or other government restrictions in connection with COVID-19, our operations may be negatively impacted. We also depend on senior management and other key personnel and consultants, and the illness of certain personnel or consultants could result in the loss of expertise and negatively affect our operations, brand image and goodwill.

The widespread health crisis also could adversely affect the economies and financial markets of many countries in which we operate, resulting in an economic downturn that could affect consumer demand for our products and services. Our customer purchasing patterns can be influenced by economic factors. The precise impact, and extent thereof, on our business from the disruption of financial markets and the weakening of overall economic conditions cannot be predicted with certainty. Uncertainties regarding the economic impact of COVID-19 have resulted in, and are likely to continue to result in, sustained impact on the economy. Our business is particularly sensitive to reductions in discretionary consumer spending, which may be adversely impacted by a recession or fears of a recession, volatility and declines in the stock market and increasingly pessimistic consumer sentiment due to perceived or actual economic and/or health risks. Consumers may shift purchases to lower-priced or other perceived value offerings during economic downturns. Prolonged unfavorable economic conditions, including as a result of COVID-19, and any resulting recession or slowed economic growth, may have an adverse effect on our financial condition and results of operations.

Due to the negative impact of COVID-19, and the uncertainty of the full extent of the magnitude and duration of such impact on our business and the economies and financial markets in which we operate, in fiscal 2020 we implemented a \$100.0 million cost-savings initiative with respect to our cost structure. In connection with this initiative, we instituted a number of measures throughout our operations to mitigate such expenses and reduce costs as well as ensure liquidity and the availability of our Revolving Credit Facility. While our fiscal 2020 cost-savings initiative was sufficient to address our liquidity needs in fiscal 2020, the evolving and uncertain economic impact of COVID-19 may impact our liquidity going forward. To the extent that we do not successfully manage our costs, our liquidity and financial results, as well as our ability to access our Revolving Credit Facility, may be adversely affected.

While emerging and evolving regulations impact our effective tax rate, and while we anticipate receiving certain benefits thereunder in the future, given the uncertainty of the regulatory environment, we cannot predict with certainty whether we will receive any such benefits in the future, or the extent to which we will receive such benefits, if at all.

If we are unable to generate sufficient cash or to access liquidity at the time and on terms we may require, we may encounter difficulty funding our business requirements including debt repayments when due. We may not be

able to access liquidity, including our Revolving Credit Facility, or the terms and conditions of available credit may be substantially more expensive than previously expected due to changes in our operating results and general financial conditions and credit markets. We may require waivers or amendments to our existing long-term debt and these requirements may trigger pricing increases from lenders for available credit. Reductions in our liquidity position and the need to use capital for other day to day requirements of our business may affect a number of our business initiatives and long-term investments and as a result we may be required to curtail and/or postpone business investments as well as other initiatives that require capital investment.

We previously implemented emergency pay policies and have taken other compensation and benefit actions to support our employees during the COVID-19 business interruption, but those actions may not be sufficient to compensate them for the entire duration of any business interruption resulting from COVID-19. Due to the negative impact of COVID-19, and the uncertainty of the magnitude and duration of such impact on our business and the economies and financial markets in which we operate, we also previously implemented temporary compensation reductions for certain employees and may need to do so again in the future. Any such impacted employees might seek and find other employment, or might otherwise choose not to return to their positions. This could impact our recruitment or retention of employees, and also could materially adversely affect our ability to properly staff and re-open our studio locations with experienced teams when the business interruptions caused by COVID-19 abate or end.

The COVID-19 pandemic (including governmental responses, broad economic impacts and market disruptions) has heightened the risks related to the other risk factors described herein.

Competition from other weight management and wellness industry participants or the development of more effective or more favorably perceived weight management methods could result in decreased demand for our services and products.

The weight management and wellness marketplace is highly competitive. We compete against a wide range of providers of weight management services and products. Our competitors include: commercial weight management programs; weight loss and wellness apps; surgical procedures; the pharmaceutical industry; the genetics and biotechnology industry; self-help weight management regimens and other self-help weight management products, services and publications, such as books, magazines, websites, and social media influencers and groups; dietary supplements and meal replacement products; healthy living services, coaching, products, content and publications; weight management services administered by doctors, nutritionists and dietitians; government agencies and non-profit groups that offer weight management services; fitness centers; and national drug store chains. As we or others develop new or different weight management services, products, methods or technologies, additional competitors may emerge. Furthermore, existing competitors may enter new markets or expand their offerings or advertising and marketing programs. More effective or more favorably perceived diet and weight and healthy living management methods, including pharmaceutical treatments, fat and sugar substitutes or other technological and scientific advancements in weight management methods, also may be developed. This competition may reduce demand for our services and products.

The purchasing decisions of weight management and healthy living consumers are highly subjective and can be influenced by many factors, such as brand image, marketing programs, cost, social media presence and sentiment, consumer trends, the digital platform, content and user experience, and perception of the efficacy of the service and product offerings. Moreover, consumers can, and frequently do, change approaches easily and at little cost. For example, fad diets and weight loss trends, such as low-carbohydrate diets, have adversely affected our revenues from time to time. Also, in recent years, our revenue was adversely affected by the popularity of mobile technology, which has led to increased trial of free weight management apps and activity monitors. Any decrease in demand for our services and products may adversely affect our business, financial condition or results of operations.

A failure to continue to retain and grow our subscriber base could adversely affect our results of operations and business.

Subscriptions to our businesses generate a substantial portion of our revenue, and our future growth depends upon our ability to retain and grow our subscriber base and audience. To do so will require us to continue to evolve our subscription model, address changing consumer demands and developments in technology and improve our products while continuing to provide our members with guidance, compelling content, and an inspiring community to enable them to develop healthy habits. We have invested and will continue to invest significant resources in these

efforts, but there is no assurance that we will be able to successfully maintain and increase our subscriber base or that we will be able to do so without taking steps such as reducing pricing or incurring subscription acquisition costs that would affect our subscription revenues, margin and/or profitability.

If we do not continue to develop new, innovative services and products or if our services, products or brands do not continue to appeal to the market, or if we are unable to successfully expand into new channels of distribution or respond to consumer trends, our business may suffer.

The weight management and wellness marketplace is subject to changing consumer demands based, in large part, on the efficacy and popular appeal of weight management and healthy living programs. The popularity of weight management and healthy living programs is dependent, in part, on their ease of use, cost and channels of distribution as well as consumer trends. For example, consumers are increasingly focusing on more integrated lifestyle and fitness approaches and may associate our program with just food, nutrition and diet, which could adversely impact its popularity. Our future success depends on our ability to continue to develop and market new, innovative services and products and to enhance our existing services and products, each on a timely basis, to respond to new and evolving consumer demands, achieve market acceptance and keep pace with new nutritional, weight management, healthy living, technological and other developments. We may not be successful in developing, introducing on a timely basis or marketing any new or enhanced services and products. Additionally, new or enhanced services or products may not appeal to the market or the market's perception of us. As we announce new articulations of our brands, such as our evolution from Weight Watchers to WW in 2018, and we adopt new trademarks, the marketplace may not embrace or accept them and it may take time to build their reputation and goodwill, both with consumers and with our partners. Our future success also will depend, in part, on our ability to successfully distribute our services and products through appealing channels of distribution, such as social media. Our failure to develop new, innovative services and products and to enhance our existing services and products, the failure of our services, products or brands to continue to appeal to the market or the failure to expand into appealing new channels of distribution could have an adverse impact on our ability to attract and retain members and subscribers and thus adversely affect our business, financial condition or results of operations.

We may not be able to successfully implement our strategic initiatives, which could adversely impact our business, financial conditions or results of operations.

We are continually evaluating changing consumer preferences and the competitive environment of the weight management and healthy living marketplace and seeking out opportunities to improve our performance through the implementation of selected strategic initiatives. The goal of these efforts is to develop and implement a comprehensive and competitive business strategy that addresses those changes. Over the past several years, we have increased our focus on overall health and wellness. We may not be able to successfully implement our strategic initiatives and realize the intended business opportunities, growth prospects, including new business channels, and competitive advantages. Our efforts to capitalize on business opportunities may not bring the intended results. Assumptions underlying expected financial results or consumer demand and receptivity may not be met or economic conditions may deteriorate. We also may be unable to attract and retain highly qualified and skilled personnel to implement our strategic initiatives. If these or other factors limit our ability to successfully execute our strategic initiatives, our business activities, financial condition or results of operations may be adversely affected.

We continually innovate our digital offerings and experiences for our members. For example, in March 2020 we suspended our in-person workshops in response to COVID-19, and in December 2020, we expanded our offerings and introduced Digital 360, a new digitally-enabled, community-focused and coach-led membership plan. Such new offerings may not have the same success, or gain traction as quickly, as our past offerings. This increased focus on more digitally-enabled offerings may not be successful in meeting the needs or preferences of many of our current or potential members. As a result, we may experience decreases in our recruitment and retention of members, or increased member cancellations. Additionally, we may also find it difficult to transition our coaches from in-person coaching to virtual coaching, which may negatively affect our ability to properly staff virtual workshops with experienced coaches. We may not be able to successfully launch our new virtual or other digital offerings and realize the intended business opportunities, growth prospects, including new business channels, and competitive advantages of our digital transformation. Assumptions underlying expected financial results or consumer demand and receptivity may not be met or economic or consumer conditions may deteriorate, including as a result of the impact of COVID-19, and may adversely impact our ability to continue to successfully implement this

digital strategy. If these or other factors limit our ability to successfully execute this strategic initiative, our business, financial conditions or results of operations may be adversely impacted.

Our business depends on the effectiveness of our advertising and marketing programs, including the strength of our social media presence, to attract and retain members and subscribers.

Our business success depends on our ability to attract and retain members and subscribers. Our ability to attract and retain members and subscribers depends significantly on the effectiveness of our advertising and marketing practices. For example, if our advertising and marketing programs are not effective and fail to attract sufficient recruitments during the first quarter of the fiscal year, our most important period for recruitments, it historically has had an outsized negative impact on our performance for the remainder of the year. In addition, from time-to-time, we use the success stories of our members and subscribers, and utilize brand ambassadors, spokespersons and social media influencers, including in some cases celebrities, in our advertising and marketing programs to communicate on a personal level with consumers. Actions taken by these individuals that harm their personal reputation or image, or include the cessation of using our services and products, could have an adverse impact on the advertising and marketing campaigns in which they are featured. We and our brand ambassadors, spokespersons and social media influencers also use social media channels as a means of communicating with consumers. Unauthorized or inappropriate use of these channels could result in harmful publicity or negative consumer experiences, which could have an adverse impact on the effectiveness of our marketing in these channels. In addition, substantial negative commentary by others on social media platforms could have an adverse impact on our reputation and ability to attract and retain members and subscribers. If our advertising and marketing campaigns do not generate a sufficient number of members and subscribers, our business, financial condition and results of operations will be adversely affected.

Our reputation could be impaired due to actions taken by our franchisees, licensees, suppliers and other partners.

We believe that our brands, including their widespread recognition and strong reputation and goodwill in the market, are one of our most valuable assets and they provide us with a competitive advantage. Our franchisees operate their businesses under our brands. We license our trademarks to third parties for the manufacture and sale in retail stores by such parties of a variety of goods, including food products, and also co-brand or endorse third-party branded consumer services and products. We also sell through a variety of channels, including online through our e-commerce platforms, at our studios and through our trusted partners, food and non-food products manufactured by third-party suppliers. In addition, we integrate our services and products with those of other third parties, including through bundled offerings. Our third-party partnerships also extend to event sponsorships, co-promotions, and retail pop-ups. Our franchisees, licensees, suppliers and other partners are independent third parties with their own financial objectives, third-party relationships and brand associations. Actions taken by them, including violations of generally accepted ethical business practices or breaches of law or contractual obligations, such as not following our program or not maintaining our quality and safety standards, could harm our reputation. Also, our products may be subject to product recalls, brand confusion, litigation or other deficiencies, which could harm our brands. Any negative publicity associated with these actions or these third parties would adversely affect our reputation and may result in decreased recruitment, Digital product subscriptions, workshop attendance and product sales and, as a result, lower revenues and profits.

We may be required to recognize asset impairment charges for indefinite- and definite-lived assets.

In accordance with GAAP (as defined hereafter), we perform impairment reviews of our indefinite-lived assets, which include franchise rights acquired and goodwill, on at least an annual basis or more often if events so require. We also continually evaluate whether current factors or indicators, such as the deterioration in relevant, country macroeconomic conditions, an increased competitive environment, a decline in our financial performance, and/or other prevailing conditions in the capital markets, require the performance of an interim impairment assessment of those assets. The process of testing franchise rights acquired, goodwill and other indefinite-lived assets for impairment involves numerous judgments, assumptions and estimates made by management which inherently reflect a high degree of uncertainty. Certain factors, including the future profitability of our businesses, the price of our common stock, the market value of our debt and macroeconomic conditions (both at the global and local levels), might have a negative impact on the fair value of these assets. In fiscal 2020, we recorded a \$3.7 million impairment charge for goodwill related to our Brazil reporting unit. We may incur additional impairment

charges in the future, which would have an adverse impact on our results of operations. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies” in Part II of this Annual Report on Form 10-K for additional information.

Additionally, we evaluate definite-lived assets, both tangible, which includes our physical plant and equipment, and intangible, which includes both internally developed and purchased software, for impairment by comparing the net realizable value of the asset to the carrying value of the capitalized cost. If the value of those assets is not deemed to be recoverable, an assessment of the fair value of those assets is performed and, to the extent the carrying value exceeds the fair value, an impairment charge is recognized. Should our investment in capitalized definite-lived assets become impaired, there would also be an adverse impact on our results of operations.

Loss of key personnel, strategic partners or consultants or failure to effectively manage and motivate our workforce could negatively impact our sales of services and products, business, financial condition and results of operations.

We depend on senior management and other key personnel and consultants, and the loss of certain personnel or consultants could result in the loss of management continuity and institutional knowledge and negatively affect our operations, brand image and goodwill. In October 2015, Ms. Winfrey and the Company began a long-term, strategic partnership, which included her making a substantial equity investment in the Company, joining our Board of Directors, providing certain consulting services and granting us the right to use her name and marks. For additional details on these consulting services and rights and the applicable term during which we may benefit, see “Item 1. Business—History—Winfrey Transaction” of this Annual Report on Form 10-K. Our ability to maintain our brand image and leverage the goodwill associated with Ms. Winfrey’s name may be damaged if we were to lose her services or if the nature of our partnership changes. The loss of Ms. Winfrey’s services or partnership with us for any reason (including as a result of her death or disability), any negative market or industry perception with respect to her or her participation in the Company’s programs, or the failure by Ms. Winfrey to provide services in her discretion to promote the Company, our programs, services and products or to consult with us and participate in developing, planning, executing and enhancing our programs and related initiatives, all in accordance with our strategic partnership arrangements with her, could have an adverse effect on our business, financial condition and results of operations.

We also depend heavily upon our coaches and guides to support our customers in their weight management efforts. If we fail to appropriately manage and motivate our coaches and guides, we may not be able to adequately service our customers which could negatively impact our sales of services and products. Changes in factors such as overall unemployment levels, local competition for qualified personnel, prevailing wage rates and employment law, as well as rising employee benefits costs, including insurance in the areas in which we operate, could increase our labor costs and interfere with our ability to adequately retain qualified individuals to provide support to customers. Additionally, our inability to attract and retain qualified coaches and guides could delay or hinder our successfully executing our strategic initiatives.

The inability to renew certain of our licenses, or the inability to do so on terms that are favorable to us, could have an adverse effect on our financial results.

We have entered into licensing, co-branding and endorsement relationships with numerous partners for the distribution and sale of certain products and services that are relevant and helpful to weight- and health-conscious consumers. These arrangements are typically for fixed terms, following which the parties decide whether to extend the term of the arrangement. There is no guarantee that we will reach mutually agreeable terms with our partners for extending an arrangement. Similarly, in those instances where a licensee enjoys the option to extend the term of a license as a result of having achieved certain conditions, there is no guarantee that the licensee will avail itself of such option. Our financial results could be adversely affected if we are unable to extend a licensing, co-branding or endorsement arrangement, if we are unable to do so on terms favorable to us, or if we cannot locate a suitable alternative to an incumbent licensee who has decided not to renew its arrangement.

Expiration or early termination by us of leases could have an adverse impact on our financial results.

Our operations, including corporate offices, are located in leased office space and many of our workshops are held in leased space in retail centers. As leases expire, we may not be able to renew them on acceptable terms or secure suitable replacement locations. As we decide to relocate or close studios before the expiration of the

applicable lease term, we may incur payments to landlords to terminate or “buy out” the remaining term of the lease. For example, in fiscal 2020 we recorded an \$8.0 million charge in connection with the closure of certain studios. Any of the above events could adversely impact our financial results.

Our business may decline as a result of a downturn in general economic conditions or consumer confidence.

Our business is highly dependent on product subscriptions, workshop fees and product sales. A downturn in general economic conditions or consumer confidence in any of our markets could result in people curtailing or reallocating their discretionary spending which, in turn, could reduce product subscriptions, attendance at our workshops and product sales. Any reduction in consumer spending may adversely affect our business, financial condition or results of operations.

We may not successfully make acquisitions or enter into joint ventures and we may not successfully integrate, operate or realize the anticipated benefits of such businesses.

As part of our strategic initiatives, we may pursue selected acquisitions or joint ventures. We may not be able to effect these transactions on commercially reasonable terms or at all. Any future acquisitions or joint ventures may require access to additional capital, and we may not have access to such capital on commercially reasonable terms or at all. Even if we enter into these transactions, we may not realize the benefits we anticipate or we may experience difficulties in integrating any acquired companies, technologies and products into our existing business or in providing our services and products in newly acquired markets; attrition of key personnel from acquired businesses; significant charges or expenses; higher costs of integration than we anticipated; or unforeseen operating difficulties that require significant financial and managerial resources that would otherwise be available for the ongoing development of our services and products or the expansion of our existing operations.

Our ability to influence the control of, or distributions from, our joint ventures may be limited by contract or otherwise. If any of the other investors in one of our joint ventures fails to observe its commitments, or its interests are different than ours, the joint venture may not be able to operate according to its business plan, we may be required to increase our level of commitment, or such entities may take actions which are not in our best interest. If we are unable to maintain our relationships with our joint venture partners, we could lose our ability to operate in the geographies and/or markets in which they operate, which could have an adverse effect on our business, financial condition or results of operations.

Consummating these transactions could also result in the incurrence of additional debt and related interest expense, as well as unforeseen contingent liabilities, all of which could have an adverse effect on our business, financial condition or results of operations. We may also issue additional equity in connection with these transactions, which would dilute our existing shareholders.

The seasonal nature of our business could cause our operating results to fluctuate.

We have experienced and expect to continue to experience fluctuations in our quarterly results of operations due to the seasonal nature of our business. Historically, the first quarter of the fiscal year, known as our winter season, is the most important quarter for recruitments. Given the subscription nature of our products, failure to realize recruitments during the winter season could negatively impact our performance for the remainder of the year. Seasonality also impacts relative revenue and profitability of each quarter of the year, both on a quarter-to-quarter and year-over-year basis. This seasonality could cause our share price to fluctuate as the results of an interim financial period may not be indicative of our full year results.

Any event that discourages or impedes people from gathering with others, whether at a gathering place, work or otherwise, or accessing resources could adversely affect our business.

Our business is subject to conditions beyond our control, including extreme weather, terrorism, health epidemics (such as the COVID-19 pandemic), loss of resources such as electricity and internet connections, national disasters and other extraordinary events, that may prevent or impede in-person or virtual workshop attendance or accessing our Digital products. These conditions could also impact the ability of our suppliers and other third party partners to meet their obligations to us and negatively impact our ability to provide our products and services to customers. The occurrence of any event that discourages people from gathering with others or impedes their ability to access our services and products could adversely affect our business, financial condition or results of operations.

If we do not maintain effective internal control over financial reporting, we could fail to report our financial results accurately.

Effective internal control over financial reporting is necessary for us to provide reliable financial reports. In the past we have discovered, and in the future we may discover, areas of our internal control over financial reporting that need improvement. In the future, if we identify a control deficiency that rises to the level of a material weakness in our internal controls over financial reporting, this material weakness may adversely affect our ability to record, process, summarize and report financial information timely and accurately and, as a result, our financial statements may contain material misstatements or omissions. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Risks Related to Our Liquidity

Our substantial amount of debt and our debt service obligations, as well as our exposure to variable rate indebtedness, could adversely affect our financial condition, and the restrictions of our debt covenants could impede our operations and flexibility.

As of January 2, 2021, our total debt was \$1,509.0 million. In addition, at January 2, 2021, we had \$173.8 million available under our revolving credit facility. \$1,209.0 million of our debt consists of variable-rate instruments so we are subject to the risk of higher interest rates. We seek to manage our exposure to interest rates through interest rate swaps. At the end of fiscal 2020, we had in effect interest rate swaps with an aggregate notional amount of \$750.0 million.

Our high degree of debt leverage could have significant consequences, including the following:

- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates because certain of our borrowings, including the borrowings under our credit facilities, are at variable rates of interest;
- making it more difficult for us to make payments and otherwise satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default;
- restricting our ability and flexibility to make strategic acquisitions and to take advantage of other strategic opportunities to grow our business funded by significant additional indebtedness or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and other general corporate purposes;
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who may be less leveraged or may have greater financial resources than us;
- increasing our vulnerability to general adverse economic and industry conditions; and
- limiting, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds on commercially reasonable terms, if at all.

Our credit facilities and the indenture governing our notes permit us to incur additional indebtedness in the future. If we incur additional indebtedness, the risks we face as a result of our leverage could intensify.

While there is no net debt to EBITDA (earnings before interest, taxes, depreciation and amortization) leverage ratio maintenance requirement on the debt outstanding under our credit facilities (other than when the aggregate principal amount of our outstanding revolving loans plus letters of credit exceeds 33 1/3% of the amount of the lenders' revolving commitments, as further discussed below), our credit facilities and the indenture governing our notes contain customary covenants for a non-investment grade company, including covenants that in certain

circumstances restrict our ability to incur additional indebtedness and liens, pay dividends on and redeem capital stock, make investments, sell our assets and enter into acquisitions, mergers and transfers of all or substantially all of our assets, prepay subordinated debt and enter into transactions with affiliates, in each case subject to baskets, thresholds and other exceptions. Under the terms of our credit facilities, depending on our leverage ratio, we are obligated to offer to prepay our term loan facilities in an aggregate amount determined by our excess cash flow. In addition, our revolving credit facility includes a maintenance covenant that requires compliance with certain first lien secured net leverage ratios when the aggregate principal amount of all revolving loans plus available, undrawn letters of credit and unreimbursed letters of credit (subject to customary exceptions and thresholds) as of the end of a fiscal quarter exceeds 33 1/3% of the amount of the lenders' revolving commitments.

Our failure to comply with these covenants could result in an acceleration of our debt, cause cross-defaults under our other debt, lead to the foreclosure on assets collateralizing secured debt (and the lenders of that secured debt would rank ahead of the holders of unsecured debt, including our notes, in the proceeds of those assets) and result in our lenders terminating all commitments to extend further credit. If our indebtedness is accelerated, we may not be able to repay our indebtedness, and we may not be able to borrow sufficient funds to refinance such indebtedness. Any such prepayment or refinancing could adversely affect our financial condition and liquidity. In addition, if we incur additional debt in the future, we may be subject to additional covenants, which may be more restrictive than those to which we are currently subject.

Additionally, borrowings under our credit facilities are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness may increase even though the amount borrowed remains the same, if our then-effective swaps, if any, do not reduce our exposure. In addition, certain of our variable rate indebtedness uses LIBOR as a benchmark for establishing the rate of interest. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The consequences of these developments cannot be entirely predicted, but could include an increase in the cost of our variable rate indebtedness. In the event that LIBOR is phased out, our Credit Agreement (defined hereafter) provides that the Company and the administrative agent may amend the Credit Agreement to replace the LIBOR definition therein with a successor rate subject to certain conditions. We may also need to renegotiate our other variable rate indebtedness that utilizes LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established.

We may not be able to generate sufficient cash to service all of our debt and satisfy our other liquidity requirements.

Our ability to make scheduled payments on or to refinance our debt obligations and to fund our planned capital expenditures and other ongoing liquidity needs depends on our future performance, which may be affected by financial, business, economic, demographic and other factors, such as attitudes toward weight management and wellness programs and pressure from our competitors. As of the end of fiscal 2020, we have a term loan facility with an outstanding aggregate principal amount of \$1,509.0 million due in November 2024, a revolving credit facility with availability of \$173.8 million and \$300.0 million in aggregate principal amount of outstanding 8.625% senior notes due in December 2025. We expect to pay the principal and interest due on the term loan facility and our notes from a combination of our cash flows provided by operating activities and by opportunistically using other means to repay or refinance our obligations as we determine appropriate. There can be no assurance that we will maintain a level of cash flows provided by operating activities in an amount sufficient to permit us to pay the principal and interest on all of our outstanding debt.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability, if any, to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt, if available on acceptable terms or at all, could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any deterioration in our performance may result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness or our ability to refinance our debt obligations on favorable terms or at all.

Risk Related to Technology, Security and Intellectual Property

Any failure of our technology or systems to perform satisfactorily could result in an adverse impact on our business.

We rely on software, hardware, network systems and similar technology, including cloud-based technology, that is either developed by us or licensed from or maintained by third parties to operate our websites, Digital subscription product offerings and other services and products such as the recurring billing system associated with certain of our commitment plans, and to support our business operations. As much of this technology is complex, there may be future errors, defects or performance problems, including when we update our technology or integrate new technology to expand and enhance our capabilities. Our technology may malfunction or suffer from defects that become apparent only after extended use. The integrity of our technology may also be compromised as a result of third-party cyber-attacks, such as hacking, spear phishing campaigns and denial of service (DOS) attacks, which are increasingly negatively impacting companies. In addition, our operations depend on our ability to protect our information technology systems against damage from third-party cyber-attacks, fire, power loss, water, earthquakes, telecommunications failures and similar unexpected adverse events. Disruptions in our websites, services and products or network systems could result from a number of factors, including unknown technical defects, insufficient capacity, the failure of our third-party providers to provide continuous and uninterrupted service and unusual volume in traffic for our platforms. Such disruptions would be most impactful if they occurred during peak activity periods and may impact accessibility to our services and products. While we maintain disaster recovery capabilities to return to normal operation in a timely manner, and we deploy multiple parallel instances of our applications across multiple computer resources, we do not have a fully redundant system that includes an instantaneous recovery capability. In the event we experience significant disruptions, we may be unable to repair our systems in an efficient and timely manner, which could have an adverse impact on our business.

As a result of such possible defects, failures, interruptions or other problems, our services and products could be rendered unreliable or be perceived as unreliable by customers, which could result in harm to our reputation and brands. Any failure of our technology or systems could result in an adverse impact on our business.

Our reputation and the appeal of our services and products may be harmed by data security breaches or privacy concerns.

Breaches of data security, website defacements and other malicious acts, which are increasingly negatively impacting companies, could result in unauthorized access to proprietary or customer information or data, including credit card transaction data, or cause interruptions to our services and products. Such unauthorized access or interruptions could harm our reputation and brands and expose us to liability claims, and may result in the loss of existing or potential customers. We rely upon sophisticated information technology systems to operate our business. In the ordinary course of business, we collect, store and utilize confidential information (including, but not limited to, personal customer information and data), and it is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information as well as comply with applicable regulatory requirements and contractual obligations.

We also have outsourced significant elements of our information technology infrastructure and, as a result, we are managing many independent vendor relationships with third parties who may or could have access to our confidential information. The size and complexity of our information technology and information security systems, and those of our third-party vendors with whom we contract, make such systems potentially vulnerable to security breaches. While we have invested, including by maintaining cybersecurity insurance coverage, and developed systems and processes designed to protect such proprietary or customer information or data, these measures are costly, and there can be no assurance that our efforts will prevent service interruptions or security breaches.

Existing, proposed or new data privacy legislation and regulations, including interpretations thereof, could also significantly affect our business. For example, the European General Data Protection Regulation (GDPR) took effect in May 2018 and includes increased privacy and security requirements for companies that receive or process personal data of residents of Europe. As a result, we have implemented measures to comply with these requirements, including, among other things, documenting our data processing activities and informing users about how we use their personal data. We also obtain consent and/or offer new controls to existing and new users in Europe before processing data for certain aspects of our services and products. In addition, the GDPR requires submission of personal data breach notifications to our designated European privacy regulator. The GDPR also includes significant penalties for non-compliance with any of several requirements of the regulation. Data protection and privacy laws have also been enacted by the U.S. federal and state governments, including the California Consumer Privacy Act (CCPA), which became effective on January 1, 2020, the Health Insurance Portability and Accountability Act (HIPAA), and other relevant statutes. These laws also typically include notification obligations and impose significant penalties and potential liability for non-compliance. The data privacy and security regulatory regime continues to evolve and is increasingly demanding. Many states are considering privacy and security legislation and there are ongoing discussions regarding a national privacy law. Variations in requirements across jurisdictions could present compliance challenges, and any failures to comply with such requirements may have an adverse effect on our business or results of operations.

Further, many jurisdictions require that customers be notified if a security breach results in the disclosure of their personal financial account or other information, and additional jurisdictions and governmental entities are considering such laws. In addition, other public disclosure laws may require that material security breaches be reported. If we experience, or in certain cases suspect, a security breach and such notice or public disclosure is required in the future, our reputation, brands and business may be harmed. Prospective and existing customers and clients may have concerns regarding our use of private information or data collected on our apps and websites or through our services and products, such as weight management information, financial data, email addresses and home addresses. These privacy concerns could keep customers and clients from using our apps and websites or purchasing our services or products, and third parties from partnering with us.

While no cybersecurity breach or attack to date has had a material impact on our business or results of operations, there can be no assurance that our efforts to maintain the security and integrity of our information technology networks and related systems will be effective or that attempted security breaches or disruptions would not be successful or damaging. In addition, the transmission of computer viruses, or similar malware, could adversely affect our information technology systems and harm our business operations. As a result, it may become necessary to expend significant additional amounts of capital and other resources to protect against, or to alleviate, problems caused by security breaches. These expenditures, however, may not prove to be a sufficient protection or remedy.

Third parties may infringe on our brands and other intellectual property rights, which may have an adverse impact on our business.

We currently rely on a combination of trademark, copyright, trade dress, trade secret, patent and other intellectual property laws and domain name dispute resolution systems to establish and protect our proprietary rights, including our brands and technology. If we fail to successfully enforce our intellectual property rights, the value of our brands, services and products could be diminished and our business may suffer. Our precautions may not prevent misappropriation of our intellectual property, including reverse engineering of technology, particularly in foreign countries where laws or law enforcement practices may not protect our proprietary rights as fully as in the United States. Any legal action that we may bring to protect our brands and other intellectual property could be unsuccessful and expensive and could divert management's attention from other business concerns. In addition, legal standards relating to the validity, enforceability and scope of protection of intellectual property, especially in Internet-related businesses, are uncertain and evolving. These evolving legal standards may not sufficiently protect our intellectual property rights in the future.

We may be subject to intellectual property rights claims.

Third parties may make claims against us alleging infringement of their intellectual property rights. Any intellectual property claims, regardless of merit, could be time-consuming and expensive to litigate or settle and could significantly divert management's attention from other business concerns. In addition, if we were unable to successfully defend against such claims, we may have to pay damages, stop selling the service or product or stop using the software, technology or content found to be in violation of a third party's rights, seek a license for the infringing service, product, software, technology or content or develop alternative non-infringing services, products, software, technology or content. If we cannot license on reasonable terms, develop alternatives or stop using the service, product, software, technology or content for any infringing aspects of our business, we may be forced to limit our service and product offerings. Any of these results could reduce our revenues or our ability to compete effectively, increase our costs or harm our business.

Risks Related to Our International Operations, Litigation, Laws and Regulations

Our international operations expose us to regulatory, economic, political, social and intellectual property risks in the countries in which we operate.

The international nature of our operations involves a number of risks, including changes in U.S. and foreign regulations, tariffs, taxes and exchange controls; economic downturns; inflation and political and social instability in the countries in which we operate; weakening or loss of the protection of intellectual property rights in some countries and limitations on our ability to enforce our intellectual property rights under some local laws; and our dependence on foreign personnel. For example, during the second quarter of fiscal 2016, the United Kingdom voted by referendum to exit the European Union, commonly referred to as "Brexit." On January 31, 2020, the United Kingdom ceased to be part of the European Union and the transition period ended on December 31, 2020. While the United Kingdom and the European Union announced on December 24, 2020 that they have reached agreement on a new Trade and Cooperation Agreement, which addresses the future relationship between the parties, Brexit has and continues to create general economic uncertainty in the United Kingdom and European Union. The effects of Brexit could have an adverse impact on our business, results of operations, financial condition, and/or cash flows, particularly with respect to our United Kingdom reportable segment.

Foreign regulations may also restrict our ability to operate in some countries, acquire new businesses, recur bill our customers or repatriate cash from foreign subsidiaries back to the United States. If we expand our operations into additional foreign countries, we may be subject to additional risks, including the ability to successfully adapt to local culture and navigate regulatory, economic, political, social and intellectual property risks. We cannot be certain that we will be able to enter and successfully compete in additional foreign markets or that we will be able to continue to compete in the foreign markets in which we currently operate.

We are exposed to foreign currency risks from our international operations that could adversely affect our financial results.

A significant portion of our revenues and operating costs are denominated in foreign currencies. We are therefore exposed to fluctuations in the exchange rates between the U.S. dollar and the currencies in which our foreign operations receive revenues and pay expenses. We do not currently hedge, and have not historically hedged, our exposure to foreign currency fluctuations. Our consolidated financial results are presented in U.S. dollars and therefore, during times of a strengthening U.S. dollar, our reported international revenues and earnings will be reduced because the local currency will translate into fewer U.S. dollars. In addition, the assets and liabilities of our non-U.S. subsidiaries are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated into U.S. dollars at the average exchange rate for the period. Translation adjustments arising from the use of differing exchange rates from period to period are recorded in shareholders' equity as accumulated other comprehensive income (loss). Translation adjustments arising from intercompany receivables and payables with our foreign subsidiaries are generally recorded as a component of other expense (income). Accordingly, changes in currency exchange rates will cause our revenues, operating costs, net income and shareholders' equity to fluctuate. For example, these changes had a negative impact on our fiscal 2019 financial results.

Outcomes of litigation or regulatory actions could adversely impact our financial condition.

From time to time, we may be a party to lawsuits and regulatory actions relating to our business operations. Due to the inherent uncertainties of legal actions and regulatory proceedings, we cannot predict their outcomes with certainty. Therefore, it is possible that our results of operations, financial condition or cash flows could be adversely affected by the unfavorable resolution of one or more legal or regulatory actions. For example, the previously disclosed adverse UK tax ruling relating to our self-employment model in the United Kingdom resulted in an aggregate adverse charge of approximately \$37.0 million in fiscal 2009. As we expand our wellness offerings, consumers may misconstrue our program as providing medical advice. As we clearly state in our consumer communications, most of our coaches and guides do not have extensive training or certification in nutrition, diet or health fields beyond the training they receive from us. Despite our disclaimers, as more customers come to us seeking a healthy lifestyle, they may misperceive that our coaches and guides are providing medical advice. We may also be subject to claims that our coaches and guides have provided inappropriate advice or have inappropriately referred or failed to refer customers to health care providers when needed. Regardless of the outcome of any legal action or regulatory proceeding, such actions and proceedings could result in substantial costs and may require that our management devote substantial time and resources to defend us.

Our business is subject to legislative and regulatory restrictions.

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 FTC and FDA, regulate and enforce such laws and regulations relating to advertising and marketing, promotions, packaging, labeling, privacy, consumer pricing and billing arrangements, and other consumer protection matters. A determination by a federal, state or foreign agency, or a court in connection with a governmental enforcement action or private litigation, that any of our practices do not meet existing or new laws or regulations could result in liability, adverse publicity, and restrictions on our business operations. For example, 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. Subsequent to our 2018 acquisition of Kurbo, we became subject to additional obligations under the Children's Online Privacy Protection Act (COPPA) and other applicable laws and regulations enforced by the FTC and other agencies.

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 employees, coaches and guides. If we are required to comply with new laws or regulations or interpretations of existing laws and regulations that differ from our interpretations, are unable to comply with these laws, regulations or interpretations, or are subject to litigation with respect to these laws, regulations or interpretations, our business and results of operations could be adversely affected.

Laws and regulations directly applicable to communications, operations or commerce over the Internet, such as those governing intellectual property, privacy and taxation, continue to evolve. Recent examples include the enactment of the GDPR and the CCPA. If we are required to comply with new laws or regulations or interpretations of existing laws or regulations that differ from our interpretations, or if we are unable to comply with these laws, regulations or interpretations, our business and results of operations could be adversely affected.

Future laws or regulations, including laws or regulations affecting our advertising and marketing practices, consumer pricing and billing arrangements, relations with consumers, employees, coaches, guides, brand ambassadors, spokespersons, social media influencers, licensees or franchisees, or our services and products, may have an adverse impact on us.

Risks Related to Ownership of Our Common Stock

Artal has significant influence over us and may have conflicts of interest with us or the holders of our common stock.

Artal owns approximately 22% of our outstanding common stock and has the ability to exercise significant influence over the election and removal of our directors and our corporate and management policies, including potential mergers or acquisitions, payment of dividends, asset sales, the amendment of our articles of incorporation or bylaws and other significant corporate transactions. This concentration of our ownership may delay or deter possible changes in control of our company, which may reduce the value of an investment in our common stock. So long as Artal owns 10% or more of our common stock, Artal will have the right pursuant to an agreement with us to nominate directors to our Board of Directors in proportion to its stock ownership. The interests of Artal may not coincide with our interests or the interests of other holders of our common stock.

If our existing large shareholders sell a substantial amount of shares of our common stock, the market price of our common stock could decline.

The sale of substantial amounts of shares of our common stock by existing large shareholders, or the perception that such sales could occur, including sales by Artal or Ms. Winfrey, could harm the prevailing market price of shares of our common stock. In fiscal 2018, Artal sold 14,625,000 shares of our common stock and Ms. Winfrey sold 2,359,702 shares of our common stock (including shares transferred by Ms. Winfrey as a gift to The Oprah Winfrey Charitable Foundation that were subsequently sold by such foundation). In fiscal 2020, Ms. Winfrey sold 3,900,512 shares of our common stock (including shares she transferred as a gift to The Oprah Winfrey Charitable Foundation that were subsequently sold by such foundation). These sales, and the possibility that additional sales may occur in the future, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. As of January 2, 2021, we had a total of 68,969,708 shares of our common stock outstanding. Substantially all of our outstanding shares of common stock are freely tradable without restriction or further registration under the Securities Act, except that any shares held by our affiliates, as that term is defined under Rule 144 of the Securities Act and including Artal and Ms. Winfrey, may be sold only in compliance with certain limitations applicable to affiliates.

Our articles of incorporation and bylaws and Virginia corporate law contain provisions that may discourage a takeover attempt.

Provisions contained in our articles of incorporation and bylaws and the laws of Virginia, the state in which we are incorporated, could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our shareholders. Provisions of our articles of incorporation and bylaws impose various procedural and other requirements, which could make it more difficult for shareholders to effect certain corporate actions. For example, our articles of incorporation authorize our Board of Directors to determine the rights, preferences, privileges and restrictions of unissued series of preferred stock, without any vote or action by our shareholders. Thus, our Board of Directors can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our common stock. These rights may have the effect of delaying or deterring a change of control of our company. In addition, a change of control of our company may be delayed or deterred as a result of our having three classes of directors. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We are currently headquartered in New York, New York in a leased office space, with additional corporate, customer support, technology and certain other operations located in leased office spaces elsewhere in the United States and Canada. Each of our foreign country operations generally also has leased or shared office space to support its operations. Our in-person workshops are typically held in space leased in retail centers or in third-party locations (usually meeting rooms in well-located hotels).

Item 3. Legal Proceedings

The information called for by this item is incorporated herein by reference to the legal proceedings disclosure under Note 16 “Commitments and Contingencies” of the notes to the audited consolidated financial statements contained in this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS AND DIRECTORS

Pursuant to General Instruction G(3) to Form 10-K, certain of the information regarding our directors and executive officers required by Items 401(a), (b) and (e) of Regulation S-K is hereby included in Part I of this Annual Report on Form 10-K.

Set forth below are the names, ages and current positions of our executive officers and directors, all as of January 2, 2021. Directors are elected at the annual meeting of shareholders. Executive officers are appointed by, and hold office at, the discretion of our Board of Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mindy Grossman	63	President and Chief Executive Officer, Director
Amy O’Keefe.....	50	Chief Financial Officer
Nicholas P. Hotchkin	55	Chief Operating Officer
Michael F. Colosi.....	55	General Counsel and Secretary
Michael Lysaght	47	Chief Digital Officer
Gail B. Tifford	51	Chief Brand Officer
Raymond Debbane ⁽¹⁾	65	Chairman of the Board of Directors
Steven M. Altschuler, M.D. ⁽¹⁾⁽²⁾	67	Director
Julie Bornstein	50	Director
Tracey D. Brown ⁽²⁾	53	Director
Jennifer Dulski ⁽¹⁾	49	Director
Jonas M. Fajgenbaum	48	Director
Denis F. Kelly ⁽²⁾	71	Director
Julie Rice ⁽³⁾	50	Director
Thilo Semmelbauer ⁽³⁾	55	Director
Christopher J. Sobecki ⁽¹⁾⁽³⁾	62	Director
Oprah Winfrey	66	Director

- (1) Member of Compensation and Benefits Committee.
- (2) Member of Audit Committee.
- (3) Member of Nominating and Corporate Governance Committee.

Mindy Grossman. Ms. Grossman has served as a director and our President and Chief Executive Officer since July 2017. Prior to joining us, she served as Chief Executive Officer of HSN, Inc., an interactive, multichannel retailer of fashion, household and lifestyle products, and a member of its Board of Directors from August 2008 to May 2017. Prior to joining HSN, she served as Chief Executive Officer of IAC Retailing, a business segment of HSN's former parent company, IAC/InterActiveCorp, a media and Internet company, from April 2006 to August 2008, and Global Vice President of Nike, Inc.'s apparel business from October 2000 to March 2006. Earlier in her career, Ms. Grossman held various other executive positions in the retail industry, including President and CEO of Polo Jeans Company, Vice President of New Business Development at Polo Ralph Lauren Corporation, President of Chaps Ralph Lauren, and Senior Vice President of Menswear for Warnaco, Inc. Ms. Grossman is a director of Fanatics, Inc. and was previously a director of Bloomin' Brands, Inc. She also serves as Vice Chairman for UNICEF USA.

Amy O'Keefe. Ms. O'Keefe has served as our Chief Financial Officer since October 2020. Prior to joining us, Ms. O'Keefe served as Chief Financial Officer of Drive DeVilbiss Healthcare Limited, a global manufacturer and distributor of medical products, from March 2017 to June 2020. She previously served as Chief Financial Officer of Savant Systems, LLC, a global designer and developer of home automation and control systems, from April 2015 to December 2016, and Chief Financial Officer of D&M Holdings Inc., a global designer and manufacturer of audio products, from January 2011 to July 2014. Prior to that time, Ms. O'Keefe held several corporate finance positions with The Black & Decker Corporation, including as Divisional Chief Financial Officer for certain divisions, and was a certified public accountant for Ernst & Young LLP. Ms. O'Keefe received a B.B.A. in Accounting from Loyola College.

Nicholas P. Hotchkin. Mr. Hotchkin has served as our Chief Operating Officer since October 2020. In addition to serving as our Chief Financial Officer from August 2012 to September 2020, he served as our Operating Officer, North America from March 2019 to September 2020 and our President, Emerging Markets from March 2018 to September 2020. He also served as a member of our former Interim Office of the Chief Executive Officer from September 2016 to July 2017. Prior to joining us, Mr. Hotchkin had spent several years at Staples, Inc., a global leader in the office supply industry. Most recently, Mr. Hotchkin served as Senior Vice President of Finance for the U.S. Retail division of Staples based in Massachusetts, a position he held from May 2010 to August 2012. Before assuming that position, he had been Senior Vice President of Finance and Treasurer of Staples, a position he held from November 2006 to April 2010. Prior to joining Staples, Mr. Hotchkin held several corporate finance positions with Delphi Corporation and General Motors Corporation including assignments in the United States, Asia and Europe. Mr. Hotchkin received a B.A. in Economics from Harvard College and an M.B.A. from the Harvard Business School.

Michael F. Colosi. Mr. Colosi has served as our General Counsel and Secretary since May 2014. Prior to joining us, Mr. Colosi most recently served as Senior Vice President, General Counsel and Corporate Secretary of Kenneth Cole Productions, Inc. (KCP), a multi-brand retail, wholesale and licensing company, from March 2007 to February 2014. His service as General Counsel and Secretary of KCP commenced in July 2000 and July 2004, respectively. He also served as Corporate Vice President of KCP from July 2000 to February 2007. Prior to joining KCP, Mr. Colosi was Associate General Counsel and Assistant Secretary for The Warnaco Group, Inc., an international apparel company, from 1996 to 2000. Mr. Colosi received a B.A. in Economics and English from Cornell University and a J.D. from The University of Michigan Law School.

Michael Lysaght. Mr. Lysaght has served as our Chief Digital Officer since August 2019. He previously served as our Chief Technology Officer from September 2016 to July 2019, our Senior Vice President of Digital Product Engineering from September 2014 to September 2016 and as Interim Chief Technology Officer from April 2016 to September 2016. Prior to joining us, Mr. Lysaght worked at SecondMarket, Inc. (now Nasdaq Private Market), a platform providing liquidity solutions for private companies, from March 2009 to September 2014, where he most recently held the role of Vice President of Engineering/Head of Technology. He previously was an Independent Consultant working for a variety of startups, telecommunication companies and financial institutions. Mr. Lysaght has a B. Sc. in Computer Science from University College Cork, Ireland.

Gail B. Tifford. Ms. Tifford has served as our Chief Brand Officer since March 2018. Prior to joining us, Ms. Tifford most recently served as Vice President of Media North America and Global Digital Innovation for Unilever PLC, a consumer goods company, from June 2016 to February 2018. Prior to that she served as Unilever's Vice President, Media and Digital Engagement from February 2015 to June 2016 and Senior Director of Media, North America from May 2011 to February 2015. From October 2009 to May 2011, Ms. Tifford was Vice President, Strategic Partnerships at MTV Networks, a cable and satellite television channel owned by Viacom Media Networks. Prior to that, she began her brand and marketing career at Unilever. Ms. Tifford received a B.A. in Psychology from Tufts University and a J.D. from Brooklyn Law School. She is a director of Fossil Group, Inc.

Raymond Debbane. Mr. Debbane has been the Chairman of our Board of Directors since our acquisition by Artal Luxembourg in September 1999. Mr. Debbane is a co-founder and the Chief Executive Officer of The Invus Group, LLC. Prior to forming The Invus Group, LLC in 1985, Mr. Debbane was a manager and consultant for The Boston Consulting Group in Paris, France. He holds an M.B.A. from Stanford Graduate School of Business, an M.S. in Food Science and Technology from the University of California, Davis and a B.S. in Agricultural Sciences and Agricultural Engineering from American University of Beirut. Mr. Debbane is the Chairman of the Board of Directors of Lexicon Pharmaceuticals, Inc. He is also the Chief Executive Officer and a director of Artal Group S.A., and the Chairman of the Board of Directors of a number of private companies of which Artal or Invus, L.P. are shareholders. Mr. Debbane was previously a director of Blue Buffalo Pet Products, Inc.

Steven M. Altschuler, M.D. Dr. Altschuler has been a director since September 2012. Since May 2018, Dr. Altschuler has served as a Managing Director, Healthcare Ventures, of Ziff Capital Partners, a private investment firm. He previously served as a consultant to the University of Miami Health Care System from September 2017 through December 2017, the Chief Executive Officer of University of Miami Health Care System and Executive Vice President for Healthcare at the University of Miami from January 2016 to September 2017, and the Chief Executive Officer of The Children's Hospital of Philadelphia (CHOP) from April 2000 until June 2015. Prior to assuming the role of Chief Executive Officer, Dr. Altschuler held several positions at CHOP and the Perelman School of Medicine at the University of Pennsylvania, including Physician-in-Chief/Chair of Pediatrics and chief of the Division of Gastroenterology, Hepatology and Nutrition. Dr. Altschuler received a B.A. in mathematics and an M.D. from Case Western Reserve University. Dr. Altschuler is Chairman of the Board of Directors of 89bio, Inc. and a director of Orchard Therapeutics plc. He previously served as Chair of the Board of Directors of Spark Therapeutics, Inc. and a director of Adtalem Global Education Inc.

Julie Bornstein. Ms. Bornstein has been a director since February 2019. Since February 2018, Ms. Bornstein has served as Chief Executive Officer of The Yes Platform, Inc., an AI-powered online shopping platform she co-founded. From March 2015 to September 2017, Ms. Bornstein served as Chief Operating Officer at Stitch Fix, Inc., an online styling services company. Prior to that, Ms. Bornstein served as Chief Digital Officer at Sephora, a cosmetic retail company and subsidiary of LVMH Moët Hennessy Louis Vuitton SE, from August 2007 to March 2015. Ms. Bornstein received a B.A. in Government from Harvard College and an M.B.A. from Harvard Business School. Ms. Bornstein is a director of Redfin Corporation.

Tracey D. Brown. Ms. Brown has been a director since February 2019. Since June 2018, Ms. Brown has served as Chief Executive Officer of the American Diabetes Association, the largest voluntary health organization in the United States. Previously, Ms. Brown was with Sam's Club, a membership retail warehouse club and division of Walmart Inc., where she served as Senior Vice President of Operations and Chief Experience Officer from February 2017 to June 2018, Chief Member and Marketing Officer from January 2015 to February 2017, and Vice President from October 2014 to January 2015. Prior to joining Sam's Club, Ms. Brown held various roles at RAPP Dallas (a part of the Omnicom Group), Direct Impact, Advanced Micro Devices, Peppers & Rogers Group, Dell, American Express, Exxon and Procter & Gamble. Ms. Brown earned a Bachelor of Chemical Engineering from the University of Delaware and an M.B.A. from Columbia Business School. Ms. Brown is a director of YETI Holdings, Inc.

Jennifer Dulski. Ms. Dulski has been a director since February 2020. In April 2020, Ms. Dulski founded and began serving as Chief Executive Officer of Rising Team, a SaaS company that provides manager training and tools for leadership development. She previously served as Head of Groups & Community for Facebook, Inc., a social networking service, from September 2017 to May 2019 and as President & Chief Operating Officer of Change.org, a social change platform, from January 2013 to June 2017. Until January 2013, Ms. Dulski served as Global Head of Product Management, Shopping & Product Ads at Google Inc., which she joined in 2011 when it acquired The Dealmap, a company she co-founded and for which she served as Chief Executive Officer from 2007 until its acquisition. Prior to that, Ms. Dulski served in multiple roles at Yahoo! Inc. from 1999 until 2007. Ms. Dulski received a B.A. in Psychology and an M.B.A. from Cornell University. Ms. Dulski is a director of Social Capital Hedosophia Holdings Corp. V. She was previously a director of TEGNA Inc.

Jonas M. Fajgenbaum. Mr. Fajgenbaum has been a director since our acquisition by Artal Luxembourg in September 1999. Mr. Fajgenbaum is a Managing Director of The Invus Group, LLC, which he joined in 1996. Prior to joining The Invus Group, LLC, Mr. Fajgenbaum was a consultant for McKinsey & Company in New York from 1994 to 1996. He graduated with a B.S. in Economics with a concentration in Finance from The Wharton School of the University of Pennsylvania and a B.A. in Economics from the University of Pennsylvania. Mr. Fajgenbaum is a director of a number of private companies of which Artal or Invus, L.P. are shareholders.

Denis F. Kelly. Mr. Kelly has been a director since May 2015. Mr. Kelly is affiliated with, and has served as a Managing Partner of, Scura Partners Securities LLC, a private investment banking firm which he co-founded, since 2001. In addition, Mr. Kelly is a Hearing Officer for National Arbitration and Mediation (NAM), one of the leading dispute resolution institutions in the United States. From 1993 to 2001, he was a Managing Director of Prudential Securities Incorporated. Previously, he served as the President and Chief Executive Officer of Denbrook Capital Corporation, a merchant banking firm, from 1991 to 1993. From 1980 to 1991, Mr. Kelly held various positions at Merrill Lynch, including Managing Director of Mergers and Acquisitions and Managing Director of Merchant Banking. Mr. Kelly began his investment banking career at Lehman Brothers in 1974. Mr. Kelly received a B.A. from Amherst College and an M.B.A. from the Wharton School of Business of the University of Pennsylvania. He was previously a director of MSC Industrial Direct Co., Inc.

Julie Rice. Ms. Rice has been a director since August 2018. Since June 2016, she has served as the Co-Founder of LifeShop LLC, an advising and investing company. From November 2017 to March 2019, Ms. Rice served as a Partner at WeWork, a shared workspace company. After co-founding SoulCycle Inc., a fitness company, in 2006, Ms. Rice served as Co-Chief Executive Officer from 2006 to 2015, Chief Talent and Creative Officer from 2015 to 2016 and a member of the board of directors from 2010 to 2018. Previously, Ms. Rice was a Talent Manager at Handprint Entertainment from 1997 to 2004. Ms. Rice received a B.A. in English and Theater from the State University of New York at Binghamton.

Thilo Semmelbauer. Mr. Semmelbauer has been a director since September 2016. He served as a member of our former Interim Office of the Chief Executive Officer from September 2016 to July 2017. Since May 2019, Mr. Semmelbauer has served as Managing Director of Insight Partners, a global private equity and venture capital firm, where he previously served as a Senior Advisor from 2017 to 2019 and a Venture Partner from 2015 to 2017. From 2010 to 2015, he served as President and Chief Operating Officer of Shutterstock, Inc., a global marketplace for licensing images, videos, and music to businesses worldwide. From 2009 to 2010, he served as Executive Vice President, Consumer Business, of TheLadders.com, a career management company. Mr. Semmelbauer was also Weight Watchers International, Inc.'s Global Chief Operating Officer from 2006 to 2008 and Chief Operating Officer for North America from 2004 to 2006, after serving as President and Chief Operating Officer of WeightWatchers.com from 2000 to 2004 where he was part of the founding team. He holds an A.B. in Electrical Engineering and Computer Science from Dartmouth College and a dual M.S. in Management and Electrical Engineering from the Massachusetts Institute of Technology.

Christopher J. Sobecki. Mr. Sobecki has been a director since our acquisition by Artal Luxembourg in September 1999. He served as a member of our former Interim Office of the Chief Executive Officer from September 2016 to July 2017. Mr. Sobecki is a Managing Director of The Invus Group, LLC, which he joined in 1989. He received an M.B.A. from the Harvard Business School. He also obtained a B.S. in Industrial Engineering from Purdue University. Mr. Sobecki is a director of Lexicon Pharmaceuticals, Inc. and a number of private companies of which Artal or Invus, L.P. are shareholders.

Oprah Winfrey. Ms. Winfrey has been a director since October 2015. Since January 2009, Ms. Winfrey has served as the Chairman of her cable network, OWN: Oprah Winfrey Network, taking on the role of Chief Executive Officer in July 2011. Previously, she founded Harpo, Inc. in 1986, under which she has launched numerous media and entertainment businesses, including O, The Oprah Magazine and Harpo Films, in addition to producing the award-winning talk show ‘The Oprah Winfrey Show’ for 25 years. Ms. Winfrey is a global media leader, philanthropist, producer and actress. She also has been serving as a member of the Smithsonian’s advisory council since 2004.

PART II

Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on Nasdaq. Our common stock has traded on Nasdaq under the symbol “WW” since April 22, 2019, prior to which it traded under the symbol “WTW.”

On October 9, 2003, our Board of Directors authorized, and we announced, a program to repurchase up to \$250.0 million of our outstanding common stock. On each of June 13, 2005, May 25, 2006 and October 21, 2010, our Board of Directors authorized, and we announced, the addition of \$250.0 million to this program. The repurchase program allows for shares to be purchased from time to time in the open market or through privately negotiated transactions. No shares will be purchased from Artal Holdings Sp. z o.o., Succursale de Luxembourg and its parents and subsidiaries under this program. The repurchase program currently has no expiration date. During fiscal 2020 and fiscal 2019, we repurchased no shares of our common stock under this program or otherwise. As of the end of fiscal 2020, \$208.9 million remained available to purchase shares of our common stock under the repurchase program.

Holders

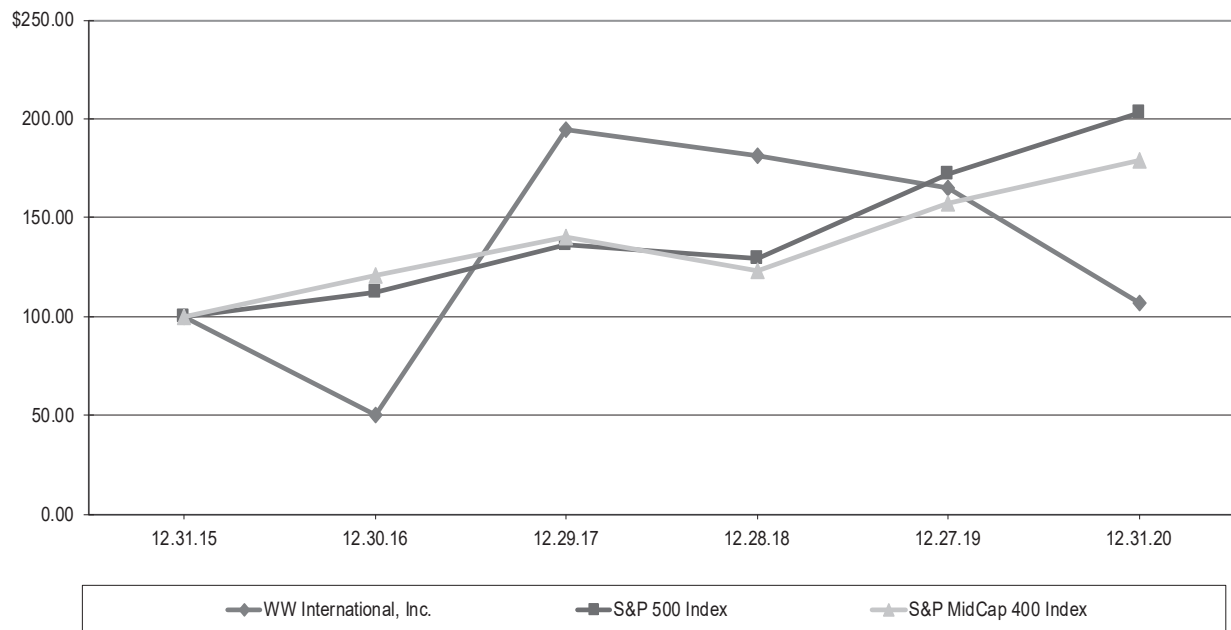
The approximate number of holders of record of our common stock as of February 1, 2021 was 214. This number does not include beneficial owners of our securities held in the name of nominees.

Dividends

We do not currently pay a dividend and we have no current plans to pay dividends in the foreseeable future.

Stock Performance Graph

The following graph sets forth the cumulative return on our common stock from December 31, 2015, the last trading day of our 2015 fiscal year, through December 31, 2020, the last trading day of our 2020 fiscal year, as compared to the cumulative return of the Standard & Poor’s 500 Index, or the S&P 500 Index, and the cumulative return of the Standard & Poor’s MidCap 400 Index, or the S&P MidCap 400 Index. We selected the S&P 500 Index because it is a broad index of equity markets. We selected the S&P MidCap 400 Index, which is generally comprised of issuers having a similar market capitalization with the Company at the times presented and of which we are currently a member, because we believe that there are no other lines of business or published industry indices or peer groups that provide a more meaningful comparison of the cumulative return of our stock. The graph assumes that \$100 was invested on December 31, 2015 in each of (1) our common stock, (2) the S&P 500 Index and (3) the S&P MidCap 400 Index, and that all dividends, as applicable, were reinvested.



Company/Index	Cumulative Total Return (\$)					
	12.31.15	12.30.16	12.29.17	12.28.18	12.27.19	12.31.20
WW International, Inc.....	100.00	50.22	194.21	181.09	165.00	107.02
S&P 500 Index	100.00	111.96	136.40	129.31	171.94	203.04
S&P MidCap 400 Index	100.00	120.74	140.35	123.52	157.39	179.00

Item 6. Selected Financial Data

The following schedule sets forth our selected financial data for the last five fiscal years.

SELECTED FINANCIAL DATA (in millions, except per share amounts)

	Fiscal 2020	Fiscal 2019	Fiscal 2018	Fiscal 2017	Fiscal 2016
	(53 weeks)	(52 weeks)	(52 weeks)	(52 weeks)	(52 weeks)
Revenues, net.....	\$ 1,378.1	\$ 1,413.3	\$ 1,514.1	\$ 1,306.9	\$ 1,164.9
Net income attributable to WW					
International, Inc.....	\$ 75.1	\$ 119.6	\$ 223.7	\$ 163.5	\$ 67.7
Working capital (deficit) surplus.....	\$ (40.9)	\$ (98.7)	\$ 25.1	\$ (134.0)	\$ (57.2)
Total assets	\$ 1,481.2	\$ 1,498.3	\$ 1,414.5	\$ 1,246.0	\$ 1,271.0
Long-term debt	\$ 1,408.8	\$ 1,479.9	\$ 1,669.7	\$ 1,740.6	\$ 1,981.3
Earnings per share:					
Basic.....	<u>\$ 1.11</u>	<u>\$ 1.78</u>	<u>\$ 3.38</u>	<u>\$ 2.54</u>	<u>\$ 1.06</u>
Diluted.....	<u>\$ 1.07</u>	<u>\$ 1.72</u>	<u>\$ 3.19</u>	<u>\$ 2.40</u>	<u>\$ 1.03</u>

Items Affecting Comparability

Several events occurred during each of the last five fiscal years that affect the comparability of our financial statements. The nature of these events and their impact on underlying business trends are as follows:

Restructuring Charges

In fiscal 2020, we recorded \$33.1 million (\$24.8 million after tax or \$0.35 per fully diluted share) of charges associated with our previously disclosed 2020 organizational restructuring plan.

In fiscal 2019, we recorded \$6.3 million (\$4.7 million after tax or \$0.07 per fully diluted share) of charges associated with our previously disclosed organizational realignment.

Winfrey Transaction

In fiscal 2020, net income and EPS were negatively impacted by expenses of \$24.5 million after tax, or \$0.35 per fully diluted share, in connection with the one-time stock compensation expense associated with the previously disclosed option granted to Ms. Winfrey in connection with the Company extending its partnership with Ms. Winfrey, or the Winfrey Stock Compensation expense. See “Item 1. Business—History—Winfrey Transaction” for additional details on the Winfrey Transaction and the Winfrey Amendment Option.

Long-Term Debt

During the fourth quarter of fiscal 2017, we incurred fees of \$53.8 million in connection with the refinancing of \$1,930.4 million of borrowings under our then-existing term loan facility. We wrote-off fees associated with this refinancing which resulted in us recording a charge of \$10.5 million in early extinguishment of debt in the fourth quarter of fiscal 2017.

On April 1, 2016, we paid in full, with cash on hand, a principal amount of loans equal to \$144.3 million, which constituted the entire remaining principal amount of loans outstanding under our then-existing tranche B-1 term facility.

For additional details on the Credit Facilities entered into during the fourth quarter of fiscal 2017, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Long-Term Debt” of this Annual Report on Form 10-K.

Early Extinguishment of Debt, Net

Net income and earnings per fully diluted share, or EPS, for the full year of fiscal 2017 were impacted by a \$10.5 million (\$6.4 million after tax or \$0.09 per fully diluted share) early extinguishment of debt charge recorded in the fourth quarter of fiscal 2017 resulting from the write-off of fees in connection with our November 2017 debt refinancing, or the November 2017 debt refinancing. For additional details on this refinancing, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Long-Term Debt” of this Annual Report on Form 10-K. This charge was offset in part by a \$1.6 million (\$0.9 million after tax or \$0.01 per fully diluted share) gain on early extinguishment of debt recorded in the second quarter of fiscal 2017 in connection with the payment of an aggregate amount of cash proceeds totaling \$73.0 million plus an amount sufficient to pay accrued and unpaid interest on the amount prepaid to prepay \$75.5 million in aggregate principal amount of term loans under our then-existing tranche B-2 term facility.

Net Tax Benefit

In fiscal 2020, we recognized (i) a \$7.6 million, or \$0.11 per fully diluted share, tax benefit related to the reversal of the tax impact of global intangible low-taxed income, or GILTI, (ii) a \$4.7 million, or \$0.07 per fully diluted share, tax benefit related to tax windfalls from stock compensation and (iii) a \$1.4 million, or \$0.02 per fully diluted share, tax benefit related to foreign-derived intangible income, or FDII. These benefits were partially offset by (i) a \$8.1 million, or \$0.12 per fully diluted share, tax expense related to income earned in foreign jurisdictions at rates higher than the U.S. and (ii) a \$2.3 million, or \$0.03 per fully diluted share, tax expense for out-of-period income tax adjustments.

In fiscal 2019, we recognized (i) a \$5.1 million, or \$0.07 per fully diluted share, tax expense related to income earned in foreign jurisdictions and (ii) a \$3.5 million, or \$0.05 per fully diluted share, tax expense related to GILTI. These expenses were partially offset by (i) a \$5.7 million, or \$0.08 per fully diluted share, tax benefit related to FDII, (ii) a \$1.4 million, or \$0.02 per fully diluted share, tax benefit related to the reversal of tax reserves no longer needed and (iii) a \$0.8 million, or \$0.01 per fully diluted share, tax benefit related to the cessation of certain publishing operations.

In fiscal 2018, we recognized (i) a \$25.3 million, or \$0.36 per fully diluted share, tax benefit related to tax windfalls from stock compensation, (ii) an \$8.5 million, or \$0.12 per fully diluted share, tax benefit due to the reversal of a valuation allowance on foreign tax credits that have been fully utilized, (iii) a \$4.3 million, or \$0.06 per fully diluted share, tax benefit related to favorable tax return adjustments, (iv) a \$3.4 million, or \$0.05 per fully diluted share, tax benefit primarily related to the reversal of tax reserves resulting from the closure of various tax audits, (v) a \$3.4 million, or \$0.05 per fully diluted share, tax benefit due to the reversal of a valuation allowance related to certain net operating losses that are now expected to be realized, and (vi) a \$1.9 million, or \$0.03 per fully diluted share, tax benefit related to the cessation of operations of our Mexican subsidiary.

In fiscal 2017, we recognized a \$56.6 million, or \$0.83 per fully diluted share, tax benefit due to the 2017 Tax Act (defined hereafter). We also recognized (i) an \$11.6 million, or \$0.17 per fully diluted share, tax benefit related to the cessation of operations of our Spanish subsidiary, (ii) a \$3.7 million, or \$0.05 per fully diluted share, tax benefit due to a change in estimate related to the availability of certain foreign tax credits and (iii) a \$2.3 million, or \$0.03 per fully diluted share, tax benefit related to the reversal of tax reserves resulting from an updated transfer pricing study.

In fiscal 2016, we recognized (i) an \$11.4 million, or \$0.17 per fully diluted share, net tax benefit due to a research and development credit and a Section 199 deduction for the tax years 2012 through 2015 and (ii) a reversal of a \$2.5 million, or \$0.04 per fully diluted share, valuation allowance related to tax benefits for foreign losses that are now expected to be realized. These benefits were partially offset by a \$2.0 million, or \$0.03 per fully diluted share, tax expense for out-of-period adjustments in income taxes in the third quarter of fiscal 2016.

Impairment of Goodwill

In fiscal 2020, we recorded a \$3.7 million, or \$0.04 per fully diluted share, impairment charge for goodwill related to our Brazil reporting unit.

In fiscal 2017, we recorded a \$13.3 million, or \$0.20 per fully diluted share, impairment charge for goodwill related to our Brazil reporting unit.

Working Capital

In fiscal 2020, the change in working capital was driven primarily by a decrease in accrued interest due to the timing of debt principal payments, an increase in inventory balances, and a decline in accounts payable and accrued liabilities due to the timing of payments. In addition, the change in working capital was driven by an increase in prepaid income taxes due to an increase in interest expense carryforward utilization as a result of the Coronavirus Aid, Relief and Economic Security (CARES) Act and the reduction of tax attributable to GILTI due to the release of new tax regulations in July 2020.

In fiscal 2019, the change in working capital was driven primarily by the decrease in cash on hand, operating lease liabilities due within one year due to the adoption of the updated lease accounting guidance, a change in fair value driven by the change in interest rates and an increase in derivative payable due to a new forward-starting interest rate swap we entered into on June 7, 2019.

In fiscal 2018, the change in working capital was driven primarily by the increase in cash on hand.

In fiscal 2017, the change in working capital was driven primarily by the November 2017 debt refinancing which resulted in higher debt repayments due in fiscal 2018 (increase in current portion of long-term debt). This, coupled with cash on hand used in connection with debt payments in the second quarter of fiscal 2017 and for such refinancing, increased our working capital deficit.

In fiscal 2016, the change in working capital was driven primarily by the April 1, 2016 payment of a principal amount of loans equal to \$144.3 million, which constituted the entire remaining principal amount of loans outstanding under our then-existing tranche B-1 term facility and paying down in the aggregate the outstanding principal amount of \$48.0 million on our then-existing revolving credit facility.

Other Comprehensive Income (Loss)

Other comprehensive income, net of taxes, was \$2.1 million in fiscal 2020 as compared to other comprehensive loss, net of taxes, of \$11.6 million in fiscal 2019 due to the positive impact of foreign currency translation adjustments, partially offset by the negative mark to market of our interest rate swaps. In fiscal 2020, foreign currency translation adjustments favorably impacted results by \$10.1 million (\$7.6 million after tax) as compared to a favorable impact of \$3.7 million (\$2.7 million after tax) in fiscal 2019 primarily due to the currency revaluation of intercompany receivables and payables. In addition, due to hedge accounting, changes in other comprehensive income decreased by \$7.3 million (\$5.5 million after tax) in fiscal 2020 as compared to a decrease of \$19.2 million (\$14.4 million after tax) in fiscal 2019.

Other comprehensive loss, net of taxes, was \$11.6 million in fiscal 2019 as compared to \$3.2 million in fiscal 2018 due to the negative mark to market of our interest rate swaps, partially offset by the positive impact of foreign currency translation adjustments. In fiscal 2019, due to hedge accounting, changes in other comprehensive income decreased by \$19.2 million (\$14.4 million after tax) as compared to an increase of \$7.2 million (\$5.4 million after tax) in fiscal 2018. In addition, foreign currency translation adjustments favorably impacted results by \$3.7 million (\$2.7 million after tax) in fiscal 2019 as compared to a negative impact of \$11.5 million (\$8.6 million after tax) in fiscal 2018 primarily due to the currency revaluation of intercompany receivables and payables.

Other comprehensive loss, net of taxes, was \$3.2 million in fiscal 2018 as compared to other comprehensive income of \$16.6 million in fiscal 2017 primarily due to the negative impact of foreign currency translation adjustments, offset by the positive mark to market of our interest rate swap. In fiscal 2018, foreign currency translation adjustments negatively impacted results by \$11.5 million (\$8.6 million after tax) as compared to a favorable impact of \$9.8 million (\$6.0 million after tax) in fiscal 2017 primarily due to the currency revaluation of intercompany receivables and payables. In addition, due to hedge accounting, changes in other comprehensive income increased to \$7.2 million (\$5.4 million after tax) in fiscal 2018 as compared to an increase of \$17.4 million (\$10.6 million after tax) in fiscal 2017.

Other comprehensive income, net of taxes, was \$16.6 million in fiscal 2017 as compared to \$10.6 million in fiscal 2016 primarily due to the positive mark to market of our interest rate swap and to a lesser extent the favorable impact of foreign currency translation adjustments. In fiscal 2017, due to hedge accounting, changes in other comprehensive income increased to \$17.4 million (\$10.6 million after tax) as compared to an increase of \$11.8 million (\$7.1 million after tax) in fiscal 2016. In addition, foreign currency translation adjustments favorably impacted results by \$9.8 million (\$6.0 million after tax) in fiscal 2017 as compared to a favorable impact of \$5.6 million (\$3.5 million after tax) in fiscal 2016 primarily due to the currency revaluation of intercompany receivables and payables.

Acquisition of Kurbo

On August 10, 2018, we acquired substantially all of the assets of Kurbo Health, Inc., or Kurbo, a family-based healthy lifestyle coaching program, for a net purchase price of \$3.1 million. Payment was in the form of cash. The acquisition of Kurbo has been accounted for under the purchase method of accounting. Kurbo became a wholly owned subsidiary of the Company and we began to consolidate the entity as of the date of acquisition.

Franchisee Acquisitions

The following are our acquisitions since the beginning of fiscal 2016:

Acquisition of Arizona Franchise. On October 26, 2020, we acquired substantially all of the assets of our franchisees for certain territories in Arizona and California, Weight Watchers of Arizona, Inc. and Weight Watchers of Imperial County, Inc., respectively, for an aggregate purchase price of \$10.0 million.

Acquisition of Las Vegas Franchise. On October 21, 2019, we acquired substantially all of the assets of our franchisee for certain territories in Nevada and Utah, Weight Watchers of Las Vegas, Inc., for a purchase price of \$4.5 million.

Acquisition of South Carolina Franchise. On December 10, 2018, we acquired substantially all of the assets of our franchisee for certain territories in South Carolina, At Goal, Inc., for a purchase price of \$4.0 million.

Acquisition of Miami Franchise. On June 27, 2016, we acquired substantially all of the assets of our franchisee for certain territories in South Florida, Weight Watchers of Greater Miami, Inc., for a purchase price of \$3.3 million, or the Miami Acquisition.

These acquisitions were financed through cash from operations. These acquisitions have been accounted for as purchases and financial results have been included in our consolidated operating results since their respective dates of acquisition.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with the “Selected Financial Data” included in Item 6 of this Annual Report on Form 10-K and our consolidated financial statements and related notes included in Item 15 of this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, strategies, prospects, objectives, expectations and intentions. The cautionary statements discussed in “Cautionary Notice Regarding Forward-Looking Statements” and elsewhere in this Annual Report on Form 10-K should be read as applying to all forward-looking statements wherever they appear in this Annual Report on Form 10-K. Our actual results could differ materially from those discussed here. Factors that could cause or contribute to these differences include, without limitation, those discussed in “Risk Factors” included in Item 1A of this Annual Report on Form 10-K.

Overview

We are a global wellness company powered by the world’s leading commercial weight management program and an award-winning digital subscription platform. We are focused on inspiring people to adopt healthy habits for real life and aim to democratize and deliver wellness for all. With nearly six decades of weight management experience, expertise and know-how, we are 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 apps and websites, workshops, consumer products, and various events and experiences. Our business has gone through a significant shift to a digital subscription model over the past several years and 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 Digital 360 and Personal Coaching + Digital. Our “Workshops + Digital” (formerly known as “Studio + Digital”) business refers to providing unlimited access to our workshops combined with our digital subscription product offerings to commitment plan subscribers. It 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 operate in numerous countries around the world, including through our franchise operations. We have four reportable segments based on an integrated geographical structure as follows: North America, Continental Europe (CE), United Kingdom and Other. See the section entitled “Business—Business Organization and Global Operations” in Item 1 of this Annual Report on Form 10-K for further information on these reportable segments and the countries in which we operate.

Components of our Results of Operations

Revenues

We derive our revenues principally from:

- *Subscription Revenues.* Our “Subscription Revenues” consist of “Digital Subscription Revenues” and “Workshops + Digital Fees” (formerly known as “Studio + Digital Fees”). “Digital Subscription Revenues” consist of the fees associated with subscriptions for our Digital offerings, including Digital 360 and Personal Coaching + Digital. “Workshops + Digital Fees” consist of the fees associated with our subscription plans for combined workshops and digital offerings and other payment arrangements for access to workshops.
- *In-studio product sales.* We sell a range of consumer products, including bars, snacks, cookbooks and kitchen tools, in our studios.
- *E-commerce, licensing, franchise royalties and other.* We license our trademarks and other intellectual property in certain categories of food, beverages and other relevant consumer products and services. We also co-brand or endorse with carefully selected branded consumer products and services. In addition, our franchisees typically pay us a royalty fee of 10% of their Workshops + Digital fee revenues as well as purchase products for sale in their workshops.

We also generate other revenues including revenues from sales of products online through our e-commerce platforms and through our trusted partners and publishing.

The following table sets forth our revenues by category for the past three fiscal years.

**Revenue Sources
(in millions)**

	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>
	(53 weeks)	(52 weeks)	(52 weeks)
Subscription Revenues	\$ 1,186.5	\$ 1,207.3	\$ 1,273.2
In-studio product sales.....	40.4	118.5	148.9
E-commerce, licensing, franchise royalties and other.....	151.3	87.6	92.1
Total.....	<u>\$ 1,378.1</u>	<u>\$ 1,413.3</u>	<u>\$ 1,514.1</u>

Note: Totals may not sum due to rounding.

From fiscal 2018 through fiscal 2020, our revenues decreased at a compound annual rate of 4.6% driven primarily by a decrease in in-studio product sales. Additional revenue details are as follows:

- Subscription Revenues.* Subscription Revenues decreased at a compound annual rate of 3.5% from fiscal 2018 through fiscal 2020 due to a decrease in Workshops + Digital Fees, partially offset by an increase in Digital Subscription Revenues. Our Workshops + Digital products are priced at a premium compared to our Digital products. Workshops + Digital Fees were negatively impacted by the significant recruitment decline in the second, third and fourth quarters of fiscal 2020 driven by the closure of certain of our studios and the limited reopening of others, as well as the shift in consumer sentiment in the COVID-19 environment. End of Period Subscribers grew in fiscal 2018, fiscal 2019 and fiscal 2020, in each case on a year-over-year basis. In fiscal 2018, recruitment grew in all of our major markets driven by the successful launch of our program known as WW Freestyle in the majority of our markets. In fiscal 2019, recruitment declined year-over-year due to cycling against the successful launch of the WW Freestyle program and due to the impact of ineffective marketing at the start of fiscal 2019. Despite the negative impact of COVID-19, in fiscal 2020, recruitment grew compared to fiscal 2019 due to the growth in the Digital business, but was lower in total recruitment compared to fiscal 2018 levels. In addition, member retention in the aggregate has improved since fiscal 2018 and was at historic highs in fiscal 2020. Recruitment and retention continue to be a key strategic focus.
- In-studio product sales.* In-studio product sales decreased at a compound annual rate of 47.9% from fiscal 2018 through fiscal 2020. From fiscal 2018 to fiscal 2019, the decrease in in-studio product sales was driven primarily by a decrease in the number of our Workshops + Digital subscribers. From fiscal 2019 to fiscal 2020, the decrease in in-studio product sales was driven primarily by the closure of certain of our studios and the limited reopening of others, as well as the shift in consumer sentiment in the COVID-19 environment.
- E-commerce, licensing, franchise royalties and other.* All other revenues increased 28.2% on a compound annual rate from fiscal 2018 through fiscal 2020. This increase was driven primarily by an increase in e-commerce product sales.

Cost of Revenues

Total cost of revenues primarily consists of expenses to operate our studios and workshops, costs to sell consumer products and costs to develop and operate our digital products. Operating costs primarily consist of salary expense paid to operations management, commissions and expenses paid to our employees, coaches and guides, studio room rent, customer service costs (both in-house and third-party), program material expenses, depreciation and amortization associated with field automation, credit card and fulfillment fees and training and other expenses. Cost to sell products includes costs of products purchased from our third-party suppliers, inventory reserves, royalties, and inbound and outbound shipping and related costs incurred in making our products available for sale or use. Costs to operate our digital products include salaries and related benefits, depreciation and amortization of website development, credit card processing fees and other costs incurred in developing our digital offerings.

Marketing Expenses

Marketing expenses primarily consist of costs to produce advertising and marketing materials as well as media costs to advertise our brand and products across multiple platforms (e.g., broadcast, digital, electronic customer relationship marketing (eCRM), direct mail, social media and public relations), costs paid to third-party agencies who help us develop our marketing campaigns and strategy, expenses in support of market research, as well as costs incurred in connection with local marketing and promotions.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of compensation, benefits and other related costs, including stock-based compensation, third-party consulting, temporary help, audit, legal and litigation expenses as well as facility costs and depreciation and amortization of systems in support of the business infrastructure and offices globally. Selling, general and administrative expenses also include amortization expense of certain of our intangible assets and certain one-time transaction expenses.

Gross Margin

The following table sets forth our gross profit and gross margin for the past three fiscal years, as adjusted for fiscal 2020 to exclude the impact of the charges associated with our previously disclosed 2020 organizational restructuring plan:

<u>(in millions except percentages)</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Gross Profit	\$ 777.8	\$ 786.7	\$ 866.4
<i>Gross Margin</i>	56.4%	55.7%	57.2%
<u>Adjustments to Reported Amounts ⁽¹⁾</u>			
2020 restructuring charges	23.3	—	—
Gross Profit, as adjusted ⁽¹⁾	<u>\$ 801.1</u>	<u>\$ 786.7</u>	<u>\$ 866.4</u>
<i>Gross Margin impact</i>			
<i>from above adjustment</i> ⁽¹⁾	(1.7%)	0.0%	0.0%
<i>Gross Margin, as adjusted</i> ⁽¹⁾	58.1%	55.7%	57.2%

Note: Totals may not sum due to rounding.

⁽¹⁾ The “As adjusted” measure is a non-GAAP financial measure that adjusts the consolidated statements of net income for fiscal 2020 to exclude the impact of the \$23.3 million (\$17.4 million after tax) of 2020 restructuring charges. See “Non-GAAP Financial Measures” below for an explanation of our use of non-GAAP financial measures.

In fiscal 2020, excluding the impact of the 2020 restructuring charges, the gross margin increase from fiscal 2019 was driven primarily by a mix shift to our higher margin Digital business, offset in part by a contraction of margins in the Workshops + Digital business and lower margins related to consumer product sales.

In fiscal 2019, the gross margin decrease from fiscal 2018 was driven primarily by decreased operating leverage across our businesses, partially offset by a mix shift to the higher margin Digital business.

Operating Income Margin

The following table sets forth our operating income for the past three fiscal years, as adjusted for fiscal 2020 to exclude the impact of the 2020 restructuring charges, the Winfrey Stock Compensation expense and the impairment charge for our goodwill related to our Brazil reporting unit, as applicable:

<u>(in millions except percentages)</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Income.....	\$ 216.2	\$ 288.0	\$ 389.0
<i>Operating Income Margin</i>	<i>15.7%</i>	<i>20.4%</i>	<i>25.7%</i>
<u>Adjustments to Reported Amounts</u> ⁽¹⁾			
2020 restructuring charges	33.1	—	—
Winfrey Stock Compensation expense	32.7	—	—
Goodwill impairment	3.7	—	—
Operating Income, as adjusted ⁽¹⁾	<u>\$ 285.6</u>	<u>\$ 288.0</u>	<u>\$ 389.0</u>
<i>Operating Income Margin impact</i> <i>from above adjustment</i> ⁽¹⁾	<i>(5.0%)</i>	<i>0.0%</i>	<i>0.0%</i>
<i>Operating Income Margin, as</i> <i>adjusted</i> ⁽¹⁾	<i>20.7%</i>	<i>20.4%</i>	<i>25.7%</i>

Note: Totals may not sum due to rounding.

- (1) The “As adjusted” measure is a non-GAAP financial measure that adjusts the consolidated statements of net income for fiscal 2020 to exclude the impact of the \$33.1 million (\$24.8 million after tax) of 2020 restructuring charges, the \$32.7 million (\$24.5 million after tax) Winfrey Stock Compensation expense and the \$3.7 million (\$2.7 million after tax) goodwill impairment charge related to our Brazil reporting unit. See “Non-GAAP Financial Measures” below for an explanation of our use of non-GAAP financial measures.

In fiscal 2020, excluding the impact of the 2020 restructuring charges, the Winfrey Stock Compensation expense and the goodwill impairment charge, the slight increase in operating income margin from fiscal 2019 was driven primarily by an increase in gross margin, almost fully offset by an increase in marketing expenses as a percentage of revenue and an increase in selling, general and administrative expenses as a percentage of revenue.

In fiscal 2019, the decrease in operating income margin from fiscal 2018 was driven primarily by an increase in marketing expenses as a percentage of revenue, by a decrease in gross margin and by an increase in selling, general and administrative expenses as a percentage of revenue.

Material Trends

Performance Indicators

Our management team regularly reviews and analyzes a number of financial and operating metrics, including the key performance indicators listed below, in order to manage our business, measure our performance, identify trends affecting our business, determine the allocation of resources, make decisions regarding corporate strategies and assess the quality and potential variability of our cash flows and earnings. We also believe that these key performance indicators are useful to both management and investors for forecasting purposes and to facilitate comparisons to our historical operating results. These metrics are supplemental to our GAAP results and include operational measures.

- Revenues—Our “Subscription Revenues” consist of “Digital Subscription Revenues” and “Workshops + Digital Fees”. “Digital Subscription Revenues” consist of the fees associated with subscriptions for our Digital offerings, including Digital 360 and Personal Coaching + Digital. “Workshops + Digital Fees” consist of the fees associated with our subscription plans for combined workshops and digital offerings and other payment arrangements for access to workshops. In addition, “product sales and other” consists of sales of consumer products via e-commerce, in studios and through our trusted partners, revenues from licensing and publishing, other revenues (including revenues from the *WW Presents: Oprah’s 2020 Vision* tour), and, in the case of the consolidated financial results and Other reportable segment, franchise fees with respect to commitment plans and royalties.

- Paid Weeks—The “Paid Weeks” metric reports paid weeks by WW customers in Company-owned operations for a given period as follows: (i) “Digital Paid Weeks” is the total paid subscription weeks for our digital subscription products (including Digital 360 and Personal Coaching + Digital); (ii) “Workshops + Digital Paid Weeks” (formerly known as “Studio + Digital Paid Weeks”) is the sum of total paid commitment plan weeks which include workshops and digital offerings and total “pay-as-you-go” weeks; and (iii) “Total Paid Weeks” is the sum of Digital Paid Weeks and Workshops + Digital Paid Weeks.
- Incoming Subscribers—“Subscribers” refer to Digital subscribers and Workshops + Digital subscribers who participate in recur bill programs in Company-owned operations. The “Incoming Subscribers” metric reports WW subscribers in Company-owned operations at a given period start as follows: (i) “Incoming Digital Subscribers” is the total number of Digital, including Digital 360 and Personal Coaching + Digital, subscribers; (ii) “Incoming Workshops + Digital Subscribers” (formerly known as “Incoming Studio + Digital Subscribers”) is the total number of commitment plan subscribers that have access to combined workshops and digital offerings; and (iii) “Incoming Subscribers” is the sum of Incoming Digital Subscribers and Incoming Workshops + Digital Subscribers. Recruitment and retention are key drivers for this metric.
- End of Period Subscribers—The “End of Period Subscribers” metric reports WW subscribers in Company-owned operations at a given period end as follows: (i) “End of Period Digital Subscribers” is the total number of Digital, including Digital 360 and Personal Coaching + Digital, subscribers; (ii) “End of Period Workshops + Digital Subscribers” (formerly known as “End of Period Studio + Digital Subscribers”) is the total number of commitment plan subscribers that have access to combined workshops and digital offerings; and (iii) “End of Period Subscribers” is the sum of End of Period Digital Subscribers and End of Period Workshops + Digital Subscribers. Recruitment and retention are key drivers for this metric.
- Gross profit and operating expenses as a percentage of revenue.

COVID-19 Pandemic

The novel coronavirus (COVID-19) pandemic continues to spread globally and to impact our business operations and the markets in which we operate. While the outbreak of COVID-19 did not have a significant effect on our reported results for the first quarter of fiscal 2020, it did have a significant effect on our reported results for the remainder of fiscal 2020. The pandemic initially caused a significant decline in recruitments for both our Digital and our Workshops + Digital businesses, beginning in the middle of March 2020, as compared to the prior year period. Starting in the middle of April 2020, Digital recruitment trends returned to growth and full year fiscal 2020 Digital recruitments were higher as compared to the prior year. Our Workshops + Digital business continued to experience significant declines in recruitments as compared to the prior year through the end of fiscal 2020, a trend that is expected to continue in the first quarter of fiscal 2021 and potentially in subsequent periods. With approximately 90% of recruitments in the fourth quarter of fiscal 2020 coming from our Digital business, the recruitment mix shift in the quarter reflected the strength of our Digital business and the closure of certain of our studios as well as the limited re-opening of others. This trend in Workshops + Digital recruitments throughout the COVID-19 pandemic negatively impacted revenues in fiscal 2020 as compared to the prior year. The pandemic did not materially impact our member cancellation rates or overall member retention year-over-year. These trends are reflected in the number of End of Period Subscribers for fiscal 2020, which was up 4% as compared to the prior year, consisting of 3.7 million Digital subscribers and 0.7 million Workshops + Digital subscribers.

The extent to which our operations and business trends will continue in future periods to be impacted by, and any unforeseen costs will result from, the ongoing outbreak of COVID-19 will depend largely on future developments, which are highly uncertain and cannot be accurately predicted. These developments include, among other things, new information that may emerge concerning the severity of the outbreak, health implications and vaccine availability, actions by government authorities to contain the outbreak or treat its impact, and changes in consumer behavior resulting from the outbreak and such government actions. We continue to actively monitor the ongoing global outbreak of COVID-19 and its impact and related developments and expect, similar to the fourth quarter of fiscal 2020, that it will significantly impact our reported results for the first half of fiscal 2021 and may potentially do so in subsequent periods.

In response to the public health crisis posed by COVID-19, we suspended our in-person workshops and moved quickly to transition these workshops to an entirely virtual experience. In June 2020, we began a phased re-opening with reduced operations of a limited number of our studio locations. We continue to evolve our workshop strategy as we evaluate our cost structure and respond to shifting consumer sentiment. We are selectively resuming in-person workshops where we can in a cost-efficient manner that promotes the health and safety of our employees and members. However, during these uncertain times, we may need to close re-opened studios, may not be able to open studios as planned or may need to further reduce operations. We continue to serve our members virtually, both via our Digital business and through virtual workshops now available to our Workshops + Digital subscribers. Nevertheless, our business operations, recruitment trends with respect to our Workshops + Digital business and in-studio product sales remain substantially affected by our reduced operations. We expect that applicable regulatory restrictions, including continued or reinstated stay-at-home requirements and restrictions on in-person group gatherings, may impact our studio operations, including how we conduct our in-person workshops.

As we continue to address the impact of the pandemic, and the related evolving legal and consumer landscape, we are focused on how to best meet our members' and consumers' needs as restrictions are lifted or reinstated. We consolidated certain of our studios into branded studio locations and continue to close certain other branded studio locations. The decision to re-open a studio location, if at all, or further consolidate studio locations, will be influenced by a number of factors, including applicable legal restrictions, consumer confidence and preferences, changes in consumer behavior, and the protection of the health and safety of our employees and members, and will be dependent on cost efficiencies and alignment with our digital and brand strategy. The current number of our studio locations is significantly lower than that prior to the pandemic, and we expect it to remain below pre-COVID-19 levels for the foreseeable future. As a result, we have incurred and will incur significant costs associated with our real estate realignment.

Due to the negative impact of COVID-19, and the uncertainty of the full extent of the magnitude and duration of such impact on our business and the economies and financial markets in which we operate, in fiscal 2020 we implemented a \$100.0 million cost-savings initiative with respect to our cost structure. We undertook this initiative to proactively manage our liquidity so we can maintain flexibility to respond to evolving business and consumer conditions arising from the pandemic, as well as continue to fund investments in innovating our program and long-term debt obligations. Additionally, in June 2020, we amended our Credit Agreement (as defined below) to relax the requirements of the financial maintenance covenant until the end of the second quarter of fiscal 2022 so as to provide additional flexibility for accessing liquidity available under our Revolving Credit Facility (as defined below). See “—Liquidity and Capital Resources—Long-Term Debt—Senior Secured Credit Facilities” for additional details on this amendment. We expect to continue to assess the evolving impact of the COVID-19 pandemic, and intend to refine our cost structure and resource allocation accordingly. For additional information on our cash flows and long-term debt, see “—Liquidity and Capital Resources.”

While we expect the effects of the pandemic and the related responses to negatively impact our results of operations, cash flows and financial position, the uncertainty of the full extent of the duration and severity of the economic and operational impacts of COVID-19 means we cannot reasonably estimate the related financial impact at this time. For more information, see “Item 1A. Risk Factors” in Part I of this Annual Report on Form 10-K. We continue to believe that our powerful communities and our ability to inspire people to adopt healthy habits will be invaluable to people across the globe as they continue to acclimate to new social and economic environments, and that they uniquely position us in the markets in which we operate.

Market Trends

We believe that our revenues and profitability can be sensitive to major trends in the wellness and weight management industries. In particular, we believe that our business could be adversely impacted by:

- increased competition from weight loss and wellness apps;
- increased consumer interest in fad diets and weight loss trends;
- the development of more effective or more favorably perceived weight management methods or technologies, including by the pharmaceutical, genetics and biotechnology industries;

- a failure to develop and market new, innovative services and products, to enhance our existing services and products, or to successfully expand into new channels of distribution or respond to consumer trends, including consumer focus on integrated lifestyle and fitness approaches;
- a failure to successfully implement new strategic initiatives;
- a decrease in the effectiveness of our marketing, advertising, and social media programs or an increase in the effectiveness of our competitors' similar programs;
- an impairment of our brands and other intellectual property;
- a failure of our technology or systems to perform as designed;
- any event or condition, including health epidemics and natural disasters, that may discourage or impede people from gathering with others or accessing resources; and
- a downturn in general economic conditions or consumer confidence.

North America Metrics and Business Trends

In fiscal 2018, North America Total Paid Weeks increased 26.3% versus the prior year. The increase in North America Total Paid Weeks was driven by the higher number of Incoming Subscribers at the beginning of fiscal 2018 versus the beginning of fiscal 2017, higher Digital recruitments versus the prior year driven by the successful launch of the WW Freestyle program, and improved retention versus the prior year.

In fiscal 2019, North America Total Paid Weeks increased 0.3% versus the prior year. The slight increase in North America Total Paid Weeks was driven by the higher number of Incoming Subscribers at the beginning of fiscal 2019 versus the beginning of fiscal 2018, partially offset by lower recruitments versus the prior year. A weak recruitment start to fiscal 2019 was driven by cycling against the launch of the WW Freestyle program and ineffective marketing in the first quarter of fiscal 2019. Fiscal 2019 year-over-year recruitment trends improved through the year and, with the impact of the launch of the *myWW* program in mid-November 2019, the recruitment trend turned positive in the fourth quarter of fiscal 2019 versus the prior year period.

In fiscal 2020, North America Total Paid Weeks increased 8.1% versus the prior year. The increase in North America Total Paid Weeks was driven primarily by the higher number of Incoming Subscribers at the beginning of fiscal 2020 versus the beginning of fiscal 2019 and higher Digital recruitments in fiscal 2020 versus the prior year. Despite the negative impact of COVID-19, Digital recruitments were higher in fiscal 2020 as compared to the prior year, driven by the successful launch of the new *myWW* program, the appeal of the program and our digital tools, and strong marketing execution versus the prior year. Workshops + Digital recruitments significantly declined in fiscal 2020 due to the impact of COVID-19.

Continental Europe Metrics and Business Trends

In fiscal 2018, Continental Europe Total Paid Weeks increased 30.6% versus the prior year, driven by the higher number of Incoming Subscribers at the beginning of fiscal 2018 versus the beginning of fiscal 2017, higher recruitments versus the prior year driven by the successful launch of the WW Freestyle program, and improved retention versus the prior year.

In fiscal 2019, Continental Europe Total Paid Weeks increased 11.7% versus the prior year, driven by the higher number of Incoming Subscribers at the beginning of fiscal 2019 versus the beginning of fiscal 2018. A weak recruitment start to fiscal 2019 was driven by cycling against the launch of the WW Freestyle program in local markets and ineffective marketing in the first quarter of fiscal 2019. Fiscal 2019 year-over-year recruitment trends were negative in the first quarter of fiscal 2019 versus the prior year period, and turned positive in the second quarter of fiscal 2019 and remained so through the rest of the year.

In fiscal 2020, Continental Europe Total Paid Weeks increased 12.5% versus the prior year, driven primarily by the higher number of Incoming Subscribers at the beginning of fiscal 2020 versus the beginning of fiscal 2019 and higher Digital recruitments in fiscal 2020 versus the prior year. Despite the negative impact of COVID-19, Digital recruitments were higher in fiscal 2020 as compared to the prior year, driven by the successful launch of the new *myWW* program, the appeal of the program and our digital tools, and strong marketing execution versus the prior year. Workshops + Digital recruitments significantly declined in fiscal 2020 due to the impact of COVID-19.

United Kingdom Metrics and Business Trends

In fiscal 2018, UK Total Paid Weeks increased 13.2% versus the prior year. The increase in UK Total Paid Weeks was driven by the higher number of Incoming Subscribers at the beginning of fiscal 2018 versus the beginning of fiscal 2017, recruitment strength in our Digital business versus the prior year driven by the successful launch of the WW Freestyle program, and improved retention versus the prior year.

In fiscal 2019, UK Total Paid Weeks increased 3.4% versus the prior year. The increase in UK Total Paid Weeks was driven by the higher number of Incoming Subscribers at the beginning of fiscal 2019 versus the beginning of fiscal 2018 and improved retention versus the prior year, partially offset by lower recruitments versus the prior year. A weak recruitment start to fiscal 2019 was driven by cycling against the launch of the WW Freestyle program and ineffective marketing in the first quarter of fiscal 2019. Fiscal 2019 year-over-year recruitment trends improved through the year and, with the impact of the launch of the *myWW* program in mid-November 2019, the recruitment trend turned positive in the fourth quarter of fiscal 2019 versus the prior year period.

In fiscal 2020, UK Total Paid Weeks decreased 1.2% versus the prior year. The decrease in UK Total Paid Weeks was driven primarily by lower Workshops + Digital recruitments, partially offset by the higher number of Incoming Subscribers at the beginning of fiscal 2020 versus the beginning of fiscal 2019 and higher Digital recruitments in fiscal 2020 versus the prior year. Despite the negative impact of COVID-19, Digital recruitments were higher in fiscal 2020 as compared to the prior year, driven by the successful launch of the new *myWW* program, the appeal of the program and our digital tools, and strong marketing execution versus the prior year. Workshops + Digital recruitments significantly declined in fiscal 2020 due to the impact of COVID-19.

Non-GAAP Financial Measures

To supplement our consolidated results presented in accordance with accounting principles generally accepted in the United States, or GAAP, we have disclosed non-GAAP financial measures of operating results that exclude or adjust certain items. Gross profit, gross profit margin, operating income and operating income margin are discussed in this Annual Report on Form 10-K both as reported (on a GAAP basis) and as adjusted (on a non-GAAP basis), as applicable, with respect to fiscal 2020 to exclude the impact of the 2020 restructuring charges, the Winfrey Stock Compensation expense and the goodwill impairment charge related to our Brazil reporting unit. We generally refer to such non-GAAP measures as excluding or adjusting for the impact of the 2020 restructuring charges, the Winfrey Stock Compensation expense and the goodwill impairment charge. We also present within this Annual Report on Form 10-K the non-GAAP financial measures: earnings before interest, taxes, depreciation, amortization and stock-based compensation (“EBITDAS”); earnings before interest, taxes, depreciation, amortization, stock-based compensation, 2020 restructuring charges and goodwill impairment (“Adjusted EBITDAS”); total debt less unamortized deferred financing costs, unamortized debt discount and cash on hand (i.e., net debt); and a net debt/Adjusted EBITAS ratio. See “—Liquidity and Capital Resources—EBITDAS, Adjusted EBITDAS and Net Debt” for the reconciliations of these non-GAAP financial measures to the most comparable GAAP financial measure in each case. Our management believes these non-GAAP financial measures provide useful supplemental information to investors regarding the performance of our business and are useful for period-over-period comparisons of the performance of our business. While we believe that these non-GAAP financial measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. In addition, these non-GAAP financial measures may not be the same as similarly entitled measures reported by other companies.

Use of Constant Currency

As exchange rates are an important factor in understanding period-to-period comparisons, we believe in certain cases the presentation of results on a constant currency basis in addition to reported results helps improve investors' ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. We use results on a constant currency basis as one measure to evaluate our performance. In this Annual Report on Form 10-K, we calculate constant currency by calculating current-year results using prior-year foreign currency exchange rates. We generally refer to such amounts calculated on a constant currency basis as excluding or adjusting for the impact of foreign currency or being on a constant currency basis. These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP and are not meant to be considered in isolation. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with GAAP.

Critical Accounting Policies

"Management's Discussion and Analysis of Financial Condition and Results of Operations" is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to inventories, the impairment analysis for goodwill and other indefinite-lived intangible assets, share-based compensation, income taxes, tax contingencies and litigation. We base our estimates on historical experience and on various other factors and assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We believe the following accounting policies are most important to the portrayal of our financial condition and results of operations and require our most significant judgments and estimates.

Revenue Recognition

Revenues are recognized when control of the promised services or goods is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services or goods.

We earn revenue from subscriptions for our digital products and by conducting workshops, for which we charge a fee, predominantly through commitment plans, as well as prepayment plans or the "pay-as-you-go" arrangement. We also earn revenue by selling consumer products online through our e-commerce platforms, at our studios and through our trusted partners; collecting royalties from franchisees; collecting royalties related to licensing agreements; and publishing.

Commitment plan revenues and prepaid workshop fees are recorded to revenue on a straight-line basis as control is transferred since these performance obligations are satisfied over time. Digital Subscription Revenues, consisting of the fees associated with subscriptions for our Digital products, including Digital 360 and Personal Coaching + Digital, are recognized on a straight-line basis as control is transferred since these performance obligations are satisfied over time. One-time Digital sign-up fees are considered immaterial in the context of the contract and the related revenue is amortized into revenue over the commitment period. Workshops + Digital Fees, consisting of the fees associated with subscription plans for combined workshops and digital offerings and other payment arrangements for access to workshops, are recognized on a straight-line basis as control is transferred since these performance obligations are satisfied over time. In the Workshops + Digital business, we generally charge non-refundable registration and starter fees in exchange for access to our digital subscription products, an introductory information session and materials we provide to new members. Revenue from these registration and starter fees is considered immaterial in the context of the contract and is amortized into revenue over the commitment period. Revenue from consumer product sales online through e-commerce platforms and at studios, royalties and commissions, and “pay-as-you-go” workshop fees is recognized at the point in time control is transferred, which is when products are shipped to customers and partners and title and risk of loss passes to them, royalties and commissions are earned, and services are rendered, respectively. For revenue transactions that involve multiple performance obligations, the amount of revenue recognized is determined using the relative fair value approach, which is generally based on each performance obligation’s stand-alone selling price. Discounts to customers, including free registration offers, are recorded as a deduction from gross revenue in the period such revenue was recognized.

We grant refunds in aggregate amounts that historically have not been material. Because the period of payment of the refund generally approximates the period revenue was originally recognized, refunds are recorded as a reduction of revenue over the same period.

Franchise Rights Acquired

Finite-lived franchise rights acquired are amortized over the remaining contractual period, which is generally less than one year. Indefinite-lived franchise rights acquired are tested on an annual basis for impairment.

In performing the impairment analysis for our indefinite-lived franchise rights acquired, the fair value for our franchise rights acquired is estimated using a discounted cash flow approach referred to as the hypothetical start-up approach for our franchise rights related to our Workshops + Digital business and a relief from royalty methodology for our franchise rights related to our Digital business. The aggregate estimated fair value for these rights is then compared to the carrying value of the unit of account for those franchise rights. We have determined the appropriate unit of account for purposes of assessing impairment to be the combination of the rights in both the Workshops + Digital business and the Digital business in the country in which the applicable acquisition occurred. The net book values of these franchise rights in the United States, Canada, United Kingdom, Australia, and New Zealand as of the January 2, 2021 balance sheet date were \$681.5 million, \$56.7 million, \$12.3 million, \$6.9 million, and \$5.1 million, respectively.

In our hypothetical start-up approach analysis for fiscal 2020, we assumed that the year of maturity was reached after 7 years. Subsequent to the year of maturity, we estimated future cash flows for the Workshops + Digital business in each country based on assumptions regarding revenue growth and operating income margins. The cash flows associated with the Digital business in each country were based on the expected Digital revenue for such country and the application of a royalty rate based on current market terms. The cash flows for the Workshops + Digital and Digital businesses were discounted utilizing rates which were calculated using the weighted-average cost of capital, which included the cost of equity and the cost of debt.

Goodwill

In performing the impairment analysis for goodwill, the fair value for our reporting units is estimated using a discounted cash flow approach. This approach involves projecting future cash flows attributable to the reporting unit and discounting those estimated cash flows using an appropriate discount rate. The estimated fair value is then compared to the carrying value of the reporting unit. We have determined the appropriate reporting unit for purposes of assessing annual impairment to be the country for all reporting units. The net book values of goodwill in the United States, Canada and other countries as of the January 2, 2021 balance sheet date were \$103.0 million, \$42.1 million and \$10.5 million, respectively.

For all of our reporting units tested as of May 3, 2020, we estimated future cash flows by utilizing the historical debt-free cash flows (cash flows provided by operations less capital expenditures) attributable to that country and then applied expected future operating income growth rates for such country. We utilized operating income as the basis for measuring our potential growth because we believe it is the best indicator of the performance of our business. We then discounted the estimated future cash flows utilizing a discount rate which was calculated using the weighted-average cost of capital, which included the cost of equity and the cost of debt.

Indefinite-Lived Franchise Rights Acquired and Goodwill Annual Impairment Test

We review indefinite-lived intangible assets, including franchise rights acquired with indefinite lives, and goodwill for potential impairment on at least an annual basis or more often if events so require. We performed fair value impairment testing as of May 3, 2020 and May 5, 2019, each the first day of fiscal May, on our indefinite-lived intangible assets and goodwill.

In performing our annual impairment analysis as of May 3, 2020 and May 5, 2019, we determined that the carrying amounts of our franchise rights acquired with indefinite lives units of account and goodwill reporting units did not exceed their respective fair values and, therefore, no impairment existed.

When determining fair value, we utilize various assumptions, including projections of future cash flows, growth rates and discount rates. A change in these underlying assumptions could cause a change in the results of the impairment assessments and, as such, could cause fair value to be less than the carrying amounts and result in an impairment of those assets. In the event such a result occurred, we would be required to record a corresponding charge, which would impact earnings. We would also be required to reduce the carrying amounts of the related assets on our balance sheet. We continue to evaluate these assumptions and believe that these assumptions are appropriate.

In performing our annual impairment analysis, we also considered the trading value of both our equity and debt. If the trading values of both our equity and debt were to significantly decline from their current levels, we may have to take an impairment charge at the appropriate time, which could be material. For additional information on risks associated with our recognizing asset impairment charges, see “Item 1A. Risk Factors” of this Annual Report on Form 10-K.

Based on the results of our May 3, 2020 annual franchise rights acquired impairment analysis performed for all of our units of account, except for Canada and New Zealand, as of the January 2, 2021 balance sheet date, those units had an estimated fair value at least 35% higher than the respective unit’s carrying amount. Collectively, these units of account represent 91.9% of our total franchise rights acquired. Based on the results of our annual franchise rights acquired impairment test performed for our Canada unit of account, which holds 7.4% of our franchise rights acquired as of the January 2, 2021 balance sheet date, the estimated fair value of this unit of account exceeded its carrying value by approximately 16.5%. Based on the results of our annual franchise rights acquired impairment test performed for our New Zealand unit of account, which holds 0.7% of our franchise rights acquired as of the January 2, 2021 balance sheet date, the estimated fair value of this unit of account exceeded its carrying value by approximately 9.8%. Accordingly, a change in the underlying assumptions for New Zealand may change the results of the impairment assessment and, as such, could result in an impairment of the franchise rights acquired related to New Zealand, for which the net book value was \$5.1 million as of January 2, 2021.

In performing this impairment analysis for fiscal 2020, for the year of maturity, we assumed Workshops + Digital revenue (comprised of Workshops + Digital Fees and revenues from products sold to members in studios) growth of (30.6%) to (39.3%) in the year of maturity from fiscal 2019, in each case, earned in the applicable country and assumed cumulative annual revenue growth rates for the years beyond the year of maturity of 1.7%. For the year of maturity and beyond, we assumed operating income margin rates of 0.2% to 12.4%.

Based on the results of our May 3, 2020 annual goodwill impairment test performed for all of our reporting units as of the January 2, 2021 balance sheet date, there was significant headroom in the goodwill impairment analysis for those units, with the difference between the carrying value and the fair value exceeding 100%.

The following are the more significant assumptions utilized in our annual impairment analyses for fiscal 2020 and fiscal 2019:

	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>
Debt-Free Cumulative Annual Cash Flow Growth Rate	4.0% to 13.9%	4.2%
Discount Rate	9.5%	9.0%

Brazil Goodwill Impairment

With respect to our Brazil reporting unit, during the first quarter of fiscal 2020, we made a strategic decision to shift to an exclusively Digital business in that country. We determined that this decision, together with the negative impact of COVID-19, the ongoing challenging economic environment in Brazil and our reduced expectations regarding the reporting unit’s future operating cash flows, required us to perform an interim goodwill impairment analysis. In performing this discounted cash flow analysis, we determined that the carrying amount of this reporting unit exceeded its fair value and as a result recorded an impairment charge of \$3.7 million, which comprises the remaining balance of goodwill for this reporting unit.

As it relates to our goodwill impairment analysis for Brazil, we estimated future debt-free cash flows in contemplation of our growth strategies for that market. In developing these projections, we considered the growth strategies under the current market conditions in Brazil. We then discounted the estimated future cash flows utilizing a discount rate which was calculated using the weighted-average cost of capital, which included the cost of equity and the cost of debt.

Other Critical Accounting Policies

Information concerning other critical accounting policies affecting us is set forth in Note 2 of our audited consolidated financial statements, contained in Part IV, Item 15 of this Annual Report on Form 10-K.

RESULTS OF OPERATIONS FOR FISCAL 2020 (53 weeks) COMPARED TO FISCAL 2019 (52 weeks)

The Company's fiscal year ends on the Saturday closest to December 31st and consists of either 52- or 53-week periods. Fiscal 2020 contained 53 weeks, while fiscal 2019 contained 52 weeks. The 2020 53rd week, which began on December 27, 2020 and ended on January 2, 2021, contributed 4.3 million, or 1.7%, to Total Paid Weeks for fiscal 2020. It drove additional revenues of \$20.9 million, or 1.5%, for fiscal 2020. Due to the timing of the 53rd week, additional marketing expense drove a decline in fiscal 2020 operating income. The 53rd week also resulted in an additional week of interest expense. As a result, in the aggregate the 53rd week had a negative \$0.03 per share impact on fiscal 2020 EPS.

The table below sets forth selected financial information for fiscal 2020 from our consolidated statements of net income for fiscal 2020 versus selected financial information for fiscal 2019 from our consolidated statements of net income for fiscal 2019.

Summary of Selected Financial Data

	(In millions, except per share amounts)				
	Fiscal 2020	Fiscal 2019	Increase/ (Decrease)	% Change	% Change Constant Currency
Revenues, net	\$ 1,378.1	\$ 1,413.3	\$ (35.2)	(2.5%)	(2.8%)
Cost of revenues	600.3	626.7	(26.4)	(4.2%)	(4.4%)
Gross profit	777.8	786.7	(8.8)	(1.1%)	(1.6%)
<i>Gross Margin %</i>	56.4%	55.7%			
Marketing expenses	260.7	244.0	16.7	6.9%	6.4%
Selling, general & administrative expenses	297.3	254.7	42.6	16.7%	16.6%
Goodwill impairment	3.7	—	3.7	100.0%	100.0%
Operating income	216.2	288.0	(71.8)	(24.9%)	(26.1%)
<i>Operating Income Margin %</i>	15.7%	20.4%			
Interest expense	123.3	135.3	(12.0)	(8.8%)	(8.8%)
Other expense, net	0.3	1.8	(1.4)	(80.1%)	(80.1%)
Income before income taxes	92.5	151.0	(58.5)	(38.7%)	(40.9%)
Provision for income taxes	17.5	31.5	(14.1)	(44.6%)	(46.8%)
Net income	75.0	119.4	(44.4)	(37.2%)	(39.3%)
Net loss attributable to the noncontrolling interest	0.0	0.2	(0.1)	(77.3%)	(68.2%)
Net income attributable to WW International, Inc.	\$ 75.1	\$ 119.6	\$ (44.5)	(37.2%)	(39.4%)
Weighted average diluted shares outstanding	70.0	69.6	0.5	0.7%	0.7%
Diluted earnings per share	\$ 1.07	\$ 1.72	\$ (0.65)	(37.7%)	(39.8%)

Note: Totals may not sum due to rounding.

Certain results for fiscal 2020 are adjusted to exclude the impact of the \$33.1 million of 2020 restructuring charges, the \$32.7 million Winfrey Stock Compensation expense and the \$3.7 million goodwill impairment charge related to our Brazil reporting unit. See “Non-GAAP Financial Measures” above. The table below sets forth a reconciliation of certain of those components of our selected financial data for the fiscal year ended January 2, 2021 which have been adjusted.

<u>(in millions except percentages)</u>	<u>Gross Profit</u>	<u>Gross Profit Margin</u>	<u>Operating Income</u>	<u>Operating Income Margin</u>
Fiscal 2020	\$ 777.8	56.4%	\$ 216.2	15.7%
Adjustments to Reported Amounts ⁽¹⁾				
2020 restructuring charges.....	23.3		33.1	
Winfrey Stock Compensation expense.....	—		32.7	
Goodwill impairment.....	—		3.7	
Total Adjustments ⁽¹⁾	<u>23.3</u>		<u>69.4</u>	
Fiscal 2020, as adjusted ⁽¹⁾	<u>\$ 801.1</u>	58.1%	<u>\$ 285.6</u>	20.7%

Note: Totals may not sum due to rounding.

- (1) The “As adjusted” measure is a non-GAAP financial measure that adjusts the consolidated statements of net income for fiscal 2020 to exclude the impact of the \$33.1 million (\$24.8 million after tax) of 2020 restructuring charges, the \$32.7 million (\$24.5 million after tax) Winfrey Stock Compensation expense and the \$3.7 million (\$2.7 million after tax) goodwill impairment charge. See “Non-GAAP Financial Measures” above for an explanation of our use of non-GAAP financial measures.

Consolidated Results

Revenues

Revenues in fiscal 2020 were \$1,378.1 million, a decrease of \$35.2 million, or 2.5%, versus fiscal 2019. Excluding the impact of foreign currency, which positively impacted our revenues for fiscal 2020 by \$4.7 million, revenues in fiscal 2020 would have decreased 2.8% versus the prior year. This decrease was driven primarily by lower revenues related to Workshops + Digital Fees and in-studio product sales as a result of the closure of our studios and reduced operations related to the COVID-19 pandemic. See “—Segment Results” for additional details on revenues.

Cost of Revenues and Gross Profit

Total cost of revenues in fiscal 2020 decreased \$26.4 million, or 4.2%, versus the prior year. Excluding the impact of \$23.3 million of 2020 restructuring charges, total cost of revenues in fiscal 2020 would have decreased by 7.9%, or 8.1% on a constant currency basis, versus the prior year. Gross profit decreased \$8.8 million, or 1.1%, in fiscal 2020 compared to fiscal 2019. Excluding the impact of foreign currency, which positively impacted gross profit for fiscal 2020 by \$3.6 million, gross profit in fiscal 2020 would have decreased 1.6% versus the prior year. Excluding the impact of \$23.3 million of 2020 restructuring charges, gross profit in fiscal 2020 would have increased by 1.8%, or 1.4% on a constant currency basis, versus the prior year. Gross margin in fiscal 2020 increased 0.8% to 56.4% versus 55.7% in fiscal 2019. Excluding the impact of \$23.3 million of 2020 restructuring charges, gross margin in fiscal 2020 would have increased 2.5% to 58.1% versus the prior year. Gross margin increase was driven primarily by a mix shift to our higher margin Digital business, offset in part by a contraction of margins in the Workshops + Digital business and lower margins related to consumer product sales.

Marketing

Marketing expenses for fiscal 2020 increased \$16.7 million, or 6.9%, versus fiscal 2019. Excluding the impact of foreign currency, which increased marketing expenses for fiscal 2020 by \$1.0 million, marketing expenses in fiscal 2020 would have increased 6.4% versus fiscal 2019. This increase in marketing expense was primarily due to fiscal 2020 including a 53rd week, which bridged the last week of December 2020 and ended on January 2, 2021, and had a high concentration of advertising spending. Marketing expenses as a percentage of revenue increased to 18.9% in fiscal 2020 as compared to 17.3% in fiscal 2019.

Selling, General and Administrative

Selling, general and administrative expenses for fiscal 2020 increased \$42.6 million, or 16.7%, versus fiscal 2019. Excluding the impact of foreign currency, which increased selling, general and administrative expenses for fiscal 2020 by \$0.3 million, selling, general and administrative expenses for fiscal 2020 would have increased 16.6% versus the prior year. Excluding the impact of the \$32.7 million Winfrey Stock Compensation expense and \$9.8 million of 2020 restructuring charges, selling, general and administrative expenses for fiscal 2020 would have been flat, or decreased by 0.1% on a constant currency basis, versus the prior year. Selling, general and administrative expenses as a percentage of revenue for fiscal 2020 increased to 21.6% from 18.0% for fiscal 2019.

Impairment

In performing our interim impairment analysis for our Brazil reporting unit, we determined that, based on the fair values calculated, the carrying amount of goodwill related to our Brazil reporting unit exceeded our fair value and recorded an impairment charge of \$3.7 million for fiscal 2020.

Operating Income

Operating income for fiscal 2020 decreased \$71.8 million, or 24.9%, versus fiscal 2019. Excluding the impact of foreign currency, which positively impacted operating income for fiscal 2020 by \$3.3 million, operating income in fiscal 2020 would have decreased 26.1% versus the prior year. Excluding the impact of the \$33.1 million of 2020 restructuring charges, the \$32.7 million Winfrey Stock Compensation expense and the \$3.7 million goodwill impairment charge related to our Brazil reporting unit, operating income in fiscal 2020 would have decreased by 0.8%, or 1.6% on a constant currency basis, versus the prior year. This decrease in operating income was driven primarily by an increase in marketing expenses, partially offset by an increase in gross profit as compared to the prior year. Operating income margin for fiscal 2020 decreased 4.7% to 15.7% from 20.4% for fiscal 2019. Excluding the impact of the 2020 restructuring charges, the Winfrey Stock Compensation expense and the goodwill impairment charge, operating income margin in fiscal 2020 would have increased by 0.3%, both as reported and on a constant currency basis, versus the prior year. This slight increase in operating income margin was driven primarily by an increase in gross margin, almost fully offset by an increase in marketing expenses as a percentage of revenue and an increase in selling, general and administrative expenses as a percentage of revenue, versus the prior year.

Interest Expense

Interest expense in fiscal 2020 decreased \$12.0 million, or 8.8%, versus fiscal 2019. The decrease in interest expense was driven primarily by a decrease in our outstanding indebtedness resulting from principal repayments. The effective interest rate on our debt, based on interest incurred (which includes amortization of our deferred financing costs and debt discount) and our average borrowings during fiscal 2020 and fiscal 2019 and excluding the impact of our interest rate swaps then in effect, decreased to 6.94% per annum at fiscal 2020 year end from 8.07% per annum at fiscal 2019 year end. Including the impact of our interest rate swaps then in effect, the effective interest rate on our debt, based on interest incurred (which includes amortization of our deferred financing costs and debt discount) and our average borrowings during fiscal 2020 and fiscal 2019, decreased to 7.72% per annum at fiscal 2020 year end from 8.02% per annum at fiscal 2019 year end. See “—Liquidity and Capital Resources—Long-Term Debt” for additional details regarding our debt, including interest rates and payments thereon. For additional details on our interest rate swaps, see “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” in this Annual Report on Form 10-K.

Other Expense, Net

Other expense, net, which consists primarily of the impact of foreign currency on intercompany transactions, decreased by \$1.4 million in fiscal 2020 to \$0.3 million of expense as compared to \$1.8 million of expense in the prior year.

Tax

Our effective tax rate for fiscal 2020 was 18.9% as compared to 20.9% for fiscal 2019. The tax expense for fiscal 2020 was impacted by a tax benefit related to the reversal of the tax impact of global intangible low-taxed income, or GILTI, a tax benefit related to tax windfalls from stock compensation and a tax benefit related to foreign-derived intangible income, or FDII, partially offset by tax expense related to income earned in foreign jurisdictions at rates higher than the U.S. and out-of-period income tax adjustments.

On March 27, 2020, the CARES Act was signed into law. The CARES Act includes provisions relating to modifications to the net interest deduction limitation, net operating loss carryforward rules, refundable payroll tax credits and deferment of the employer portion of certain payroll taxes.

On July 20, 2020, the U.S. Treasury Department released final regulations under Internal Revenue Code Section 951A (TD 9902) permitting a taxpayer to elect to exclude from its GILTI inclusion items of income subject to a high effective rate of foreign tax. As a result of the final regulations, we recorded a \$7.6 million tax benefit in fiscal 2020 related to the 2018 and 2019 taxes previously accrued attributable to GILTI.

Our effective tax rate for fiscal 2019 was 20.9% as compared to 8.4% for fiscal 2018. The effective tax rate in fiscal 2019 was impacted by tax expense related to income earned in foreign jurisdictions and tax expense related to GILTI. The impact of these expenses was partially offset by tax benefits related to FDII, the reversal of tax reserves no longer needed, and the cessation of certain publishing operations.

Net Income Attributable to the Company and Earnings Per Share

Net income attributable to the Company in fiscal 2020 decreased \$44.5 million, or 37.2%, from \$119.6 million in fiscal 2019. Excluding the impact of foreign currency, which positively impacted net income attributable to the Company in fiscal 2020 by \$2.6 million, net income attributable to the Company in fiscal 2020 would have decreased by 39.4% versus the prior year. Net income attributable to the Company in fiscal 2020 included a \$24.8 million impact from 2020 restructuring charges, a \$24.5 million impact from the Winfrey Stock Compensation expense and a \$2.7 million impact from the goodwill impairment charge related to our Brazil reporting unit.

Earnings per fully diluted share, or EPS, in fiscal 2020 was \$1.07 compared to \$1.72 in fiscal 2019. EPS for fiscal 2020 included a \$0.35 impact from 2020 restructuring charges, a \$0.35 impact from the Winfrey Stock Compensation expense and a \$0.04 impact from the goodwill impairment charge related to our Brazil reporting unit. Additionally, EPS for fiscal 2020 included a \$0.11 tax benefit related to the reversal of the 2018 and 2019 tax impact of GILTI. EPS for fiscal 2019 included a \$0.07 expense in connection with our organizational realignment in the first quarter of fiscal 2019.

Segment Results

Metrics and Business Trends

The following tables set forth key metrics by reportable segment for fiscal 2020 and the percentage change in those metrics versus the prior year:

(in millions except percentages and as noted)

	Fiscal 2020								
	GAAP			Constant Currency			Total Paid Weeks	Incoming Subscribers	EOP Subscribers
	Subscription Revenues	Product Sales & Other	Total Revenues	Subscription Revenues	Product Sales & Other	Total Revenues			
North America	\$ 814.4	\$ 127.7	\$ 942.1	\$ 814.9	\$ 127.8	\$ 942.7	163.9	2,722.1	2,822.3
CE	275.2	38.2	313.4	269.6	37.7	307.2	64.6	1,059.9	1,179.6
UK	67.2	17.2	84.4	66.9	17.2	84.1	20.3	361.4	323.5
Other ⁽¹⁾	29.8	8.5	38.3	30.8	8.5	39.4	5.5	101.8	97.7
Total	<u>\$ 1,186.5</u>	<u>\$ 191.6</u>	<u>\$ 1,378.1</u>	<u>\$ 1,182.3</u>	<u>\$ 191.1</u>	<u>\$ 1,373.4</u>	<u>254.3</u>	<u>4,245.3</u>	<u>4,423.0</u>
% Change Fiscal 2020 vs. Fiscal 2019									
North America	(4.0%)	(2.4%)	(3.8%)	(4.0%)	(2.3%)	(3.7%)	8.1%	6.4%	3.7%
CE	7.9%	(0.2%)	6.9%	5.7%	(1.5%)	4.8%	12.5%	12.7%	11.3%
UK	(5.4%)	(26.9%)	(10.8%)	(5.8%)	(27.1%)	(11.1%)	(1.2%)	8.3%	(10.5%)
Other ⁽¹⁾	(9.3%)	(36.8%)	(17.3%)	(5.9%)	(36.6%)	(14.9%)	0.2%	1.8%	(4.3%)
Total	(1.7%)	(7.0%)	(2.5%)	(2.1%)	(7.2%)	(2.8%)	8.2%	8.0%	4.2%

Note: Totals may not sum due to rounding.

(1) Represents Australia, New Zealand and emerging markets operations and franchise revenues.

(in millions except percentages and as noted)

	Fiscal 2020									
	Digital Subscription Revenues		Digital Paid Weeks	Incoming Digital Subscribers	EOP Digital Subscribers	Workshops + Digital Fees		Workshops + Digital Paid Weeks	Incoming Workshops + Digital Subscribers	EOP Workshops + Digital Subscribers
	GAAP	Constant Currency	Weeks	Subscribers	Subscribers	GAAP	Constant Currency	Weeks	Subscribers	Subscribers
North America	\$ 484.5	\$ 484.8	124.6	1,870.5	2,334.1	\$ 329.9	\$ 330.1	39.4	851.6	488.2
CE	208.0	203.1	55.2	863.4	1,059.9	67.2	66.4	9.4	196.6	119.7
UK	33.9	33.7	12.7	189.7	235.0	33.3	33.3	7.6	171.8	88.5
Other ⁽¹⁾	16.7	17.1	3.8	61.4	74.0	13.1	13.7	1.7	40.4	23.7
Total	<u>\$ 743.1</u>	<u>\$ 738.7</u>	<u>196.3</u>	<u>2,984.9</u>	<u>3,703.0</u>	<u>\$ 443.4</u>	<u>\$ 443.6</u>	<u>58.0</u>	<u>1,260.4</u>	<u>720.0</u>
% Change Fiscal 2020 vs. Fiscal 2019										
North America	20.5%	20.6%	23.4%	13.5%	24.8%	(26.1%)	(26.1%)	(22.4%)	(6.4%)	(42.7%)
CE	24.5%	21.6%	20.6%	18.2%	22.8%	(23.6%)	(24.5%)	(19.4%)	(6.4%)	(39.1%)
UK	26.1%	25.1%	26.0%	18.5%	23.9%	(24.6%)	(24.7%)	(27.3%)	(1.0%)	(48.5%)
Other ⁽¹⁾	17.6%	20.5%	19.0%	11.0%	20.1%	(29.7%)	(26.1%)	(25.9%)	(9.5%)	(41.5%)
Total	21.8%	21.1%	22.7%	15.1%	24.0%	(25.8%)	(25.7%)	(22.7%)	(5.8%)	(42.9%)

Note: Totals may not sum due to rounding.

(1) Represents Australia, New Zealand and emerging markets operations and franchise revenues.

North America Performance

The decrease in North America revenues in fiscal 2020 versus the prior year was driven primarily by a decrease in Subscription Revenues. The decrease in Subscription Revenues in fiscal 2020 versus the prior year was driven by a decrease in Workshops + Digital Fees, partially offset by an increase in Digital Subscription Revenues. Workshops + Digital Fees were negatively impacted by the significant recruitment decline in the second, third and fourth quarters of fiscal 2020 driven by the closure of certain of our studios and the limited reopening of others, as well as the shift in consumer sentiment in the COVID-19 environment. The increase in North America Total Paid Weeks in fiscal 2020 was driven primarily by the higher number of Incoming Subscribers at the beginning of fiscal 2020 versus the beginning of fiscal 2019 and higher Digital recruitments in fiscal 2020 versus the prior year. Higher Digital recruitments in fiscal 2020 were driven by the successful launch of the new *myWW* program, the appeal of the program and our digital tools, and strong marketing execution versus the prior year.

The decrease in North America product sales and other in fiscal 2020 versus the prior year was driven primarily by a decrease in in-studio product sales, partially offset by revenue received in connection with the *WW Presents: Oprah's 2020 Vision* tour.

Continental Europe Performance

The increase in Continental Europe revenues in fiscal 2020 versus the prior year was driven by an increase in Subscription Revenues. The increase in Subscription Revenues in fiscal 2020 versus the prior year was driven by an increase in Digital Subscription Revenues, partially offset by a decrease in Workshops + Digital Fees. Workshops + Digital Fees were negatively impacted by the significant recruitment decline in the second, third and fourth quarters of fiscal 2020 driven by the closure of certain of our studios and the limited reopening of others, as well as the shift in consumer sentiment in the COVID-19 environment. The increase in Continental Europe Total Paid Weeks was driven primarily by the higher number of Incoming Subscribers at the beginning of fiscal 2020 versus the beginning of fiscal 2019 and higher Digital recruitments in fiscal 2020 versus the prior year. Higher Digital recruitments in fiscal 2020 were driven by the successful launch of the new *myWW* program, the appeal of the program and our digital tools, and strong marketing execution versus the prior year.

United Kingdom Performance

The decrease in UK revenues in fiscal 2020 versus the prior year was driven by both a decrease in product sales and other and a decrease in Subscription Revenues. The decrease in Subscription Revenues in fiscal 2020 versus the prior year was driven by a decrease in Workshops + Digital Fees, partially offset by an increase in Digital Subscription Revenues. Workshops + Digital Fees were negatively impacted by the significant recruitment decline in the second, third and fourth quarters of fiscal 2020 driven by the closure of certain of our studios and the limited reopening of others, as well as the shift in consumer sentiment in the COVID-19 environment. The decrease in UK Total Paid Weeks was driven primarily by lower Workshops + Digital recruitments, partially offset by the higher number of Incoming Subscribers at the beginning of fiscal 2020 versus the beginning of fiscal 2019 and higher Digital recruitments in fiscal 2020 versus the prior year. Higher Digital recruitments in fiscal 2020 were driven by the successful launch of the new *myWW* program, the appeal of the program and our digital tools, and strong marketing execution versus the prior year.

The decrease in UK product sales and other in fiscal 2020 versus the prior year was driven primarily by a decrease in in-studio product sales.

Other Performance

The decrease in Other revenues in fiscal 2020 versus the prior year was driven by both a decrease in product sales and other and a decrease in Subscription Revenues. The decrease in Subscription Revenues in fiscal 2020 versus the prior year was driven primarily by a decrease in Workshops + Digital Fees. Workshops + Digital Fees were negatively impacted by the significant recruitment decline in the second, third and fourth quarters of fiscal 2020 driven by the closure of certain of our studios and the limited reopening of others, as well as the shift in consumer sentiment in the COVID-19 environment.

The decrease in Other product sales and other in fiscal 2020 versus the prior year was driven primarily by a decrease in product sales and a decrease in franchise commissions.

RESULTS OF OPERATIONS FOR FISCAL 2019 (52 weeks) COMPARED TO FISCAL 2018 (52 weeks)

The table below sets forth selected financial information for fiscal 2019 from our consolidated statements of net income for fiscal 2019 versus selected financial information for fiscal 2018 from our consolidated statements of net income for fiscal 2018.

Summary of Selected Financial Data

	(In millions, except per share amounts)				
	Fiscal 2019	Fiscal 2018	Increase/ (Decrease)	% Change	% Change Constant Currency
Revenues, net.....	\$ 1,413.3	\$ 1,514.1	\$ (100.8)	(6.7%)	(5.0%)
Cost of revenues	626.7	647.7	(21.1)	(3.3%)	(1.7%)
Gross profit	786.7	866.4	(79.7)	(9.2%)	(7.4%)
Gross Margin %.....	55.7%	57.2%			
Marketing expenses	244.0	226.3	17.7	7.8%	10.4%
Selling, general & administrative expenses.....	254.7	251.1	3.6	1.4%	2.8%
Operating income.....	288.0	389.0	(101.0)	(26.0%)	(24.4%)
Operating Income Margin %.....	20.4%	25.7%			
Interest expense	135.3	142.3	(7.1)	(5.0%)	(5.0%)
Other expense, net	1.8	2.6	(0.8)	(31.8%)	(31.8%)
Income before income taxes	151.0	244.1	(93.1)	(38.1%)	(35.7%)
Provision for income taxes	31.5	20.5	11.0	53.8%	62.8%
Net income	119.4	223.6	(104.1)	(46.6%)	(44.7%)
Net loss attributable to the noncontrolling interest.....	0.2	0.2	(0.0)	(6.4%)	(2.0%)
Net income attributable to WW International, Inc.	<u>\$ 119.6</u>	<u>\$ 223.7</u>	<u>\$ (104.1)</u>	<u>(46.5%)</u>	<u>(44.7%)</u>
Weighted average diluted shares outstanding	<u>69.6</u>	<u>70.1</u>	<u>(0.6)</u>	<u>(0.8%)</u>	<u>(0.8%)</u>
Diluted earnings per share	<u>\$ 1.72</u>	<u>\$ 3.19</u>	<u>\$ (1.47)</u>	<u>(46.1%)</u>	<u>(44.2%)</u>

Note: Totals may not sum due to rounding.

Consolidated Results

Revenues

Revenues in fiscal 2019 were \$1,413.3 million, a decrease of \$100.8 million, or 6.7%, versus fiscal 2018. Excluding the impact of foreign currency, which negatively impacted our revenues for fiscal 2019 by \$25.8 million, revenues in fiscal 2019 would have decreased 5.0% versus the prior year. This decrease was driven primarily by the revenue declines in North America. See “—Segment Results” for additional details on revenues.

Cost of Revenues and Gross Profit

Total cost of revenues in fiscal 2019 decreased \$21.1 million, or 3.3%, versus the prior year. Gross profit decreased \$79.7 million, or 9.2%, in fiscal 2019 compared to fiscal 2018 primarily due to the decrease in revenues. Excluding the impact of foreign currency, which negatively impacted gross profit for fiscal 2019 by \$15.5 million, gross profit in fiscal 2019 would have decreased 7.4% versus the prior year. Gross margin in fiscal 2019 decreased 1.6% to 55.7% versus 57.2% in fiscal 2018. Gross margin decline was driven primarily by a decrease in operating leverage across all businesses, partially offset by a mix shift to the higher margin Digital business.

Marketing

Marketing expenses for fiscal 2019 increased \$17.7 million, or 7.8%, versus fiscal 2018. Excluding the impact of foreign currency, which decreased marketing expenses for fiscal 2019 by \$6.0 million, marketing expenses in fiscal 2019 would have increased 10.4% versus fiscal 2018. This increase in marketing expense was largely due to increased TV media and production costs, Online media expense, and agency and celebrity fees, all on a global basis. Marketing expenses as a percentage of revenue increased to 17.3% in fiscal 2019 as compared to 14.9% in fiscal 2018.

Selling, General and Administrative

Selling, general and administrative expenses for fiscal 2019 increased \$3.6 million, or 1.4%, versus fiscal 2018. Excluding the impact of foreign currency, which decreased selling, general and administrative expenses for fiscal 2019 by \$3.5 million, selling, general and administrative expenses for fiscal 2019 would have increased 2.8% versus the prior year. The increase in selling, general and administrative expenses in fiscal 2019 was driven primarily by expenses related to our previously disclosed organizational realignment in the first quarter of fiscal 2019 and higher salary and related costs partially offset by a reduction in professional fees. Selling, general and administrative expenses as a percentage of revenue for fiscal 2019 increased to 18.0% from 16.6% for fiscal 2018.

Operating Income

Operating income for fiscal 2019 decreased \$101.0 million, or 26.0%, versus fiscal 2018. Excluding the impact of foreign currency, which negatively impacted operating income for fiscal 2019 by \$6.0 million, operating income in fiscal 2019 would have decreased 24.4% versus the prior year. This decrease in operating income was driven primarily by lower operating income in all reportable segments as compared to the prior year. Operating income margin for fiscal 2019 decreased 5.3% to 20.4% from 25.7% for fiscal 2018. This decrease in operating income margin was driven primarily by an increase in marketing expenses as a percentage of revenue, by a decrease in gross margin and by an increase in selling, general and administrative expenses as a percentage of revenue.

Interest Expense

Interest expense in fiscal 2019 decreased \$7.1 million, or 5.0%, versus fiscal 2018. The decrease in interest expense was driven primarily by a decrease in our outstanding indebtedness resulting from principal repayments. The effective interest rate on our debt, based on interest incurred (which includes amortization of our deferred financing costs and debt discount) and our average borrowings during fiscal 2019 and fiscal 2018 and excluding the impact of our interest rate swap then in effect, increased to 8.07% per annum at fiscal 2019 year end from 7.63% per annum at fiscal 2018 year end. Including the impact of our interest rate swap then in effect, the effective interest rate on our debt, based on interest incurred (which includes amortization of our deferred financing costs and debt discount) and our average borrowings during fiscal 2019 and fiscal 2018, increased to 8.02% per annum at fiscal 2019 year end from 7.79% per annum at fiscal 2018 year end. See “—Liquidity and Capital Resources—Long-Term Debt” for additional details regarding our debt, including interest rates and payments thereon. For additional details on our interest rate swaps, see “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” in this Annual Report on Form 10-K.

Other Expense, Net

Other expense, net, which consists primarily of the impact of foreign currency on intercompany transactions, decreased by \$0.8 million in fiscal 2019 to \$1.8 million of expense as compared to \$2.6 million of expense in the prior year.

Tax

Our effective tax rate for fiscal 2019 was 20.9% as compared to 8.4% for fiscal 2018. The effective tax rate in fiscal 2019 was impacted by a \$5.1 million tax expense related to income earned in foreign jurisdictions and a \$3.5 million tax expense related to GILTI. The impact of these expenses was partially offset by a \$5.7 million tax benefit related to FDII, a \$1.4 million tax benefit related to the reversal of tax reserves no longer needed, and a \$0.8 million tax benefit related to the cessation of certain publishing operations.

Our effective tax rate in fiscal 2018 was impacted by (i) a \$25.3 million tax benefit related to tax windfalls from stock compensation, (ii) an \$8.5 million tax benefit due to the reversal of a valuation allowance related to foreign tax credits that have been fully utilized, (iii) a \$4.3 million tax benefit related to favorable tax return adjustments, (iv) a \$3.4 million tax benefit primarily related to the reversal of tax reserves resulting from the closure of various tax audits, (v) a \$3.4 million tax benefit due to the reversal of a valuation allowance related to certain net operating losses that are now expected to be realized, and (vi) a \$1.9 million tax benefit related to the cessation of operations of our Mexican subsidiary.

Net Income Attributable to the Company and Earnings Per Share

Net income attributable to the Company in fiscal 2019 decreased \$104.1 million, or 46.5%, from \$223.7 million in fiscal 2018. Excluding the impact of foreign currency, which negatively impacted net income attributable to the Company in fiscal 2019 by \$4.2 million, net income attributable to the Company in fiscal 2019 would have decreased by 44.7% versus the prior year.

EPS in fiscal 2019 was \$1.72 compared to \$3.19 in fiscal 2018. EPS for fiscal 2019 included a \$0.07 expense in connection with our organizational realignment in the first quarter of fiscal 2019.

EPS for fiscal 2018 included: (i) a \$0.25 tax benefit from Ms. Winfrey’s exercise of a portion of her stock options; (ii) a \$0.12 tax benefit due to the reversal of a valuation allowance related to foreign tax credits that have been fully utilized; (iii) a \$0.06 tax benefit related to favorable tax return adjustments; and (iv) a \$0.05 tax benefit due to the reversal of a valuation allowance related to certain net operating losses that are now expected to be realized.

Segment Results

Metrics and Business Trends

The following tables set forth key metrics by reportable segment for fiscal 2019 and the percentage change in those metrics versus the prior year:

(in millions except percentages and as noted)

	Fiscal 2019								
	GAAP			Constant Currency			Total Paid Weeks	Incoming Subscribers	EOP Subscribers
	Subscription Revenues	Product Sales & Other	Total Revenues	Subscription Revenues	Product Sales & Other	Total Revenues			
North America.....	\$ 848.5	\$ 130.8	\$ 979.3	\$ 849.9	\$ 131.0	\$ 980.9	151.7	2,558.5	2,722.1
CE.....	255.0	38.3	293.3	269.5	40.6	310.0	57.4	940.2	1,059.9
UK.....	71.0	23.5	94.6	74.3	24.7	99.0	20.5	333.7	361.4
Other ⁽¹⁾	32.8	13.5	46.2	35.2	13.9	49.2	5.5	100.0	101.8
Total	<u>\$ 1,207.3</u>	<u>\$ 206.1</u>	<u>\$ 1,413.3</u>	<u>\$ 1,228.9</u>	<u>\$ 210.2</u>	<u>\$ 1,439.1</u>	<u>235.0</u>	<u>3,932.3</u>	<u>4,245.3</u>

% Change Fiscal 2019 vs. Fiscal 2018

North America.....	(5.8%)	(10.5%)	(6.5%)	(5.7%)	(10.4%)	(6.3%)	0.3%	20.9%	6.4%
CE.....	(0.8%)	(18.9%)	(3.6%)	4.8%	(14.1%)	1.9%	11.7%	30.0%	12.7%
UK.....	(9.2%)	(18.5%)	(11.7%)	(5.0%)	(14.4%)	(7.5%)	3.4%	12.7%	8.3%
Other ⁽¹⁾	(10.9%)	(27.8%)	(16.6%)	(4.3%)	(25.3%)	(11.4%)	1.0%	27.8%	1.8%
Total	(5.2%)	(14.5%)	(6.7%)	(3.5%)	(12.8%)	(5.0%)	3.1%	22.4%	8.0%

Note: Totals may not sum due to rounding.

(1) Represents Australia, New Zealand and emerging markets operations and franchise revenues.

(in millions except percentages and as noted)

	Fiscal 2019									
	Digital Subscription Revenues		Digital	Incoming	EOP	Workshops + Digital Fees		Workshops + Digital	Incoming Workshops + Digital	EOP Workshops + Digital
	GAAP	Constant Currency	Paid Weeks	Digital Subscribers	Digital Subscribers	GAAP	Constant Currency	Paid Weeks	Subscribers	Subscribers
North America.....	\$ 401.9	\$ 402.6	100.9	1,648.4	1,870.5	\$ 446.6	\$ 447.3	50.7	910.1	851.6
CE.....	167.0	176.5	45.8	730.3	863.4	88.0	93.0	11.6	209.9	196.6
UK.....	26.9	28.1	10.1	160.1	189.7	44.1	46.2	10.5	173.6	171.8
Other ⁽¹⁾	14.2	15.3	3.2	55.3	61.4	18.6	20.0	2.3	44.7	40.4
Total	<u>\$ 610.0</u>	<u>\$ 622.4</u>	<u>160.0</u>	<u>2,594.0</u>	<u>2,984.9</u>	<u>\$ 597.3</u>	<u>\$ 606.5</u>	<u>75.1</u>	<u>1,338.4</u>	<u>1,260.4</u>

% Change Fiscal 2019 vs. Fiscal 2018

North America.....	6.1%	6.3%	7.5%	31.8%	13.5%	(14.5%)	(14.4%)	(11.5%)	5.1%	(6.4%)
CE.....	11.7%	18.0%	17.9%	36.6%	18.2%	(18.2%)	(13.5%)	(7.7%)	11.3%	(6.4%)
UK.....	5.2%	10.0%	12.4%	19.2%	18.5%	(16.2%)	(12.3%)	(4.0%)	7.3%	(1.0%)
Other ⁽¹⁾	1.7%	9.4%	9.7%	24.9%	11.0%	(18.7%)	(12.7%)	(9.1%)	31.6%	(9.5%)
Total	7.4%	9.6%	10.6%	32.1%	15.1%	(15.3%)	(14.0%)	(9.8%)	7.1%	(5.8%)

Note: Totals may not sum due to rounding.

(1) Represents Australia, New Zealand and emerging markets operations and franchise revenues.

North America Performance

The decrease in North America revenues in fiscal 2019 versus the prior year was driven by both a decrease in Subscription Revenues and a decrease in product sales and other. This decrease in Subscription Revenues in fiscal 2019 versus the prior year was driven primarily by the decrease in Workshops + Digital Fees, partially offset by an increase in Digital Subscription Revenues. The slight increase in North America Total Paid Weeks was driven by the higher number of Incoming Subscribers at the beginning of fiscal 2019 versus the beginning of fiscal 2018, partially offset by lower recruitments versus the prior year. Lower recruitments in fiscal 2019 were driven by cycling against the successful launch of the WW Freestyle program and by the impact of ineffective marketing at the start of fiscal 2019.

The decrease in North America product sales and other in fiscal 2019 versus the prior year was driven primarily by a decrease in product sales.

Continental Europe Performance

The decrease in Continental Europe revenues in fiscal 2019 versus the prior year was driven by the impact of foreign currency. Excluding foreign currency, revenues in fiscal 2019 would have increased above the prior year driven by an increase in Subscription Revenues. This increase in Subscription Revenues in fiscal 2019 versus the prior year was driven by an increase in Digital Subscription Revenues, partially offset by a decrease in Workshops + Digital Fees. The increase in Continental Europe Total Paid Weeks was driven primarily by the higher number of Incoming Subscribers at the beginning of fiscal 2019 versus the beginning of fiscal 2018.

The decrease in Continental Europe product sales and other in fiscal 2019 versus the prior year was driven primarily by a decrease in product sales.

United Kingdom Performance

The decrease in UK revenues in fiscal 2019 versus the prior year was driven by both the decrease in Subscription Revenues and product sales and other. This decrease in Subscription Revenues in fiscal 2019 versus the prior year was driven primarily by the decrease in Workshops + Digital Fees. The increase in UK Total Paid Weeks was driven by the higher number of Incoming Subscribers at the beginning of fiscal 2019 versus the beginning of fiscal 2018 and improved retention versus the prior year, partially offset by lower recruitments in fiscal 2019. Lower recruitments in fiscal 2019 were driven by cycling against the successful launch of the WW Freestyle program and by the impact of ineffective marketing at the start of fiscal 2019.

The decrease in UK product sales and other in fiscal 2019 versus the prior year was driven primarily by a decrease in product sales and to a lesser extent a decrease in licensing.

Other Performance

The decrease in Other revenues in fiscal 2019 versus the prior year was driven by both a decrease in Subscription Revenues and a decrease in product sales and other. The decrease in Subscription Revenues in fiscal 2019 versus the prior year was driven primarily by the decrease in Workshops + Digital Fees.

The decrease in Other product sales and other in fiscal 2019 versus the prior year was driven primarily by a decrease in product sales.

Liquidity and Capital Resources

Cash flows provided by operating activities have historically supplied, and are expected to continue to supply, us with our primary source of liquidity. We use these cash flows, supplemented with long-term debt and short-term borrowings, to fund our operations and global strategic initiatives, pay down debt and engage in selective acquisitions. We currently believe that cash generated by operations during fiscal 2020, our cash on hand of approximately \$165.9 million at January 2, 2021, our \$173.8 million of availability under our Revolving Credit Facility at January 2, 2021 and our continued cost focus will provide us with sufficient liquidity to meet our obligations for the next twelve months. In addition, if necessary, we have the flexibility to delay investments or reduce marketing spend.

Due to the negative impact of COVID-19, and the uncertainty of the full extent of the magnitude and duration of such impact on our business and the economies and financial markets in which we operate, in fiscal 2020 we implemented a \$100.0 million cost-savings initiative with respect to our cost structure. We undertook this initiative to proactively manage our liquidity so we can maintain flexibility to respond to evolving business and consumer conditions arising from the pandemic, as well as continue to fund investments in innovating our program and long-term debt obligations. In connection with this initiative, we instituted a number of measures throughout our operations to mitigate expenses and reduce costs as well as ensure liquidity and the availability of our Revolving Credit Facility. While our fiscal 2020 cost-savings initiative was sufficient to address our liquidity needs in fiscal 2020, the evolving and uncertain economic impact of COVID-19 may impact our liquidity going forward. To the extent that we do not successfully manage our costs, our liquidity and financial results, as well as our ability to access our Revolving Credit Facility, may be adversely affected. Additionally, in June 2020, we amended our Credit Agreement (as defined below) to relax the requirements of the financial maintenance covenant until the end of the second quarter of fiscal 2022 so as to provide additional flexibility for accessing liquidity available under our Revolving Credit Facility (as defined below). See “—Liquidity and Capital Resources—Long-Term Debt—Senior Secured Credit Facilities” for additional details on this amendment.

As market conditions warrant, we may, from time to time, seek to purchase our outstanding debt securities or loans, including the Notes and borrowings under the Credit Facilities (each as defined below). Such transactions could be privately negotiated or open market transactions, pursuant to tender offers or otherwise. Subject to any applicable limitations contained in the agreements governing, or terms of, our indebtedness, any such purchases made by us may be funded by the use of cash on our balance sheet or the incurrence of new secured or unsecured debt. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may equate to a substantial amount of a particular class or series of debt, which may reduce the trading liquidity of such class or series.

Balance Sheet Working Capital

The following table sets forth certain relevant measures of our balance sheet working capital deficit, excluding cash and cash equivalents and current portion of long-term debt at:

	<u>January 2, 2021</u>	<u>December 28, 2019</u>	<u>Increase/ (Decrease)</u>
		(in millions)	
Total current assets	\$ 299.2	\$ 295.4	\$ 3.8
Total current liabilities	<u>340.1</u>	<u>394.1</u>	<u>(54.0)</u>
Working capital deficit	(40.9)	(98.7)	(57.8)
Cash and cash equivalents	165.9	182.7	(16.8)
Current portion of long-term debt	<u>77.0</u>	<u>96.3</u>	<u>(19.3)</u>
Working capital deficit, excluding cash and cash equivalents and current portion of long-term debt	<u>\$ (129.8)</u>	<u>\$ (185.2)</u>	<u>\$ (55.4)</u>

Note: Totals may not sum due to rounding.

The following table sets forth a summary of the primary factors contributing to the \$55.4 million decrease in our working capital deficit, excluding cash and cash equivalents and current portion of long-term debt:

	January 2, 2021	December 28, 2019	Increase/ (Decrease)	Impact to Working Capital Deficit
	(in millions)			
Derivative payable.....	\$ 28.3	\$ 21.6	\$ 6.7	\$ 6.7
Income taxes payable	\$ 7.8	\$ 3.6	\$ 4.2	\$ 4.2
Portion of operating lease liabilities due within one year	\$ 28.6	\$ 33.2	\$ (4.7)	\$ (4.7)
Deferred revenue	\$ 50.5	\$ 60.6	\$ (10.1)	\$ (10.1)
Prepaid income taxes.....	\$ 20.0	\$ 8.4	\$ 11.6	\$ (11.6)
Operational liabilities and other, net of assets.....	\$ 32.0	\$ 50.0	\$ (18.0)	\$ (18.0)
Accrued interest.....	\$ 2.7	\$ 24.6	\$ (21.9)	\$ (21.9)
Working capital deficit change, excluding cash and cash equivalents and current portion of long-term debt				<u>\$ (55.4)</u>

Note: Totals may not sum due to rounding.

The increase in derivative payable was due to a change in fair value driven by the change in interest rates. The decrease in deferred revenue was driven primarily by an increase in promotional sign-up offers. The increase in prepaid income taxes was primarily related to an increase in interest expense carryforward utilization as a result of the CARES Act and the reduction of tax attributable to GILTI due to the release of new tax regulations in July 2020, partially offset by the receipt of an IRS refund. The decrease in operational liabilities and other, net of assets, which includes accrued salaries and wages, was driven primarily by an increase in inventory balances to support an overall increase in e-commerce sales and a decline in accounts payable and accrued liabilities due to the timing of payments. The decrease in accrued interest was due to the timing of debt principal payments.

Cash Flows

The following table sets forth a summary of the Company's cash flows for the fiscal years ended:

	January 2, 2021	December 28, 2019	December 29, 2018
	(in millions)		
Net cash provided by operating activities.....	\$ 135.9	\$ 182.4	\$ 295.6
Net cash used for investing activities	\$ (65.6)	\$ (52.6)	\$ (64.0)
Net cash used for financing activities.....	\$ (95.5)	\$ (183.0)	\$ (74.4)

Operating Activities

Fiscal 2020

Cash flows provided by operating activities of \$135.9 million in fiscal 2020 reflected a decrease of \$46.5 million from \$182.4 million of cash flows provided by operating activities in fiscal 2019. The decrease in cash provided by operating activities was primarily the result of a decrease in net income attributable to the Company of \$44.5 million in fiscal 2020 as compared to the prior year.

Fiscal 2019

Cash flows provided by operating activities of \$182.4 million in fiscal 2019 reflected a decrease of \$113.2 million from \$295.6 million of cash flows provided by operating activities in fiscal 2018. The decrease in cash provided by operating activities was primarily the result of a decrease in net income attributable to the Company of \$104.1 million in fiscal 2019 as compared to the prior year.

Fiscal 2018

Cash flows provided by operating activities of \$295.6 million in fiscal 2018 reflected an increase of \$73.3 million from \$222.3 million of cash flows provided by operating activities in fiscal 2017. The increase in cash provided by operating activities was primarily the result of \$60.3 million of higher net income attributable to the Company in fiscal 2018 as compared to the prior year.

Investing Activities

Fiscal 2020

Net cash used for investing activities totaled \$65.6 million in fiscal 2020, an increase of \$13.0 million as compared to fiscal 2019. This increase was primarily attributable to cash paid for acquisitions in fiscal 2020. In fiscal 2020, we entered into a strategic collaboration agreement with ClassPass Inc. (“ClassPass”) and also invested \$5.0 million in ClassPass’ recent \$285.0 million Series E Preferred Stock funding round. For additional information on our acquisitions, see “Item 6. Selected Financial Data.”

Fiscal 2019

Net cash used for investing activities totaled \$52.6 million in fiscal 2019, a decrease of \$11.3 million as compared to fiscal 2018. This decrease was primarily attributable to investments in intellectual property and cash paid for acquisitions in fiscal 2018. For additional information on our acquisitions, see “Item 6. Selected Financial Data.”

Fiscal 2018

Net cash used for investing activities totaled \$64.0 million in fiscal 2018, an increase of \$23.2 million as compared to fiscal 2017. This increase was primarily attributable to higher capital expenditures for technology, investments in intellectual property and cash paid for acquisitions in fiscal 2018 as compared to the prior year. For additional information on our acquisitions, see “Item 6. Selected Financial Data.”

Financing Activities

Fiscal 2020

Net cash used for financing activities totaled \$95.5 million in fiscal 2020, primarily due to \$96.3 million used for scheduled debt repayments under our Term Loan Facility. See “—Long-Term Debt” for additional details on debt.

Fiscal 2019

Net cash used for financing activities totaled \$183.0 million in fiscal 2019, primarily due to \$100.0 million used for the previously disclosed debt prepayments and \$77.0 million used for scheduled debt repayments under our Term Loan Facility. See “—Long-Term Debt” for additional details on debt payments.

Fiscal 2018

Net cash used for financing activities totaled \$74.4 million in fiscal 2018, primarily due to \$25.0 million of net repayments on the outstanding principal amount on the Revolving Credit Facility and \$57.8 million used for scheduled debt repayments under our Term Loan Facility, which was partially offset by \$33.4 million in proceeds from stock options exercised in fiscal 2018.

Long-Term Debt

We currently plan to meet our long-term debt obligations by using cash flows provided by operating activities and opportunistically using other means to repay or refinance our obligations as we determine appropriate.

The following schedule sets forth our long-term debt obligations at January 2, 2021:

**Long-Term Debt
At January 2, 2021
(Balances in millions)**

	<u>Balance</u>
Term Loan Facility due November 29, 2024	\$ 1,209.0
Notes due December 1, 2025	300.0
Total	<u>1,509.0</u>
Less: Current portion	77.0
Unamortized deferred financing costs	6.0
Unamortized debt discount	17.2
Total long-term debt	<u>\$ 1,408.8</u>

Note: Totals may not sum due to rounding.

On November 29, 2017, we refinanced our then-existing credit facilities (referred to herein as the November 2017 debt refinancing) with proceeds received from \$1,565.0 million in an aggregate principal amount of borrowings under our new credit facilities, consisting of a \$1,540.0 million term loan facility and a \$150.0 million revolving credit facility (of which \$25.0 million was drawn upon at the time of the November 2017 debt refinancing) (collectively, as amended from time to time, referred to herein as the Credit Facilities) and proceeds received from the issuance of \$300.0 million in aggregate principal amount of 8.625% Senior Notes due 2025, or the Notes.

Senior Secured Credit Facilities

The Credit Facilities were issued under a new credit agreement, dated November 29, 2017, or, as amended from time to time, the Credit Agreement, among the Company, as borrower, the lenders party thereto, JPMorgan Chase Bank, N.A., or JPMorgan Chase, as administrative agent and an issuing bank, Bank of America, N.A., as an issuing bank, and Citibank, N.A., as an issuing bank. The Credit Facilities initially consisted of (1) \$1,540.0 million in aggregate principal amount of senior secured tranche B term loans due in 2024, or the Term Loan Facility, and (2) a \$150.0 million in an aggregate principal amount of commitments under a senior secured revolving credit facility (which included borrowing capacity available for letters of credit) due in 2022, or the Revolving Credit Facility.

On June 14, 2020, we entered into an amendment to the Credit Agreement, or the Credit Agreement Amendment, that provided for an increase in the aggregate principal amount of commitments under our Revolving Credit Facility by \$25.0 million, providing us with \$175.0 million in aggregate principal amount of commitments under the Revolving Credit Facility, and that included certain other amendments to the Credit Agreement, which among other things, relaxed the requirements of the financial maintenance covenant under the Credit Agreement until the end of the second fiscal quarter of 2022, as further detailed below.

On both May 31, 2019 and October 10, 2019, we made a voluntary prepayment at par of \$50.0 million in an aggregate amount of our outstanding term loans under the Term Loan Facility. As a result of these prepayments, we wrote off deferred financing fees of \$0.5 million in the aggregate in fiscal 2019.

As previously disclosed, on March 23, 2020, as a precautionary measure in light of the COVID-19 outbreak, we drew down \$148.0 million in an aggregate principal amount under the Revolving Credit Facility in order to enhance our cash position and to provide additional financial flexibility. The revolver borrowing was classified as a short-term liability in connection with our monthly interest elections. We repaid \$148.0 million in aggregate principal amount of borrowings under the Revolving Credit Facility on June 5, 2020.

As of January 2, 2021, we had \$1,209.0 million in an aggregate principal amount of loans outstanding under our Credit Facilities, with \$173.8 million of availability and \$1.2 million in issued but undrawn letters of credit outstanding under the Revolving Credit Facility. There were no outstanding borrowings under the Revolving Credit Facility as of January 2, 2021.

All obligations under the Credit Agreement are guaranteed by, subject to certain exceptions, each of our current and future wholly-owned material domestic restricted subsidiaries. All obligations under the Credit Agreement, and the guarantees of those obligations, are secured by substantially all of the assets of the Company and each guarantor, subject to customary exceptions, including:

- a pledge of 100% of the equity interests directly held by the Company and each guarantor in any wholly-owned domestic material subsidiary of the Company or any guarantor (which pledge, in the case of any non-U.S. subsidiary of a U.S. subsidiary, will not include more than 65% of the voting stock of such first-tier non-U.S. subsidiary), subject to certain exceptions; and
- a security interest in substantially all other tangible and intangible assets of the Company and each guarantor, subject to certain exceptions.

Under the terms of the Credit Agreement, depending on our Consolidated First Lien Leverage Ratio (as defined in the Credit Agreement), on an annual basis on or about the time we are required to deliver our financial statements for any fiscal year, we are obligated to offer to prepay a portion of the outstanding principal amount of the Term Loan Facility in an aggregate amount determined by a percentage of our annual excess cash flow (as defined in the Credit Agreement) (said payment referred to herein as a Cash Flow Sweep).

Borrowings under the Term Loan Facility and, after giving effect to the Credit Agreement Amendment, the Revolving Credit Facility, in each case, bear interest at a rate per annum equal to, at our option, either (1) an applicable margin plus a base rate determined by reference to the highest of (a) 0.50% per annum plus the higher of (i) the Federal Funds Effective Rate and (ii) the Overnight Bank Funding Rate as determined by the Federal Reserve Bank of New York, (b) the prime rate of JPMorgan Chase and (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00%; provided that such rate is not lower than a floor of 1.75% or (2) an applicable margin plus a LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that LIBOR is not lower than a floor of 0.75%. Borrowings under the Revolving Credit Facility bear interest at a rate per annum equal to an applicable margin based upon a leverage-based pricing grid (except as otherwise described below), plus, at our option, either (1) a base rate determined by reference to the highest of (a) 0.50% per annum plus the higher of (i) the Federal Funds Effective Rate and (ii) the Overnight Bank Funding Rate as determined by the Federal Reserve Bank of New York, (b) the prime rate of JPMorgan Chase and (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% or (2) a LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs. Under the terms of the Credit Agreement Amendment, a new level in the leverage based pricing grid was added providing for an applicable margin for extensions of credit under the Revolving Credit Facility of 3.00% when the Consolidated First Lien Leverage Ratio discussed below is greater than or equal to 3.75:1.00. As of January 2, 2021, the applicable margins for the LIBOR rate borrowings under the Term Loan Facility and the Revolving Credit Facility were 4.75% and 2.25%, respectively. In the event that LIBOR is phased out as is currently expected, the Credit Agreement provides that the Company and the administrative agent may amend the Credit Agreement to replace the LIBOR definition therein with a successor rate subject to notifying the lending syndicate of such change and not receiving within five business days of such notification objections to such replacement rate from lenders holding at least a majority of the aggregate principal amount of loans and commitments then outstanding under the Credit Agreement. If we fail to do so, our borrowings will be based off of the alternative base rate plus a margin.

On a quarterly basis, we pay a commitment fee to the lenders under the Revolving Credit Facility in respect of unutilized commitments thereunder, which commitment fee fluctuates depending upon our Consolidated First Lien Leverage Ratio. Under the terms of the Credit Agreement Amendment, a new level in the leverage based pricing grid was added providing for a commitment fee of 0.625% when the Consolidated First Lien Leverage Ratio discussed below is greater than or equal to 3.75:1.00. Based on our Consolidated First Lien Leverage Ratio as of January 2, 2021, the commitment fee was 0.35% per annum. Our Consolidated First Lien Leverage Ratio as of January 2, 2021 was 2.75:1.00.

The Credit Agreement contains other customary terms, including (1) representations, warranties and affirmative covenants, (2) negative covenants, including limitations on indebtedness, liens, mergers, acquisitions, asset sales, investments, distributions, prepayments of subordinated debt, amendments of material agreements governing subordinated indebtedness, changes to lines of business and transactions with affiliates, in each case subject to baskets, thresholds and other exceptions, and (3) customary events of default.

The availability of certain baskets and the ability to enter into certain transactions are also subject to compliance with certain financial ratios. In addition, if the aggregate principal amount of extensions of credit outstanding under the Revolving Credit Facility as of any fiscal quarter end exceeds 33 1/3% of the amount of the aggregate commitments under the Revolving Credit Facility in effect on such date, we must be in compliance with a Consolidated First Lien Leverage Ratio of 3.75:1.00, provided, however, that the Credit Agreement Amendment increased the required Consolidated First Lien Leverage Ratio to 4.50:1.00, commencing with the second fiscal quarter of 2020 through the end of fiscal 2020, with a further step up to 5.00:1.00 for fiscal 2021, before stepping down to 4.50:1.00 for the first fiscal quarter of 2022, and again to 3.75:1.00, commencing with the second fiscal quarter of 2022 (such increases in the Consolidated First Lien Leverage Ratio and the timing applicable thereto, collectively, referred to herein as the Financial Covenant Relief Period. The Financial Covenant Relief Period is subject to our continued compliance with certain conditions, which include meeting a Consolidated First Lien Leverage Ratio of 3.75:1.00 with respect to certain types of investments, restricted payments and prepayments of junior debt during the Financial Covenant Relief Period. If at any time we expect that we will not be in compliance with the conditions of the Financial Covenant Relief Period, we expect we will reduce our extensions of credit under the Revolving Credit Facility to \$58.3 million or less prior to the last day of such fiscal quarter so that we are not required to comply with the conditions of the Financial Covenant Relief Period. In any such event, we would be able to reborrow the full amount under the Revolving Credit Facility subsequent to such fiscal quarter end given that the applicable Consolidated First Lien Leverage Ratio to be tested during the Financial Covenant Relief Period is only tested as of the last day of each fiscal quarter.

As of January 2, 2021, we were in compliance with all applicable financial covenants and the applicable Consolidated First Lien Leverage Ratio in the Credit Agreement governing the Revolving Credit Facility though we were not required to comply at such time.

Senior Notes

The Notes were issued pursuant to an Indenture, dated as of November 29, 2017, or the Indenture, among the Company, the guarantors named therein and The Bank of New York Mellon, as trustee. The Indenture contains customary covenants, events of default and other provisions for an issuer of non-investment grade debt securities. These covenants include limitations on indebtedness, liens, mergers, acquisitions, asset sales, investments, distributions, prepayments of subordinated debt and transactions with affiliates, in each case subject to baskets, thresholds and other exceptions.

The Notes accrue interest at a rate per annum equal to 8.625% and are due on December 1, 2025. Interest on the Notes is payable semi-annually on June 1 and December 1 of each year, beginning on June 1, 2018. On or after December 1, 2020, we may on any one or more occasions redeem some or all of the Notes at a purchase price equal to 104.313% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, such optional redemption price decreasing to 102.156% on or after December 1, 2021 and to 100.000% on or after December 1, 2022. If a change of control occurs, we must offer to purchase for cash the Notes at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the purchase date. Following the sale of certain assets and subject to certain conditions, we must offer to purchase for cash the Notes at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the purchase date. The Notes are guaranteed on a senior unsecured basis by our subsidiaries that guarantee the Credit Facilities.

Outstanding Debt

At January 2, 2021, we had \$1,509.0 million outstanding under the Credit Facilities and the Notes, consisting of borrowings under the Term Loan Facility of \$1,209.0 million, \$0.0 drawn down on the Revolving Credit Facility and \$300.0 million in aggregate principal amount of Notes issued and outstanding.

At the end of fiscal 2020, fiscal 2019 and fiscal 2018, our debt consisted of both fixed and variable-rate instruments. Interest rate swaps were entered into to hedge a portion of the cash flow exposure associated with our variable-rate borrowings. Further information regarding our interest rate swaps can be found in Part IV, Item 15 of this Annual Report on Form 10-K under Note 19 “Derivative Instruments and Hedging” in the Notes to the Consolidated Financial Statements. The weighted average interest rate (which includes amortization of deferred financing costs and debt discount) on our outstanding debt, exclusive of the impact of the swaps then in effect, was approximately 7.03%, 8.08% and 7.73% per annum at January 2, 2021, December 28, 2019 and December 29, 2018, respectively, based on interest rates on these dates. The weighted average interest rate (which includes amortization of deferred financing costs and debt discount) on our outstanding debt, including the impact of the swaps then in effect, was approximately 7.41%, 7.59% and 7.46% per annum at January 2, 2021, December 28, 2019 and December 29, 2018, respectively, based on interest rates on these dates.

Dividends

We do not currently pay a dividend and we have no current plans to pay dividends in the foreseeable future. Any future determination to declare and pay dividends will be made at the sole discretion of our Board of Directors, after taking into account our financial condition and results of operations, capital requirements, contractual, legal, tax and regulatory restrictions, the provisions of Virginia law affecting the payment of distributions to shareholders and such other factors our Board of Directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants in our existing indebtedness, including the Credit Facilities and the Indenture governing the Notes, and may be limited by the agreements governing other indebtedness we or our subsidiaries incur in the future.

EBITDAS, Adjusted EBITDAS and Net Debt

We define EBITDAS, a non-GAAP financial measure, as earnings before interest, taxes, depreciation, amortization and stock-based compensation and Adjusted EBITDAS, a non-GAAP financial measure, as earnings before interest, taxes, depreciation, amortization, stock-based compensation, 2020 restructuring charges and goodwill impairment.

The table below sets forth the reconciliations for EBITDAS and Adjusted EBITDAS, each a non-GAAP financial measure, to net income, the most comparable GAAP financial measure, for the fiscal years ended:

(in millions)

	<u>January 2, 2021</u>	<u>December 28, 2019</u>	<u>December 29, 2018</u>
Net Income.....	\$ 75.1	\$ 119.6	\$ 223.7
Interest	123.3	135.3	142.3
Taxes.....	17.5	31.5	20.5
Depreciation and Amortization.....	50.0	45.0	44.1
Stock-based Compensation.....	55.0	20.5	20.2
EBITDAS	<u>\$ 320.9</u>	<u>\$ 351.9</u>	<u>\$ 450.8</u>
2020 restructuring charges.....	33.1	—	—
Goodwill Impairment.....	3.7	—	—
Adjusted EBITDAS ⁽¹⁾	<u>\$ 357.6</u>	<u>\$ 351.9</u>	<u>\$ 450.8</u>

Note: Totals may not sum due to rounding.

(1) The “Adjusted EBITDAS” measure is a non-GAAP financial measure that adjusts the consolidated statements of net income for fiscal 2020 to exclude the \$33.1 million of 2020 restructuring charges and the \$3.7 million impairment charge for goodwill related to our Brazil reporting unit. See “Non-GAAP Financial Measures” above for an explanation of our use of non-GAAP financial measures.

Reducing leverage is a capital structure priority for the Company. As of January 2, 2021, our net debt/Adjusted EBITDAS ratio was 3.7x.

The table below sets forth the reconciliation for net debt, a non-GAAP financial measure, to total debt, the most comparable GAAP financial measure, for the fiscal year ended:

(in millions)

	<u>January 2, 2021</u>
Total debt	\$ 1,509.0
Less: Unamortized deferred financing costs.....	6.0
Less: Unamortized debt discount.....	17.2
Less: Cash on hand	<u>165.9</u>
Net debt.....	<u>\$ 1,319.9</u>

Note: Totals may not sum due to rounding.

We present EBITDAS, Adjusted EBITDAS and net debt/Adjusted EBITDAS because we consider them to be useful supplemental measures of our performance. In addition, we believe EBITDAS, Adjusted EBITDAS and net debt/Adjusted EBITDAS are useful to investors, analysts and rating agencies in measuring the ability of a company to meet its debt service obligations. See “—Non-GAAP Financial Measures” herein for an explanation of our use of these non-GAAP financial measures.

Contractual Obligations

We are obligated under non-cancelable agreements primarily for office and rent facilities operating leases. Consolidated rent expense charged to operations under all our leases for fiscal 2020 was approximately \$55.0 million.

The following table summarizes our future contractual obligations as of the end of fiscal 2020:

	<u>Total</u>	<u>Payment Due by Period</u>			
		<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>More than 5 Years</u>
		(in millions)			
Long-Term Debt ⁽¹⁾					
Principal	\$ 1,509.0	\$ 77.0	\$ 154.0	\$ 1,278.0	\$ —
Interest.....	392.7	102.0	187.9	102.8	—
Operating leases, finance leases and non-cancelable agreements.....	<u>197.2</u>	<u>46.0</u>	<u>67.1</u>	<u>29.6</u>	<u>54.5</u>
Total ⁽²⁾	<u>\$ 2,098.9</u>	<u>\$ 225.0</u>	<u>\$ 409.0</u>	<u>\$ 1,410.4</u>	<u>\$ 54.5</u>

Note: Totals may not sum due to rounding.

- (1) Due to the fact that a portion of our debt is variable rate based, we have assumed for purposes of this table that the interest rate on all of our debt as of the end of fiscal 2020 remains constant for all periods presented.
- (2) The provision for income tax contingencies included in other long-term liabilities on the consolidated balance sheet is not included in the table above due to the fact that the Company is unable to estimate the timing of payment for this liability.

We currently plan to meet our long-term debt obligations by using cash flows provided by operating activities and opportunistically using other means to repay or refinance our obligations as we determine appropriate. We believe that cash flows from operating activities, together with cash on hand, will provide sufficient liquidity for the next 12 months to fund currently anticipated capital expenditure and working capital requirements, as well as debt service requirements.

Acquisition of Kurbo

On August 10, 2018, we acquired substantially all of the assets of Kurbo, a family-based healthy lifestyle coaching program, for a net purchase price of \$3.1 million.

Franchisee Acquisitions

On October 26, 2020, we acquired substantially all of the assets of our franchisees for certain territories in Arizona and California, Weight Watchers of Arizona, Inc. and Weight Watchers of Imperial County, Inc., respectively, for an aggregate purchase price of \$10.0 million.

On October 21, 2019, we acquired substantially all of the assets of our franchisee for certain territories in Nevada and Utah, Weight Watchers of Las Vegas, Inc., for a purchase price of \$4.5 million.

On December 10, 2018, we acquired substantially all of the assets of our franchisee for certain territories in South Carolina, At Goal, Inc., for a purchase price of \$4.0 million.

Factors Affecting Future Liquidity

Any future acquisitions, joint ventures or other similar transactions could require additional capital and we cannot be certain that any additional capital will be available on acceptable terms or at all. Our ability to fund our capital expenditure requirements, interest, principal and dividend payment obligations and working capital requirements depends on our future operations, performance and cash flow. These are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control.

Off-Balance Sheet Arrangements

As part of our ongoing business, we do not participate in arrangements that generate relationships with unconsolidated entities or financial partnerships established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes, such as entities often referred to as structured finance or special purpose entities.

Related Parties

For a discussion of related party transactions affecting us, see “Item 13. Certain Relationships and Related Transactions, and Director Independence” in Part III of this Annual Report on Form 10-K.

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 in the first quarter of the year is typically higher than the number in other quarters of the year, historically reflecting a decline over the course of the year.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks relating to interest rate changes and foreign currency fluctuations. All of our market risk sensitive instruments were entered into for purposes other than trading. The Company’s exposure to market risk as of the end of fiscal 2020 is described below.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates to interest expense of variable rate debt, in particular changes in LIBOR or the base rates which are used to determine the applicable interest rates for borrowings under the Credit Facilities.

On July 26, 2013, in order to hedge a portion of our variable rate debt, we entered into a forward-starting interest rate swap with an effective date of March 31, 2014 and a termination date of April 2, 2020. The initial notional amount of this swap was \$1.5 billion. During the term of this swap, the notional amount decreased from \$1.5 billion effective March 31, 2014 to \$1.25 billion on April 3, 2017 and to \$1.0 billion on April 1, 2019. This interest rate swap effectively fixed the variable interest rate on the notional amount of this swap at 2.41%. This swap qualified for hedge accounting and, therefore, changes in the fair value of this swap were recorded in accumulated other comprehensive loss.

On June 11, 2018, in order to hedge a portion of our variable rate debt, we entered into a forward-starting interest rate swap, or the 2018 swap, with an effective date of April 2, 2020 and a termination date of March 31, 2024. The initial notional amount of this swap is \$500.0 million. During the term of this swap, the notional amount will decrease from \$500.0 million effective April 2, 2020 to \$250.0 million on March 31, 2021. This interest rate swap effectively fixed the variable interest rate on the notional amount of this swap at 3.1005%. On June 7, 2019, in order to hedge a portion of our variable rate debt, we entered into a forward-starting interest rate swap (together with the 2018 swap, known as the current swaps) with an effective date of April 2, 2020 and a termination date of March 31, 2024. The notional amount of this swap is \$250.0 million. This interest rate swap effectively fixed the variable interest rate on the notional amount of this swap at 1.901%. The current swaps qualify for hedge accounting and, therefore, changes in the fair value of the current swaps have been recorded in accumulated other comprehensive loss. As of the end of fiscal 2020, we had \$1,209.0 million of variable rate debt, of which \$459.0 million remained unhedged.

As of January 2, 2021, borrowings under the Credit Facilities bore interest at LIBOR plus an applicable margin of 4.75%. For the Term Loan Facility, the minimum interest rate for LIBOR applicable to such facility pursuant to the terms of the Credit Agreement is set at 0.75%, referred to herein as the LIBOR Floor. In addition, as of January 2, 2021, our interest rate swaps in effect had an aggregate notional amount of \$750.0 million. Accordingly, as of January 2, 2021, based on the amount of variable rate debt outstanding and the then-current LIBOR rate, after giving consideration to the impact of the interest rate swaps and the LIBOR Floor, a hypothetical 90 basis point increase in interest rates would have increased annual interest expense by approximately \$4.1 million, driven primarily by the interest rate applicable to our Term Loan Facility. A hypothetical 90 basis point decrease in interest rates would result in no change to annual interest expense, driven primarily by the LIBOR Floor.

There have been no material changes to our exposure to market risk from the end of fiscal 2019 as compared to the end of fiscal 2020.

Foreign Currency Risk

Other than inter-company transactions between our domestic and foreign entities, we generally do not have significant transactions that are denominated in a currency other than the functional currency applicable to each entity. As a result, substantially all of our revenues and expenses in each jurisdiction in which we operate are in the same functional currency. In general, we are a net receiver of currencies other than the US dollar. Accordingly, changes in exchange rates may negatively affect our revenues and gross margins as expressed in US dollars. In the future, we may enter into forward and swap contracts to hedge transactions denominated in foreign currencies to reduce the currency risk associated with fluctuating exchange rates. Realized and unrealized gains and losses from any of these transactions may be included in net income for the period.

Fluctuations in currency exchange rates, particularly with respect to the euro, canadian dollar and pound sterling, may impact our shareholders' equity. The assets and liabilities of our non-US subsidiaries are translated into US dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated into US dollars at the average exchange rate for the period. The resulting translation adjustments are recorded in shareholders' equity as a component of accumulated other comprehensive loss. In addition, exchange rate fluctuations will cause the US dollar translated amounts to change in comparison to prior periods.

Item 8. Financial Statements and Supplementary Data

This information is incorporated by reference to our consolidated financial statements on pages F-1 through F-44 and our financial statement schedule on page S-1, including the report thereon of PricewaterhouseCoopers LLP on pages F-2 to F-4.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our principal executive officer and our principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of January 2, 2021, the end of fiscal 2020. Based upon that evaluation and subject to the foregoing, our principal executive officer and our principal financial officer concluded that, as of the end of fiscal 2020, the design and operation of our disclosure controls and procedures were effective at the reasonable assurance level.

Internal Control Over Financial Reporting

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Our management assessed the effectiveness of our internal control over financial reporting as of January 2, 2021, the end of fiscal 2020. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework* (2013). Based on this assessment, our management, under the supervision and with the participation of our principal executive officer and our principal financial officer, concluded that, as of January 2, 2021, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of January 2, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on pages F-2 to F-4 to our consolidated financial statements.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Items 10, 11, 12, 13 and 14. Directors, Executive Officers and Corporate Governance; Executive Compensation; Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters; Certain Relationships and Related Transactions, and Director Independence; Principal Accountant Fees and Services

Information called for by Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2021 Annual Meeting of Shareholders pursuant to Regulation 14A, except that (i) certain of the information regarding our directors and executive officers called for by Items 401(a), (b) and (e) of Regulation S-K has been included in Part I of this Annual Report on Form 10-K and (ii) the information regarding our Amended and Restated Code of Business Conduct and Ethics, or the Code of Business Conduct and Ethics, called for by Item 406 of Regulation S-K is set forth below.

Code of Business Conduct and Ethics

We have adopted the Code of Business Conduct and Ethics for our officers, including our principal executive officer, principal financial officer, principal accounting officer or controller, and our employees and directors. Our Code of Business Conduct and Ethics is available on our corporate website at corporate.ww.com/govdocs.

In addition to any disclosures required under the Exchange Act, the date and nature of any substantive amendment of our Code of Business Conduct and Ethics or waiver thereof applicable to any of our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, and that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K of the Exchange Act, will be disclosed within four business days of the date of such amendment or waiver on our corporate website at corporate.ww.com/govdocs and corporate.ww.com/corporate-actions, respectively. In the case of a waiver, the name of the person to whom the waiver was granted will also be disclosed on our corporate website within four business days of the date of such waiver.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)

1. Financial Statements

The financial statements listed in the Index to Financial Statements and Financial Statement Schedule on page F-1 are filed as part of this Annual Report on Form 10-K.

2. Financial Statement Schedule

The financial statement schedule listed in the Index to Financial Statements and Financial Statement Schedule on page F-1 is filed as part of this Annual Report on Form 10-K.

3. Exhibits

The exhibits listed in the Exhibit Index are filed as part of this Annual Report on Form 10-K.

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WW INTERNATIONAL, INC. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE COVERED BY
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Items 15(a) (1) & (2)

	Pages
Report of Independent Registered Public Accounting Firm.....	F-2
Consolidated Balance Sheets at January 2, 2021 and December 28, 2019	F-5
Consolidated Statements of Net Income for the fiscal years ended January 2, 2021, December 28, 2019, and December 29, 2018	F-6
Consolidated Statements of Comprehensive Income for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018	F-7
Consolidated Statements of Changes in Total Deficit for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018	F-8
Consolidated Statements of Cash Flows for the fiscal years ended January 2, 2021, December 28, 2019, and December 29, 2018	F-9
Notes to Consolidated Financial Statements	F-10
Schedule II—Valuation and Qualifying Accounts and Reserves for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018	S-1

All other schedules are omitted for the reason that they are either not required, not applicable, not material or the information is included in the consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of WW International, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of WW International, Inc. and its subsidiaries (the “Company”) as of January 2, 2021 and December 28, 2019, and the related consolidated statements of net income, of comprehensive income, of changes in total deficit and of cash flows for each of the three years in the period ended January 2, 2021, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of January 2, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 2, 2021 and December 28, 2019, and the results of its operations and its cash flows for each of the three years in the period ended January 2, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 2, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 4 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill and Indefinite-Lived Franchise Rights Acquired Impairment Assessments - United States and Canada

As described in Notes 2 and 7 to the consolidated financial statements, goodwill associated with the United States and Canada reporting units was \$103 million and \$42 million, respectively, as of January 2, 2021, and the indefinite-lived franchise rights acquired for the United States and Canada was \$681 million and \$57 million, respectively, as of January 2, 2021. Management reviews goodwill and indefinite-lived franchise rights acquired for potential impairment on at least an annual basis or more often if events so require. Potential goodwill impairment is identified by comparing the estimated fair value of a reporting unit to its carrying value, and potential impairment of indefinite-lived franchise rights acquired is identified by comparing the estimated fair value for these rights to their carrying value. Fair value of goodwill is estimated by management using a discounted cash flow approach. Fair value of indefinite-lived franchise rights acquired is estimated by management using a discounted cash flow approach referred to as the hypothetical start-up approach for franchise rights related to the Company's Workshops + Digital business and a relief from royalty methodology for franchise rights related to the Company's Digital business. Management uses various assumptions to determine fair value, including revenue growth rates, operating income margin, market-based royalty rate, and discount rates.

The principal considerations for our determination that performing procedures relating to the goodwill and indefinite-lived franchise rights acquired impairment assessments for the United States and Canada is a critical audit matter are the significant judgment by management when developing the fair value measurements; this in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to revenue growth rates and operating income margins.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill and indefinite-lived franchise rights acquired impairment assessments, including controls over the valuation of the Company's reporting units and indefinite-lived franchise rights acquired. These procedures also included, among others, (i) testing management's process for developing the fair value estimates of the United States and Canada reporting units and indefinite-lived franchise rights acquired for the United States and Canada, (ii) evaluating the appropriateness of the discounted cash flow approach and the relief from royalty methodology, (iii) testing the completeness and accuracy of underlying data used in the discounted cash flow approach and relief from royalty methodology, and (iv) evaluating the significant assumptions used by management related to revenue growth rates and operating income margins. Evaluating management's assumptions related to revenue growth rates and operating income margins involved evaluating whether the assumptions used by management were reasonable considering the current and past performance of the reporting units and indefinite-lived franchise rights acquired and whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discounted cash flow approach and relief from royalty methodology.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 25, 2021

We have served as the Company's auditor since 1999.

WW INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AT
(IN THOUSANDS)

	<u>January 2,</u> <u>2021</u>	<u>December 28,</u> <u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 165,887	\$ 182,736
Receivables (net of allowances: January 2, 2021 - \$2,298 and December 28, 2019 - \$1,813)	34,555	30,519
Inventories	39,456	27,204
Prepaid income taxes	20,028	8,395
Prepaid marketing and advertising	15,656	15,954
Prepaid expenses and other current assets	23,610	30,582
TOTAL CURRENT ASSETS	<u>299,192</u>	<u>295,390</u>
Property and equipment, net	51,935	54,066
Operating lease assets	119,102	151,983
Franchise rights acquired	765,850	753,445
Goodwill	155,617	157,916
Other intangible assets, net	59,709	59,031
Deferred income taxes	13,625	14,319
Other noncurrent assets	16,144	12,164
TOTAL ASSETS	<u>\$ 1,481,174</u>	<u>\$ 1,498,314</u>
LIABILITIES AND TOTAL DEFICIT		
CURRENT LIABILITIES		
Portion of long-term debt due within one year	\$ 77,000	\$ 96,250
Portion of operating lease liabilities due within one year	28,551	33,236
Accounts payable	23,052	29,064
Salaries and wages payable	58,047	66,656
Accrued marketing and advertising	15,556	14,815
Accrued interest	2,710	24,637
Other accrued liabilities	48,615	43,558
Derivative payable	28,283	21,597
Income taxes payable	7,810	3,644
Deferred revenue	50,475	60,613
TOTAL CURRENT LIABILITIES	<u>340,099</u>	<u>394,070</u>
Long-term debt, net	1,408,800	1,479,920
Long-term operating lease liabilities	101,561	128,464
Deferred income taxes	173,713	175,235
Other	5,212	2,446
TOTAL LIABILITIES	<u>2,029,385</u>	<u>2,180,135</u>
Commitments and contingencies (Note 16)		
Redeemable noncontrolling interest	0	3,722
TOTAL DEFICIT		
Common stock, \$0 par value; 1,000,000 shares authorized; 121,470 shares issued at January 2, 2021 and 120,352 shares issued at December 28, 2019	0	0
Treasury stock, at cost, 52,497 shares at January 2, 2021 and 52,933 shares at December 28, 2019	(3,140,903)	(3,158,274)
Retained earnings	2,617,841	2,500,083
Accumulated other comprehensive loss	(25,149)	(27,352)
TOTAL DEFICIT	<u>(548,211)</u>	<u>(685,543)</u>
TOTAL LIABILITIES AND TOTAL DEFICIT	<u>\$ 1,481,174</u>	<u>\$ 1,498,314</u>

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

WW INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF NET INCOME FOR THE FISCAL YEARS ENDED
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	January 2, 2021 <u>(53 weeks)</u>	December 28, 2019 <u>(52 weeks)</u>	December 29, 2018 <u>(52 weeks)</u>
Subscription revenues, net.....	\$ 1,186,489	\$ 1,207,266	\$ 1,273,196
Product sales and other, net.....	191,635	206,071	240,925
Revenues, net.....	<u>1,378,124</u>	<u>1,413,337</u>	<u>1,514,121</u>
Cost of subscription revenues	452,882	502,907	508,477
Cost of product sales and other	147,401	123,748	139,234
Cost of revenues.....	<u>600,283</u>	<u>626,655</u>	<u>647,711</u>
Gross profit	777,841	786,682	866,410
Marketing expenses.....	260,727	243,998	226,319
Selling, general and administrative expenses.....	297,287	254,699	251,106
Goodwill impairment	3,665	0	0
Operating income.....	<u>216,162</u>	<u>287,985</u>	<u>388,985</u>
Interest expense	123,310	135,267	142,346
Other expense, net	349	1,758	2,578
Income before income taxes	<u>92,503</u>	<u>150,960</u>	<u>244,061</u>
Provision for income taxes	17,462	31,513	20,493
Net income.....	<u>75,041</u>	<u>119,447</u>	<u>223,568</u>
Net loss attributable to the noncontrolling interest	38	169	181
Net income attributable to WW International, Inc.	<u>\$ 75,079</u>	<u>\$ 119,616</u>	<u>\$ 223,749</u>
Earnings per share attributable to WW International, Inc.			
Basic.....	<u>\$ 1.11</u>	<u>\$ 1.78</u>	<u>\$ 3.38</u>
Diluted	<u>\$ 1.07</u>	<u>\$ 1.72</u>	<u>\$ 3.19</u>
Weighted average common shares outstanding			
Basic.....	<u>67,849</u>	<u>67,188</u>	<u>66,280</u>
Diluted	<u>70,020</u>	<u>69,550</u>	<u>70,115</u>

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

WW INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FISCAL YEARS ENDED
(IN THOUSANDS)

	January 2, 2021 <u>(53 weeks)</u>	December 28, 2019 <u>(52 weeks)</u>	December 29, 2018 <u>(52 weeks)</u>
Net income	\$ 75,041	\$ 119,447	\$ 223,568
Other comprehensive gain (loss):			
Foreign currency translation gain (loss)	10,088	3,676	(11,462)
Income tax (expense) benefit on foreign currency translation gain (loss).....	<u>(2,533)</u>	<u>(939)</u>	<u>2,906</u>
Foreign currency translation gain (loss), net of taxes.....	7,555	2,737	(8,556)
(Loss) gain on derivatives.....	<u>(7,305)</u>	<u>(19,222)</u>	<u>7,205</u>
Income tax benefit (expense) on (loss) gain on derivatives.....	1,855	4,868	(1,827)
(Loss) gain on derivatives, net of taxes	<u>(5,450)</u>	<u>(14,354)</u>	<u>5,378</u>
Total other comprehensive gain (loss)	<u>2,105</u>	<u>(11,617)</u>	<u>(3,178)</u>
Comprehensive income	77,146	107,830	220,390
Net loss attributable to the noncontrolling interest.....	38	169	181
Foreign currency translation loss, net of taxes attributable to the noncontrolling interest.....	<u>98</u>	<u>22</u>	<u>373</u>
Comprehensive loss attributable to the noncontrolling interest	<u>136</u>	<u>191</u>	<u>554</u>
Comprehensive income attributable to WW International, Inc.....	<u>\$ 77,282</u>	<u>\$ 108,021</u>	<u>\$ 220,944</u>

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

WW INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL DEFICIT
(IN THOUSANDS)

	WW International, Inc.							
	Redeemable Noncontrolling Interest	Common Stock		Treasury Stock		Accumulated Other Comprehensive	Retained	Total
		Shares	Amount	Shares	Amount	Loss	Earnings	
Balance at December 30, 2017	\$ 4,467	118,947	\$ 0	54,258	\$(3,208,836)	\$ (10,467)	\$2,203,317	\$(1,015,986)
Comprehensive income (loss).....	(554)					(2,805)	223,749	220,944
Issuance of treasury stock under stock plans.....				(862)	33,212		(30,618)	2,594
Compensation expense on share-based awards							20,188	20,188
Issuance of common stock.....		1,405					9,796	9,796
Cumulative effect of revenue accounting change							2,933	2,933
Cumulative effect of tax accounting change.....						(2,485)	(46,927)	(49,412)
Balance at December 29, 2018	<u>\$ 3,913</u>	<u>120,352</u>	<u>\$ 0</u>	<u>53,396</u>	<u>\$(3,175,624)</u>	<u>\$ (15,757)</u>	<u>\$2,382,438</u>	<u>\$ (808,943)</u>
Comprehensive income (loss).....	(191)					(11,595)	119,616	108,021
Issuance of treasury stock under stock plans.....				(463)	17,350		(22,442)	(5,092)
Compensation expense on share-based awards							20,471	20,471
Balance at December 28, 2019	<u>\$ 3,722</u>	<u>120,352</u>	<u>\$ 0</u>	<u>52,933</u>	<u>\$(3,158,274)</u>	<u>\$ (27,352)</u>	<u>\$2,500,083</u>	<u>\$ (685,543)</u>
Comprehensive income (loss).....	(136)					2,203	75,079	77,282
Issuance of treasury stock under stock plans.....				(436)	17,371		(23,181)	(5,810)
Compensation expense on share-based awards							55,013	55,013
Issuance of common stock.....		1,118					7,793	7,793
Acquisition of minority interest.....	(3,586)						3,054	3,054
Balance at January 2, 2021	<u>\$ —</u>	<u>121,470</u>	<u>\$ 0</u>	<u>52,497</u>	<u>\$(3,140,903)</u>	<u>\$ (25,149)</u>	<u>\$2,617,841</u>	<u>\$ (548,211)</u>

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

WW INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED
(IN THOUSANDS)

	January 2, 2021	December 28, 2019	December 29, 2018
	(53 weeks)	(52 weeks)	(52 weeks)
Operating activities:			
Net income.....	\$ 75,041	\$ 119,447	\$ 223,568
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	50,677	45,017	44,061
Amortization of deferred financing costs and debt discount	8,845	9,318	8,539
Goodwill impairment	3,665	0	0
Impairment of intangible and long-lived assets	1,372	307	27
Share-based compensation expense	55,013	20,471	20,188
Deferred tax benefit	(1,440)	(9,424)	(13,673)
Allowance for doubtful accounts	411	(123)	130
Reserve for inventory obsolescence.....	16,425	8,710	7,906
Foreign currency exchange rate loss.....	719	1,235	2,036
Changes in cash due to:			
Receivables	(3,600)	1,331	(7,999)
Inventories.....	(25,940)	(9,127)	(1,148)
Prepaid expenses	(5,081)	13,619	(3,991)
Accounts payable	(4,045)	1,347	2,224
Accrued liabilities	(29,421)	(6,968)	16,600
Deferred revenue.....	(11,583)	6,199	(17,198)
Other long term assets and liabilities, net	1,859	(878)	(13,001)
Income taxes	3,023	(18,098)	27,323
Cash provided by operating activities.....	<u>135,940</u>	<u>182,383</u>	<u>295,592</u>
Investing activities:			
Capital expenditures	(21,490)	(17,159)	(19,050)
Capitalized software expenditures.....	(28,941)	(30,824)	(27,763)
Cash paid for acquisitions	(10,037)	(4,060)	(7,100)
Other items, net	(5,123)	(580)	(10,045)
Cash used for investing activities.....	<u>(65,591)</u>	<u>(52,623)</u>	<u>(63,958)</u>
Financing activities:			
Net (payments) borrowings on revolver.....	0	0	(25,000)
Payments on long-term debt.....	(96,250)	(177,000)	(57,750)
Taxes paid related to net share settlement of equity awards	(6,798)	(6,582)	(25,020)
Proceeds from stock options exercised.....	8,176	1,076	33,417
Other items, net	(667)	(487)	0
Cash used for financing activities	<u>(95,539)</u>	<u>(182,993)</u>	<u>(74,353)</u>
Effect of exchange rate changes on cash and cash equivalents	8,341	(1,005)	(3,361)
Net (decrease) increase in cash and cash equivalents	(16,849)	(54,238)	153,920
Cash and cash equivalents, beginning of period.....	182,736	236,974	83,054
Cash and cash equivalents, end of period	<u>\$ 165,887</u>	<u>\$ 182,736</u>	<u>\$ 236,974</u>

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

WW INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

1. Basis of Presentation

The accompanying consolidated financial statements include the accounts of WW International, Inc. and all of its subsidiaries. The terms “Company” and “WW” as used throughout these notes are used to indicate WW International, Inc. and all of its operations consolidated for purposes of its financial statements. The Company’s “Digital” business refers to providing subscriptions to the Company’s digital product offerings, including Digital 360 and Personal Coaching + Digital. The Company’s “Workshops + Digital” (formerly known as “Studio + Digital”) business refers to providing unlimited access to the Company’s workshops combined with the Company’s digital subscription product offerings to commitment plan subscribers. It also includes the provision of access to workshops for members who do not subscribe to commitment plans, including the Company’s “pay-as-you-go” members.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (“GAAP”) and include all of the Company’s majority-owned subsidiaries. All entities acquired, and any entity of which a majority interest was acquired, are included in the consolidated financial statements from the date of acquisition. In the fourth quarter of fiscal 2020, the remaining 20% interest in Vigilantes do Peso Marketing Ltda. was transferred to the Company in a cashless exchange, resulting in the reclassification of the redeemable noncontrolling interest to equity. All intercompany accounts and transactions have been eliminated in consolidation.

In fiscal 2020, the Company identified and recorded out-of-period adjustments related to income tax errors resulting from income tax receivables that should have been adjusted in prior fiscal years. The impact of correcting these errors, which were immaterial to prior period financial statements and corrected in the fourth quarter of fiscal 2020, increased provision for income taxes by \$2,279 and decreased net income attributable to the Company by \$2,279.

2. Summary of Significant Accounting Policies

Fiscal Year

The Company’s fiscal year ends on the Saturday closest to December 31st and consists of either 52 or 53-week periods. Fiscal 2020 contained 53 weeks, and fiscal 2019 and fiscal 2018 each contained 52 weeks.

WW INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

Use of Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates and judgments, including those related to inventories, the impairment analysis for goodwill and other indefinite-lived intangible assets, revenue, share-based compensation, income taxes, tax contingencies and litigation. The Company bases its estimates on historical experience and on various other factors and assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. While all available information has been considered, actual amounts could differ from these estimates. For example, the global outbreak of the coronavirus (COVID-19) has had and will continue to have a significant adverse impact on the Company's business as well as on the business environment and the markets in which it operates. This global health crisis has also had a significant adverse effect on overall economic conditions and the Company expects consumer demand to continue to be negatively impacted due to changes in consumer behavior and confidence and health concerns. The situation remains dynamic and subject to rapid and possibly significant change, with the United States and other countries continuing to struggle with rolling outbreaks of the virus. Accordingly, the full extent of the magnitude and duration of the negative impact to the Company's business from the COVID-19 pandemic cannot be predicted with certainty. The Company considered the impact of COVID-19 on the assumptions and estimates used when preparing this Annual Report on Form 10-K and the accompanying consolidated financial statements. These assumptions and estimates may change, as new events occur and additional information is obtained, and such future changes may have an adverse impact on the Company's results of operations, financial position and liquidity.

Translation of Foreign Currencies

For all foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated into US dollars using the exchange rate in effect at the end of each reporting period. Income statement accounts are translated at the average rate of exchange prevailing during each reporting period. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive loss.

Foreign currency gains and losses arising from the translation of intercompany receivables and intercompany payables with the Company's international subsidiaries are recorded as a component of other expense, net, unless the receivable or payable is considered long-term in nature, in which case the foreign currency gains and losses are recorded as a component of accumulated other comprehensive loss.

Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less. Cash balances may, at times, exceed insurable amounts. The Company believes it mitigates this risk by investing in or through major financial institutions. Cash includes balances due from third-party credit card companies.

Inventories

Inventories, which consist of finished goods, are stated at the lower of cost or net realizable value on a first-in, first-out basis, net of reserves for obsolescence and shrinkage.

Property and Equipment

Property and equipment are recorded at cost. For financial reporting purposes, equipment is depreciated on the straight-line method over the estimated useful lives of the assets (3 to 10 years). Leasehold improvements are amortized on the straight-line method over the shorter of the term of the lease or the useful life of the related assets. Expenditures for new facilities and improvements that substantially extend the useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any related gains or losses are included in income.

WW INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

Impairment of Long Lived Assets

The Company reviews long-lived assets, including amortizable intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable.

In fiscal 2020, fiscal 2019 and fiscal 2018, the Company recorded impairment charges of \$62, \$307 and \$0, respectively, related to internal-use computer software that was not expected to provide substantive service potential.

In fiscal 2020, fiscal 2019 and fiscal 2018, the Company recorded impairment charges of \$1,310, \$0 and \$27, respectively, related to property, plant and equipment that were expected to be disposed of before the end of their estimated useful lives.

Franchise Rights Acquired

Finite-lived franchise rights acquired are amortized over the remaining contractual period, which is generally less than one year. Indefinite-lived franchise rights acquired are tested on an annual basis for impairment.

In performing the impairment analysis for indefinite-lived franchise rights acquired, the fair value for franchise rights acquired is estimated using a discounted cash flow approach referred to as the hypothetical start-up approach for franchise rights related to the Company's Workshops + Digital business and a relief from royalty methodology for franchise rights related to the Company's Digital business. The aggregate estimated fair value for these rights is then compared to the carrying value of the unit of account for those franchise rights. The Company has determined the appropriate unit of account for purposes of assessing impairment to be the combination of the rights in both the Workshops + Digital business and the Digital business in the country in which the applicable acquisition occurred. The net book values of these franchise rights in the United States, Canada, United Kingdom, Australia, and New Zealand as of the January 2, 2021 balance sheet date were \$681,497, \$56,694, \$12,318, \$6,907 and \$5,084, respectively, totaling \$762,500 and the net book values as of the December 28, 2019 balance sheet date were \$671,914, \$55,171, \$11,784, \$6,273 and \$4,742, respectively, totaling \$749,884.

In its hypothetical start-up approach analysis for fiscal 2020, the Company assumed that the year of maturity was reached after 7 years. Subsequent to the year of maturity, the Company estimated future cash flows for the Workshops + Digital business in each country based on assumptions regarding revenue growth and operating income margins. The cash flows associated with the Digital business in each country were based on the expected Digital revenue for such country and the application of a royalty rate based on current market terms. The cash flows for the Workshops + Digital and Digital businesses were discounted utilizing rates which were calculated using the weighted-average cost of capital, which included the cost of equity and the cost of debt.

Goodwill

In performing the impairment analysis for goodwill, the fair value for the Company's reporting units is estimated using a discounted cash flow approach. This approach involves projecting future cash flows attributable to the reporting unit and discounting those estimated cash flows using an appropriate discount rate. The estimated fair value is then compared to the carrying value of the reporting unit. The Company has determined the appropriate reporting unit for purposes of assessing annual impairment to be the country for all reporting units. The net book values of goodwill in the United States, Canada and other countries as of the January 2, 2021 balance sheet date were \$102,968, \$42,103 and \$10,546, respectively, totaling \$155,617. The net book values of goodwill in the United States, Canada, Brazil and other countries as of the December 28, 2019 balance sheet date were \$102,968, \$40,972, \$4,399 and \$9,577, respectively, totaling \$157,916.

WW INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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For all of the Company's reporting units tested as of May 3, 2020, the Company estimated future cash flows by utilizing the historical debt-free cash flows (cash flows provided by operations less capital expenditures) attributable to that country and then applied expected future operating income growth rates for such country. The Company utilized operating income as the basis for measuring its potential growth because it believes it is the best indicator of the performance of its business. The Company then discounted the estimated future cash flows utilizing a discount rate which was calculated using the weighted-average cost of capital, which included the cost of equity and the cost of debt.

Indefinite-Lived Franchise Rights Acquired and Goodwill Annual Impairment Test

The Company reviews indefinite-lived intangible assets, including franchise rights acquired with indefinite lives, and goodwill for potential impairment on at least an annual basis or more often if events so require. The Company performed fair value impairment testing as of May 3, 2020 and May 5, 2019, each the first day of fiscal May, on its indefinite-lived intangible assets and goodwill.

In performing its annual impairment analysis as of May 3, 2020 and May 5, 2019, the Company determined that the carrying amounts of its franchise rights acquired with indefinite lives units of account and goodwill reporting units did not exceed their respective fair values and, therefore, no impairment existed.

When determining fair value, the Company utilizes various assumptions, including projections of future cash flows, growth rates and discount rates. A change in these underlying assumptions could cause a change in the results of the impairment assessments and, as such, could cause fair value to be less than the carrying amounts and result in an impairment of those assets. In the event such a result occurred, the Company would be required to record a corresponding charge, which would impact earnings. The Company would also be required to reduce the carrying amounts of the related assets on its balance sheet.

Based on the results of the Company's May 3, 2020 annual franchise rights acquired impairment analysis performed for all of its units of account, except for Canada and New Zealand, as of the January 2, 2021 balance sheet date, those units had an estimated fair value at least 35% higher than the respective unit's carrying amount. Collectively, these units of account represent 91.9% of the Company's total franchise rights acquired. Based on the results of the Company's annual franchise rights acquired impairment test performed for its Canada unit of account, which holds 7.4% of the Company's franchise rights acquired as of the January 2, 2021 balance sheet date, the estimated fair value of this unit of account exceeded its carrying value by approximately 16.5%. Based on the results of the Company's annual franchise rights acquired impairment test performed for its New Zealand unit of account, which holds 0.7% of the Company's franchise rights acquired as of the January 2, 2021 balance sheet date, the estimated fair value of this unit of account exceeded its carrying value by approximately 9.8%. Accordingly, a change in the underlying assumptions for New Zealand may change the results of the impairment assessment and, as such, could result in an impairment of the franchise rights acquired related to New Zealand, for which the net book value was \$5,084 as of January 2, 2021.

Based on the results of the Company's May 3, 2020 annual goodwill impairment test performed for all of its reporting units as of the January 2, 2021 balance sheet date, there was significant headroom in the goodwill impairment analysis for those units, with the difference between the carrying value and the fair value exceeding 100%.

Brazil Goodwill Impairment

With respect to its Brazil reporting unit, during the first quarter of fiscal 2020, the Company made a strategic decision to shift to an exclusively Digital business in that country. The Company determined that this decision, together with the negative impact of COVID-19, the ongoing challenging economic environment in Brazil and its reduced expectations regarding the reporting unit's future operating cash flows, required the Company to perform an interim goodwill impairment analysis. In performing this discounted cash flow analysis, the Company determined that the carrying amount of this reporting unit exceeded its fair value and as a result recorded an impairment charge of \$3,665, which comprises the remaining balance of goodwill for this reporting unit.

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As it relates to its goodwill impairment analysis for Brazil, the Company estimated future debt-free cash flows in contemplation of its growth strategies for that market. In developing these projections, the Company considered the growth strategies under the current market conditions in Brazil. The Company then discounted the estimated future cash flows utilizing a discount rate which was calculated using the weighted-average cost of capital, which included the cost of equity and the cost of debt.

Other Intangible Assets

Other finite-lived intangible assets are amortized using the straight-line method over their estimated useful lives of 3 to 20 years. The Company expenses all software costs (including website development costs) incurred during the preliminary project stage and capitalizes all internal and external direct costs of materials and services consumed in developing software (including website development costs) once the development has reached the application development stage. Application development stage costs generally include software configuration, coding, installation to hardware and testing. These costs are amortized over their estimated useful life of 3 years for website development costs and from 3 to 5 years for all other software costs. All costs incurred for upgrades, maintenance and enhancements, including the cost of website content, which do not result in additional functionality, are expensed as incurred.

Revenue Recognition

Revenues are recognized when control of the promised services or goods is transferred to the Company's customers, in an amount that reflects the consideration it expects to be entitled to in exchange for those services or goods.

The Company earns revenue from subscriptions for its digital products and by conducting workshops, for which it charges a fee, predominantly through commitment plans, as well as prepayment plans or the "pay-as-you-go" arrangement. The Company also earns revenue by selling consumer products online through its e-commerce platforms, at its studios and through its trusted partners; collecting royalties from franchisees; collecting royalties related to licensing agreements; and publishing.

Commitment plan revenues and prepaid workshop fees are recorded to revenue on a straight-line basis as control is transferred since these performance obligations are satisfied over time. "Digital Subscription Revenues," consisting of the fees associated with subscriptions for the Company's Digital products, including Digital 360 and Personal Coaching + Digital, are recognized on a straight-line basis as control is transferred since these performance obligations are satisfied over time. One-time Digital sign-up fees are considered immaterial in the context of the contract and the related revenue is amortized into revenue over the commitment period. "Workshops + Digital Fees" (formerly known as "Studio + Digital Fees"), consisting of the fees associated with subscription plans for combined workshops and digital offerings and other payment arrangements for access to workshops, are recognized on a straight-line basis as control is transferred since these performance obligations are satisfied over time. In the Workshops + Digital business, the Company generally charges non-refundable registration and starter fees in exchange for access to the Company's digital subscription products, an introductory information session and materials it provides to new members. Revenue from these registration and starter fees is considered immaterial in the context of the contract and is amortized into revenue over the commitment period. Revenue from consumer product sales online through e-commerce platforms and at studios, royalties and commissions, and "pay-as-you-go" workshop fees is recognized at the point in time control is transferred, which is when products are shipped to customers and partners and title and risk of loss passes to them, royalties and commissions are earned, and services are rendered, respectively. For revenue transactions that involve multiple performance obligations, the amount of revenue recognized is determined using the relative fair value approach, which is generally based on each performance obligation's stand-alone selling price. Discounts to customers, including free registration offers, are recorded as a deduction from gross revenue in the period such revenue was recognized.

The Company grants refunds in aggregate amounts that historically have not been material. Because the period of payment of the refund generally approximates the period revenue was originally recognized, refunds are recorded as a reduction of revenue over the same period.

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Advertising Costs

Advertising costs consist primarily of broadcast and digital media. All costs related to advertising are expensed in the period incurred, except for media production-related costs, which are expensed the first time the advertising takes place. Total advertising expenses for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018 were \$248,473, \$235,826 and \$218,062, respectively.

Income Taxes

Deferred income tax assets and liabilities result primarily from temporary differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which differences are expected to reverse. If it is more-likely-than-not that some portion of a deferred tax asset will not be realized, a valuation allowance is recognized. The Company considers historic levels of income, estimates of future taxable income and feasible tax planning strategies in assessing the need for a tax valuation allowance.

The Company recognizes a benefit for uncertain tax positions when a tax position taken or expected to be taken in a tax return is more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of the provision for income taxes on its consolidated statements of net income.

In addition, assets and liabilities acquired in purchase business combinations are assigned their fair values and deferred taxes are provided for lower or higher tax bases.

Derivative Instruments and Hedging

The Company is exposed to certain risks related to its ongoing business operations, primarily interest rate risk and foreign currency risk. Interest rate swaps were entered into to hedge a portion of the cash flow exposure associated with the Company's variable-rate borrowings. The Company does not use any derivative instruments for trading or speculative purposes.

The Company recognizes the fair value of all derivative instruments as either assets or liabilities on the balance sheet. The Company has designated and accounted for interest rate swaps as cash flow hedges of its variable-rate borrowings. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive loss and reclassified into earnings in the periods during which the hedged transactions affect earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The fair value of the Company's interest rate swaps are reported as a component of accumulated other comprehensive loss on its balance sheet. See Note 18 for a further discussion regarding the fair value of the Company's interest rate swaps. The net effect of the interest payable and receivable under the Company's effective interest rate swap is included in interest expense on the consolidated statements of net income.

Deferred Financing Costs

Deferred financing costs consist of fees paid by the Company as part of the establishment, exchange and/or modification of the Company's long-term debt. Amortization expense for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018 was \$8,845, \$9,318 and \$8,539, respectively.

Accumulated Other Comprehensive Loss

The Company's accumulated other comprehensive loss includes changes in the fair value of derivative instruments and the effects of foreign currency translations. At January 2, 2021, December 28, 2019 and December 29, 2018, the cumulative balance of changes in fair value of derivative instruments, net of taxes, was \$20,979, \$15,529 and \$1,175, respectively. At January 2, 2021, December 28, 2019 and December 29, 2018, the cumulative balance of the effects of foreign currency translations, net of taxes, was \$4,170, \$11,823 and \$14,582, respectively.

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3. Accounting Standards Adopted in Current Year

In June 2016, the Financial Accounting Standards Board (the “FASB”) issued updated guidance replacing the incurred loss impairment method with a method that reflects expected credit losses. The effective date of the new guidance for public companies is for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. On December 29, 2019, the Company adopted the updated credit loss guidance on a prospective basis, which did not have a material impact on the Company’s consolidated financial statements.

In August 2018, the FASB issued updated guidance addressing customer’s accounting for implementation costs incurred in a cloud computing arrangement that is a service contract, which requires customers to apply internal-use software guidance to determine the implementation costs that are able to be capitalized. Capitalized implementation costs are required to be amortized over the term of the arrangement, beginning when the cloud computing arrangement is ready for its intended use. The effective date of the new guidance for public companies is for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. On December 29, 2019, the Company adopted the updated guidance on a prospective basis to all software implementation costs incurred after the date of adoption. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

4. Leases

Adoption of Lease Standard

On December 30, 2018, the Company adopted the updated guidance on leases using the modified retrospective transition method. Results for reporting periods beginning on or after December 30, 2018 are presented under the updated guidance, while prior period amounts are not adjusted and continue to be reported in accordance with the Company’s historical lease accounting.

The adoption of the standard had a material impact on the Company’s consolidated balance sheets but did not have a material impact on its consolidated statements of net income. The Company recorded \$155,178 as a right of use asset, \$163,486 of lease liabilities and \$0 for retained earnings for operating leases upon adoption of the updated guidance. The standard did not have a material impact on the Company’s finance lease contracts.

A lease is defined as an arrangement that contractually specifies the right to use and control an identified asset for a specific period of time in exchange for consideration. Operating leases are included in operating lease assets, portion of operating lease liabilities due within one year, and long-term operating lease liabilities in the Company’s consolidated balance sheets. Finance leases are included in property and equipment, net, other accrued liabilities, and other long-term liabilities in the Company’s consolidated balance sheets. Lease assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term, using the Company’s incremental borrowing rate commensurate with the lease term, since the Company’s lessors do not provide an implicit rate, nor is one readily available. The incremental borrowing rate is calculated based on the Company’s credit yield curve and adjusted for collateralization, credit quality and economic environment impact, all where applicable. The lease asset includes scheduled lease payments and excludes lease incentives, such as free rent periods and tenant improvement allowances. The Company has certain leases that may include an option to renew and when it is reasonably probable to exercise such option, the Company will include the renewal option terms in determining the lease asset and lease liability. The Company does not have any renewal options that would have a material impact on the terms of the leases and that are also reasonably expected to be exercised as of January 2, 2021. A lease may contain both fixed and variable payments. Variable lease payments that are linked to an index or rate are measured based on the current index or rate at the implementation of the lease accounting standard, or lease commencement date for new leases, with the impact of future changes in the index or rate being recorded as a period expense. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company’s operating and finance leases are primarily for its studios, corporate offices, data centers and certain equipment, including automobiles.

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At January 2, 2021 and December 28, 2019, the Company's lease assets and lease liabilities were as follows:

	<u>January 2, 2021</u>	<u>December 28, 2019</u>
Assets:		
Operating lease assets.....	\$ 119,102	\$ 151,983
Finance lease assets.....	207	259
Total leased assets.....	<u>\$ 119,309</u>	<u>\$ 152,242</u>
Liabilities:		
Current		
Operating.....	\$ 28,551	\$ 33,236
Finance.....	88	126
Noncurrent		
Operating.....	\$ 101,561	\$ 128,464
Finance.....	93	96
Total lease liabilities.....	<u>\$ 130,293</u>	<u>\$ 161,922</u>

For the fiscal years ended January 2, 2021 and December 28, 2019, the components of the Company's lease expense were as follows:

	<u>Fiscal Year Ended</u>	
	<u>January 2, 2021</u>	<u>December 28, 2019</u>
Operating lease cost:		
Fixed lease cost.....	\$ 48,674	\$ 51,246
Lease termination cost.....	6,109	10
Variable lease cost.....	(30)	0
Total operating lease cost.....	<u>\$ 54,753</u>	<u>\$ 51,256</u>
Finance lease cost:		
Amortization of leased assets.....	192	487
Interest on lease liabilities.....	12	20
Total finance lease cost.....	<u>\$ 204</u>	<u>\$ 507</u>
Total lease cost.....	<u>\$ 54,957</u>	<u>\$ 51,763</u>

Total rent expense charged to operations for office and rental facilities operating leases for the fiscal year ended December 29, 2018 was \$44,130.

At January 2, 2021 and December 28, 2019, the Company's weighted average remaining lease term and weighted average discount rates were as follows:

	<u>January 2, 2021</u>	<u>December 28, 2019</u>
Weighted Average Remaining Lease Term (years)		
Operating leases.....	7.08	7.06
Finance leases.....	2.35	2.43
Weighted Average Discount Rate		
Operating leases.....	6.95	7.02
Finance leases.....	5.51	5.97

The Company's leases have remaining lease terms of 0 to 12 years with a weighted average lease term of 7.07 years as of January 2, 2021.

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At January 2, 2021, the maturity of the Company's lease liabilities in each of the next five fiscal years and thereafter were as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
2021	\$ 36,503	\$ 95	\$ 36,598
2022	28,880	65	28,945
2023	21,224	27	21,251
2024	16,043	6	16,049
2025	11,604	—	11,604
Thereafter	54,505	—	54,505
Total lease payments	<u>\$ 168,759</u>	<u>\$ 193</u>	<u>\$ 168,952</u>
Less imputed interest	38,647	12	38,659
Present value of lease liabilities	<u>\$ 130,112</u>	<u>\$ 181</u>	<u>\$ 130,293</u>

Supplemental cash flow information related to leases for the fiscal years ended January 2, 2021 and December 28, 2019 were as follows:

	<u>Fiscal Year Ended</u>	
	<u>January 2, 2021</u>	<u>December 28, 2019</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 49,043	\$ 51,326
Operating cash flows from finance leases	\$ 12	\$ 20
Financing cash flows from finance leases	\$ 192	\$ 487
Leased assets obtained in exchange for new operating lease liabilities....	\$ 5,113	\$ 41,693
Leased assets obtained in exchange for new finance lease liabilities	\$ 132	\$ 105

Practical Expedients and Accounting Policy Elections

The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Company not to reassess whether any expired or existing contracts contained leases, to carry forward existing lease classifications and not to reassess initial direct costs for existing leases. In addition, the Company elected the benefit of hindsight practical expedient in determining the lease term for existing leases upon adoption of the updated guidance.

The Company has lease agreements with lease and non-lease components and has elected the practical expedient not to separate non-lease components from lease components and instead to account for each separate lease component and non-lease component as a single lease component.

The Company has elected the short-term lease exception accounting policy, whereby the recognition requirements of the updated guidance is not applied and lease expense is recorded on a straight-line basis with respect to leases with an initial term of 12 months or less.

5. Revenue

Revenue Recognition

Revenues are recognized when control of the promised services or goods is transferred to the Company's customers, in an amount that reflects the consideration it expects to be entitled to in exchange for those services or goods. See Note 2 for further information on the Company's revenue recognition policies.

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The following table presents the Company's revenues disaggregated by revenue source:

	Fiscal Year Ended		
	January 2, 2021	December 28, 2019	December 29, 2018
Digital Subscription Revenues	\$ 743,060	\$ 609,996	\$ 567,767
Workshops + Digital Fees	443,429	597,270	705,429
Subscription Revenues, net	\$ 1,186,489	\$ 1,207,266	\$ 1,273,196
Product sales and other, net	191,635	206,071	240,925
Revenues, net	<u>\$ 1,378,124</u>	<u>\$ 1,413,337</u>	<u>\$ 1,514,121</u>

The following tables present the Company's revenues disaggregated by revenue source and segment:

	Fiscal Year Ended January 2, 2021				
	North America	Continental Europe	United Kingdom	Other	Total
Digital Subscription Revenues.....	\$ 484,471	\$ 207,978	\$ 33,919	\$ 16,692	\$ 743,060
Workshops + Digital Fees.....	329,885	67,201	33,283	13,060	443,429
Subscription Revenues, net	\$ 814,356	\$ 275,179	\$ 67,202	\$ 29,752	\$ 1,186,489
Product sales and other, net	127,744	38,201	17,185	8,505	191,635
Revenues, net.....	<u>\$ 942,100</u>	<u>\$ 313,380</u>	<u>\$ 84,387</u>	<u>\$ 38,257</u>	<u>\$ 1,378,124</u>

	Fiscal Year Ended December 28, 2019				
	North America	Continental Europe	United Kingdom	Other	Total
Digital Subscription Revenues.....	\$ 401,890	\$ 167,008	\$ 26,898	\$ 14,200	\$ 609,996
Workshops + Digital Fees.....	446,576	87,962	44,145	18,587	597,270
Subscription Revenues, net	\$ 848,466	\$ 254,970	\$ 71,043	\$ 32,787	\$ 1,207,266
Product sales and other, net	130,836	38,263	23,514	13,458	206,071
Revenues, net.....	<u>\$ 979,302</u>	<u>\$ 293,233</u>	<u>\$ 94,557</u>	<u>\$ 46,245</u>	<u>\$ 1,413,337</u>

	Fiscal Year Ended December 29, 2018				
	North America	Continental Europe	United Kingdom	Other	Total
Digital Subscription Revenues.....	\$ 378,678	\$ 149,571	\$ 25,557	\$ 13,961	\$ 567,767
Workshops + Digital Fees.....	522,372	107,528	52,676	22,853	705,429
Subscription Revenues, net	\$ 901,050	\$ 257,099	\$ 78,233	\$ 36,814	\$ 1,273,196
Product sales and other, net	146,201	47,226	28,839	18,659	240,925
Revenues, net.....	<u>\$ 1,047,251</u>	<u>\$ 304,325</u>	<u>\$ 107,072</u>	<u>\$ 55,473</u>	<u>\$ 1,514,121</u>

Information about Contract Balances

For Subscription Revenues, the Company typically collects payment in advance of providing services. Any amounts collected in advance of services being provided are recorded in deferred revenue. In the case where amounts are not collected, but the service has been provided and the revenue has been recognized, the amounts are recorded in accounts receivable. The opening and ending balances of the Company's deferred revenues are as follows:

	Deferred Revenue	Deferred Revenue-Long Term
	Balance as of December 28, 2019	\$ 60,613
Net decrease during the period.....	(10,138)	(10)
Balance as of January 2, 2021	<u>\$ 50,475</u>	<u>\$ 44</u>

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Revenue recognized from amounts included in current deferred revenue as of December 28, 2019 was \$60,555 for the fiscal year ended January 2, 2021. The Company's long-term deferred revenue, which is included in other liabilities on the Company's consolidated balance sheet, had a balance of \$44 and \$54 at January 2, 2021 and December 28, 2019, respectively, for revenue that will not be recognized during the next fiscal year and is generally related to upfront payments received as an inducement for entering into certain sales-based royalty agreements with third party licensees. This revenue is amortized on a straight-line basis over the term of the applicable agreement.

Accounting Policy Elections

The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. The Company expenses sales commissions when incurred (amortization period would have been one year or less) and these expenses are recorded within selling, general and administrative expenses. The Company treats shipping and handling fees as fulfillment costs and not as a separate performance obligation, and as a result, any fees received from customers are included in the transaction price allocated to the performance obligation of providing goods with a corresponding amount accrued within cost of product sales and other for amounts paid to applicable carriers. Sales tax, value-added tax, and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue.

6. Acquisitions

Acquisition of Kurbo Health, Inc.

On August 10, 2018, the Company acquired substantially all of the assets of Kurbo Health, Inc. ("Kurbo"), a family-based healthy lifestyle coaching program, for a net purchase price of \$3,063. Payment was in the form of cash. The total purchase price of Kurbo has been allocated to goodwill (\$1,101), website development (\$1,916), prepaid expenses (\$78) and other assets (\$32) partially offset by deferred revenue (\$57) and other liabilities (\$7). The acquisition of Kurbo has been accounted for under the purchase method of accounting and, accordingly, earnings of Kurbo have been included in the consolidated operating results of the Company since the date of acquisition. The goodwill will be deductible annually for tax purposes.

Acquisition of Franchisees

On October 26, 2020, the Company acquired substantially all of the assets of its franchisees for certain territories in Arizona and California, Weight Watchers of Arizona, Inc. and Weight Watchers of Imperial County, Inc., respectively, for an aggregate purchase price of \$10,000. Payment was in the form of cash (\$10,037) and assumed net assets (\$37). The total purchase price has been allocated to franchise rights acquired (\$9,546), customer relationship value (\$227), property and equipment, net (\$131), inventories (\$84) and other assets (\$12). The acquisition of the franchisees has been accounted for under the purchase method of accounting and, accordingly, earnings of the acquired franchisees have been included in the consolidated operating results of the Company since the date of acquisition.

On October 21, 2019, the Company acquired substantially all of the assets of its franchisee for certain territories in Nevada and Utah, Weight Watchers of Las Vegas, Inc., for a purchase price of \$4,500 (the "Las Vegas Acquisition"). Payment was in the form of cash (\$4,060) plus cash in reserves (\$385) and assumed net liabilities (\$55). The total purchase price has been allocated to goodwill (\$4,111), customer relationship value (\$271) and franchise rights acquired (\$118). The acquisition of the franchisee has been accounted for under the purchase method of accounting and, accordingly, earnings of the acquired franchisee have been included in the consolidated operating results of the Company since the date of acquisition. The goodwill will be deductible for tax purposes.

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On December 10, 2018, the Company acquired substantially all of the assets of its franchisee for certain territories in South Carolina, At Goal, Inc., for a purchase price of \$4,000 (the “South Carolina Acquisition”). Payment was in the form of cash (\$4,000) and assumed net liabilities (\$37). The total purchase price has been allocated to franchise rights acquired (\$3,791) and customer relationship value (\$209). The acquisition of the franchisee has been accounted for under the purchase method of accounting and, accordingly, earnings of the acquired franchisee have been included in the consolidated operating results of the Company since the date of acquisition. The goodwill will be deductible for tax purposes.

7. Franchise Rights Acquired, Goodwill and Other Intangible Assets

The Company performed its annual impairment review of indefinite-lived intangible assets, including franchise rights acquired with indefinite lives, and goodwill for fiscal 2020 and fiscal 2019 on May 3, 2020 and May 5, 2019, respectively.

With respect to the Company’s Brazil reporting unit, during the first quarter of fiscal 2020, the Company made a strategic decision to shift to an exclusively Digital business in that country. The Company determined that this decision, together with the negative impact of COVID-19, the ongoing challenging economic environment in Brazil and the Company’s reduced expectations regarding the reporting unit’s future operating cash flows, required the Company to perform an interim goodwill impairment analysis. In performing this discounted cash flow analysis, the Company determined that the carrying amount of this reporting unit exceeded its fair value and as a result recorded an impairment charge of \$3,665, which comprises the remaining balance of goodwill for this reporting unit.

In performing its annual impairment analysis as of May 3, 2020 and May 5, 2019, the Company determined that the carrying amounts of its franchise rights acquired with indefinite lives units of account and goodwill reporting units did not exceed their respective fair values and therefore, no impairment existed.

Franchise rights acquired are due to acquisitions of the Company’s franchised territories as well as the acquisition of franchise promotion agreements and other factors associated with the acquired franchise territories. For the fiscal year ended January 2, 2021, the change in the carrying value of franchise rights acquired is due to the franchisee acquisition as described in Note 6 and the effect of exchange rate changes.

Goodwill primarily relates to the acquisition of the Company by The Kraft Heinz Company (successor to H.J. Heinz Company) in 1978 and the Company’s acquisitions of WW.com, Inc. (formerly known as WeightWatchers.com, Inc.) in 2005 and the Company’s franchised territories. See Note 6 for additional information about acquisitions by the Company. For the fiscal year ended January 2, 2021, the change in the carrying amount of goodwill was due to the impairment charge of the Company’s Brazil reporting unit and the effect of exchange rate changes as follows:

	<u>North America</u>	<u>Continental Europe</u>	<u>United Kingdom</u>	<u>Other</u>	<u>Total</u>
Balance as of December 28, 2019	\$ 143,940	\$ 7,015	\$ 1,213	\$ 5,748	\$ 157,916
Goodwill impairment.....	0	0	0	(3,665)	(3,665)
Effect of exchange rate changes	<u>1,131</u>	<u>777</u>	<u>55</u>	<u>(597)</u>	<u>1,366</u>
Balance as of January 2, 2021	<u>\$ 145,071</u>	<u>\$ 7,792</u>	<u>\$ 1,268</u>	<u>\$ 1,486</u>	<u>\$ 155,617</u>

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Finite-lived Intangible Assets

The below table reflects the carrying values of finite-lived intangible assets as of January 2, 2021 and December 28, 2019:

	<u>January 2, 2021</u>		<u>December 28, 2019</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Capitalized software costs	\$ 131,420	\$ 109,170	\$ 119,537	\$ 97,588
Website development costs.....	95,718	67,656	77,823	50,748
Trademarks	11,999	11,457	11,869	11,228
Other	14,093	5,238	14,003	4,637
Trademarks and other intangible assets	<u>\$ 253,230</u>	<u>\$ 193,521</u>	<u>\$ 223,232</u>	<u>\$ 164,201</u>
Franchise rights acquired.....	7,925	4,575	8,180	4,618
Total finite-lived intangible assets	<u>\$ 261,155</u>	<u>\$ 198,096</u>	<u>\$ 231,412</u>	<u>\$ 168,819</u>

Aggregate amortization expense for finite-lived intangible assets was recorded in the amounts of \$29,828, \$29,330 and \$28,995, for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018, respectively. The franchise rights acquired related to the South Carolina Acquisition will be amortized ratably over an 18 year period. The franchise rights acquired related to the Las Vegas Acquisition were fully amortized in fiscal 2019.

Estimated amortization expense of existing finite-lived intangible assets for the next five fiscal years and thereafter is as follows:

Fiscal 2021.....	\$ 27,543
Fiscal 2022.....	\$ 17,548
Fiscal 2023.....	\$ 7,395
Fiscal 2024.....	\$ 1,240
Fiscal 2025 and thereafter	\$ 9,333

8. Property and Equipment

The below table reflects the carrying values of property and equipment as of January 2, 2021 and December 28, 2019:

	<u>January 2, 2021</u>	<u>December 28, 2019</u>
Equipment.....	\$ 88,261	\$ 83,288
Leasehold improvements	<u>90,161</u>	<u>84,079</u>
	<u>178,422</u>	<u>167,367</u>
Less: Accumulated depreciation and amortization.....	<u>(126,487)</u>	<u>(113,301)</u>
	<u>\$ 51,935</u>	<u>\$ 54,066</u>

Depreciation and amortization expense of property and equipment for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018 was \$20,849, \$15,687 and \$15,066, respectively.

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9. Long-Term Debt

The components of the Company's long-term debt were as follows:

	January 2, 2021				December 28, 2019			
	Principal Balance	Unamortized Deferred Financing Costs	Unamortized Debt Discount	Effective Rate ⁽¹⁾	Principal Balance	Unamortized Deferred Financing Costs	Unamortized Debt Discount	Effective Rate ⁽¹⁾
Revolving Credit Facility due								
November 29, 2022.....	\$ 0	\$ 0	\$ 0	3.03%	\$ 0	\$ 0	\$ 0	0.00%
Term Loan Facility due								
November 29, 2024.....	1,209,000	5,113	17,233	6.60%	1,305,250	6,418	21,634	7.93%
Notes due December 1, 2025	300,000	854	0	8.71%	300,000	1,028	0	8.72%
Total	<u>\$ 1,509,000</u>	<u>\$ 5,967</u>	<u>\$ 17,233</u>	6.94%	<u>\$ 1,605,250</u>	<u>\$ 7,446</u>	<u>\$ 21,634</u>	8.07%
Less: Current portion	77,000				96,250			
Unamortized deferred financing costs.....	5,967				7,446			
Unamortized debt discount	17,233				21,634			
Total long-term debt.....	<u>\$ 1,408,800</u>				<u>\$ 1,479,920</u>			

(1) Includes amortization of deferred financing costs and debt discount.

On November 29, 2017, the Company refinanced its then-existing credit facilities (hereinafter referred to as "the November 2017 debt refinancing") with proceeds received from \$1,565,000 in an aggregate principal amount of borrowings under its new credit facilities, consisting of a \$1,540,000 term loan facility and a \$150,000 revolving credit facility (of which \$25,000 was drawn upon at the time of the November 2017 debt refinancing) (collectively, as amended from time to time, the "Credit Facilities") and proceeds received from the issuance of \$300,000 in aggregate principal amount of 8.625% Senior Notes due 2025 (the "Notes").

Senior Secured Credit Facilities

The Credit Facilities were issued under a new credit agreement, dated November 29, 2017 (as amended from time to time, the "Credit Agreement"), among the Company, as borrower, the lenders party thereto, JPMorgan Chase Bank, N.A. ("JPMorgan Chase"), as administrative agent and an issuing bank, Bank of America, N.A., as an issuing bank, and Citibank, N.A., as an issuing bank. The Credit Facilities initially consisted of (1) \$1,540,000 in aggregate principal amount of senior secured tranche B term loans due in 2024 (the "Term Loan Facility") and (2) a \$150,000 in an aggregate principal amount of commitments under a senior secured revolving credit facility (which included borrowing capacity available for letters of credit) due in 2022 (the "Revolving Credit Facility").

On June 14, 2020, the Company entered into an amendment to the Credit Agreement (the "Credit Agreement Amendment") that provided for an increase in the aggregate principal amount of commitments under the Company's Revolving Credit Facility by \$25,000, providing the Company with \$175,000 in aggregate principal amount of commitments under the Revolving Credit Facility, and that included certain other amendments to the Credit Agreement, which among other things, relaxed the requirements of the financial maintenance covenant under the Credit Agreement until the end of the second fiscal quarter of 2022, as further detailed below.

On both May 31, 2019 and October 10, 2019, the Company made a voluntary prepayment at par of \$50,000 in an aggregate amount of its outstanding term loans under the Term Loan Facility. As a result of these prepayments, the Company wrote off deferred financing fees of \$526 in the aggregate in fiscal 2019.

As previously disclosed, on March 23, 2020, as a precautionary measure in light of the COVID-19 outbreak, the Company drew down \$148,000 in an aggregate principal amount under the Revolving Credit Facility in order to enhance its cash position and to provide additional financial flexibility. The revolver borrowing was classified as a short-term liability in connection with the Company's monthly interest elections. The Company repaid \$148,000 in aggregate principal amount of borrowings under the Revolving Credit Facility on June 5, 2020.

As of January 2, 2021, the Company had \$1,209,000 in an aggregate principal amount of loans outstanding under its Credit Facilities, with \$173,846 of availability and \$1,154 in issued but undrawn letters of credit outstanding under the Revolving Credit Facility. There were no outstanding borrowings under the Revolving Credit Facility as of January 2, 2021.

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All obligations under the Credit Agreement are guaranteed by, subject to certain exceptions, each of the Company's current and future wholly-owned material domestic restricted subsidiaries. All obligations under the Credit Agreement, and the guarantees of those obligations, are secured by substantially all of the assets of the Company and each guarantor, subject to customary exceptions, including:

- a pledge of 100% of the equity interests directly held by the Company and each guarantor in any wholly-owned domestic material subsidiary of the Company or any guarantor (which pledge, in the case of any non-U.S. subsidiary of a U.S. subsidiary, will not include more than 65% of the voting stock of such first-tier non-U.S. subsidiary), subject to certain exceptions; and
- a security interest in substantially all other tangible and intangible assets of the Company and each guarantor, subject to certain exceptions.

Under the terms of the Credit Agreement, depending on the Company's Consolidated First Lien Leverage Ratio (as defined in the Credit Agreement), on an annual basis on or about the time the Company is required to deliver its financial statements for any fiscal year, the Company is obligated to offer to prepay a portion of the outstanding principal amount of the Term Loan Facility in an aggregate amount determined by a percentage of its annual excess cash flow (as defined in the Credit Agreement) (said payment, a "Cash Flow Sweep").

Borrowings under the Term Loan Facility and, after giving effect to the Credit Agreement Amendment, the Revolving Credit Facility, in each case, bear interest at a rate per annum equal to, at the Company's option, either (1) an applicable margin plus a base rate determined by reference to the highest of (a) 0.50% per annum plus the higher of (i) the Federal Funds Effective Rate and (ii) the Overnight Bank Funding Rate as determined by the Federal Reserve Bank of New York, (b) the prime rate of JPMorgan Chase and (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00%; provided that such rate is not lower than a floor of 1.75% or (2) an applicable margin plus a LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that LIBOR is not lower than a floor of 0.75%. Borrowings under the Revolving Credit Facility bear interest at a rate per annum equal to an applicable margin based upon a leverage-based pricing grid (except as otherwise described below), plus, at the Company's option, either (1) a base rate determined by reference to the highest of (a) 0.50% per annum plus the higher of (i) the Federal Funds Effective Rate and (ii) the Overnight Bank Funding Rate as determined by the Federal Reserve Bank of New York, (b) the prime rate of JPMorgan Chase and (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% or (2) a LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs. Under the terms of the Credit Agreement Amendment, a new level in the leverage based pricing grid was added providing for an applicable margin for extensions of credit under the Revolving Credit Facility of 3.00% when the Consolidated First Lien Leverage Ratio discussed below is greater than or equal to 3.75:1.00. As of January 2, 2021, the applicable margins for the LIBOR rate borrowings under the Term Loan Facility and the Revolving Credit Facility were 4.75% and 2.25%, respectively. In the event that LIBOR is phased out as is currently expected, the Credit Agreement provides that the Company and the administrative agent may amend the Credit Agreement to replace the LIBOR definition therein with a successor rate subject to notifying the lending syndicate of such change and not receiving within five business days of such notification objections to such replacement rate from lenders holding at least a majority of the aggregate principal amount of loans and commitments then outstanding under the Credit Agreement. If the Company fails to do so, its borrowings will be based off of the alternative base rate plus a margin.

On a quarterly basis, the Company pays a commitment fee to the lenders under the Revolving Credit Facility in respect of unutilized commitments thereunder, which commitment fee fluctuates depending upon the Company's Consolidated First Lien Leverage Ratio. Under the terms of the Credit Agreement Amendment, a new level in the leverage based pricing grid was added providing for a commitment fee of 0.625% when the Consolidated First Lien Leverage Ratio discussed below is greater than or equal to 3.75:1.00. Based on the Company's Consolidated First Lien Leverage Ratio as of January 2, 2021, the commitment fee was 0.35% per annum. The Company's Consolidated First Lien Leverage Ratio as of January 2, 2021 was 2.75:1.00.

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The Credit Agreement contains other customary terms, including (1) representations, warranties and affirmative covenants, (2) negative covenants, including limitations on indebtedness, liens, mergers, acquisitions, asset sales, investments, distributions, prepayments of subordinated debt, amendments of material agreements governing subordinated indebtedness, changes to lines of business and transactions with affiliates, in each case subject to baskets, thresholds and other exceptions, and (3) customary events of default.

The availability of certain baskets and the ability to enter into certain transactions are also subject to compliance with certain financial ratios. In addition, if the aggregate principal amount of extensions of credit outstanding under the Revolving Credit Facility as of any fiscal quarter end exceeds 33 1/3% of the amount of the aggregate commitments under the Revolving Credit Facility in effect on such date, the Company must be in compliance with a Consolidated First Lien Leverage Ratio of 3.75:1.00, provided, however, that the Credit Agreement Amendment increased the required Consolidated First Lien Leverage Ratio to 4.50:1.00, commencing with the second fiscal quarter of 2020 through the end of fiscal 2020, with a further step up to 5.00:1.00 for fiscal 2021, before stepping down to 4.50:1.00 for the first fiscal quarter of 2022, and again to 3.75:1.00, commencing with the second fiscal quarter of 2022 (such increases in the Consolidated First Lien Leverage Ratio and the timing applicable thereto, collectively, the “Financial Covenant Relief Period”). The Financial Covenant Relief Period is subject to the Company’s continued compliance with certain conditions, which include meeting a Consolidated First Lien Leverage Ratio of 3.75:1.00 with respect to certain types of investments, restricted payments and prepayments of junior debt during the Financial Covenant Relief Period. If at any time the Company expects that it will not be in compliance with the conditions of the Financial Covenant Relief Period, the Company expects it will reduce its extensions of credit under the Revolving Credit Facility to \$58,333 or less prior to the last day of such fiscal quarter so that it is not required to comply with the conditions of the Financial Covenant Relief Period. In any such event, the Company would be able to reborrow the full amount under the Revolving Credit Facility subsequent to such fiscal quarter end given that the applicable Consolidated First Lien Leverage Ratio to be tested during the Financial Covenant Relief Period is only tested as of the last day of each fiscal quarter.

As of January 2, 2021, the Company was in compliance with all applicable financial covenants and the applicable Consolidated First Lien Leverage Ratio in the Credit Agreement governing the Revolving Credit Facility though it was not required to comply at such time.

Senior Notes

The Notes were issued pursuant to an Indenture, dated as of November 29, 2017 (the “Indenture”), among the Company, the guarantors named therein and The Bank of New York Mellon, as trustee. The Indenture contains customary covenants, events of default and other provisions for an issuer of non-investment grade debt securities. These covenants include limitations on indebtedness, liens, mergers, acquisitions, asset sales, investments, distributions, prepayments of subordinated debt and transactions with affiliates, in each case subject to baskets, thresholds and other exceptions.

The Notes accrue interest at a rate per annum equal to 8.625% and are due on December 1, 2025. Interest on the Notes is payable semi-annually on June 1 and December 1 of each year, beginning on June 1, 2018. On or after December 1, 2020, the Company may on any one or more occasions redeem some or all of the Notes at a purchase price equal to 104.313% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, such optional redemption price decreasing to 102.156% on or after December 1, 2021 and to 100.000% on or after December 1, 2022. If a change of control occurs, the Company must offer to purchase for cash the Notes at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the purchase date. Following the sale of certain assets and subject to certain conditions, the Company must offer to purchase for cash the Notes at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the purchase date. The Notes are guaranteed on a senior unsecured basis by the Company’s subsidiaries that guarantee the Credit Facilities.

Outstanding Debt

At January 2, 2021, the Company had \$1,509,000 outstanding under the Credit Facilities and the Notes, consisting of borrowings under the Term Loan Facility of \$1,209,000, \$0 drawn down on the Revolving Credit Facility and \$300,000 in aggregate principal amount of Notes issued and outstanding.

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At January 2, 2021 and December 28, 2019, the Company's debt consisted of both fixed and variable-rate instruments. Interest rate swaps were entered into to hedge a portion of the cash flow exposure associated with the Company's variable-rate borrowings. See Note 19 for information on the Company's interest rate swaps. The weighted average interest rate (which includes amortization of deferred financing costs and debt discount) on the Company's outstanding debt, exclusive of the impact of the swaps then in effect, was approximately 7.03% and 8.08% per annum at January 2, 2021 and December 28, 2019, respectively, based on interest rates on these dates. The weighted average interest rate (which includes amortization of deferred financing costs and debt discount) on the Company's outstanding debt, including the impact of the swaps then in effect, was approximately 7.41% and 7.59% per annum at January 2, 2021 and December 28, 2019, respectively, based on interest rates on these dates.

Maturities

At January 2, 2021, the aggregate amounts of the Company's existing long-term debt maturing in each of the next five fiscal years and thereafter were as follows:

2021	\$ 77,000
2022	77,000
2023	77,000
2024	978,000
2025	300,000
2026 and thereafter	—
	<u>\$ 1,509,000</u>

10. Treasury Stock

On October 9, 2003, the Company's Board of Directors authorized, and the Company announced, a program to repurchase up to \$250,000 of the Company's outstanding common stock. On each of June 13, 2005, May 25, 2006 and October 21, 2010, the Company's Board of Directors authorized, and the Company announced, the addition of \$250,000 to the program. The repurchase program allows for shares to be purchased from time to time in the open market or through privately negotiated transactions. No shares will be purchased from Artal Holdings Sp. z o.o., Succursale de Luxembourg and its parents and subsidiaries under this program. The repurchase program currently has no expiration date.

During the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018, the Company repurchased no shares of its common stock under this program or otherwise. As of the end of fiscal 2020, \$208,933 remained available to purchase shares of the Company's common stock under the repurchase program.

11. Earnings Per Share

Basic earnings per share ("EPS") are calculated utilizing the weighted average number of common shares outstanding during the periods presented. Diluted EPS is calculated utilizing the weighted average number of common shares outstanding during the periods presented adjusted for the effect of dilutive common stock equivalents.

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The following table sets forth the computation of basic and diluted EPS for the fiscal years ended:

	January 2, 2021	December 28, 2019	December 29, 2018
Numerator:			
Net income attributable to WW International, Inc.	\$ 75,079	\$ 119,616	\$ 223,749
Denominator:			
Weighted average shares of common stock outstanding	67,849	67,188	66,280
Effect of dilutive common stock equivalents	2,171	2,362	3,835
Weighted average diluted common shares outstanding	70,020	69,550	70,115
Earnings per share attributable to WW International, Inc.			
Basic.....	\$ 1.11	\$ 1.78	\$ 3.38
Diluted	\$ 1.07	\$ 1.72	\$ 3.19

The number of anti-dilutive common stock equivalents excluded from the calculation of the weighted average number of common shares for diluted EPS was 4,052, 1,705 and 419 for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018, respectively.

12. Stock Plans

Incentive Compensation Plans and Winfrey Amendment Option

On May 6, 2008, the Company’s shareholders approved the 2008 Stock Incentive Plan (the “2008 Plan”). On May 6, 2014, the Company’s shareholders approved the 2014 Stock Incentive Plan (as amended and restated, the “2014 Plan”, and together with the 2008 Plan, the “Stock Plans”), which replaced the 2008 Plan for all equity-based awards granted on or after May 6, 2014. The 2014 Plan is designed to promote the long-term financial interests and growth of the Company by attracting, motivating and retaining employees with the ability to contribute to the success of the business and to align compensation for the Company’s employees over a multi-year period directly with the interests of the shareholders of the Company. The Company’s long-term equity incentive compensation program has historically included time-vesting non-qualified stock option and/or restricted stock unit (“RSUs”) (including performance-based stock unit with both time- and performance-vesting criteria (“PSUs”)) awards. From time to time, the Company has granted fully-vested shares of its common stock to individuals in connection with special circumstances. The Company’s Board of Directors or a committee thereof administers the 2014 Plan.

Under the 2014 Plan, grants may take the following forms at the Company’s Board of Directors’ Compensation and Benefit Committee’s (the “Compensation Committee”) discretion: non-qualified stock options, incentive stock options, stock appreciation rights, RSUs, restricted stock and other stock-based awards. As of January 2, 2021, the maximum number of shares of common stock available for grant under the 2014 Plan was 8,500, subject to increase and adjustment as set forth in the 2014 Plan.

Under the 2014 Plan, the Company also grants fully-vested shares of its common stock to certain members of its Board of Directors. While these shares are fully vested, the directors are restricted from selling these shares while they are still serving on the Company’s Board of Directors subject to limited exceptions. During the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018, the Company granted to members of the Company’s Board of Directors an aggregate of 31, 29 and 11 fully-vested shares, respectively, and recognized compensation expense of \$688, \$756 and \$754, respectively.

Under the Winfrey Amendment Option (as defined below), in fiscal 2020 the Company granted Ms. Winfrey a fully vested option to purchase 3,276 shares of the Company’s common stock as more fully described in Note 22.

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The Company issues common stock for share-based compensation awards from treasury stock. The total compensation cost that has been charged against income for share-based compensation awards and the Winfrey Amendment Option, as applicable, was \$55,013, \$20,471 and \$20,188 for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018, respectively. Such amounts have been included as a component of selling, general and administrative expenses. The total income tax benefit recognized in the income statement for all share-based compensation awards was \$10,915, \$2,141 and \$4,007 for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018, respectively. The tax benefits realized from options exercised and RSUs and PSUs vested totaled \$8,426, \$2,840 and \$30,268 for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018, respectively. No compensation costs were capitalized. As of January 2, 2021, there was \$34,462 of total unrecognized compensation cost related to the stock options, RSUs and PSUs granted under the Stock Plans. That cost is expected to be recognized over a weighted-average period of approximately 1.4 years.

Stock Option Awards Under Stock Plans and the Winfrey Amendment Option

Stock Option Awards with Time-Vesting Criteria

Stock options with time-vesting criteria (“Time-Vesting Options”) are exercisable based on the terms and conditions outlined in the applicable award agreement. Time-Vesting Options outstanding at January 2, 2021, December 28, 2019 and December 29, 2018 vest over a period of two to four years and the expiration term is seven to ten years. Time-Vesting Options outstanding at January 2, 2021, December 28, 2019 and December 29, 2018 have an exercise price between \$3.97 and \$63.59 per share. The Company did not grant Time-Vesting Options in fiscal 2019 and fiscal 2018.

The fair value of each of these option awards is estimated on the date of grant using the Black-Scholes option pricing model with the weighted average assumptions noted in the following table. Expected volatility is based on the historical volatility of the Company’s common stock. Since the Company’s option exercise history is limited, it has estimated the expected term of these options (other than the options with a seven-year term) to be the midpoint between the vesting period and the contractual term of each option. For options with a seven-year contractual term, the expected term is equal to 7 years. The risk-free interest rate is based on the U.S. Treasury yield curve in effect on the date of grant which most closely corresponds to the expected term of the Time-Vesting Options. The dividend yield is based on the Company’s historic average dividend yield.

	January 2, 2021
Dividend yield.....	0.0%
Volatility	56.5% - 56.7%
Risk-free interest rate	0.45% - 0.52%
Expected term (years)	5.9 - 6.5

Option Activity

A summary of all option activity under the Stock Plans and the Winfrey Amendment Option for the fiscal year ended January 2, 2021 is presented below:

	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (Yrs.)	Aggregate Intrinsic Value
Outstanding at December 28, 2019	3,700	\$ 21.77		
Granted	3,874	\$ 35.96		
Exercised	(1,162)	\$ 6.95		
Cancelled.....	(52)	\$ 25.51		
Outstanding at January 2, 2021	6,360	\$ 33.09	4.9	\$ 22,386
Exercisable at January 2, 2021	5,481	\$ 33.63	4.6	\$ 20,016

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The weighted-average grant-date fair value of all options granted (including the Winfrey Amendment Option) was \$9.98, \$0.00 and \$0.00 for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018, respectively. The total intrinsic value of Time-Vesting Options exercised was \$24,841, \$1,105 and \$105,647 for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018, respectively.

Cash received from Time-Vesting Options exercised during the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018 was \$8,176, \$1,076 and \$33,385, respectively.

Restricted Stock Unit Awards with Time-Vesting Criteria

RSUs are exercisable based on the terms outlined in the applicable award agreement. The RSUs generally vest over a period of two to four years. The fair value of RSUs is determined using the closing market price of the Company's common stock on the date of grant. A summary of RSU activity under the Stock Plans for the fiscal year ended January 2, 2021 is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at December 28, 2019	1,153	\$ 27.46
Granted.....	1,223	\$ 19.40
Vested.....	(495)	\$ 30.39
Forfeited.....	(182)	\$ 22.61
Outstanding at January 2, 2021	1,699	\$ 21.32

The weighted-average grant-date fair value of RSUs granted was \$19.40, \$19.09 and \$63.91 for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018, respectively. The total fair value of RSUs vested during the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018 was \$15,015, \$12,268 and \$8,484, respectively.

Performance-Based Stock Unit Awards with Time- and Performance-Vesting Criteria

In fiscal 2019, the Company granted 280.1 PSUs having both time- and performance-vesting criteria. The time-vesting criteria for these PSUs will be satisfied upon continued employment (with limited exceptions) on the third anniversary of the grant date. The performance-vesting criteria for these PSUs will be satisfied if the Company has achieved a certain annual operating income objective for the performance period of fiscal 2021. Pursuant to these awards, the number of PSUs that become vested, if any, upon the satisfaction of both vesting criteria, shall be equal to (x) the target number of PSUs granted multiplied by (y) the applicable achievement percentage, rounded down to avoid the issuance of fractional shares. The Company is currently accruing compensation expense to what it believes is the probable outcome upon vesting.

In fiscal 2018, the Company granted 81.3 PSUs having both time- and performance-vesting criteria. The time-vesting criteria for these PSUs will be satisfied upon continued employment (with limited exceptions) on the third anniversary of the grant date. The performance-vesting criteria for these PSUs will be satisfied if the Company has achieved a certain annual operating income objective for the performance period of fiscal 2020. Pursuant to these awards, the number of PSUs that become vested, if any, upon the satisfaction of both vesting criteria, shall be equal to (x) the target number of PSUs granted multiplied by (y) the applicable achievement percentage, rounded down to avoid the issuance of fractional shares. The applicable achievement percentage shall increase in the event the Company has achieved a certain revenue target during such performance period. The Company is currently accruing compensation expense to what it believes is the probable outcome upon vesting.

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In fiscal 2017, the Company granted 98.5 PSUs in May 2017 and 47.9 PSUs in July 2017, all having both time- and performance-vesting criteria (the “2017 PSUs”). The time-vesting criteria for these PSUs was satisfied upon continued employment (with limited exceptions) on May 15, 2020. The performance-vesting criteria for two-thirds of these PSUs was satisfied when the Company achieved, in the case of the May 2017 awards, certain annual operating income objectives and, in the case of the July 2017 award, certain net income or operating income objectives, as applicable for each of the fiscal 2017 and fiscal 2018 performance years. The performance-vesting criteria for the fiscal 2019 performance year was not satisfied. When the performance measure was met, if at all, for a particular 2017 Award Performance Year (i.e., each fiscal year over a three-year period, fiscal 2017 through fiscal 2019), that portion of units was “banked” for potential issuance following the satisfaction of the time-vesting criteria. Such portion of units “banked” was equal to (x) the target number of PSUs granted for the applicable 2017 Award Performance Year multiplied by (y) the applicable achievement percentage (166.67% in the case of fiscal 2017 and fiscal 2018), rounded down to avoid the issuance of fractional shares. Pursuant to these awards, the number of PSUs that became vested in fiscal 2020 upon the satisfaction of the time-vesting criteria was 122.6. The Company accrued compensation expense in an amount equal to the outcome upon vesting.

In fiscal 2016, the Company granted 289.9 PSUs having both time- and performance-vesting criteria. The time-vesting criteria for these PSUs was satisfied upon continued employment (with limited exceptions) on the third anniversary of the grant date. The performance-vesting criteria for these PSUs was satisfied when the Company achieved a Debt Ratio (as defined in the applicable term sheet for these PSU awards and based on a Debt to EBITDAS ratio (each, as defined therein)) at levels at or below 4.5x over the performance period from December 31, 2017 to December 29, 2018. Pursuant to these awards, the number of PSUs that became vested in fiscal 2019 upon the satisfaction of the time-vesting criteria of 219.3 was calculated as (x) the target number of PSUs granted multiplied by (y) 166.67%, the applicable Debt Ratio achievement percentage, rounded down to avoid the issuance of fractional shares. The Company accrued compensation expense in an amount equal to the outcome upon vesting.

The fair value of PSUs is determined using the closing market price of the Company’s common stock on the date of grant. A summary of PSU activity under the 2014 Plan for the fiscal year ended January 2, 2021 is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at December 28, 2019	437	\$ 30.35
Granted (a)	49	\$ 28.09
Vested.....	(123)	\$ 28.09
Forfeited.....	(68)	\$ 26.05
Outstanding at January 2, 2021	295	\$ 31.46

(a) Represents incremental shares vested with respect to the Company satisfying certain applicable performance vesting criteria for the 2017 PSUs.

The weighted-average grant-date fair value of PSUs granted and/or incremental shares vested was \$28.09, \$17.51 and \$80.18 during the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018, respectively. The total fair value of PSUs vested during the fiscal years ended January 2, 2021 and December 28, 2019 was \$3,443 and \$2,891, respectively. No PSUs vested during the fiscal year ended December 29, 2018.

13. Income Taxes

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act (the “CARES Act”) was signed into law. The CARES Act includes provisions relating to modifications to the net interest deduction limitation, net operating loss carryforward rules, refundable payroll tax credits and deferment of the employer portion of certain payroll taxes.

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On July 20, 2020, the U.S. Treasury Department released final regulations under Internal Revenue Code Section 951A (TD 9902) permitting a taxpayer to elect to exclude from its global intangible low-taxed income (“GILTI”) inclusion items of income subject to a high effective rate of foreign tax. As a result of the final regulations, the Company recorded a \$7,566 tax benefit in fiscal 2020 related to the 2018 and 2019 taxes previously accrued attributable to GILTI.

The following tables summarize the Company’s consolidated provision for U.S. federal, state and foreign taxes on income:

	<u>January 2, 2021</u>	<u>December 28, 2019</u>	<u>December 29, 2018</u>
Current:			
U.S. federal.....	\$ (14,052)	\$ 20,900	\$ 1,235
State.....	4,421	1,873	5,918
Foreign	<u>28,533</u>	<u>18,164</u>	<u>27,013</u>
	<u>\$ 18,902</u>	<u>\$ 40,937</u>	<u>\$ 34,166</u>
Deferred:			
U.S. federal.....	\$ 94	\$ (9,137)	\$ (10,367)
State.....	(2,835)	(2,434)	(2,566)
Foreign	<u>1,301</u>	<u>2,147</u>	<u>(740)</u>
	<u>\$ (1,440)</u>	<u>\$ (9,424)</u>	<u>\$ (13,673)</u>
Total tax provision	<u>\$ 17,462</u>	<u>\$ 31,513</u>	<u>\$ 20,493</u>

The components of the Company’s consolidated income before income taxes consist of the following:

	<u>January 2, 2021</u>	<u>December 28, 2019</u>	<u>December 29, 2018</u>
Domestic.....	\$ (10,467)	\$ 75,932	\$ 126,171
Foreign	<u>102,970</u>	<u>75,028</u>	<u>117,890</u>
	<u>\$ 92,503</u>	<u>\$ 150,960</u>	<u>\$ 244,061</u>

The effective tax rates for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018 were 18.9%, 20.9% and 8.4%, respectively. The difference between the U.S. federal statutory tax rate and the Company’s consolidated effective tax rate is as follows:

The Company’s effective tax rate for the fiscal year ended January 2, 2021 was impacted by the following items: (i) a \$7,566 tax benefit related to the reversal of the tax impact of GILTI, (ii) a \$4,714 tax benefit related to tax windfalls from stock compensation and (iii) a \$1,401 tax benefit related to foreign-derived intangible income (“FDII”). These benefits were partially offset by (i) a \$8,056 tax expense related to income earned in foreign jurisdictions at rates higher than the U.S. and (ii) a \$2,278 tax expense for out-of-period income tax adjustments.

The Company’s effective tax rate for the fiscal year ended December 28, 2019 was impacted by the following items: (i) a \$5,148 tax expense related to income earned in foreign jurisdictions and (ii) a \$3,524 tax expense related to GILTI. In addition, the effective tax rate for fiscal 2019 was impacted by the following: (i) a \$5,650 tax benefit related to FDII, (ii) a \$1,375 tax benefit related to the reversal of tax reserves no longer needed, and (iii) a \$746 tax benefit related to the cessation of certain publishing operations.

The Company’s effective tax rate for the fiscal year ended December 29, 2018 was affected by the following items: (i) a \$25,353 tax benefit related to tax windfalls from stock compensation, (ii) a \$8,535 tax benefit due to the reversal of a valuation allowance on foreign tax credit carryforwards that have been fully utilized, (iii) a \$3,435 tax benefit due to the reversal of a valuation allowance on certain net operating losses that are now expected to be realized, (iv) a \$3,430 tax benefit primarily related to the reversal of tax reserves resulting from the closure of various tax audits, (v) a \$2,678 tax benefit related to favorable tax return adjustments due to the Tax Cuts and Jobs Act (the “2017 Tax Act”) and (vi) a \$1,858 tax benefit related to the cessation of operations of the Company’s Mexican subsidiary.

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	<u>January 2,</u> <u>2021</u>	<u>December 28,</u> <u>2019</u>	<u>December 29,</u> <u>2018</u>
U.S. federal statutory tax rate	21.0%	21.0%	21.0%
State income taxes (net of federal benefit).....	1.0%	(0.3%)	1.1%
Cessation of operations.....	0.0%	(0.5%)	(0.8%)
Research and development credit	(2.2%)	(1.2%)	(0.5%)
Tax windfall on share-based awards.....	(4.3%)	(0.1%)	(8.6%)
Reserves for uncertain tax positions	0.9%	(0.9%)	(1.4%)
Tax rate changes	(1.2%)	0.0%	0.3%
Decrease in valuation adjustment related to foreign tax credits	0.0%	0.0%	(3.5%)
Executive compensation limitation.....	1.2%	0.5%	0.3%
GILTI.....	(8.2%)	2.3%	1.5%
FDII.....	(1.5%)	(3.7%)	(1.9%)
Increase (decrease) in valuation allowance due to net operating loss	0.0%	0.4%	(0.7%)
Out-of-period adjustments	2.5%	0.0%	0.0%
Tax return adjustments related to the 2017 Tax Act	0.0%	(0.7%)	(1.1%)
Impact of foreign operations.....	8.7%	3.4%	3.2%
Other	1.0%	0.7%	(0.5%)
Total effective tax rate.....	<u>18.9%</u>	<u>20.9%</u>	<u>8.4%</u>

The deferred tax assets and liabilities recorded on the Company's consolidated balance sheets are as follows:

	<u>January 2,</u> <u>2021</u>	<u>December 28,</u> <u>2019</u>
Interest expense disallowance.....	\$ 32,971	\$ 38,396
Operating lease liabilities.....	31,108	39,095
Operating loss carryforwards.....	8,780	9,375
Provision for estimated expenses.....	1,643	2,578
Salaries and wages	3,875	2,037
Share-based compensation.....	14,747	7,533
Other comprehensive income	8,525	9,816
Other	6,320	4,125
Less: valuation allowance	(7,190)	(6,760)
Total deferred tax assets.....	<u>\$ 100,779</u>	<u>\$ 106,195</u>
Goodwill and intangible assets	\$ (227,198)	\$ (228,048)
Operating lease assets	(28,378)	(36,670)
Depreciation.....	(3,912)	(1,082)
Prepaid expenses.....	(1,379)	(1,311)
Total deferred tax liabilities	<u>\$ (260,867)</u>	<u>\$ (267,111)</u>
Net deferred tax liabilities.....	<u>\$ (160,088)</u>	<u>\$ (160,916)</u>

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Certain foreign operations of the Company have generated net operating loss carryforwards. If it has been determined that it is more-likely-than-not that the deferred tax assets associated with these net operating loss carryforwards will not be utilized, a valuation allowance has been recorded. As of January 2, 2021 and December 28, 2019, various foreign subsidiaries had net operating loss carryforwards of approximately \$32,265 and \$35,534, respectively, some of which have an unlimited carryforward period, while others will begin to expire in fiscal 2021.

As a result of the 2017 Tax Act changing the U.S. to a modified territorial tax system, the Company will no longer assert its \$86,133 of undistributed foreign earnings as of January 2, 2021 are permanently reinvested. The Company has considered whether there would be any potential future costs of not asserting indefinite reinvestment and does not expect such costs to be significant.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	January 2, 2021	December 28, 2019	December 29, 2018
Balance at beginning of year	\$ 206	\$ 3,665	\$ 15,173
Increases related to tax positions taken in current year....	0	0	60
Increases related to tax positions taken in prior years.....	605	264	1,207
Reductions related to tax positions taken in prior years	0	(2,731)	(10,560)
Reductions related to settlements with tax authorities	0	(992)	(2,215)
Effects of foreign currency translation	40	0	0
Balance at end of year	<u>\$ 851</u>	<u>\$ 206</u>	<u>\$ 3,665</u>

At January 2, 2021, the total amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate is \$808. Given the potential outcome of current examinations, it is reasonably possible that the balance of unrecognized tax benefits could significantly change within the next twelve months. If the taxing authorities prevail in the existing German audit, the assessed tax (including interest) impacting our financial statements could be \$835.

In fiscal 2020, the Company reached a favorable settlement with the IRS for the 2017 tax year, which resulted in no adjustment. The Company files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. At January 2, 2021, with few exceptions, the Company was no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years prior to 2018, or non-U.S. income tax examinations by tax authorities for years prior to 2015. The Company is subject to audits in certain non-U.S. jurisdictions for tax years 2013 to 2016. The resolution of these audits is not expected to be material.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. The Company had \$196 and \$6 of accrued interest and penalties at January 2, 2021 and December 28, 2019, respectively. The Company recognized \$190, \$(257) and \$(65) of an income tax expense (benefit) in interest and penalties during the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018, respectively.

14. Employee Benefit Plans

The Company sponsors the Third Amended and Restated Weight Watchers Savings Plan (the "Savings Plan") for salaried and certain hourly US employees of the Company. The Savings Plan is a defined contribution plan that provides for employer matching contributions of 50% of the employee's tax deferred contributions up to 6% of an employee's eligible compensation for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018. Effective as of May 30, 2020, the Company temporarily suspended employer matching contributions through December 31, 2020. Expense related to these contributions for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018 was \$1,655, \$2,901 and \$3,405, respectively.

During fiscal 2014, the Company received a favorable determination letter from the IRS that qualifies the Savings Plan under Section 401(a) of the Internal Revenue Code.

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Pursuant to the Savings Plan, the Company also makes profit sharing contributions for all full-time salaried US employees who are eligible to participate in the Savings Plan (except for certain personnel above a determined compensation level). The profit sharing contribution is a guaranteed monthly employer contribution on behalf of each participant based on the participant's age and a percentage of the participant's eligible compensation. The Savings Plan also has a discretionary supplemental profit sharing employer contribution component that is determined annually by the Compensation Committee. Effective as of May 30, 2020, the Company temporarily suspended profit sharing contributions through December 31, 2020. Expense related to these contributions for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018 was \$914, \$1,313 and \$1,317, respectively.

For certain US personnel above a determined compensation level, the Company sponsors the Second Amended and Restated Weight Watchers Executive Profit Sharing Plan ("EPSP"). Under the IRS definition, the EPSP is considered a Nonqualified Deferred Compensation Plan. There is a promise of payment by the Company made on the employees' behalf instead of an individual account with a cash balance. The EPSP provides for a guaranteed employer contribution on behalf of each participant based on the participant's age and a percentage of the participant's eligible compensation. The EPSP has a discretionary supplemental employer contribution component that is determined annually by the Compensation Committee.

The EPSP is valued at the end of each fiscal month, based on an annualized interest rate of prime plus 2%, with an annualized cap of 15%. Effective as of May 30, 2020, the Company temporarily suspended EPSP contributions through December 31, 2020. Expense related to this commitment for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018 was \$1,761, \$3,691 and \$2,913, respectively.

15. Cash Flow Information

	January 2, 2021	December 28, 2019	December 29, 2018
Net cash paid during the year for:			
Interest expense.....	\$ 137,163	\$ 130,081	\$ 119,866
Income taxes ^(a)	\$ 24,609	\$ 34,268	\$ 12,095
Noncash investing and financing activities were as follows:			
Fair value of net assets acquired in connection with acquisitions	\$ 9,677	\$ 118	\$ 6,026
Change in Capital expenditures and Capitalized software included in accounts payable and accrued expenses.....	\$ (347)	\$ 583	\$ (844)

(a) Fiscal 2020 and Fiscal 2019 include tax refunds received of \$6,936 and \$13,309, respectively.

See Note 4 for disclosures on supplemental cash flow information related to leases.

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16. Commitments and Contingencies

Securities Class Action and Derivative Matters

In March 2019, two substantially identical class action complaints alleging violations of the federal securities laws were filed by individual shareholders against the Company, certain of the Company's current officers and the Company's former controlling shareholder, Artal Group S.A. ("Artal"), in the United States District Court for the Southern District of New York. The actions were consolidated and lead plaintiffs were appointed in June 2019. A consolidated amended complaint was filed on July 29, 2019, naming as defendants the Company, certain of the Company's current officers and directors, and Artal and certain of its affiliates. A second consolidated amended complaint was filed on September 27, 2019. The operative complaint asserts claims on behalf of all purchasers of the Company's common stock between May 4, 2018 and February 26, 2019, inclusive (the "Class Period"), including purchasers of the Company's common stock traceable to the May 2018 secondary offering of the Company's common stock by certain of its shareholders. The complaint alleges that, during the Class Period, the defendants disseminated materially false and misleading statements and/or concealed or recklessly disregarded material adverse facts. The complaint alleges claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder, and with respect to the secondary offering, under Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, as amended. The plaintiffs sought to recover unspecified damages on behalf of the class members. The Company filed a motion to dismiss the complaint on October 31, 2019. On November 30, 2020, the Court granted the Company's motion to dismiss in full and dismissed the complaint. The plaintiffs did not appeal.

Between March and July 2019, the Company received shareholder litigation demands alleging breaches of fiduciary duties by certain current and former Company directors and executive officers, to the alleged injury of the Company. The allegations in the demands relate to those contained in the dismissed securities class action litigation. In response to the demands, pursuant to Virginia law, the Board of Directors has created a special committee to investigate and evaluate the claims made in the demands. In addition, four derivative complaints were filed, each making allegations against certain of the Company's officers and directors and/or Artal and certain of its affiliates. First, on June 13, 2019, a shareholder derivative complaint was filed in the Southern District of New York against certain of the Company's officers and directors alleging, among other things, that the defendants breached fiduciary duties to the alleged injury of the Company. The plaintiff voluntarily dismissed the complaint on July 8, 2019 and the Company agreed to treat the complaint as a litigation demand. Second, on July 23, 2019, another shareholder derivative complaint was filed in the Southern District of New York against certain of the Company's officers and directors alleging, among other things, that the defendants breached fiduciary duties to the alleged injury of the Company. The plaintiff voluntarily dismissed the complaint the same day. Third, on October 25, 2019, another shareholder derivative complaint was filed in the Southern District of New York against certain of the Company's officers and directors alleging, among other things, that the defendants breached fiduciary duties to the alleged injury of the Company. Finally, on December 16, 2019, a shareholder derivative complaint was filed in New York Supreme Court against certain of the Company's officers and directors, and Artal and certain of its affiliates, alleging, among other things, that the defendants breached fiduciary duties to the alleged injury of the Company. This action and the derivative action filed October 25, 2019 were initially stayed pending a decision on the defendants' motion to dismiss the securities class action and all parties agreed to an additional stay until February 25, 2021. The Company believes that these actions are without merit and intends to vigorously defend them.

Member Class Action Matter

In June 2020, a Workshops + Digital (then known as Studio + Digital) member filed a class action complaint against the Company in the Superior Court of California in Ventura County. The complaint was filed on behalf of all Workshops + Digital members nationwide and regards the fees charged for Workshops + Digital memberships since the replacement of in-person workshops with virtual workshops in March 2020 in response to the COVID-19 pandemic. The complaint alleged, among other things, that the Company's decision to charge its members the full Workshops + Digital membership fee while only providing a virtual workshop experience violated California state consumer protection laws and gave rise to claims for breach of contract, fraud, and other tort causes of action based on the same factual allegations that are the basis for the breach of contract claim. The plaintiff seeks to recover damages plus injunctive relief to enjoin the Company from engaging in similar conduct in the future on behalf of the class members.

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On July 30, 2020, the Company filed a notice to remove the matter to the United States District Court for the Central District of California, and per the parties' stipulation, on August 7, 2020, the case was transferred to the United States District Court for the Southern District of New York. On September 23, 2020, the Company filed a motion to dismiss all of the plaintiff's claims with prejudice. At the parties' September 29, 2020 preliminary conference, the court issued an order permitting the plaintiff to either submit her opposition to the motion to dismiss or file an amended complaint by October 14, 2020. On October 14, 2020, the plaintiff filed an amended complaint with predominantly the same claims. The Company filed another motion to dismiss the matter on November 4, 2020. The plaintiff filed her opposition brief on November 19, 2020, and the Company filed its reply brief on November 25, 2020. The Company believes that this matter is without merit and intends to vigorously defend it.

Other Litigation Matters

Due to the nature of the Company's activities, it is also, at times, subject to other pending and threatened legal actions that arise out of the ordinary course of business. In the opinion of management, the disposition of any such matters is not expected, individually or in the aggregate, to have a material adverse effect on the Company's results of operations, financial condition or cash flows. However, the results of legal actions cannot be predicted with certainty. Therefore, it is possible that the Company's results of operations, financial condition or cash flows could be materially adversely affected in any particular period by the unfavorable resolution of one or more legal actions.

Commitments

Minimum commitments under non-cancelable purchase obligations at January 2, 2021 was \$28,239, of which \$9,378 is due in fiscal 2021, \$9,378 is due in fiscal 2022, \$7,544 is due in fiscal 2023 and the remaining \$1,939 is due in fiscal 2024. See Note 4 for disclosures related to minimum commitments under non-cancelable lease obligations, primarily for office and rental facilities operating leases.

17. Segment and Geographic Data

The Company has four reportable segments based on an integrated geographical structure as follows: North America, Continental Europe (CE), United Kingdom and Other. Other consists of Australia, New Zealand and emerging markets operations and franchise revenues and related costs, all of which have been grouped together as if they were a single reportable segment because they do not meet any of the quantitative thresholds and are immaterial for separate disclosure. To be consistent with the information that is presented to the chief operating decision maker, the Company does not include intercompany activity in the segment results.

Information about the Company's reportable segments is as follows:

	Total Revenue, net for the Fiscal Year Ended		
	January 2, 2021	December 28, 2019	December 29, 2018
North America.....	\$ 942,100	\$ 979,302	\$ 1,047,251
Continental Europe.....	313,380	293,233	304,325
United Kingdom.....	84,387	94,557	107,072
Other.....	38,257	46,245	55,473
Total revenue, net.....	<u>\$ 1,378,124</u>	<u>\$ 1,413,337</u>	<u>\$ 1,514,121</u>

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	Net Income for the Fiscal Year Ended		
	January 2, 2021	December 28, 2019	December 29, 2018
Segment operating income:			
North America	\$ 269,580	\$ 281,937	\$ 351,599
Continental Europe	124,891	95,201	114,708
United Kingdom	10,648	9,543	18,814
Other	2,341	4,374	9,604
Total segment operating income.....	407,460	391,055	494,725
General corporate expenses	191,298	103,070	105,740
Interest expense	123,310	135,267	142,346
Other expense, net	349	1,758	2,578
Provision for income taxes	17,462	31,513	20,493
Net income.....	\$ 75,041	\$ 119,447	\$ 223,568
Net loss attributable to the noncontrolling interest.....	38	169	181
Net income attributable to WW International, Inc.	<u>\$ 75,079</u>	<u>\$ 119,616</u>	<u>\$ 223,749</u>

	Depreciation and Amortization for the Fiscal Year Ended		
	January 2, 2021	December 28, 2019	December 29, 2018
North America	\$ 39,740	\$ 36,643	\$ 37,137
Continental Europe	1,615	1,709	1,347
United Kingdom.....	1,017	802	1,487
Other	370	443	597
Total segment depreciation and amortization.....	42,742	39,597	40,568
General corporate depreciation and amortization.....	16,780	14,738	12,032
Depreciation and amortization.....	<u>\$ 59,522</u>	<u>\$ 54,335</u>	<u>\$ 52,600</u>

The following tables present information about the Company's sources of revenue and other information by geographic area. There were no material amounts of sales or transfers among geographic areas and no material amounts of US export sales.

	Total Revenue, net for the Fiscal Year Ended		
	January 2, 2021	December 28, 2019	December 29, 2018
Digital Subscription Revenues	\$ 743,060	\$ 609,996	\$ 567,767
Workshops + Digital Fees	443,429	597,270	705,429
In-studio product sales.....	40,352	118,493	148,856
E-commerce, licensing, franchise royalties and other.....	151,283	87,578	92,069
	<u>\$ 1,378,124</u>	<u>\$ 1,413,337</u>	<u>\$ 1,514,121</u>

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	Total Revenue, net for the Fiscal Year Ended		
	January 2, 2021	December 28, 2019	December 29, 2018
United States.....	\$ 880,945	\$ 913,930	\$ 974,843
Canada	61,155	65,372	72,408
Continental Europe	313,380	293,233	304,325
United Kingdom	84,387	94,557	107,072
Other	38,257	46,245	55,473
	<u>\$ 1,378,124</u>	<u>\$ 1,413,337</u>	<u>\$ 1,514,121</u>

	Long-Lived Assets for the Fiscal Year Ended		
	January 2, 2021 (a)	December 28, 2019 (a)	December 29, 2018
United States.....	\$ 43,651	\$ 43,909	\$ 43,772
Canada	4,508	4,997	4,825
Continental Europe	1,471	2,374	1,257
United Kingdom	1,751	2,068	1,924
Other	554	718	424
	<u>\$ 51,935</u>	<u>\$ 54,066</u>	<u>\$ 52,202</u>

(a) Amounts include finance lease assets

	Operating Lease Assets for the Fiscal Year Ended	
	January 2, 2021	December 28, 2019
United States	\$ 107,023	\$ 134,623
Canada.....	6,136	9,270
Continental Europe	3,038	4,490
United Kingdom.....	2,217	2,533
Other.....	688	1,067
	<u>\$ 119,102</u>	<u>\$ 151,983</u>

18. Fair Value Measurements

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

When measuring fair value, the Company is required to maximize the use of observable inputs and minimize the use of unobservable inputs.

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Fair Value of Financial Instruments

The Company's significant financial instruments include long-term debt and interest rate swap agreements as of January 2, 2021 and December 28, 2019. The fair value of the Company's borrowings under the Revolving Credit Facility approximated a carrying value of \$0 at both January 2, 2021 and December 28, 2019.

The fair value of the Company's Credit Facilities is determined by utilizing average bid prices on or near the end of each fiscal quarter (Level 2 input). As of January 2, 2021 and December 28, 2019, the fair value of the Company's long-term debt was approximately \$1,501,148 and \$1,597,852, respectively, as compared to the carrying value (net of deferred financing costs and debt discount) of \$1,485,800 and \$1,576,170, respectively.

Derivative Financial Instruments

The fair values for the Company's derivative financial instruments are determined using observable current market information such as the prevailing LIBOR interest rate and LIBOR yield curve rates and include consideration of counterparty credit risk. See Note 19 for disclosures related to derivative financial instruments.

The following table presents the aggregate fair value of the Company's derivative financial instruments:

	Total Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap liability at January 2, 2021	\$ 28,283	\$ 0	\$ 28,283	\$ 0
Interest rate swap liability at December 28, 2019	\$ 21,597	\$ 0	\$ 21,597	\$ 0

The Company did not have any transfers into or out of Levels 1 and 2 and did not maintain any assets or liabilities classified as Level 3 during the fiscal years ended January 2, 2021 and December 28, 2019.

19. Derivative Instruments and Hedging

As of January 2, 2021, the Company had in effect interest rate swaps with an aggregate notional amount totaling \$750,000. As of December 28, 2019, the Company had in effect an interest rate swap with a notional amount totaling \$1,000,000, which expired by its terms on April 2, 2020.

On July 26, 2013, in order to hedge a portion of its variable rate debt, the Company entered into a forward-starting interest rate swap with an effective date of March 31, 2014 and a termination date of April 2, 2020. The initial notional amount of this swap was \$1,500,000. During the term of this swap, the notional amount decreased from \$1,500,000 effective March 31, 2014 to \$1,250,000 on April 3, 2017 and to \$1,000,000 on April 1, 2019. This interest rate swap effectively fixed the variable interest rate on the notional amount of this swap at 2.41%. This swap qualified for hedge accounting and, therefore, changes in the fair value of this swap were recorded in accumulated other comprehensive loss.

On June 11, 2018, in order to hedge a portion of its variable rate debt, the Company entered into a forward-starting interest rate swap (the "2018 swap") with an effective date of April 2, 2020 and a termination date of March 31, 2024. The initial notional amount of this swap is \$500,000. During the term of this swap, the notional amount will decrease from \$500,000 effective April 2, 2020 to \$250,000 on March 31, 2021. This interest rate swap effectively fixed the variable interest rate on the notional amount of this swap at 3.1005%. On June 7, 2019, in order to hedge a portion of its variable rate debt, the Company entered into a forward-starting interest rate swap (together with the 2018 swap, the "current swaps") with an effective date of April 2, 2020 and a termination date of March 31, 2024. The notional amount of this swap is \$250,000. This interest rate swap effectively fixed the variable interest rate on the notional amount of this swap at 1.901%. The current swaps qualify for hedge accounting and, therefore, changes in the fair value of the current swaps have been recorded in accumulated other comprehensive loss.

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As of January 2, 2021 and December 28, 2019, cumulative unrealized losses for qualifying hedges were reported as a component of accumulated other comprehensive loss in the amounts of \$20,979 (\$28,161 before taxes) and \$15,529 (\$20,856 before taxes), respectively. As of January 2, 2021, the aggregate fair value of the Company's current swaps was a liability of \$28,283, which is included in derivative payable in the consolidated balance sheet. As of December 28, 2019, the fair value of the Company's then-effective swap was a liability of \$1,881, which is included in derivative payable in the consolidated balance sheet. As of December 28, 2019, the aggregate fair value of the Company's current swaps was a liability of \$19,716, which is included in derivative payable in the consolidated balance sheet.

The Company is hedging forecasted transactions for periods not exceeding the next four years. The Company expects approximately \$4,658 (\$6,227 before taxes) of derivative losses included in accumulated other comprehensive loss at January 2, 2021, based on current market rates, will be reclassified into earnings within the next 12 months.

20. Accumulated Other Comprehensive Loss

Amounts reclassified out of accumulated other comprehensive loss are as follows:

Changes in Accumulated Other Comprehensive Loss by Component^(a)

	Fiscal Year Ended January 2, 2021		
	Loss on Qualifying Hedges	Loss on Foreign Currency Translation	Total
Beginning balance at December 28, 2019	\$ (15,529)	\$ (11,823)	\$ (27,352)
Other comprehensive (loss) income before reclassifications, net of tax	(14,590)	7,555	(7,035)
Amounts reclassified from accumulated other comprehensive loss, net of tax ^(b)	9,140	0	9,140
Net current period other comprehensive (loss) income including noncontrolling interest	(5,450)	7,555	2,105
Less: Net current period other comprehensive loss attributable to the noncontrolling interest	0	98	98
Ending balance at January 2, 2021	\$ (20,979)	\$ (4,170)	\$ (25,149)

(a) Amounts in parentheses indicate debits

(b) See separate table below for details about these reclassifications

	Fiscal Year Ended December 28, 2019		
	Loss on Qualifying Hedges	Loss on Foreign Currency Translation	Total
Beginning balance at December 29, 2018	\$ (1,175)	\$ (14,582)	\$ (15,757)
Other comprehensive (loss) income before reclassifications, net of tax	(13,752)	2,737	(11,015)
Amounts reclassified from accumulated other comprehensive loss, net of tax ^(b)	(602)	0	(602)
Net current period other comprehensive (loss) income including noncontrolling interest	(14,354)	2,737	(11,617)
Less: Net current period other comprehensive loss attributable to the noncontrolling interest	0	22	22
Ending balance at December 28, 2019	\$ (15,529)	\$ (11,823)	\$ (27,352)

(a) Amounts in parentheses indicate debits

(b) See separate table below for details about these reclassifications

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	Fiscal Year Ended December 29, 2018		
	Loss on Qualifying Hedges	Loss on Foreign Currency Translation	Total
Beginning balance at December 30, 2017	\$ (5,392)	\$ (5,075)	\$ (10,467)
Other comprehensive income (loss) before reclassifications, net of tax	3,263	(8,556)	(5,293)
Amounts reclassified from accumulated other comprehensive loss, net of tax ^(b)	2,115	0	2,115
Adoption of accounting standard	(1,161)	(1,324)	(2,485)
Net current period other comprehensive income (loss) including noncontrolling interest	4,217	(9,880)	(5,663)
Less: Net current period other comprehensive loss attributable to the noncontrolling interest....	0	373	373
Ending balance at December 29, 2018	<u>\$ (1,175)</u>	<u>\$ (14,582)</u>	<u>\$ (15,757)</u>

(a) Amounts in parentheses indicate debits

(b) See separate table below for details about these reclassifications

Reclassifications out of Accumulated Other Comprehensive Loss^(a)

Details about Other Comprehensive Loss Components	Fiscal Year Ended			Affected Line Item in the Statement Where Net Income is Presented
	January 2, 2021	December 28, 2019	December 29, 2018	
	Amounts Reclassified from Accumulated Other Comprehensive Loss			
(Loss) Gain on Qualifying Hedges				
Interest rate contracts	\$ (12,218)	\$ 807	\$ (2,835)	Interest expense
	(12,218)	807	(2,835)	Income before income taxes
	3,078	(205)	720	Provision from income taxes
	<u>\$ (9,140)</u>	<u>\$ 602</u>	<u>\$ (2,115)</u>	Net income

(a) Amounts in parentheses indicate debits to profit/loss

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21. Recently Issued Accounting Pronouncements

In December 2019, the FASB issued updated guidance simplifying the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 as well as by improving consistent application of GAAP by clarifying and amending existing guidance. The effective date of the new guidance for public companies is for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

22. Related Party

As previously disclosed, on October 18, 2015, the Company entered into the Strategic Collaboration Agreement with Oprah Winfrey, under which she would consult with the Company and participate in developing, planning, executing and enhancing the WW program and related initiatives, and provide it with services in her discretion to promote the Company and its programs, products and services for an initial term of five years (the "Initial Term").

As previously disclosed, on December 15, 2019, the Company entered into an amendment of the Strategic Collaboration Agreement with Ms. Winfrey, pursuant to which, among other things, the Initial Term of the Strategic Collaboration Agreement was extended until April 17, 2023 (with no additional successive renewal terms) after which a second term will commence and continue through the earlier of the date of the Company's 2025 annual meeting of shareholders or May 31, 2025. Ms. Winfrey will continue to provide the above-described services during the remainder of the Initial Term and, during the second term, will provide certain consulting and other services to the Company. In consideration of Ms. Winfrey entering into the amendment to the Strategic Collaboration Agreement and the performance of her obligations thereunder, on December 15, 2019 the Company granted Ms. Winfrey a fully vested option to purchase 3,276 shares of the Company's common stock (the "Winfrey Amendment Option") which became exercisable on May 6, 2020, the date on which shareholder approval of such option was obtained. The amendment to the Strategic Collaboration Agreement became operative on May 6, 2020 when the Company's shareholders approved the Winfrey Amendment Option. Based on the Black Scholes option pricing method as of May 6, 2020, the Company recorded \$32,686 of compensation expense in the second quarter of fiscal 2020 for the Winfrey Amendment Option. The Company used a dividend yield of 0.0%, 63.68% volatility and a risk-free interest rate of 0.41%. Compensation expense is included as a component of selling, general and administrative expenses.

In addition to the Strategic Collaboration Agreement, Ms. Winfrey and her related entities provided services to the Company totaling \$2,228, \$2,791 and \$2,208 for the fiscal years ended January 2, 2021, December 28, 2019 and December 29, 2018, respectively, which services included advertising, production and related fees. Also, during the fiscal year ended December 28, 2019, the Company received advertising services from entities related to Ms. Winfrey at no charge with an estimated value of \$330.

Entities related to Ms. Winfrey were reimbursed for actual costs incurred in connection with the *WW Presents: Oprah's 2020 Vision* tour totaling \$1,653 for the fiscal year ended January 2, 2021.

The Company's accounts payable to parties related to Ms. Winfrey at January 2, 2021 and December 28, 2019 was \$76 and \$72, respectively.

In fiscal 2020, as permitted by the transfer provisions set forth in the previously disclosed Share Purchase Agreement, dated October 18, 2015, between the Company and Ms. Winfrey, as amended, and the previously disclosed Winfrey Option Agreement, dated October 18, 2015, between the Company and Ms. Winfrey, Ms. Winfrey sold 2,782 of the shares she purchased under such purchase agreement and exercised a portion of her stock options granted in 2015 resulting in the sale of 1,118 shares issuable under such options, respectively.

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23. Restructuring

As previously disclosed, in the second quarter of fiscal 2020, in connection with its cost-savings initiative, and its continued response to the COVID-19 pandemic and the related shift in market conditions, the Company committed to a plan of reduction in force which has resulted and will result in the elimination of certain positions and termination of employment for certain employees worldwide. The Company had previously estimated this plan would cost \$22,500. To adjust to anticipated consumer demand, the Company evolved its workshop strategy and expanded its restructuring plan to include lease termination and other related costs. During the second, third and fourth quarters of fiscal 2020, the Company continued to reduce its total headcount, which decreased approximately 43% from the end of fiscal 2019 to the end of fiscal 2020. As of January 2, 2021, the Company had approximately 10 employees, a majority of whom were part-time employees. The Company recorded expenses in connection with employee termination benefit costs of \$25,103 and lease termination and other related costs of \$7,989, totaling \$33,092 (\$24,756 after tax) for the fiscal year ended January 2, 2021. These expenses impacted cost of revenues by \$23,300 and selling, general and administrative expenses by \$9,792 for the fiscal year ended January 2, 2021. All expenses were recorded to general corporate expenses and, therefore, there was no impact to the segments. For the fiscal year ended January 2, 2021, the Company made payments of \$15,434 towards the liability for these employee termination benefit costs and increased provision estimates by \$180. For the fiscal year ended January 2, 2021, the Company made payments of \$645 towards the liability for these lease termination and related costs. The Company expects the remaining employee termination benefit liability of \$9,849 and the remaining lease termination liability of \$5,320 to be paid in full no later than the end of fiscal 2023.

In the first quarter of fiscal 2021, as the Company continued to evaluate its cost structure, anticipate consumer demand and focus on costs, the Company committed to a plan which will result in the termination of operating leases and elimination of certain positions worldwide. The Company currently expects to record restructuring expenses of approximately \$18,000 in fiscal 2021 related to this new plan.

As previously disclosed, in the first quarter of fiscal 2019, the Company undertook an organizational realignment which resulted in the elimination of certain positions and termination of employment for certain employees worldwide. The Company recorded expenses in connection with employee termination benefit costs of \$6,331 (\$4,727 after tax) for the fiscal year ended December 28, 2019 (all expenses were recorded in the first quarter of fiscal 2019). These expenses impacted cost of revenues by \$1,425 and selling, general and administrative expense by \$4,906 for the fiscal year ended December 28, 2019. The Company did not record additional expenses in connection with this organizational realignment. All expenses were recorded to general corporate expenses and, therefore, there was no impact to the segments. For the fiscal year ended December 28, 2019, the Company made payments of \$5,077 towards the liability for these expenses and lowered provision estimates by \$83. For the fiscal year ended January 2, 2021, the Company made payments of \$1,052 towards the liability for these expenses and lowered provision estimates by \$119. As of January 2, 2021, there was no outstanding liability related thereto.

24. Quarterly Financial Information (Unaudited)

The following is a summary of the unaudited quarterly consolidated results of operations for the fiscal years ended January 2, 2021 and December 28, 2019.

	For the Fiscal Quarters Ended			
	March 28, 2020	June 27, 2020	September 26, 2020	January 2, 2021
Fiscal year ended January 2, 2021				
Revenues, net	\$ 400,361	\$ 333,637	\$ 320,699	\$ 323,427
Gross profit.....	\$ 210,991	\$ 194,671	\$ 190,096	\$ 182,083
Operating income	\$ 24,867	\$ 50,985	\$ 92,642	\$ 47,668
Net (loss) income attributable to the Company.....	\$ (6,063)	\$ 14,006	\$ 54,525	\$ 12,611
Basic (loss) earnings per share	\$ (0.09)	\$ 0.21	\$ 0.80	\$ 0.18
Diluted (loss) earnings per share	\$ (0.09)	\$ 0.20	\$ 0.78	\$ 0.18

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	For the Fiscal Quarters Ended			
	March 30, 2019	June 29, 2019	September 28, 2019	December 28, 2019
Fiscal year ended December 28, 2019				
Revenues, net	\$ 363,164	\$ 369,023	\$ 348,567	\$ 332,583
Gross profit	\$ 200,948	\$ 215,814	\$ 194,769	\$ 175,151
Operating income.....	\$ 21,897	\$ 105,473	\$ 94,729	\$ 65,886
Net (loss) income attributable to the Company	\$ (10,687)	\$ 53,834	\$ 47,086	\$ 29,383
Basic (loss) earnings per share.....	\$ (0.16)	\$ 0.80	\$ 0.70	\$ 0.44
Diluted (loss) earnings per share.....	\$ (0.16)	\$ 0.78	\$ 0.68	\$ 0.42

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

As discussed in Note 23, the Company recorded restructuring charges of \$11,209 (\$8,325 after tax), \$2,251 (\$1,680 after tax) and \$19,632 (\$14,687 after tax) during the second, third and fourth quarters of fiscal 2020, respectively, in connection with employee termination benefit costs and lease termination and other related costs associated with its previously disclosed plan to restructure its organization, reducing gross profit, operating income, net income attributable to the Company and EPS for the second, third and fourth quarters of fiscal 2020.

As discussed in Note 22, in the second quarter of fiscal 2020, the Company recorded \$32,686, or \$0.35 per fully diluted share, of stock compensation expense for the Winfrey Amendment Option.

As discussed in Note 7, in the first quarter of fiscal 2020, the Company recorded a \$3,665, or \$0.04 per fully diluted share, impairment charge for goodwill related to its Brazil reporting unit.

As discussed in Note 13, in the fourth quarter of fiscal 2020, the Company identified and recorded a \$2,278 tax expense for out-of-period income tax adjustments.

**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(IN THOUSANDS)**

	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions⁽¹⁾</u>	<u>Balance at End of Period</u>
		<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>		
FISCAL YEAR ENDED JANUARY 2, 2021					
Allowance for doubtful accounts	\$ 1,813	\$ 411	\$ 0	\$ 74	\$ 2,298
Inventory and other reserves	\$ 4,685	\$ 16,425	\$ 0	\$ (10,871)	\$ 10,239
Tax valuation allowance.....	\$ 6,760	\$ 792	\$ 141	\$ (503)	\$ 7,190
FISCAL YEAR ENDED DECEMBER 28, 2019					
Allowance for doubtful accounts	\$ 1,743	\$ (123)	\$ 0	\$ 193	\$ 1,813
Inventory and other reserves	\$ 3,843	\$ 8,710	\$ 0	\$ (7,868)	\$ 4,685
Tax valuation allowance.....	\$ 6,191	\$ 709	\$ (40)	\$ (100)	\$ 6,760
FISCAL YEAR ENDED DECEMBER 29, 2018					
Allowance for doubtful accounts	\$ 2,001	\$ 130	\$ 0	\$ (388)	\$ 1,743
Inventory and other reserves	\$ 3,984	\$ 7,906	\$ 0	\$ (8,047)	\$ 3,843
Tax valuation allowance.....	\$ 22,760	\$ 1,893	\$ (403)	\$ (18,059)	\$ 6,191

(1) Primarily represents the utilization of established reserves, net of recoveries, where applicable.

EXHIBIT INDEX

Exhibit Number	Description
**3.1	Amended and Restated Articles of Incorporation of WW International, Inc. (effective as of September 29, 2019) (filed as Exhibit 3.1 to the Company’s Current Report on Form 8-K, as filed on September 30, 2019 (File No. 001-16769), and incorporated herein by reference).
**3.2	Amended and Restated Bylaws of WW International, Inc. (effective as of October 1, 2020) (filed as Exhibit 3.1 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended September 26, 2020, as filed on October 29, 2020 (File No. 001-16769), and incorporated herein by reference).
**4.1	Indenture, dated as of November 29, 2017, among Weight Watchers International, Inc., the guarantors party thereto and The Bank of New York Mellon, as trustee, relating to \$300.0 million in aggregate principal amount of 8.625% Senior Notes due 2025 (“Note”) (filed as Exhibit 4.1 to the Company’s Current Report on Form 8-K, as filed on November 30, 2017 (File No. 001-16769), and incorporated herein by reference).
**4.2	Form of Note (included in Exhibit 4.1 above).
**4.3	Description of Securities (filed as Exhibit 4.3 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 28, 2019, as filed on February 25, 2020 (File No. 001-16769), and incorporated herein by reference).
**10.1	Credit Agreement, dated as of November 29, 2017, among Weight Watchers International, Inc., as borrower, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent and an issuing bank, Bank of America, N.A., as an issuing bank, and Citibank, N.A., as an issuing bank (the “Credit Agreement”) (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K, as filed on November 30, 2017 (File No. 001-16769), and incorporated herein by reference).
**10.2	Incremental Amendment No. 1, dated as of June 14, 2020, to the Credit Agreement (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K, as filed on June 15, 2020 (File No. 001-16769), and incorporated herein by reference).
**10.3	License Agreement, dated as of September 29, 1999, between WW Foods, LLC and Weight Watchers International, Inc. (filed as Exhibit 10.4 to the Company’s Registration Statement on Form S-4, as filed on December 2, 1999 (File No. 333-92005), and incorporated herein by reference).
**10.4	LLC Agreement, dated as of September 29, 1999, between H.J. Heinz Company and Weight Watchers International, Inc. (filed as Exhibit 10.7 to the Company’s Registration Statement on Form S-4, as filed on December 2, 1999 (File No. 333-92005), and incorporated herein by reference).
**10.5	Operating Agreement, dated as of September 29, 1999, between Weight Watchers International, Inc. and H.J. Heinz Company (filed as Exhibit 10.8 to the Company’s Registration Statement on Form S-4, as filed on December 2, 1999 (File No. 333-92005), and incorporated herein by reference).
**10.6	Amendment to Operating Agreement, dated August 4, 2009, by and between Weight Watchers International, Inc. and H.J. Heinz Company (filed as Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 2009, as filed on November 12, 2009 (File No. 001-16769), and incorporated herein by reference).
**10.7	Amendment to Agreements, dated as of October 1, 2002, by and between Weight Watchers International, Inc., WW Foods, LLC and H.J. Heinz Company (filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 2009, as filed on November 12, 2009 (File No. 001-16769), and incorporated herein by reference).

Exhibit Number	Description
**10.8	Registration Rights Agreement, dated as of September 29, 1999, among Weight Watchers International, Inc., H.J. Heinz Company and Artal Luxembourg S.A. (filed as Exhibit 10.38 to Amendment No. 1 to the Company's Registration Statement on Form S-1, as filed on October 29, 2001 (File No. 333-69362), and incorporated herein by reference).
**10.9	Corporate Agreement, dated as of November 5, 2001, between Weight Watchers International, Inc. and Artal Luxembourg S.A. (the "Corporate Agreement") (filed as Exhibit 10.36 to Amendment No. 2 to the Company's Registration Statement on Form S-1, as filed on November 9, 2001 (File No. 333-69362), and incorporated herein by reference).
**10.10	Amendment, dated as of July 1, 2005, to the Corporate Agreement (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2005, as filed on August 11, 2005 (File No. 001-16769), and incorporated herein by reference).
†**10.11	Weight Watchers International, Inc. 2008 Stock Incentive Plan (filed as Appendix A of the Company's Definitive Proxy Statement on Schedule 14A filed on March 31, 2008 (File No. 001-16769), and incorporated herein by reference).
†**10.12	Second Amended and Restated Weight Watchers International, Inc. 2014 Stock Incentive Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, as filed on May 9, 2017 (File No. 001-16769), and incorporated herein by reference).
†**10.13	Form of Term Sheet for Employee Stock Awards and Form of Terms and Conditions for Employee Stock Awards (filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as filed on February 27, 2006 (File No. 001-16769), and incorporated herein by reference).
†**10.14	Form of Term Sheet for Employee Restricted Stock Unit Awards and Form of Terms and Conditions for Employee Restricted Stock Unit Awards (filed as Exhibit 10.35 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as filed on February 27, 2006 (File No. 001-16769), and incorporated herein by reference).
†**10.15	Form of Term Sheet for Employee Stock Option Awards and Form of Terms and Conditions for Employee Stock Option Awards (Chief Executive Officer Initial Equity Award—Stock Incentive Plan Award) (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K, as filed on April 26, 2017 (File No. 001-16769), and incorporated herein by reference).
†**10.16	Form of Term Sheet for Employee Stock Option Awards and Form of Terms and Conditions for Employee Stock Option Awards (Chief Executive Officer Initial Equity Award—Inducement Grant Award) (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K, as filed on April 26, 2017 (File No. 001-16769), and incorporated herein by reference).
†**10.17	Form of Term Sheet for Employee Restricted Stock Unit Awards and Form of Terms and Conditions for Employee Restricted Stock Unit Awards (Chief Executive Officer Initial Equity Award) (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K, as filed on April 26, 2017 (File No. 001-16769), and incorporated herein by reference).
†**10.18	2017 Form of Term Sheet for Employee Restricted Stock Unit Awards and 2017 Form of Terms and Conditions for Employee Restricted Stock Unit Awards (filed as Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2017, as filed on August 8, 2017 (File No. 001-16769), and incorporated herein by reference).
†**10.19	2017 Form of Term Sheet for Employee Restricted Stock Unit Awards and 2017 Form of Terms and Conditions for Employee Restricted Stock Unit Awards (Chief Executive Officer Annual Equity Award) (filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2017, as filed on August 8, 2017 (File No. 001-16769), and incorporated herein by reference).

Exhibit Number	Description
†**10.20	2018 Form of Term Sheet for Employee Performance Stock Unit Awards and 2018 Form of Terms and Conditions for Employee Performance Stock Unit Awards (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018, as filed on August 7, 2018 (File No. 001-16769), and incorporated herein by reference).
†**10.21	2018 Form of Term Sheet for Employee Restricted Stock Unit Awards and 2018 Form of Terms and Conditions for Employee Restricted Stock Unit Awards (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q Q for the fiscal quarter ended June 30, 2018, as filed on August 7, 2018 (File No. 001-16769), and incorporated herein by reference).
†**10.22	2018 Form of Term Sheet for Employee Performance Stock Unit Awards and 2018 Form of Terms and Conditions for Employee Performance Stock Unit Awards (Chief Executive Officer Annual Equity Award) (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q Q for the fiscal quarter ended June 30, 2018, as filed on August 7, 2018 (File No. 001-16769), and incorporated herein by reference).
†**10.23	2020 Form of Term Sheet for Employee Stock Option Awards and 2020 Form of Terms and Conditions for Employee Stock Option Awards (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2020, as filed on August 4, 2020 (File No. 001-16769), and incorporated herein by reference).
†**10.24	2020 Form of Term Sheet for Employee Stock Option Awards and 2020 Form of Terms and Conditions for Employee Stock Option Awards (Chief Executive Officer Annual Equity Award) (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2020, as filed on August 4, 2020 (File No. 001-16769), and incorporated herein by reference).
†**10.25	Form of Amended and Restated Restricted Stock Agreement for Weight Watchers International, Inc. non-employee directors and certain members of the former Interim Office of the Chief Executive Officer (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 28, 2014, as filed on August 7, 2014 (File No. 001-16769), and incorporated herein by reference).
†**10.26	Second Amended and Restated Weight Watchers Executive Profit Sharing Plan, August 1, 2012 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 29, 2012, as filed on November 8, 2012 (File No. 001-16769), and incorporated herein by reference).
†**10.27	Form of Amended and Restated Continuity Agreement, between Weight Watchers International, Inc. and certain key executives (Chief Operating Officer, Chief Financial Officer and General Counsel & Secretary) (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2011, as filed on August 11, 2011 (File No. 001-16769), and incorporated herein by reference).
†**10.28	Form of Amended and Restated Continuity Agreement, between Weight Watchers International, Inc. and certain key executives (certain executive officers) (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2011, as filed on August 11, 2011 (File No. 001-16769), and incorporated herein by reference).
†**10.29	Continuity Agreement, dated as of April 21, 2017, by and between Weight Watchers International, Inc. and Mindy Grossman (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, as filed on April 26, 2017 (File No. 001-16769), and incorporated herein by reference).
†**10.30	Employment Agreement, dated as of April 21, 2017, by and between Weight Watchers International, Inc. and Mindy Grossman (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, as filed on April 26, 2017 (File No. 001-16769), and incorporated herein by reference).

Exhibit Number	Description
†**10.31	Offer Letter, dated as of July 2, 2012, by and between Weight Watchers International, Inc. and Nicholas P. Hotchkin (filed as Exhibit 10.31 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 29, 2012, as filed on February 27, 2013 (File No. 001-16769), and incorporated herein by reference).
†**10.32	Letter Agreement, dated as of May 8, 2013, by and between Weight Watchers International, Inc. and Nicholas Hotchkin (filed as Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 29, 2013, as filed on August 8, 2013 (File No. 001-16769), and incorporated herein by reference).
†**10.33	Second Letter Agreement, dated as of September 14, 2016, by and between Nicholas Hotchkin and Weight Watchers International, Inc. (filed as Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended October 1, 2016, as filed on November 8, 2016 (File No. 001-16769), and incorporated herein by reference).
†**10.34	Offer Letter, dated as of March 3, 2014, by and between Weight Watchers International, Inc. and Michael F. Colosi (filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended April 4, 2015, as filed on May 14, 2015 (File No. 001-16769), and incorporated herein by reference).
†**10.35	Employment Agreement, dated October 6, 2003, by and between Weight Watchers France S.A.R.L. and Corinne Pollier(-Bousquet) (the “Pollier Employment Agreement”) (filed as Exhibit 10.34 to the Company’s Annual Report on Form 10-K for the fiscal year ended January 2, 2016, as filed on March 2, 2016 (File No. 001-16769), and incorporated herein by reference).
†**10.36	Addendum to the Pollier Employment Agreement, dated May 1, 2013, by and between Weight Watchers France S.A.R.L. and Corinne Pollier(-Bousquet) (filed as Exhibit 10.35 to the Company’s Annual Report on Form 10-K for the fiscal year ended January 2, 2016, as filed on March 2, 2016 (File No. 001-16769), and incorporated herein by reference).
†**10.37	Second Addendum to the Pollier Employment Agreement, effective March 2, 2016, by and between Weight Watchers France S.A.R.L. and Corinne Pollier(-Bousquet) (filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter April 2, 2016, as filed on May 10, 2016 (File No. 001-16769), and incorporated herein by reference).
†**10.38	Letter Agreement, dated as of September 15, 2015, by and between Weight Watchers International, Inc. and Corinne Pollier(-Bousquet) (filed as Exhibit 10.36 to the Company’s Annual Report on Form 10-K for the fiscal year ended January 2, 2016, as filed on March 2, 2016 (File No. 001-16769), and incorporated herein by reference).
†*10.39	Settlement Agreement, dated November 17, 2020, by and between WW France and Corinne Pollier(-Bousquet).
†**10.40	Offer Letter, dated July 30, 2020, by and between WW International, Inc. and Amy O’Keefe (filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended September 26, 2020, as filed on October 29, 2020 (File No. 001-16769), and incorporated herein by reference).
†*10.41	Offer Letter, dated January 29, 2018, by and between Weight Watchers International, Inc. and Gail Tifford.
†*10.42	Offer Letter, dated July 29, 2014, by and between Weight Watchers International, Inc. and Michael Lysaght.
†*10.43	Letter Agreement, dated September 7, 2016, by and between Weight Watchers International, Inc. and Michael Lysaght.
†*10.44	Letter Agreement, dated August 7, 2019, by and between WW International, Inc. and Michael Lysaght.

Exhibit Number	Description
**10.45	Share Purchase Agreement, dated October 18, 2015, between Weight Watchers International, Inc. and Oprah Winfrey (“Share Purchase Agreement”) (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K, as filed on October 19, 2015 (File No. 001-16769), and incorporated herein by reference).
**10.46	Amendment to Share Purchase Agreement, dated as of December 15, 2019, between WW International, Inc. and Oprah Winfrey (filed as Exhibit 10.3 to the Company’s Current Report on Form 8-K, as filed on December 16, 2019 (File No. 001-16769), and incorporated herein by reference).
†**10.47	Option Agreement, dated October 18, 2015, between Weight Watchers International, Inc. and Oprah Winfrey (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K, as filed on October 19, 2015 (File No. 001-16769), and incorporated herein by reference).
**10.48	Strategic Collaboration Agreement, dated October 18, 2015, between Weight Watchers International, Inc. and Oprah Winfrey (“Strategic Collaboration Agreement”) (filed as Exhibit 10.39 to the Company’s Annual Report on Form 10-K for the fiscal year ended January 2, 2016, as filed on March 2, 2016 (File No. 001-16769), and incorporated herein by reference).
**10.49	First Amendment of Strategic Collaboration Agreement, dated as of December 15, 2019, between WW International, Inc. and Oprah Winfrey (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K, as filed on December 16, 2019 (File No. 001-16769), and incorporated herein by reference).
†**10.50	Option Agreement, dated December 15, 2019, between WW International, Inc. and Oprah Winfrey (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K, as filed on December 16, 2019 (File No. 001-16769), and incorporated herein by reference).
*21.1	Subsidiaries of WW International, Inc.
*23.1	Consent of Independent Registered Public Accounting Firm.
*31.1	Rule 13a-14(a) Certification by Mindy Grossman, Chief Executive Officer.
*31.2	Rule 13a-14(a) Certification by Amy O’Keefe, Chief Financial Officer.
*32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*Exhibit 101	
*EX-101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*EX-101.SCH	Inline XBRL Taxonomy Extension Schema Document
*EX-101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
*EX-101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
*EX-101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
*EX-101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
*Exhibit 104	The cover page from WW International, Inc.’s Annual Report on Form 10-K for the fiscal year ended January 2, 2021, formatted in Inline XBRL (included within the Exhibit 101 attachments).

* Filed herewith.

** Previously filed.

† Represents a management arrangement or compensatory plan.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 25, 2021	By: <u> /s/ MINDY GROSSMAN </u> Mindy Grossman President, Chief Executive Officer and Director (Principal Executive Officer)
Date: February 25, 2021	By: <u> /s/ AMY O'KEEFE </u> Amy O'Keefe Chief Financial Officer (Principal Financial Officer)
Date: February 25, 2021	By: <u> /s/ AMY KOSSOVER </u> Amy Kossover Chief Accounting Officer, Senior Vice President and Corporate Controller (Principal Accounting Officer)
Date: February 25, 2021	By: <u> /s/ RAYMOND DEBBANE </u> Raymond Debbane Director
Date: February 25, 2021	By: <u> /s/ STEVEN M. ALTSCHULER </u> Steven M. Altschuler Director
Date: February 25, 2021	By: <u> /s/ JULIE BORNSTEIN </u> Julie Bornstein Director
Date: February 25, 2021	By: <u> /s/ TRACEY D. BROWN </u> Tracey D. Brown Director
Date: February 25, 2021	By: <u> /s/ JENNIFER DULSKI </u> Jennifer Dulski Director
Date: February 25, 2021	By: <u> /s/ JONAS M. FAJGENBAUM </u> Jonas M. Fajgenbaum Director
Date: February 25, 2021	By: <u> /s/ DENIS F. KELLY </u> Denis F. Kelly Director
Date: February 25, 2021	By: <u> /s/ JULIE RICE </u> Julie Rice Director
Date: February 25, 2021	By: <u> /s/ THILO SEMMELBAUER </u> Thilo Semmelbauer Director
Date: February 25, 2021	By: <u> /s/ CHRISTOPHER J. SOBECKI </u> Christopher J. Sobecki Director
Date: February 25, 2021	By: <u> /s/ OPRAH WINFREY </u> Oprah Winfrey Director

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