WEIGHT WATCHERS INTERNATIONAL INC
Form 10-K
March 02, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended January 2, 2016.

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to .

Commission file number 001-16769

WEIGHT WATCHERS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Virginia	**11-6040273**
(State or other jurisdiction of 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	**Name of each exchange on which registered**

Common Stock, no par value	**New York Stock Exchange**

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 x

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 x

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes x No ¨

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

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

Large accelerated filer ¨ Accelerated filer x

Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ¨ No x

The aggregate market value of the registrant s common stock held by non-affiliates as of July 2, 2015 (based upon the closing price of $4.09 per share of common stock as of July 2, 2015, the last business day of the registrant s second fiscal quarter of 2015, as quoted on the New York Stock Exchange) was $112,751,513. For purposes of this computation, it is assumed that shares of common stock held by our directors, executive officers and our controlling shareholders as of July 2, 2015 would be deemed stock held by affiliates.

The number of shares outstanding of common stock as of February 1, 2016 was 63,648,349.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement for its 2016 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, 2016.

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Weight Watchers International, Inc.

Annual Report on Form 10-K

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BASIS OF PRESENTATION

Weight Watchers International, Inc. is a Virginia corporation with its principal executive offices in New York, New York. In this Annual Report on Form 10-K unless the context indicates otherwise: we, us, our, the Company and WWI refer to Weight Watchers International, Inc. and a its operations consolidated for purposes of its financial statements; North America refers to our North American Company-owned operations; United Kingdom refers to our United Kingdom Company-owned operations; Continental Europe refers to our Continental Europe Company-owned operations; and Other refers to Asia Pacific and emerging markets operations and franchise revenues and related costs. Each of North America, United Kingdom, Continental Europe 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 2010 refers to our fiscal year ended January 1, 2011;

fiscal 2011 refers to our fiscal year ended December 31, 2011;

fiscal 2012 refers to our fiscal year ended December 29, 2012;

fiscal 2013 refers to our fiscal year ended December 28, 2013;

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; and

fiscal 2016 refers to our fiscal year ended December 31, 2016.

The following terms used in this Annual Report on Form 10-K are our trademarks: *Weight Watchers*®, ***PointsPlus***®, ***ProPoints***® and SmartPoints.

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PART I

Item 1. Business

Overview

We are a leading, global-branded consumer company and the world s leading commercial provider of weight management services, operating globally through a network of Company-owned and franchise operations. With over five decades of weight management experience, expertise and know-how, we have established Weight Watchers as one of the most recognized and trusted brand names among weight-conscious consumers. Weight Watchers-branded products and services include meetings conducted by us and our franchisees, digital weight management products provided through our websites, mobile sites and apps, products sold at meetings, licensed products sold in retail channels and magazine subscriptions and other publications. Our primary sources of revenue are subscriptions for our monthly commitment plans for Weight Watchers meetings and Online subscriptions. Our meetings business refers to providing access to meetings to our monthly commitment plan subscribers, pay-as-you-go members, Total Access subscribers and other meeting members. Online refers to Weight Watchers Online, Weight Watchers Online*Plus*, Personal Coaching and other digital subscription products.

Our brand enjoys high awareness and credibility among all types of weight-conscious consumers women and men, consumers online and offline, the support-inclined and the self-help-inclined. We are one of only a few commercial weight management programs whose efficacy has been clinically proven repeatedly. 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. We continue to explore different channels to access this market, including through our at-work meetings and healthcare strategic initiatives.

We believe the unique value provided by our offerings is inspiration, accountability and support. In the more than 50 years since our founding, we have built our meetings business by helping millions of people around the world lose weight through sensible and sustainable food plans, activity, behavior modification and group support. As of the end of fiscal 2015, we had approximately 1.0 million active meeting subscribers, who could attend over 32,000 Weight Watchers meetings around the world, which were run by more than 9,000 leaders each of whom lost weight on our program. We also believe we are the leading global provider of paid digital subscription weight management products. As of the end of fiscal 2015, we had approximately 1.4 million active Online subscribers. Our Online business, together with its products, including apps for mobile and tablet devices, has evolved over time. Our strong brand, together with the effectiveness of our plans, loyal customer base and unparalleled network of service providers, are unique in the marketplace.

Business Organization and Global Operations

We have four reportable segments based on an integrated geographical structure as follows: North America, United Kingdom, Continental Europe (CE) and Other. Each reportable segment provides similar products and services. Further information regarding our reportable segments and our geographic areas can be found in Part II, Item 7 of this Annual Report on Form 10-K under Management s Discussion and Analysis of Financial Condition and Results of Operations and in Part IV, Item 15 of this Annual Report on Form 10-K under Note 15 Segment and Geographic Data in the Notes to the Consolidated Financial Statements. Information concerning some of the risks to which we are exposed resulting from our international operations and foreign currency exchange rates is set forth in Item 1A. Risk Factors of this Annual Report on Form 10-K.

We operate in numerous countries around the world. Our North America reportable segment consists of our United States and Canada Company-owned operations; our United Kingdom reportable segment consists of our United Kingdom Company-owned operations; our Continental Europe reportable segment consists of our Germany, Switzerland, France, Spain, Belgium, Netherlands and Sweden Company-owned operations; and

our Other reportable segment consists of our Australia, New Zealand, Mexico and Brazil Company-owned operations, as well as revenues and costs from our franchises in the United States and certain other countries. Revenues from our North America, United Kingdom, Continental Europe, and Other reportable segments contributed 64.9%, 10.7%, 19.7% and 4.7%, respectively, of our total revenues in fiscal 2015. Revenues from our North America, United Kingdom, Continental Europe, and Other reportable segments contributed 64.0%, 10.6%, 20.2% and 5.2%, respectively, of our total revenues in fiscal 2014. Finally, revenues from our North America, United Kingdom, Continental Europe, and Other reportable segments contributed 67.4%, 10.0%, 17.4% and 5.2%, respectively, of our total revenues in fiscal 2013.

The Global Weight Management Market

We participate in the global weight management market. According to Marketdata Enterprises, the weight management market had revenue of approximately $59.8 billion in 2014 in the United States alone. The number of overweight and obese adults around the world rose 27.5% between 1980 and 2013, and is estimated to reach over 3 billion by 2030. Between 2011 and 2012, 69% of Americans at or over the age of 20 were considered overweight and over a third of these were obese. Numerous diseases, including heart disease, high blood pressure and Type II diabetes, are associated with being overweight or obese.

Our Services and Products

Our Weight Management Program and Plan

In each of our markets, we offer services and products that are built upon our new weight management program, known as Beyond the Scale in North America. The program goes beyond a singular focus on weight loss, encompassing a holistic approach to a healthier, more active, happier life. It is comprised of a range of nutritional, activity, behavioral and lifestyle tools and approaches that can be personalized. Our new food plan, known as SmartPoints, was developed from a combination of advancements in scientific research and consumer insights, including from customers who experienced prior Weight Watchers plans. With the SmartPoints system, each food has a SmartPoints value determined by the food s calories, saturated fat, sugar and protein content. Customers following the SmartPoints system can eat any food as long as the SmartPoints value of their total food consumption stays within their personalized SmartPoints budget . Since nutritious foods generally have lower SmartPoints values, this approach guides customers toward healthier eating patterns. Based on a personalized assessment included in the Beyond the Scale program, members and subscribers get daily and weekly SmartPoints targets, personalized activity goals and relevant content tailored to their needs. Prior to the launch of SmartPoints in December 2015, we offered a weight management plan known as ***PointsPlus*** in North America, or ***ProPoints*** in certain of our other geographies.

Our customers can participate in our program in two main ways: in-person group meetings and digitally. Within these two channels, we offer a variety of products to meet each customer s preferences. Our leaders, when leading meetings and providing personal coaching, educate members and subscribers on our program and range of tools. In addition to providing support, our leaders also inspire members and subscribers, as each leader was successful in her or his weight loss journey using our methods.

Our Meetings Business

In our meetings business, we present our program in regular weekly meetings of 30 to 45 minutes in duration, conveniently scheduled throughout the day. Our group support system remains the cornerstone of our meetings. Members provide each other support by sharing their experiences with, and by providing encouragement and empathy to, other people experiencing similar weight management challenges. Leaders facilitate this support through interactive meetings that encourage learning through member-driven discussions and individual goal-setting.

The primary payment structure for our meetings business globally is through monthly commitment plans. Under these plans, members generally receive unlimited access to meetings at a discounted monthly price plus free access to certain Online and mobile tools and 24/7 Expert Chat, where available. Pursuant to these plans, a fee is typically charged automatically to the member s credit card or debit card on a monthly basis until the member elects to cancel. As of the end of fiscal 2015, we had approximately 1.0 million active subscribers to our monthly commitment plans. We also have a pay-as-you-go arrangement for the meetings business and, in some countries, offer prepayment plans for meetings consisting of pre-paid meeting vouchers and coupons.

In fiscal 2015, we had total meeting attendance of approximately 31.8 million, which does not include management s estimate that franchised operations had total meeting attendance of over 3.8 million. Franchisees typically pay us a fee equal to 10% of their meeting fee revenues. We have enjoyed a mutually beneficial relationship with our franchisees over many years. In our early years, we used an aggressive franchising strategy to quickly establish a meeting infrastructure to pre-empt competition. Since then, we have acquired a large number of franchises. Our franchisees are responsible for operating classes in their franchise class territory using the program and marketing guidelines we have developed. We provide a central support system for the program and our brand. In many of our markets, franchisees purchase products from us at wholesale prices for resale directly to members. Franchisees are obligated to adhere strictly to our program content guidelines, with the freedom to control pricing, class locations, operational structure and local promotions. Franchisees provide local operational expertise, advertising and public relations. Most franchise agreements are perpetual and can be terminated only upon a material breach or bankruptcy of the franchisee.

Our Online Business

In our Online business, we offer various digital subscription products, including Weight Watchers Online*Plus* and a weight management companion for Weight Watchers meetings members who want to digitally manage the day-to-day aspects of their weight management plan. These products provide interactive and personalized resources that allow users to follow our weight management plan via the Internet or on their mobile device. In December 2014, we launched an Online subscription product, Personal Coaching, in certain of our markets, including the United States. Personal Coaching offers one-on-one telephonic, e-mail and text support and personalized planning from a Weight Watchers-certified Coach as well as access to other Online tools.

Our Online subscription products are based on the Weight Watchers approach to weight management and provide additional tools to our meetings members, as applicable. They help subscribers adopt a healthier and more active lifestyle, with a view toward long-term behavior modification a key aspect of the Weight Watchers approach toward sustainable weight loss. These products provide subscribers with online and mobile content, functionality, resources and interactive mobile and web-based weight management plans. We believe our personalized and interactive Online subscription products give subscribers an engaging weight management experience. Our online community, which can be accessed via the web and the new Connect feature in our mobile app, gives our subscribers a way to stay virtually connected, and support and motivate each other.

We believe that mobile weight management tools and resources are an important market opportunity for us. Our mobile phone (iPhone® and Android) and iPad® apps provide monthly commitment plan purchasers and Online subscribers with access to a suite of weight-loss tools, such as recipe and tracking tools, as well as other helpful content and the ability to scan the barcodes of food products for their SmartPoints values. We are continuing to improve the capabilities of our products, including integrating with popular activity-tracking devices and wireless weight scales.

Our Product Sales

We sell a range of products, including bars, snacks, cookbooks, food and restaurant guides with SmartPoints values, Weight Watchers magazines, SmartPoints calculators and fitness kits, and certain third-party products, such as activity-tracking monitors. These products complement our weight management program and help our

customers in their weight management efforts. We have focused on selling products that drive recurring purchases. Our products are designed to be high quality, offer benefits related to the Weight Watchers program and be easy to merchandise.

We sell our products through our meetings business, online and to our franchisees. Excluding sales to or by our franchisees, in fiscal 2015, sales of proprietary products in our meetings business and online represented approximately 11.3% of our revenues. We seek to grow our product sales per attendee in our meetings business by continuing to optimize our product offerings by updating existing products, selectively introducing new products and sharing best practices across geographies. In fiscal 2015, we launched our ecommerce platform at shop.weightwatchers.com, making the site available to all consumers, including non-members and non-subscribers.

Licensing and Endorsements

We license the Weight Watchers brand and our other intellectual property in certain categories of food, including frozen foods and baked goods, among others, and other relevant consumer products, including scales. We also endorse carefully selected branded consumer products. By partnering with carefully selected companies in categories relevant and helpful to weight-conscious consumers, we have created a highly profitable licensing business as well as a powerful vehicle to reinforce the Weight Watchers brand in the minds of our target consumers.

We typically partner in our licensing and endorsement arrangements with third parties that excel at new product development and have strong marketing and sales expertise, manufacturing and distribution capabilities, financial strength, prior performance in previous licensing and endorsement deals and senior management committed to building the Weight Watchers brand. In connection with our acquisition from the H.J. Heinz Company, or Heinz, in September 1999, Heinz received a perpetual royalty-free license to continue using our brand in its core food categories. We plan to continue to choose our licensing and endorsement partners carefully after identifying and prioritizing product categories that enhance the Weight Watchers brand and have long-term growth potential.

Our licensing and endorsement arrangements give us access to weight-conscious consumers through products sold at retail and increase the awareness of our brand. We continue to believe there are significant opportunities both in the United States and internationally to take advantage of the strength of the Weight Watchers brand and our other intellectual property through additional licensing and endorsement arrangements.

Publishing

Weight Watchers magazines are published in most of our major markets. In the United States, Weight Watchers Magazine is an important branded marketing platform that continues to show strong circulation and advertiser acceptance. As of fall 2015, our US magazine had a readership of over seven million, according to GfK Mediamark Research and Intelligence, LLC, an industry tracking service. We also issue other publications, such as cookbooks and food and restaurant guides with SmartPoints values, which complement our program.

At-Work Meetings and Healthcare

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 corporate market and help companies reduce their healthcare costs and improve the overall well-being of their employees. Our strategy is focused on leveraging our organizational capability to serve companies of every size and type by offering convenient and flexible weight-loss solutions that include meetings at the workplace, local community meetings and access to Weight Watchers Online.

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We believe the healthcare market represents an important channel to reach new consumers. At the end of fiscal 2014, we announced a strategic initiative with Humana, Inc. to offer our weight management services as a part of coverage under certain employer-sponsored health plans. We continue to explore different approaches to this market.

Our Clinical Efficacy and Reputation in the Marketplace

Weight Watchers is one of the most clinically-studied commercial weight management programs, with dozens of peer-reviewed publications in the last 20 years. For example, in 2013, a randomized controlled trial conducted by the Baylor College of Medicine researchers and funded by us was published in *The American Journal of Medicine* and found that overweight and obese adults following Weight Watchers lost significantly more weight at six months than those who 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 2016, we again were recognized by U.S. News & World Report in the 2016 Best Diets rankings. We ranked #1 for Best Weight-Loss Diet and tied for #1 for Best Commercial Diet Plan and Easiest Diet to Follow.

Marketing and Promotion

Our communications with consumers and other promotional efforts enhance our brand image and awareness, and motivate both former and potential new customers to join Weight Watchers meetings or purchase our Online products. We also recently 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. The announcement of our partnership with Ms. Winfrey led to more than one billion earned media impressions. Further information on this agreement and our partnership with Ms. Winfrey can be found below under History Winfrey Transaction.

We advertise primarily in national media vehicles (television, digital, print, radio, etc.), which are selected based on their efficiency and effectiveness in reaching our target audience. We develop and maintain a high level of engagement with new and potential customers on various social platforms including Facebook and Twitter. While our traditional advertising schedule generally supports the three key marketing campaigns of the year, winter, spring and fall, we communicate with consumers in the Online space in real time throughout the year. Also, we utilize brand ambassadors, including from time to time celebrity spokespersons, as part of our advertising.

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 leaders, members and subscribers. The word of mouth generated by our current and former customers is an important source of new customers. These referrals, combined with our strong brand and known effectiveness, enable us to attract new and returning customers. We also carry out many of our key public relations initiatives through the efforts of current and former Weight Watchers leaders, members and subscribers, including from time to time celebrities.

Additionally, Weight Watchers Magazine reinforces the value of our brand and serves as an important marketing tool to both existing and potential customers. We also utilize mailing campaigns and the WeightWatchers.com website to attract new and returning customers and to engage current customers.

Seasonality

Our business is seasonal due to the importance of the winter season to our overall recruitment environment. Our advertising schedule generally supports the three key recruitment-generating seasons of the year: winter, spring and fall, with winter having the highest concentration of advertising spending.

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Competition

The weight management industry includes commercial weight management programs; Internet, free mobile and other weight management apps and other electronic weight management approaches; surgical procedures; the pharmaceutical industry; self-help weight management regimens and other self-help weight management products, services and publications, such as books, magazines, websites and social media groups; dietary supplements and meal replacement products; healthy lifestyle services, products and publications; weight management services administered by doctors, nutritionists and dieticians; government agencies and non-profit groups that offer weight management services; fitness centers and national drug store chains.

Competition among commercial weight management programs is largely based on program recognition and reputation and the effectiveness, safety and price of the program. In the United States, we compete with several other companies in the commercial weight management industry, although we believe that their businesses are not comparable to ours. For example, many of these competitors businesses are based on the sale of pre-packaged meals and meal replacements. Our meetings use group support, interactive, member-driven discussions to encourage learning and behavior modification to help our members move towards a healthier, more active, happier life with healthier eating patterns, in conjunction with a flexible food plan that allows members the freedom to choose what they eat. There are no significant group education-based competitors in any of our major markets, except in the United Kingdom.

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

We also compete with various self-help diets, products, services and publications, such as free mobile and other weight management apps. Further information regarding our competition can be found in Part II, Item 7 of this Annual Report on Form 10-K under Management s Discussion and Analysis of Financial Condition and Results of Operations.

Trademarks, Patents and Other Proprietary Rights

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

History

Early Development

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

Artal Ownership

In September 1999, Artal Luxembourg S.A., or Artal Luxembourg, acquired us from Heinz. Artal Luxembourg is an indirect subsidiary of Artal Group S.A., or Artal Group, which together with its parents and its subsidiaries is referred to in this Annual Report on Form 10-K as Artal. Currently, Artal Luxembourg is the record holder of all our shares owned by Artal.

WeightWatchers.com Acquisition

In July 2005, we acquired control of our licensee and affiliate, WeightWatchers.com, Inc., by increasing our ownership interest from approximately 20% to approximately 53%. Subsequently, in December 2005, WeightWatchers.com, Inc. redeemed all shares owned by Artal in it, resulting in our current ownership of 100% of WeightWatchers.com, Inc.

Winfrey Transaction

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

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

In consideration of Ms. Winfrey entering into the Strategic Collaboration Agreement and the performance of her obligations thereunder, on October 18, 2015, we granted Ms. Winfrey a fully vested option to purchase 3,513,468 shares of our common stock, or the Winfrey Option. The term sheet for the Winfrey Option, which includes the terms and conditions appended thereto, relating to the grant of the Winfrey Option is referred to herein as the Winfrey Option Agreement. The Winfrey Option is exercisable at a price of $6.97 per share, in whole or in part, at any time prior to October 18, 2025, subject to earlier termination under certain circumstances, including if (i) the Strategic Collaboration Agreement expires as a result of Ms. Winfrey s decision not to renew the term of such agreement and (ii) a change in control (as defined 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 connection with Ms. Winfrey s purchase of our common stock and the grant of the Winfrey Option described above, Artal Luxembourg entered into a Voting Agreement with Ms. Winfrey on October 18, 2015, or the Voting Agreement, pursuant to which Ms. Winfrey agreed to vote all of her common stock or preferred stock of the Company and other securities convertible into or exercisable or exchangeable for any common stock or preferred stock of the Company so as to elect such individuals designated by Artal. The Voting Agreement terminates on the date that any of the following occurs: (i) Artal (and certain permitted transferees) and Ms. Winfrey (and certain permitted transferees) collectively own less than 50% of our issued and outstanding common stock, (ii) Ms. Winfrey then has the right to be nominated as a director and has met certain eligibility requirements under the Winfrey Purchase Agreement, but is not elected as a director of the Company, (iii) Ms. Winfrey (and certain permitted transferees) collectively own less than 1% of our issued and outstanding common stock, (iv) the voting and related arrangements in the Voting Agreement, in our reasonable determination, constitutes a change of control in any of our debt agreements or (v) the parties to the Voting Agreement terminate such agreement by written consent.

As a result of entering into the Voting Agreement, Artal and Ms. Winfrey are acting as a group within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. As a result, we continue to qualify as a controlled company under the applicable rules of The New York Stock Exchange, or the NYSE.

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

Regulation

A number of laws and regulations govern our advertising, services, products, operations and relations with consumers, licensees, franchisees, employees and other service providers and government authorities in the countries in which we operate. Certain federal, state and foreign agencies, such as the Federal Trade Commission, or FTC, and the Food and Drug Administration, or FDA, regulate and enforce such laws and regulations relating to advertising, promotions, packaging, privacy, consumer pricing and billing arrangements and other consumer protection matters. We are subject to many distinct employment, labor, commercial, benefits and tax laws and regulations in each country in which we operate, including regulations affecting our employment and wage and hour practices and our relations with our employees and service providers. Laws and regulations directly applicable to communications, operations or commerce over the Internet such as those governing intellectual property, privacy and taxation, are more prevalent and 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 requires us to comply with certain procedures and disclosures in connection with our advertisements of services and products. From time to time, we have been in discussions with the FTC regarding such consent order.

Employees and Service Providers

As of January 2, 2016, we had approximately 19,000 employees, a majority of whom were part-time employees. In addition, in certain of our markets, our service providers are self-employed and are not included in this total. We consider our relations with our employees and service providers to be satisfactory.

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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 website at *www.weightwatchersinternational.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). Moreover, we also make available at that site the Section 16 reports filed electronically by our officers, directors and 10 percent shareholders. Usually these are publicly accessible no later than the business day following the filing.

We use our website at *www.weightwatchersinternational.com*, our corporate Facebook page (www.facebook.com/weightwatchers), Twitter account (@WeightWatchers), and Instagram account (Instagram.com/weightwatchers) 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 website at *www.weightwatchersinternational.com*.

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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, 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 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 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:

- competition from other weight management industry participants or the development of more effective or more favorably perceived weight management methods;
- our ability to continue to develop new, innovative services and products and enhance our existing services and products or the failure of our services and products 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 new strategic initiatives;
- the effectiveness of our advertising and marketing programs, including the strength of our social media presence;
- the impact on the Weight Watchers brand of actions taken by our franchisees, licensees, suppliers and other partners;
- the impact of our debt service obligations and restrictive debt covenants;
- the inability to refinance our debt obligations on favorable terms or at all;
- uncertainties regarding the satisfactory operation of our information technology or systems;
- the impact of security breaches or privacy concerns;
- the recognition of asset impairment charges;
- the loss of key personnel 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;

risks and uncertainties associated with our international operations, including regulatory, economic, political and social risks and foreign currency risks;

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 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;

the outcomes of litigation or regulatory actions;

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- the impact of existing and future laws and regulations;

- our failure to maintain effective internal control over financial reporting;

- the possibility that the interests of Artal, who effectively controls us, will conflict with other holders of our common stock; and

- other risks and uncertainties, including those detailed from time to time in our periodic reports filed with the Securities and Exchange Commission.

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 impair our business, financial condition or results of operations.

Competition from other weight management 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 industry is highly competitive. We compete against a wide range of providers of weight management services and products. Our competitors include: commercial weight management programs; Internet, free mobile and other weight management apps and other electronic weight management approaches; surgical procedures; the pharmaceutical industry; self-help weight management regimens and other self-help weight management products, services and publications, such as books, magazines, websites and social media groups; dietary supplements and meal replacement products; healthy lifestyle services, products and publications; weight management services administered by doctors, nutritionists and dieticians; government agencies and non-profit groups that offer weight management services; fitness centers and national drug store chains. Additional competitors may emerge as new or different services, products or methods of weight management are developed and marketed. More effective or more favorably perceived diet and weight 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 consumers are highly subjective and can be influenced by many factors, such as brand image, marketing programs, cost, consumer trends and perception of the efficacy of the service and product offerings. Moreover, consumers can, and frequently do, change weight management 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. More recently, our revenue was adversely affected by the popularity of mobile technology, which has led to increased trial of free mobile and other 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.

If we do not continue to develop new, innovative services and products or if our services and products 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 industry is subject to changing consumer demands based, in large part, on the efficacy and popular appeal of weight management programs. The popularity of weight management programs is dependent, in part, on their ease of use, cost and channels of distribution as well as consumer trends. For example, the increasing focus of consumers on more integrated lifestyle and fitness approaches rather than just food, nutrition and diet could adversely impact the popularity of our programs. 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, 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 may not evolve alongside our services and products. 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 mobile or social media. Our failure to develop new, innovative services and products and to enhance our existing services and products, the failure of our services and products 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 new strategic initiatives, which could adversely impact our business.

We are continuously evaluating changing consumer preferences and the competitive environment of our industry and seeking out opportunities to improve our performance through the implementation of selected strategic initiatives, such as our healthcare initiative. The goal of these efforts is to develop and implement a comprehensive and competitive business strategy which addresses the continuing changes in the weight management industry environment and our position within the industry. For example, as the healthcare industry continues to evolve its response to the obesity epidemic so do the requirements, both regulatory and business, for providers. If we do not successfully meet these requirements, we may not be perceived as an appropriate partner for certain purposes. 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 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.

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 to our meetings and subscribers to our Online products. Our ability to attract and retain members and subscribers depends significantly on the effectiveness of our advertising and marketing practices. From time to time, we use the success stories of our members and subscribers, including in some cases celebrities, in our advertising and marketing programs to communicate on a personal level with consumers. Actions taken by these members, subscribers and celebrities that harm their personal reputation, 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 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 experience 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.

The Weight Watchers brand could be impaired due to actions taken by our franchisees, licensees, suppliers and other partners.

We believe that the Weight Watchers brand, including its widespread recognition and strong reputation in the market, is one of our most valuable assets and that it provides us with a competitive advantage. Our franchisees operate their businesses under our brand. In addition, we license the Weight Watchers brand to third parties for the manufacture and sale in retail stores by such parties of a variety of goods, including food products, and also endorse third-party branded consumer products. We also sell in our meeting rooms food and non-food products manufactured by third-party suppliers. Our franchisees, licensees, suppliers and other partners are independent third parties with their own financial objectives. 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 brand. Also, Weight Watchers products may be subject to product recalls, litigation or other deficiencies. Any negative publicity associated with these actions or these third parties would adversely affect our brand and may result in decreased meeting attendance, Online product subscriptions and product sales and, as a result, lower revenues and profits.

Our debt service obligations could adversely affect our financial condition, and the restrictions of our debt covenants could impede our operations and flexibility.

As of January 2, 2016, our total debt was $2,235.0 million. In addition, at January 2, 2016, we had $0.2 million available under our revolving credit facility. Our debt consists entirely 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 2015, we had in effect an interest rate swap with a notional amount of $1.5 billion.

While there is no net debt to EBITDA (earnings before interest, taxes, depreciation and amortization) leverage ratio maintenance requirement on our $2,235.0 million of debt outstanding, our credit facilities contain customary covenants, including covenants that in certain circumstances restrict our ability to incur additional indebtedness, pay dividends on and redeem capital stock, make other payments, including investments, sell our assets and enter into consolidations, mergers and transfers of all or substantially all of our assets. A breach of any of these covenants could result in an event of default under the credit facilities. 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. If an event of default exists under the credit facilities, the lenders could elect to cease making loans and declare all amounts outstanding thereunder to be immediately due and payable. If the lenders under the credit facilities accelerate the payment of the indebtedness, we may not be able to refinance such indebtedness, and our assets may not be sufficient to repay in full that indebtedness and our other indebtedness that would become due as a result of any such acceleration.

We may not be able to refinance our debt on favorable terms or at all depending on the condition of the capital markets and our financial condition at such time.

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 pressure from our competitors. We have a term loan credit facility with a $144.3 million debt maturity obligation due April 2016. We expect to satisfy our debt obligations with respect to this April 2016 maturity with cash on hand.

We also have a term loan credit facility in an aggregate principal amount of $2.1 billion that will mature in April 2020. We expect to pay the principal and interest due in April 2020 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. We also may not be able to secure future borrowings under our WWI Credit Facility (as defined below) or otherwise to fund our planned capital expenditures and other ongoing liquidity needs.

Any refinancing, if available on acceptable terms or at all, of our debt 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 would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness or the ability to refinance our debt obligations on favorable terms or at all.

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, Online 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. In addition, our operations depend on our ability to protect our information technology systems against damage from fire, power loss, water, earthquakes, telecommunications failures, third-party cyber-attacks and similar unexpected adverse events. Interruptions in our websites, services and products or network systems could result from unknown technical defects, insufficient capacity or the failure of our third party providers to provide continuous and uninterrupted service. While we maintain disaster recovery capabilities to return to normal operation in a timely manner, we do not have a fully redundant system that includes an instantaneous recovery capability.

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 brand. 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 product offerings may be harmed by security breaches or privacy concerns.

Breaches of security, vandalism 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 could harm our reputation, 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 and developed systems and processes designed to protect such proprietary or customer information or data, there can be no assurance that our efforts will prevent service interruptions or security breaches.

Most states require that customers be notified if a security breach results in the disclosure of their personal financial account or other information, and additional states and governmental entities are considering such laws. In addition, other public disclosure laws may require that material security breaches be reported. If we experience a security breach and such notice or public disclosure is required in the future, our reputation and our business may be harmed. Prospective and existing customers, as well as companies and health plan providers who we currently or may in the future partner with, may have concerns regarding our use of private information or data collected on our 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 from using our websites or purchasing our services or products, and third parties from partnering with us.

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 remedy.

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 stock and macroeconomic conditions (both at the global and local levels), might have a negative impact on the fair value of these assets. In fiscal 2013, we recorded impairment charges in the aggregate of approximately $1.2 million related to franchise rights acquired in connection with our Mexico and Hong Kong operations. We may incur additional impairment charges in the future, which would have an adverse impact on our financial condition and results of operations.

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 reported financial results.

Loss of key personnel 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 brand image and goodwill. In October 2015, Ms. Winfrey and the Company entered into 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. 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 service providers to support our members and Personal Coaching subscribers in their weight management efforts. If we fail to appropriately manage and motivate our service

providers, 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, changes in 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 service providers to provide support to customers. Additionally, our inability to attract and retain qualified personnel 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 a material adverse effect on our financial results.

We have entered into licensing and endorsement relationships with numerous partners for the distribution and sale of certain products that are relevant and helpful to weight-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 materially adversely affected if we are unable to extend a licensing 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 headquarters and back-office and customer service operations, are located in leased office space and many of our meetings 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. If we decide to relocate or close meeting locations 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. Any of the above events could adversely impact our financial results.

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

The international nature of our operations involves a number of risks, including changes in US and foreign regulations, tariffs, taxes and exchange controls, economic downturns, inflation and political and social instability in the countries in which we operate and our dependence on foreign personnel. 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. 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 US 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 operational exposure to foreign currency fluctuations. Our consolidated financial results are presented in US dollars and therefore, during times of a strengthening US dollar, our reported international revenues and earnings will be reduced because the local currency will translate into fewer US dollars. In addition, 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. Translation adjustments arising from the use of differing exchange rates from period to period are

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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 2015 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 meeting fees, Online product subscriptions and product sales. A downturn in general economic conditions or consumer confidence in any of our major markets could result in people curtailing or reallocating their discretionary spending which, in turn, could reduce attendance at our meetings, Online product subscriptions 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 or 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. The first quarter of the fiscal year typically results in the greatest revenue due to the importance of the winter season to our overall recruitment environment. In addition, 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. 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. Seasonality also impacts relative revenue and profitability of each quarter of the year, both on a quarter-to-quarter and year-over-year basis.

Any event that discourages or impedes people from gathering with others or accessing resources could adversely affect our business.

Our meetings and Online businesses are subject to conditions beyond our control that may prevent or impede current or prospective members from attending or joining meetings, or subscribers from accessing our Online products, including extreme weather, terrorism, health epidemics, loss of resources such as electricity, national disasters and other extraordinary events. The occurrence of any event that discourages people from gathering with others or impedes their ability to access resources could adversely affect our business, financial condition or results of operations.

Third parties may infringe on our brand 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 brand. If we fail to successfully enforce our intellectual property rights, the value of our brand, services and products could be diminished and our business may suffer. Our precautions may not prevent misappropriation of our intellectual property, 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 brand 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.

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. For example, in the past, we have had disputes with our franchisees regarding operations and other contractual issues. 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. As we expand our offerings in certain healthcare channels, consumers may misconstrue our program as providing medical advice. As we clearly state in our consumer communications, most of our service providers 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 through the healthcare channel they may misperceive that our service providers are providing medical advice regarding weight loss and related topics. We may also be subject to claims that our service providers 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. For example, the previously disclosed adverse UK tax ruling relating to the self-employment status of our UK leaders resulted in an aggregate adverse charge of approximately $37.0 million.

Our businesses are subject to legislative and regulatory restrictions.

A number of laws and regulations govern our advertising, services, products, operations and relations with consumers, licensees, franchisees, employees and other service providers, 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, promotions, packaging, 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 of 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 requires us to comply with certain procedures and disclosures in connection with our advertisements of services and products.

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 and service providers. 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, are more prevalent and continue to evolve. 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, service providers, licensees or franchisees, or our services and products, may have an adverse impact on us.

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.

Artal effectively controls us and may have conflicts of interest with other shareholders in the future.

Artal effectively controls us and is effectively able to control the election and removal of our directors and determine 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. In addition, Artal Luxembourg entered into a Voting Agreement with Ms. Winfrey on October 18, 2015, pursuant to which Ms. Winfrey has agreed to vote all of her shares of our common stock so as to elect such individuals designated as directors by Artal. The interests of Artal may not coincide with the interests of other holders of our common stock.

We are a controlled company within the meaning of the New York Stock Exchange rules and, as a result, qualify for exemptions from certain corporate governance requirements.

A group comprised of Artal and Ms. Winfrey controls a majority of the voting power of our outstanding common stock. Under the New York Stock Exchange, or the NYSE, rules, a listed company of which more than 50% of the voting power for the election of directors is held by another person or group of persons acting together is a controlled company and such a company may elect not to comply with certain NYSE corporate governance requirements, including (1) the requirement that a majority of the Board of Directors consist of independent directors, (2) the requirement that the nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities, (3) the requirement that the compensation committee be composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities, (4) that the compensation committee be required to consider certain independence factors when engaging compensation consultants, legal counsel and other committee advisors and (5) the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees. We have elected to be treated as a controlled company. Accordingly, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all of the NYSE corporate governance requirements.

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 leased office space with our US back-office and customer support operations located in leased office spaces elsewhere in the United States. Each of our foreign country operations generally also has leased office space to support its operations. Our meetings are typically held in third-party locations (usually meeting rooms in well-located civic or other community centers) or space leased in retail centers.

Our website and digital products and services are hosted on hardware and software co-located at a third-party facility in New York and by third-party cloud service providers with facilities in various locations around the United States. We also maintain a disaster recovery site with hardware and software co-located at a third-party facility in Arizona.

Item 3. Legal Proceedings

In re Weight Watchers International, Inc. Securities Litigation

In March 2014, two substantially identical putative class action complaints alleging violation of the federal securities laws were filed by individual shareholders against the Company, certain of the Company s current and former officers and directors, and Artal Group, in the United States District Court for the Southern District of New York. The complaints were purportedly filed on behalf of all purchasers of the Company s common stock, no par value per share, between February 14, 2012 and October 30, 2013, inclusive (referred to herein as the Class Period). The complaints allege that, during the Class Period, the defendants disseminated materially false and misleading statements and/or concealed material adverse facts. The complaints allege claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder. The plaintiffs seek to recover unspecified damages on behalf of the class members. In June 2014, the Court consolidated the cases and appointed lead plaintiffs and lead counsel. On August 12, 2014, the plaintiffs filed an amended complaint that, among other things, reduced the Class Period to between February 14, 2012 and February 13, 2013 and dropped all current officers and certain directors previously named as defendants. On October 14, 2014, the defendants filed a motion to dismiss. The plaintiffs filed an opposition to the defendants motion to dismiss on November 24, 2014 and the defendants filed a reply in support of their motion to dismiss on December 23, 2014. The Company continues to believe that the suits are without merit and intends to defend them vigorously.

Tracey Mead, Derivatively on Behalf of Weight Watchers International, Inc. vs. Artal Group et. al. and Weight Watchers International, Inc.

On May 29, 2014 and June 23, 2014, the Company received shareholder litigation demand letters alleging breaches of fiduciary duties and unjust enrichment by Company officers and directors and Artal, to the alleged injury of the Company. The allegations in the letters relate to those contained in the ongoing federal securities litigation described above. In response to the letters, pursuant to Virginia law, the Board of Directors has created a special committee to review and evaluate the facts and circumstances surrounding the claims made in the demand letters. The special committee has decided to undertake its review after receiving a decision on defendants motion to dismiss in the federal securities litigation given the overlapping issues.

On August 11, 2015, a purported shareholder derivative lawsuit was filed in New York State Court in Westchester County. The complaint alleges that certain Company directors and executive officers breached their various fiduciary duties by knowingly causing the Company to repurchase shares from Artal and from certain executive officers at artificially inflated prices in connection with a tender offer made to all shareholders. The complaint seeks an order for the defendants to disgorge all profits made from selling Company stock between March 16, 2012 and April 9, 2012, as well as an award for damages sustained by the alleged breaches of fiduciary duty. The parties sought to stay this suit pending a decision on defendants motion to dismiss in the federal securities litigation asserting similar allegations. The Court denied the stay, but at the preliminary court conference on December 17, 2015, the Court granted an adjournment and scheduled the next court conference for April 29, 2016. The Company believes that the suit is without merit and intends to defend it vigorously.

Raymond Roberts v. Weight Watchers International, Inc.

On January 7, 2016, an Online*Plus* member filed a putative class action complaint against the Company in the Supreme Court of New York, New York County, asserting class claims for breach of contract and violations of the New York General Business Law.

On February 5, 2016, the Company removed the case to the United States District Court, Sothern District of New York. Specifically, the plaintiff is asserting that, as a result of the temporary glitches in the Company s website and app in November and December 2015, the Company has: (1) breached its Subscription Agreement with its Online*Plus* members; and (2) engaged in misleading advertising and deceptive acts and practices in violation of Sections 349 and 350 of the New York General Business Law. The plaintiff is seeking unspecified actual, punitive and statutory damages, as well as his attorneys fees and costs incurred in connection with this action. The Company believes that the suit is without merit and intends to defend it vigorously.

Other Litigation Matters

Due to the nature of the Company s activities, it is also, at times, subject to pending and threatened legal actions, including patent and other intellectual property actions, that arise out of the ordinary course of business. In the opinion of management, the disposition of any such matters is not expected to have a material 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.

Item 4. Mine Safety Disclosures

Not applicable.

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EXECUTIVE OFFICERS AND DIRECTORS OF THE COMPANY

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 as of January 2, 2016 and current positions of our executive officers and directors. 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.

Name	Age	Position
James R. Chambers	58	President and Chief Executive Officer, Director
Michael F. Colosi	50	General Counsel and Secretary
Nicholas P. Hotchkin	50	Chief Financial Officer
Jeanine Lemmens(1)	45	President, United Kingdom
Corinne Pollier(-Bousquet)	51	President, International
Raymond Debbane(2)	60	Chairman of the Board of Directors
Steven M. Altschuler, M.D.(2)(3)	62	Director
Philippe J. Amouyal(2)	57	Director
Cynthia Elkins(3)	50	Director
Jonas M. Fajgenbaum	43	Director
Denis F. Kelly(3)	66	Director
Sacha Lainovic	59	Director
Christopher J. Sobecki	57	Director
Oprah Winfrey	61	Director

(1) We recently announced that Ms. Lemmens will leave the Company in April 2016.
(2) Member of Compensation Committee.
(3) Member of Audit Committee.

James R. Chambers. Mr. Chambers has served as a director and our President and Chief Executive Officer since July 2013. He served as our President and Chief Operating Officer from January 2013 to July 2013. Prior to joining us, Mr. Chambers served as President of the U.S. Snacks and Confectionary business unit and General Manager of the Immediate Consumption Channel of Kraft Foods Inc., a global food and beverage company, from January 2010 to July 2011. Prior to joining Kraft, Mr. Chambers held various positions in the North America business unit at Cadbury plc, a beverage and confectionary company, from September 2005 to January 2010, most recently as the President and Chief Executive Officer. Mr. Chambers began his career at Nabisco, Inc. and also held various executive positions with Rémy Cointreau USA, Paxonix Inc., NetGrocer.com, Inc. and Information Resources, Inc. Mr. Chambers received a Bachelor s degree in Civil Engineering from Princeton University and an M.B.A. from the Wharton School of Business of the University of Pennsylvania. Mr. Chambers is a director of Big Lots, Inc.

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 Bachelor of Arts in Economics and English from Cornell University and a Juris Doctor from The University of Michigan Law School.

Nicholas P. Hotchkin. Mr. Hotchkin has served as our Chief Financial Officer since August 2012. 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.

Jeanine Lemmens. Ms. Lemmens has served as our President, United Kingdom since May 2013. Prior to that time, Ms. Lemmens served as our Managing Director, Benelux from July 2006 to May 2013. Prior to joining us, beginning in December 1999, Ms. Lemmens held various senior management and strategic positions with Center Parcs Europe, an operator of European short holiday break villages, including most recently serving as the Director B2B Strategy / Marketing from November 2005 to July 2006. Prior to joining Center Parcs Europe, Ms. Lemmens was working as an accountant in the audit practice with Ernst & Young LLP where she serviced a range of clients including many commercial clients. Ms. Lemmens holds a Certified Public Accountant degree from Erasmus University in the Netherlands, an M.S. in Business Administration from Nyenrode Business University in the Netherlands and a Bachelors of Art degree in Hospitality Management from Hotel School, The Hague, Hospitality Business School in the Netherlands.

Corinne Pollier(-Bousquet). Ms. Pollier has served as our President, International since March 1, 2016. Prior to that time, Ms. Pollier served as our President, Continental Europe & Australia New Zealand from January 2014 to March 2016, our President, Continental Europe from May 2013 to January 2014, our Senior Vice President of France and Switzerland from October 2008 to May 2013 and our General Manager of France from October 2003 to October 2008. Prior to joining us, from 1991 to 2003, Ms. Pollier was with VIVARTE Group (France), a European retailer of footwear and apparel, where she held various positions in the finance and planning analysis department from 1991 to 1995, various senior positions in the organization and strategy department from 1995 to 2000 and as General Manager of Kookai from 2001 to 2003. Ms. Pollier also held various product management and project management positions for the central buying office of Le Printemps department stores from 1987 to 1991. Ms. Pollier is a graduate of HEC Business School Paris.

Raymond Debbane. Mr. Debbane has been the Chairman of our Board of Directors since our acquisition by Artal Luxembourg S.A. on September 29, 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., and a director of Blue Buffalo Pet Products, 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 Ceres, Inc.

Steven M. Altschuler, M.D. Dr. Altschuler has been a director since September 2012. Dr. Altschuler has served as the Chief Executive Officer of the University of Miami Health System and Senior Vice President for Healthcare at the University of Miami since January 2016. He previously served as the Chief Executive Officer of The Children s Hospital of Philadelphia (CHOP), one of the leading children s hospitals in the United States, from April 2000 until June 2015. Prior to assuming the role of Chief Executive Officer, Dr. Altschuler held several positions at CHOP, including Physician-in-Chief and chief of the Division of Gastroenterology, Hepatology and Nutrition. Prior to joining CHOP, Dr. Altschuler was faculty member and chair of the Department of Pediatrics at the Perelman School of Medicine at the University of Pennsylvania.
Dr. Altschuler received a B.A. in mathematics and an M.D. from Case Western Reserve University. Dr. Altschuler is a director of Mead Johnson Nutrition Company, where he is the Chair of the Compensation and Management Development Committee and serves on the Nutrition Science and Technology Committee. Dr. Altschuler is also the Chair of the Board of Directors of Spark Therapeutics, Inc.

Philippe J. Amouyal. Mr. Amouyal has been a director since November 2002. Mr. Amouyal is a Managing Director of The Invus Group, LLC, a position he has held since 1999. Previously, Mr. Amouyal was a Vice President and director of The Boston Consulting Group in Boston, MA. He holds an M.S. in Engineering and a DEA in Management from Ecole Centrale de Paris and was a Research Fellow at the Center for Policy Alternatives of the Massachusetts Institute of Technology. Mr. Amouyal is a director and member of the Compensation Committee of Lexicon Pharmaceuticals, Inc. and Blue Buffalo Pet Products, Inc., as well as a number of private companies of which Artal or Invus, L.P. are shareholders.

Cynthia Elkins. Ms. Elkins has been a director since March 2014. Since March 2011, Ms. Elkins has served as the Vice President of IT Americas at Genentech, Inc., a member of the Roche Group, a leading biotechnology company. She previously served as Genentech s Senior Director of IT Enterprise Applications from December 2007 to February 2011. Prior to joining Genentech, Ms. Elkins was Vice President of Supplier Solutions and Commerce Services at Ariba, Inc. and Vice President of Product Engineering at ATP Inc. Prior to that, she held various IT positions at Aspect Telecommunications, VeriFone and Digital Equipment Corporation. Ms. Elkins received a B.S. in Applied Mathematics from the University of California, Los Angeles and an M.B.A. from Santa Clara University.

Jonas M. Fajgenbaum. Mr. Fajgenbaum has been a director since our acquisition by Artal Luxembourg S.A. on September 29, 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 a Partner, and served as a Managing Partner, of Scura Paley Securities LLC, a private investment banking firm which he co-founded, since 2001. 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. Mr. Kelly is also a director of MSC Industrial Direct Co., Inc., where he serves as a member of the Audit Committee and the chairman of the Compensation Committee. Mr. Kelly previously served as a director of Kenneth Cole Productions, Inc., which is no longer a public company.

Sacha Lainovic. Mr. Lainovic has been a director since our acquisition by Artal Luxembourg S.A. on September 29, 1999. Since 2007, Mr. Lainovic has been Managing Partner of Invus Financial Advisors, LLC, a New York-based investment firm, which he co-founded. From 1985 to 2006, Mr. Lainovic was Executive Vice President of The Invus Group, LLC, which he co-founded. Prior to forming The Invus Group, LLC in 1985, Mr. Lainovic 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 and an M.S. in Engineering from Insa de Lyon in Lyon, France.

Christopher J. Sobecki. Mr. Sobecki has been a director since our acquisition by Artal Luxembourg S.A. on September 29, 1999. Mr. Sobecki is a Managing Director of The Invus Group, LLC, which he joined in 1989. He received an M.B.A. from 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.

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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 CEO 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.

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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 the NYSE. Our common stock trades on the NYSE under the symbol WTW.

The following table sets forth, for the periods indicated, the high and low sales prices per share for our common stock as reported on the NYSE composite price history.

Fiscal 2015 (Year ended January 2, 2016)

	High	Low
First Quarter	$ 21.53	$ 6.71
Second Quarter	$ 8.93	$ 4.06
Third Quarter	$ 7.14	$ 3.67
Fourth Quarter	$ 28.05	$ 6.01

Fiscal 2014 (Year ended January 3, 2015)

	High	Low
First Quarter	$ 33.43	$ 19.50
Second Quarter	$ 25.15	$ 19.52
Third Quarter	$ 27.90	$ 19.09
Fourth Quarter	$ 29.84	$ 21.21

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, adding $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, or Artal Holdings, and its parents and subsidiaries under this program. The repurchase program currently has no expiration date. We repurchased no shares of our common stock during the fourth quarter of fiscal 2015. As of the end of fiscal 2015, $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, 2016 was 287. This number does not include beneficial owners of our securities held in the name of nominees.

Dividends

On October 30, 2013, we announced that we suspended our quarterly cash dividend. Prior to the suspension, we had been issuing a quarterly cash dividend of $0.175 per share of our common stock every quarter for several fiscal years. We currently intend to use the annual cash savings from such dividend suspension to preserve financial flexibility while funding our strategic growth initiatives and building cash for future debt repayments. Any future determination to declare and pay dividends will be made at the discretion of our Board of Directors, after taking into account our financial results, capital requirements and other factors it may deem relevant. The WWI Credit Facility (as defined below) also contains restrictions on our ability to pay dividends on our common

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stock. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Long-Term Debt in Part II, and Item 15. Exhibits and Financial Statement Schedules Financial Statements Note 7. Long-Term Debt , of this Annual Report on Form 10-K for a description of the WWI Credit Facility.

Stock Performance Graph

The following graph sets forth the cumulative return on our common stock from December 31, 2010, the last trading day of our 2010 fiscal year, through December 31, 2015, the last trading day of our 2015 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, 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, 2010 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 were reinvested.

	Cumulative Total Return ($)					
Company/Index	**12.31.10**	**12.30.11**	**12.28.12**	**12.27.13**	**1.2.15**	**12.31.15**
Weight Watchers International, Inc.	100.00	148.40	139.18	90.61	59.62	63.14
S&P 500 Index	100.00	102.11	116.48	156.21	178.25	180.75
S&P MidCap 400 Index	100.00	98.27	114.01	153.89	169.62	166.06

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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 2015 (52 weeks)	Fiscal 2014 (53 weeks)	Fiscal 2013 (52 weeks)	Fiscal 2012 (52 weeks)	Fiscal 2011 (52 weeks)
Revenues, net	$ 1,164.4	$ 1,479.9	$ 1,724.1	$ 1,839.4	$ 1,832.5
Net income attributable to the Company	$ 32.9	$ 117.8	$ 202.7	$ 257.4	$ 304.9
Working capital deficit	$ (144.2)	$ (6.0)	$ (30.1)	$ (229.9)	$ (279.7)
Total assets	$ 1,422.1	$ 1,534.6	$ 1,405.9	$ 1,218.6	$ 1,121.6
Long-term debt	$ 2,021.3	$ 2,277.3	$ 2,358.0	$ 2,291.7	$ 926.9
Earnings per share:					
Basic	$ 0.56	$ 2.08	$ 3.61	$ 4.27	$ 4.16
Diluted	$ 0.56	$ 2.08	$ 3.60	$ 4.23	$ 4.11
Dividends declared per common share	$	$	$ 0.53	$ 0.70	$ 0.70

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:

Winfrey Transaction

On October 19, 2015, pursuant to the Winfrey Purchase Agreement, we issued and sold to Ms. Winfrey an aggregate of 6.4 million shares of our common stock for an aggregate cash purchase price of $43.2 million.

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 the Winfrey Option to purchase 3.5 million shares of our common stock at an exercise price of $6.97 per share.

In fiscal 2015, net income and earnings per fully diluted share, or EPS, were negatively impacted by expenses of $8.3 million after tax or $0.14 per fully diluted share in connection with the Winfrey Transaction. More specifically, we recorded compensation expense of $7.8 million after tax for the full value of the Winfrey Option in the fourth quarter of fiscal 2015 (based on the Black Scholes option pricing model), as well as $0.5 million after tax of expenses for legal, compliance and other fees in connection with the Winfrey Transaction. See Item 1. Business History Winfrey Transaction for additional details on the Winfrey Transaction.

Restructuring Charges

In fiscal 2015 and fiscal 2014, we recorded $8.4 million ($5.1 million after tax or $0.09 per fully diluted share) and $11.8 million ($7.2 million after tax or $0.13 per fully diluted share) of charges, respectively, associated with the restructuring of our organization.

Early Extinguishment of Debt

Net income and EPS for the full year of fiscal 2015 were impacted by an $11.4 million ($7.0 million after tax), or $0.12 per fully diluted share, gain on early extinguishment of debt in connection with the payment of an aggregate amount of cash proceeds totaling $134.6 million plus an amount sufficient to pay accrued and unpaid

interest on the amount prepaid to prepay $148.0 million in aggregate principal amount of term loans under the Tranche B-1 Term Facility (defined hereafter).

Net income and EPS for the full year of fiscal 2013 were impacted by a $21.7 million ($13.3 million after

tax), or $0.24 per fully diluted share, early extinguishment of debt charge recorded in fiscal 2013 resulting from the write-off of fees in connection with our April 2013 debt refinancing.

Net Tax Benefit

In fiscal 2014, we recognized a $2.4 million net tax benefit related to an intercompany loan write-off in connection with the closure of our China business partially offset by the recognition of a valuation allowance related to tax benefits for foreign losses that are not expected to be realized.

UK Self-Employment Matter

We received an adverse tax ruling in the United Kingdom that our UK leaders should have been classified as employees for UK tax purposes and, as such, we should have withheld tax from our leaders pursuant to the Pay As You Earn and national insurance contributions collection rules and remitted such amounts to Her Majesty s Revenue and Customs, or HMRC. In connection with this ruling, we recorded a charge of approximately $36.7 million, of which approximately $4.2 million was with respect to fiscal 2009 and approximately $32.5 million was with respect to fiscal years 2001 through 2008, to cost of revenues in the fourth quarter of fiscal 2009. We subsequently recorded a charge of approximately $4.1 million and $3.0 million in fiscal 2010 and fiscal 2011, respectively. In December 2012, we reached an agreement with HMRC to settle the matter in its entirety for approximately $36.8 million. Based upon the settlement amount, we determined that $14.5 million of the reserved amount represented an over-accrual and as such was reversed to cost of revenues. As part of the settlement amount, the settlement agreement provided for an amount of interest to be paid which resulted in a $7.1 million increase to interest expense. The net benefit associated with the settlement was an increase of $7.4 million to income before income taxes. The reserve for this matter at the end of fiscal 2012 equaled approximately $7.3 million in the aggregate based on the exchange rates at the end of fiscal 2012. In January 2013, $6.8 million was paid to HMRC, representing the balance due over the approximately $30.0 million paid to HMRC in February 2012, and the balance of the reserve was used to pay associated costs.

Long-Term Debt

On March 15, 2012, the composition of our then-existing credit facilities, or collectively, the Prior WWI Credit Facility, changed as a result of our amending and restating the Prior WWI Credit Facility to, among other things, extend the maturity of certain of our term loan facilities and our revolving credit facility and to obtain new commitments for the borrowing of an additional $1,449.4 million of term loans to finance the purchases of shares of our common stock in our previously disclosed modified Dutch auction tender offer for our common stock and from Artal Holdings pursuant to the related share purchase agreement in the first six months of fiscal 2012. Following the amendment of the Prior WWI Credit Facility, (i) $33.1 million in aggregate principal amount of the Term A-1 Loan and $301.8 million in aggregate principal amount of the Term C Loan were converted into, and $849.4 million in aggregate principal amount of commitments to borrow new term loans were provided under, the new Term E Loan (as defined hereafter), (ii) $107.0 million in aggregate principal amount of the Term B Loan and $119.1 million in aggregate principal amount of the Term D Loan were converted into, and $600.0 million in aggregate principal amount of commitments to borrow new term loans were provided under, the new Term F Loan, and (iii) $262.0 million in aggregate principal amount of commitments under the Revolver A-1 were converted into the new revolving credit facility, Revolver A-2. The loans outstanding under each term loan facility existing prior to the amendment of the Prior WWI Credit Facility and the loans and commitments outstanding under the Revolver A-1, in each case that were not converted into the Term E Loan, the Term F Loan or the Revolver A-2, as applicable, continued to remain outstanding under the Prior WWI Credit Facility as the Term A-1 Loan, the Term B Loan, the Term C Loan, the Term D Loan or the

Revolver A-1, as applicable. In connection with this amendment, we incurred fees of approximately $26.2 million in the first quarter of fiscal 2012.

On April 2, 2013, we refinanced our credit facilities pursuant to a new Credit Agreement, or as amended, supplemented or otherwise modified, the Credit Agreement, among the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent and an issuing bank, The Bank of Nova Scotia, as revolving agent, swingline lender and an issuing bank, and the other parties thereto. The Credit Agreement provides for (a) a revolving credit facility (including swing line loans and letters of credit) in an initial aggregate principal amount of $250.0 million that will mature on April 2, 2018, or the Revolving Facility, (b) an initial term B-1 loan credit facility in an aggregate principal amount of $300.0 million that will mature on April 2, 2016, or Tranche B-1 Term Facility, and (c) an initial term B-2 loan credit facility in an aggregate principal amount of $2,100.0 million that will mature on April 2, 2020, or Tranche B-2 Term Facility. We refer herein to the Tranche B-1 Term Facility together with the Tranche B-2 Term Facility as the Term Facilities, and the Term Facilities and Revolving Facility collectively as the WWI Credit Facility. In connection with this refinancing, we used the proceeds from borrowings under the Term Facilities to pay off a total of $2,399.9 million of outstanding loans, consisting of $128.8 million of Term B Loans, $110.6 million of Term C Loans, $117.6 million of Term D Loans, $1,125.0 million of Term E Loans, $817.9 million of Term F Loans, $21.2 million of loans under the Revolver A-1 and $78.8 million of loans under the Revolver A-2. Following the refinancing of a total of $2,399.9 million of loans, at April 2, 2013, we had $2,400.0 million debt outstanding under the Term Facilities and $248.8 million of availability under the Revolving Facility. We incurred fees of $44.8 million during the second quarter of fiscal 2013 in connection with this refinancing. In the second quarter of fiscal 2013, we wrote-off fees associated with this refinancing which resulted in our recording a charge of $21.7 million in early extinguishment of debt.

On September 26, 2014, we entered into an agreement with certain lenders amending the Credit Agreement that, among other things, eliminated the Financial Covenant (as defined in the Credit Agreement) with respect to the Revolving Facility. In connection with this amendment, we wrote-off deferred financing fees of approximately $1.6 million in the third quarter of fiscal 2014. Concurrently with and in order to effect this amendment, we reduced the amount of the Revolving Facility from $250.0 million to $50.0 million.

Under the terms of the Credit Agreement, depending on our Consolidated Leverage Ratio (as defined in the Credit Agreement), we are obligated to offer to prepay the Term Facilities in an aggregate amount determined by our excess cash flow (as defined in the Credit Agreement). On March 13, 2015, we commenced an offer to prepay at a discount to par up to $75.0 million in aggregate principal amount of term loans outstanding under the Tranche B-1 Term Facility. On March 20, 2015, we accepted offers with a discount equal to or greater than 9.00% in respect of such term loans. On March 25, 2015, we paid an aggregate amount of cash proceeds totaling $57.4 million plus an amount sufficient to pay accrued and unpaid interest on the amount prepaid to prepay $63.1 million in aggregate principal amount of such term loans under the Tranche B-1 Term Facility. This expenditure reduced, on a dollar for dollar basis, our $59.7 million obligation to make a mandatory excess cash flow prepayment offer to the term loan lenders under the terms of the Credit Agreement. In addition, we made a voluntary prepayment at par on March 25, 2015 of $2.5 million in respect of such term loans under the Tranche B-1 Term Facility to reduce the remaining excess cash flow prepayment obligation for fiscal 2015. As a result of this prepayment, we wrote-off fees of $0.3 million, incurred fees of $0.6 million and recorded a gain on early extinguishment of debt of $4.7 million, inclusive of these fees, in the first quarter of fiscal 2015.

On June 17, 2015, we commenced another offer to prepay at a discount to par up to $229.0 million in aggregate principal amount of term loans outstanding under the Tranche B-1 Term Facility. On June 22, 2015, we accepted offers with a discount equal to or greater than 9.00% in respect of such term loans. On June 26, 2015, we paid an aggregate amount of cash proceeds totaling $77.2 million plus an amount sufficient to pay accrued and unpaid interest on the amount prepaid to prepay $84.9 million in aggregate principal amount of such term loans under the Tranche B-1 Term Facility. As a result of this prepayment, we wrote-off fees of $0.3 million, incurred fees of $0.6 million and recorded a gain on early extinguishment of debt of $6.7 million, inclusive of these fees, in the second quarter of fiscal 2015.

On July 14, 2015, we drew down the $48.0 million available on our Revolving Facility in order to enhance our cash position and to provide additional financial flexibility. The revolver borrowing has been classified as a short-term liability in consideration of the fact that the terms of the Revolving Facility require an assessment as to whether there have been any material adverse changes with respect to the Company in connection with our monthly interest elections. Although the revolver borrowing has been classified as a short-term liability, absent any change in fact and circumstance, we have the ability to extend and not repay the Revolving Facility until its due date of April 2, 2018.

For additional details on the WWI Credit Facility, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Long-Term Debt in Part II of this Annual Report on Form 10-K.

Working Capital

In fiscal 2015, the change in working capital was driven in large part by the increase in short-term debt due within one year and the decline in cash resulting from the prepayment of debt during the fiscal year. The refinancing of our credit facilities in April 2013 resulted in much lower debt repayments in fiscal 2013 and fiscal 2014 as compared to our debt repayments in fiscal 2011 and fiscal 2012. Our lower debt repayment obligations in fiscal 2013 and fiscal 2014 drove increases in cash in those years thereby lowering the working capital deficit.

Other Comprehensive Loss

Other comprehensive loss, net of taxes, was $18.3 million in fiscal 2015 as compared to $28.9 million in fiscal 2014 primarily due to the unfavorable impact of foreign currency translation adjustments and to a lesser extent the mark to market of our interest rate swap. In fiscal 2015, foreign currency translation adjustments unfavorably impacted results by $27.8 million ($17.0 million after tax) as compared to $19.2 million ($11.7 million after tax) in fiscal 2014 primarily due to the devaluation of the Euro, Canadian dollar, and the British Pound. In addition, due to hedge accounting, Changes in Other Comprehensive Loss decreased by $2.2 million ($1.4 million after tax) in fiscal 2015 as compared to $28.3 million ($17.3 million after tax) in fiscal 2014.

Acquisition of Additional Equity Interest in Brazil and Gain on Brazil Acquisition

Prior to March 12, 2014, the Company had owned 35% of Vigilantes do Peso Marketing Ltda., or VPM, a Brazilian limited liability partnership. On March 12, 2014, the Company acquired an additional 45% equity interest in VPM for a net purchase price of $14.2 million. VPM was converted into a joint-stock corporation prior to closing and subsequently operates as a subsidiary of the Company with rights to conduct typical business lines. As a result of the acquisition, the Company gained a direct controlling financial interest in VPM and began to consolidate this entity as of the date of acquisition.

As a result of our Brazil acquisition, we adjusted our previously held equity interest to fair value of $11.0 million and recorded a charge of $0.5 million associated with the settlement of the royalty-free arrangement of the Brazilian partnership. The net effect of these items resulted in our recognizing a gain of $10.5 million ($6.4 million after tax or $0.11 per fully diluted share) in fiscal 2014.

Acquisition of Wello

On April 16, 2014, the Company acquired Knowplicity, Inc., d/b/a Wello, an online fitness and personal training company for a net purchase price of $9.0 million. Payment was in the form of common stock issued of $4.2 million and cash of $4.8 million. As a result of the acquisition, Wello became a wholly-owned subsidiary of the Company and the Company began to consolidate the entity as of the date of acquisition.

Acquisition of Weilos

On March 11, 2015, the Company acquired for a purchase price of $6.7 million Weilos, Inc., or Weilos, a California-based startup with an online social platform that provides a mobile health and weight loss community. Payment was in the form of common stock issued of $2.8 million, restricted stock issued of $0.1 million and cash of $2.8 million plus cash in reserves of $1.0 million. As a result of the acquisition, Weilos became a wholly owned subsidiary of the Company and the Company began to consolidate the entity as of the date of acquisition.

Franchisee Acquisitions

The following are our acquisitions since the beginning of fiscal 2011:

Acquisitions of Alberta and Saskatchewan, West Virginia, Columbus, Reno, Manitoba and Franklin and St. Lawrence Counties. On March 4, 2013, we acquired substantially all of the assets of our Alberta and Saskatchewan, Canada franchisees, Weight Watchers of Alberta Ltd. and Weight Watchers of Saskatchewan Ltd., for an aggregate purchase price of $35.0 million. On July 15, 2013, we acquired substantially all of the assets of our West Virginia franchisee, Weight Watchers of West Virginia, Inc., for a net purchase price of $16.0 million. On July 22, 2013, we acquired substantially all of the assets of our Columbus, Ohio franchisee, Weight Watchers of Columbus, Inc., for a net purchase price of $23.4 million and our Reno, Nevada franchisee, Weight Watchers of Northern Nevada, Inc., for a net purchase price of $4.0 million. On October 28, 2013, we acquired substantially all of the assets of our Manitoba, Canada franchisee, Weight Watchers of Manitoba Ltd., for a net purchase price of $5.2 million and our Franklin and St. Lawrence Counties, New York franchisee, Weight Watchers of Franklin and St. Lawrence Counties Inc., for a net purchase price of $0.3 million.

Acquisitions of Southeastern Ontario and Ottawa, Adirondacks and Memphis. On September 10, 2012, we acquired substantially all of the assets of our Southeastern Ontario and Ottawa, Canada franchisee, Slengora Limited, for a net purchase price of $16.8 million. On November 2, 2012, we acquired substantially all of the assets of our Adirondacks franchisee, Weight Watchers of the Adirondacks, Inc., for a purchase price of $3.4 million. On December 20, 2012, we acquired substantially all of the assets of our Memphis, Tennessee franchisee, Weight Watchers of the Mid-South, Inc., for a purchase price of $10.0 million.

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.

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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, 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 leading, global-branded consumer company and the world s leading commercial provider of weight management services, operating globally through a network of Company-owned and franchise operations. With over five decades of weight management experience, expertise and know-how, we have established Weight Watchers as one of the most recognized and trusted brand names among weight-conscious consumers. Weight Watchers-branded products and services include meetings conducted by us and our franchisees, digital weight management products provided through our websites, mobile sites and apps, products sold at meetings, licensed products sold in retail channels and magazine subscriptions and other publications. Our primary sources of revenue are subscriptions for our monthly commitment plans for Weight Watchers meetings and Online subscriptions. Our meetings business refers to providing access to meetings to our monthly commitment plan subscribers, pay-as-you-go members, Total Access subscribers and other meeting members. Online refers to Weight Watchers Online, Weight Watchers Online*Plus*, Personal Coaching and other digital subscription products.

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, United Kingdom, Continental Europe (CE) 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:

Service Revenues. Our Service Revenues consist of Meeting Fees and Online Subscription Revenues . Meeting Fees consist of the fees associated with our monthly commitment plans for unlimited access to meetings and other payment arrangements for access to meetings, including our pay-as-you-go payment arrangement and fees associated with our Total Access product. Online Subscription Revenues consist of the fees associated with subscriptions for our Online subscription products, including our Personal Coaching product.

In-meeting product sales. We sell a range of products that complement our weight management program, including bars, snacks, cookbooks, food and restaurant guides with SmartPoints values, Weight Watchers magazines, SmartPoints calculators and fitness kits, and certain third-party products, such as activity-tracking monitors.

Licensing, franchise royalties and other. We license the Weight Watchers brand and our other intellectual property in certain categories of food and other relevant consumer products. We also endorse carefully selected branded consumer products. In addition, our franchisees typically pay us a royalty fee of 10% of their meeting fee revenues as well as purchase products for sale in their meetings.

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We also generate revenues from subscription sales for our magazines, third-party advertising in our publications, the sale of third-party Internet advertising, ecommerce fees and the sale of By Mail product.

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

Revenue Sources

(in millions)

	Fiscal 2015 (52 weeks)	Fiscal 2014 (53 weeks)	Fiscal 2013 (52 weeks)
Service Revenues	$ 937.4	$ 1,181.9	$ 1,360.8
In-meeting product sales	127.3	169.1	212.0
Licensing, franchise royalties and other	99.7	128.9	151.4
Total	$ 1,164.4	$ 1,479.9	$ 1,724.1

Note: Totals may not sum due to rounding.

From fiscal 2013 through fiscal 2015, our revenues decreased at a compound annual rate of 17.8% primarily driven by a decline in Service Revenues. Additional revenue details are as follows:

Service Revenues. Service Revenues declined at a compound annual rate of 17.0% from fiscal 2013 to fiscal 2015 due to a decline in Total Paid Weeks from negative recruitment trends in both our meetings and Online businesses in the majority of the countries in which we operate. See Material Trends Performance Indicators below for an explanation of our paid weeks metric. During this period, recruitment was the biggest challenge in our business, as we faced strong competition for consumer trial from an evolving competitor set, including mobile apps and activity monitors. Additionally, the increasing focus of consumers on more integrated lifestyle and fitness approaches rather than just food, nutrition and diet also negatively impacted our recruitment.

In-meeting product sales. Global in-meeting product sales were down 22.5% on a compound annual rate from fiscal 2013 through fiscal 2015. This decline was primarily driven by a decline in the number of members attending meetings during that period. In addition, our average product sales per attendee in our meetings business declined from $4.94 to $4.00 at a compound annual rate of 10.0% during this period primarily as a result of lower sales of enrollment products and a lack of successful new product and program launches.

Licensing, franchise royalties and other. All other revenues were down 18.8% on a compound annual rate from fiscal 2013 through fiscal 2015. This decline was driven in part by declining licensing revenues which declined at a compound annual rate of 18.6% from fiscal 2013 through fiscal 2015. Our licensing business was negatively impacted by competition from lower-priced, store-branded products as well as reduced consumer demand for products in the diet category. In addition, lower revenues from our franchisees, which declined at a compound annual rate of 19.4% during this period, were driven by market performance and our acquisition of seven of our franchisees in fiscal 2013.

Cost of Revenues

Total cost of revenues primarily consists of expenses to operate our meetings, costs to sell products in our meeting rooms and on the Internet and costs to operate our website and Online products. Operating costs primarily consist of salary, commissions and expenses paid to our service providers, salary expense of field staff, meeting 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, training and other expenses incurred to support our field organization. Operating costs also include costs associated with our 24/7 Expert Chat and Personal Coaching offerings introduced in

December of 2014. Cost to sell products includes costs of products purchased from our third-party suppliers, inventory reserves, royalties, inbound and

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outbound shipping and related costs incurred in making our products available for sale or use. Costs to operate our website includes salaries and related benefits, depreciation and amortization of website development, credit card processing and other costs incurred in making our website available to our members.

Marketing Expenses

Marketing expenses primarily consist of costs to produce and advertise our brand and products on television, on the Internet, on the radio and in print, costs paid to third-party agencies who help us develop our marketing campaigns and strategy, expenses in support of market research, costs paid to our celebrity spokespersons, 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, temp help, audit, legal and litigation expenses as well as facility costs and depreciation and amortization of systems in support of the business infrastructure and head offices globally. 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 to exclude the impact of charges from our previously disclosed 2015 and 2014 restructuring plans:

(in millions)	**2015**	**2014**	**2013**
Gross Profit	$ 574.1	$ 802.6	$ 1,001.1
Gross Margin	*49.3%*	*54.3%*	*58.1%*
Adjustments to Reported Amounts			
Restructuring charges[1]	1.5	4.6	
Gross Profit, as adjusted[1]	$ 575.6	$ 807.2	$ 1,001.1
Gross Margin impact from above adjustments[1]	*(0.1%)*	*(0.3%)*	*0.0%*
Gross Margin, as adjusted[1]	*49.4%*	*54.6%*	*58.1%*

Note: Totals may not sum due to rounding

(1) As adjusted is a non-GAAP financial measure that adjusts the consolidated statements of net income for fiscal 2015 and 2014 to exclude the impact of the $1.5 million and $4.6 million of restructuring charges associated with our previously disclosed 2015 and 2014 restructuring plans, respectively. See Non-GAAP Financial Measures below for an explanation of our use of non-GAAP financial measures.

From fiscal 2013 to fiscal 2015, our gross margin decline was primarily driven by declining revenues, including declining licensing revenues. In addition, particularly in the US meetings business, the impact of the cost associated with providing 24/7 Expert Chat and Personal Coaching and additional service provider compensation changes in fiscal 2015, as well as technology and training costs associated with the December 2014 introduction of new product offerings negatively impacted margin. Online Subscription Revenues were substantially flat as a percent of total revenues in fiscal 2015 as compared to both fiscal 2014 and fiscal 2013 and, as a result, we experienced little to no benefit of a mix shift to the higher margin business in fiscal 2015 and fiscal 2014.

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Operating Income Margin

The following table sets forth our Operating Income for the past three fiscal years, as adjusted to exclude the impact of charges from our previously disclosed 2015 and 2014 restructuring plans and the expenses associated with the Winfrey Transaction:

(in millions)	2015	2014	2013
Operating Income	168.1	$ 299.3	$ 457.8
Operating Income Margin	*14.4%*	*20.2%*	*26.5%*
Adjustments to Reported Amounts			
Restructuring charges[(1)]	8.4	11.8	
Winfrey Transaction Expenses[(1)]	13.6		
Operating Income, as adjusted[(1)]	$ 190.1	$ 311.2	$ 457.8
Operating Income Margin impact from above adjustments[(1)]	*-1.9%*	*-0.8%*	*0.0%*
Operating Income Margin, as adjusted[(1)]	*16.3%*	*21.0%*	*26.5%*

Note: Totals may not sum due to rounding

(1) As adjusted is a non-GAAP financial measure that adjusts the consolidated statements of net income for fiscal 2015 and 2014 to exclude the impact of the $8.4 million and $11.8 million of restructuring charges associated with our previously disclosed fiscal 2015 and 2014 restructuring plans, respectively, and the $13.6 million of expenses associated with the Winfrey Transaction, which includes $12.8 million of stock compensation related to the Winfrey Option. See Non-GAAP Financial Measures below for an explanation of our use of non-GAAP financial measures.

In fiscal 2014, the decrease in operating income margin from fiscal 2013 was primarily the result of lower gross margin partially offset by lower marketing expense. The decline was primarily driven by lower TV media and production costs from first-time integrated, as well as the sharing among markets of, TV spots for both our meetings and Online businesses, and lower and more efficient digital marketing spend in the United States.

In fiscal 2015, the decrease in operating income margin from fiscal 2014 was primarily the result of lower gross margin and higher general and administrative expenses as a percentage of revenues, partially offset by lower marketing expense. Excluding expenses associated with the Winfrey Transaction, general and administrative expenses as a percentage of revenues were flat versus the prior year. The decline in marketing expense from fiscal 2014 was primarily driven by lower TV media and production costs globally as well as lower agency fees and celebrity and talent costs primarily in the United States.

Material Trends

Performance Indicators

Our management reviews and analyzes several key performance indicators in order to manage our business and assess the quality and potential variability of our cash flows and earnings. These key performance indicators include:

Revenues Our Service Revenues consist of Meeting Fees and Online Subscription Revenues . Meeting Fees consist of the fees associated with our monthly commitment plans for unlimited access to meetings and other payment arrangements for access to meetings, including our pay-as-you-go payment arrangement and fees associated with our Total Access product. Online Subscription Revenues consist of the fees associated with subscriptions for our Online subscription products, including our Personal Coaching product.

Paid Weeks The Paid Weeks metric reports paid weeks by Weight Watchers customers in Company-owned operations for a given period as follows: (i) Meeting Paid Weeks is the sum of total paid commitment plan weeks (including Total Access) and total

pay-as-you-go weeks; (ii) Online Paid Weeks is the total paid subscription weeks for our digital subscription products (including Personal Coaching); and (iii) Total Paid Weeks is the sum of Meeting Paid Weeks and Online Paid Weeks, in each case for a given period.

Incoming Active Subscribers/Active Base Subscribers refer to meetings members and Online subscribers who participate in recurring billing programs, such as our monthly commitment plans for our meetings business. The Incoming Active Subscribers metric reports active Weight Watchers subscribers in Company-owned operations at a given period start as follows: (i) Incoming Active Meeting Subscribers is the total Weight Watchers monthly commitment plan active subscribers (including Total Access); (ii) Incoming Active Online Subscribers is the total number of Weight Watchers Online, Weight Watchers Online*Plus* and Personal Coaching active subscribers; and (iii) Incoming Active Subscribers is the sum of Incoming Active Meeting Subscribers and Incoming Active Online Subscribers, in each case at a given period start. We also at times refer to such metrics as the Incoming Active Base .

End of Period Active Subscribers/Active Base The End of Period Active Subscribers metric reports active Weight Watchers subscribers in Company-owned operations at a given period end as follows: (i) End of Period Active Meeting Subscribers is the total Weight Watchers monthly commitment plan active subscribers (including Total Access); (ii) End of Period Active Online Subscribers is the total number of Weight Watchers Online, Weight Watchers Online*Plus* and Personal Coaching active subscribers; and (iii) End of Period Active Subscribers is the sum of End of Period Active Meeting Subscribers and End of Period Active Online Subscribers, in each case at a given period end. We also at times refer to such metrics as the End of Period Active Base .

recruitments

attendance

Meeting Fees per Paid Week and in-meeting product sales per attendee

gross profit and operating expenses as a percentage of revenue

Transformation Plan

As previously disclosed, the Company is currently executing a multi-year transformation plan. The four strategic areas of focus of this transformation plan are as follows: improving near-term performance, including strong cost management; repositioning our brand and improving our service and product offerings; targeting new channel growth in healthcare; and building organizational capabilities. As part of our focus on strong cost management, we successfully reduced our gross annualized expenses by $250 million by the end of fiscal 2015 versus our fiscal 2012 cost base. Prior to fiscal 2015, we achieved a gross cost-savings initiative totaling $150 million annually and, in fiscal 2015, we established an incremental $100 million annual gross cost-savings initiative, which we successfully achieved. See Note 19 of our consolidated financial statements, contained in Part IV, Item 15 of this Annual Report on Form 10-K for additional details on this initiative. The December 2015 launch of our comprehensive program innovation, Beyond the Scale, is a key component of our strategy to reposition our brand and improve our service and product offerings. This innovation expands our purpose from weight loss alone to more broadly helping people lead healthier, more active, happier lives. Management is confident that this innovation, together with our groundbreaking partnership with Ms. Winfrey, will accelerate the successful repositioning of our brand. As part of our partnership, and in furtherance of this repositioning of our brand, Ms. Winfrey was featured in our 2016 winter season television advertising in certain key markets. She will also continue to be a member and may, from time to time, candidly share her experiences and perspectives along the way of her weight loss journey. A key component of the organizational capabilities upgrade is our technology transformation, whereby we are replacing legacy technology systems and architecture to enable us to deliver product and program enhancements in a more agile, cost-effective manner. In fiscal 2015, we achieved significant milestones in this arena. For additional details on our investments in fiscal 2015 related to this technology transformation, see Liquidity and Capital Resources Investing Activities . As we execute this transformation plan, management, from time to time, reviews the resulting revenues and associated costs to refine the plan in order to ensure resources are allocated efficiently and optimized. As management determines resources should be reallocated, they refine the transformation plan accordingly. For example, our investment strategy in the healthcare channel and related technology has evolved to focus on proving our internal capabilities

to deliver against healthcare market needs. Management continues to believe that the Company has sufficient liquidity to execute the transformation plan and does not believe the Company is constrained by its capital structure. See Liquidity and Capital Resources . While the Company s turnaround is taking longer than management had previously anticipated, we made significant progress against this plan in fiscal 2015. Management remains committed to this transformation plan and its underlying strategies and is optimistic about the resulting turnaround.

Market Trends

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

- increased competition from Internet, free mobile and other weight management apps and other electronic weight management approaches;
- the development of more effective or more favorably perceived weight management methods, including pharmaceuticals;
- a failure to develop and market new, innovative 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;
- an impairment of the Weight Watchers brand and our other intellectual property;
- a failure of our technology or systems to perform as designed; and
- a downturn in general economic conditions or consumer confidence.

North America Metrics and Business Trends

In fiscal 2013, North America Total Paid Weeks declined 6.6%, driven by a decline in both Meeting Paid Weeks of 9.4% and Online Paid Weeks of 4.4%, versus the prior year. The decline in Meeting Paid Weeks primarily resulted from the lower Incoming Active Base in the meetings business at the beginning of fiscal 2013 versus the beginning of fiscal 2012 as well as from lower enrollments in fiscal 2013 versus the prior year, primarily in the United States, due to the difficulty in attracting members to our brand.

In fiscal 2014, North America Total Paid Weeks declined 16.8%, driven by a decline in both Online Paid Weeks of 17.5% and Meeting Paid Weeks of 15.8%, versus the prior year. Despite the launch of the new Simple Start program at the beginning of the year, as well as new advertising and promotional tactics, recruitment softness continued throughout the year. The popularity of activity monitors and free apps resulted in increased competition which exacerbated the negative trend we began to experience in fiscal 2013 in subscriptions for our Online subscription products. In addition, the increasing focus of consumers on more integrated lifestyle and fitness approaches rather than just food, nutrition and diet also negatively impacted our recruitments.

In fiscal 2015, North America Total Paid Weeks declined 20.9%, driven by a decline in both Online Paid Weeks of 22.6% and Meeting Paid Weeks of 18.8%, versus the prior year. The decline in North America Total Paid Weeks primarily resulted from the lower Incoming Active Base at the beginning of fiscal 2015 versus the beginning of fiscal 2014 as well as from lower recruitments in fiscal 2015 versus the prior year. In response to weakening recruitment trends in early fiscal 2015, North America introduced new advertising and promotions. Although

recruitments remained lower year-over-year in fiscal 2015, the year-over-year recruitment trend in the second and third quarters of fiscal 2015 improved as compared to the first quarter of fiscal 2015, benefitting from these actions. In the fourth quarter of fiscal 2015, following the announcement of our partnership with Ms. Winfrey in October and our early December launch of our new program through the end of the fiscal 2015, recruitments increased as compared to the same period in the prior year.

United Kingdom Metrics and Business Trends

In fiscal 2013, UK Total Paid Weeks declined 13.6% driven by a decline in Meeting Paid Weeks of 19.2% and a decline in Online Paid Weeks of 2.8% versus the prior year. The decline in Meeting Paid Weeks in fiscal 2013 was driven by the lower Incoming Active Meeting Subscribers at the beginning of fiscal 2013 versus the beginning of fiscal 2012 coupled with lower meeting recruitments in the year as compared to the prior year. In fiscal 2013, local competition in the United Kingdom significantly contributed to the decline in meeting recruitments.

In fiscal 2014, UK Total Paid Weeks declined 9.2% versus the prior year, driven by a decline in Meeting Paid Weeks of 9.6% and a decline in Online Paid Weeks of 8.6% versus the prior year. Total Paid Weeks performance in fiscal 2014 was driven by the lower Incoming Active Base at the beginning of fiscal 2014 versus the beginning of fiscal 2013 coupled with lower recruitments in fiscal 2014 as compared to the prior year. In response to weakening recruitment trends, early in fiscal 2014, the United Kingdom introduced new advertising, implemented new promotional tactics and invested in a local marketing campaign to combat a strong local competitor. As a result of these initiatives, the recruitment trend turned positive in the second half of fiscal 2014 as compared to the prior year period.

In fiscal 2015, UK Total Paid Weeks declined 14.3% versus the prior year, driven by a decline in Meeting Paid Weeks of 13.2% and a decline in Online Paid Weeks of 16.1% versus the prior year. Total Paid Weeks performance in fiscal 2015 was driven by the lower Incoming Active Base at the beginning of fiscal 2015 versus the beginning of fiscal 2014 coupled with lower recruitments in fiscal 2015 as compared to the prior year. Although recruitments in fiscal 2015 remained lower year-over-year, the year-over-year recruitment trend in the second, third and fourth quarters of fiscal 2015 in the United Kingdom improved as compared to the first quarter of fiscal 2015 driven by the use of new promotional tactics and the new program launch in early December 2015.

Continental Europe Metrics and Business Trends

In fiscal 2013, Continental Europe Total Paid Weeks increased 19.9%, driven primarily by an increase in Online Paid Weeks, up 38.4%, versus the prior year. Continental Europe benefitted from an increased number of Incoming Active Meeting Subscribers at the beginning of fiscal 2013 versus the beginning of fiscal 2012, which was partially offset by lower recruitments in fiscal 2013 versus the prior year.

In fiscal 2014, Continental Europe Total Paid Weeks increased 3.1% driven by an increase in Online Paid Weeks of 6.5%, partially offset by a decline in Meeting Paid Weeks of 2.5%, versus the prior year. This increase in Online Paid Weeks was driven by the higher number of Incoming Active Online Subscribers at the start of fiscal 2014 versus the start of fiscal 2013. The decrease in Meeting Paid Weeks was driver by a lower number of Incoming Active Meeting Subscribers at the start of fiscal 2014 versus the start of fiscal 2013 and recruitment declines. Although Total Paid Weeks continued to grow in fiscal 2014, it reflected a significant slowdown in the year-over-year trend.

In fiscal 2015, Continental Europe Total Paid Weeks declined 8.0% versus the prior year, driven by a decline in Meeting Paid Weeks of 9.8% and a decline in Online Paid Weeks of 6.9% versus the prior year. This decline in Meeting Paid Weeks was driven by the lower number of Incoming Active Meeting Subscribers at the start of fiscal 2015 versus the start of fiscal 2014 coupled with lower meeting recruitments in fiscal 2015 as compared to the prior year. Although the number of Incoming Active Online Subscribers at the start of fiscal 2015 was higher than at the start of fiscal 2014, recruitment softness in the year led to this decline in Online Paid Weeks compared to the prior year. Although recruitments in fiscal 2015 remained lower year-over-year, the year-over-year recruitment trend in the second, third and fourth quarters of fiscal 2015 in Continental Europe improved as compared to the first quarter of fiscal 2015 driven by the use of new promotional tactics and the new program launch in early December 2015.

Fiscal 2016: Anticipated Business Metrics, Trends and Other Events

We expect that our fiscal 2016 revenues will increase as compared to fiscal 2015, driven by anticipated recruitments that will establish a strong foundation for revenue growth and increased profitability in fiscal 2016. Given the nature of our subscription-based payment model, revenue growth typically lags recruitment growth. We expect an increase in revenues despite the approximately $20.0 million negative impact of the lower fiscal 2016 Incoming Active Base versus the prior year and an anticipated $16.0 million negative impact of foreign currency on fiscal 2016 revenues based on current rates. We plan to use cash on hand to repay in full our $144.3 million debt obligations due April 2016 under the WWI Credit Facilities.

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 and gross profit margin, operating income and operating income margin, net income attributable to the Company, selling, general and administrative expenses and earnings per fully diluted share, including components thereof, 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, as follows: (i) with respect to fiscal 2015 and 2014 to exclude the impact of charges associated with our previously disclosed plans to restructure our organization; (ii) with respect to fiscal 2015 to exclude the impact of (a) expenses associated with the Winfrey Transaction and (b) the gains on early extinguishment of debt associated with our previously reported debt prepayments in the period; (iii) with respect to fiscal 2014 to exclude the impact of (a) the net tax benefit related to an intercompany loan write-off in connection with the closure of our China business and the establishment of a valuation allowance related to tax benefits for foreign losses that are not expected to be realized and (b) the gain recognized in connection with our previously disclosed Brazil acquisition due to an adjustment of our previously held equity interest to fair value offset by a charge associated with the settlement of the royalty-free arrangement of the Brazil partnership; and (iv) with respect to fiscal 2013 to exclude the early extinguishment of debt charge. Income before taxes, effective tax rate, net income attributable to the Company and earnings per fully diluted share 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) to exclude from fiscal 2013 the impact from the early extinguishment of debt charge recorded in connection with our previously announced April 2, 2013 refinancing of our long-term debt. We generally refer to such non-GAAP measures as excluding or adjusting for the impact of the expenses associated with the Winfrey Transaction, the restructuring charges, the gain on the early extinguishment of debt, the gain on the Brazil acquisition, the China tax benefit partially offset by the recognition of a valuation allowance and the early extinguishment of debt charge. Our management believes these non-GAAP financial measures provide 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 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. 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

We earn revenue by conducting meetings, for which we charge a fee, predominantly through monthly commitment plans, prepayment plans or the pay-as-you-go arrangement. We also earn revenue from monthly subscriptions for our Online products, selling products in our meetings, on the Internet and to our franchisees, collecting commissions from franchisees, collecting royalties related to licensing agreements, selling magazine subscriptions, selling advertising space on our website and in copies of our magazines, ecommerce fees and By Mail product sales.

Monthly commitment plans, prepaid meeting fees and magazine subscription revenue is recorded to deferred revenue and amortized into revenue over the period earned. Online Subscription Revenues are recognized over the period that products are provided. One-time sign-up fees are deferred and recognized over the expected customer relationship period. Online Subscription Revenues that are paid in advance are deferred and recognized on a straight-line basis over the subscription period. Revenue from pay-as-you-go meeting fees, product sales, ecommerce fees, By Mail, commissions and royalties is recognized when services are rendered, products are shipped to customers and title and risk of loss pass to the customers, and commissions and royalties are earned, respectively. Revenue from advertising in magazines is recognized when advertisements are published. Revenue from magazine sales is recognized when the magazine is sent to the customer. We generally charge non-refundable registration and starter fees in exchange for an introductory information session and materials we provide to new members in our meetings business. Revenue from these registration and starter fees are recognized when the service and products are provided, which is generally at the same time payment is received from the customer. Discounts to customers, including free registration offers, are recorded as a deduction from gross revenue in the period such revenue was recognized. Revenue from advertising on our website is recognized when the advertisement is viewed by the user.

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 when paid.

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Goodwill, Franchise Rights Acquired, and Other Intangible Assets

Finite-lived intangible assets are amortized using the straight-line method over their estimated useful lives of 3 to 20 years or, in the case of amortizable franchise rights acquired, over the remaining contractual period, which is generally less than one year.

We review goodwill and other indefinite-lived intangible assets, including franchise rights acquired with indefinite lives, for potential impairment on at least an annual basis or more often if events so require. In performing our goodwill impairment analysis for fiscal 2015, 2014 and 2013, no impairment was identified for any of our reporting units as the fair value of those units exceeded their carrying value. In performing the impairment analysis for fiscal 2015 and fiscal 2014, we determined that the carrying amounts of our franchise rights acquired with indefinite lives did not exceed their respective fair values and therefore, no impairment existed. In performing the impairment analysis for fiscal 2013, we determined that, based on the fair values calculated, the carrying amounts of the indefinite-lived franchise rights acquired related to our Mexico and Hong Kong operations exceeded their respective fair values and recorded impairment charges of $0.9 million and $0.2 million, respectively. We determined that the carrying amounts of the remainder of our franchise rights acquired with indefinite lives did not exceed their respective fair values as of the end of fiscal 2013, and therefore, no other impairment existed.

Although there is generally significant headroom in our impairment analysis (except for Brazil as discussed below), a change in the underlying assumptions will cause a change in the results of the tests and, as such, could result in an impairment of those assets, 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 estimates and 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. We continue to believe that these trading values do not reflect the anticipated positive impact of our transformation plan. For additional information on our transformation plan, see Transformation Plan . However, if our transformation plan does not meet our expectations, or 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 .

The following is a more detailed discussion of our goodwill and franchise rights acquired impairment analysis.

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 values of goodwill in the United States, Canada, Brazil and other countries at January 2, 2016 were $94.8 million, $38.6 million, $15.9 million and $10.0 million, respectively.

Based on the results of our fiscal 2015 impairment analysis, we estimated that approximately 90% of our reporting units had a fair value at least 50% higher than the respective reporting unit s carrying amount. In Brazil, which holds 10% of the Company s goodwill, the fair value of this reporting unit exceeded its carrying value by approximately 20%.

For all of the Company s reporting units except for Brazil (see below), we estimated future cash flows by utilizing the historical debt-free cash flows 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 average cost of capital, which includes the cost of equity and the cost of debt. The cost of equity was determined by combining a risk-free rate of return and a market risk premium for the Company s peer group. The risk-free rate of return was generally determined based on the average rate of long-term U.S. Treasury securities. The market risk premium was generally determined by reviewing external market data. The cost of debt was determined by estimating the Company s current borrowing rate.

The following are the more significant assumptions utilized in our impairment analysis for fiscal 2015 and 2014:

	January 2, 2016	**January 3, 2015**
Debt-Free Cash Flow Growth Rate	0% to 6%	-5% to 14%
Discount Rate	9.3%	10.3%

As it relates to our 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 historical impact of similar growth strategies in other markets as well as the current market conditions in Brazil. We then discounted the estimated future cash flows utilizing a discount rate which was calculated using the average cost of capital, which included the cost of equity and the cost of debt. The cost of equity was determined by combining a risk-free rate of return and a market risk premium for the Company s peer group. The risk-free rate of return was generally determined based on the average rate of long-term U.S. Treasury securities. The market risk premium was generally determined by reviewing external market data. Additional consideration was given to the current economic conditions in Brazil and the country specific risk thereon, as well as the risk associated with the rate of growth projected in the analysis. The cost of debt was determined by estimating the Company s current borrowing rate. Accordingly, in our fiscal 2015 impairment analysis, we assumed a cumulative annual growth rate for our debt-free cash flows of 51% and a discount rate of 17.8%.

Franchise Rights Acquired

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 meetings business and a relief from royalty methodology for our franchise rights related to our Online business. The aggregate estimated fair value for these rights is then compared to the carrying value of the unit of accounting for those franchise rights. We have determined the appropriate unit of account for purposes of assessing annual impairment to be the combination of the rights in the meetings and Online businesses in the country in which the acquisitions have occurred. The values of these franchise rights in the United States, Canada, United Kingdom, Australia, New Zealand and other countries at January 2, 2016 were $675.6 million, $48.4 million, $11.8 million, $6.6 million, $4.8 million, and $0.1 million, respectively.

Based on the results of our fiscal 2015 impairment analysis, we estimated that approximately 99% of our franchise rights acquired had a fair value at least 50% higher than their carrying amount.

In our hypothetical start-up approach analysis for fiscal 2015 we assumed that the year of maturity was reached after 7 years. Subsequent to the year of maturity, we assumed debt-free cash flow growth rates based on our 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 discount rates consistent with those used in our goodwill impairment analysis as discussed above.

For fiscal 2015, the compound annual growth rates of our debt-free cash flows subsequent to the year of maturity used in our discounted cash flow analysis ranged from a decline of approximately 24% to growth of approximately 21%. For fiscal 2014, the compound annual growth rates subsequent to the year of maturity used in our discounted cash flow analysis ranged from a decline of approximately 9% to growth of approximately 16%.

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

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RESULTS OF OPERATIONS FOR FISCAL 2015 (52 weeks) COMPARED TO FISCAL 2014 (53 weeks)

The Company s fiscal year ends on the Saturday closest to December 31st and consists of either 52- or 53-week periods. Fiscal 2015 contained 52 weeks, while fiscal 2014 contained 53 weeks. The 2014 1st week, which began on December 30, 2013 and ended January 5, 2014, contributed an additional $19.2 million in net revenues, or 1.3%, and additional operating income of $3.9 million, or 1.3%, to fiscal 2014. It also contributed 1.3 million, or 1.7%, of additional Meeting Paid Weeks, 1.8 million, or 1.8%, of additional Online Paid Weeks, and 3.1 million, or 1.8%, in additional Total Paid Weeks to fiscal 2014. The additional week in fiscal 2014 also resulted in an additional week of interest expense for that year.

The table below sets forth selected financial information for fiscal 2015 from our consolidated statements of net income for fiscal 2015 versus selected financial information for fiscal 2014 from our consolidated statements of net income for fiscal 2014.

Summary of Selected Financial Data

	(In millions, except per share amounts)				
	Fiscal 2015	**Fiscal 2014**	**Increase/ (Decrease)**	**% Change**	**% Change Constant Currency**
Revenues, net					