GNC CORP
Form S-1/A
August 04, 2006

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**As filed with the Securities and Exchange Commission on August 4, 2006.**
**Registration Statement No. 333-134710**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**Amendment No. 3**
**to**
**Form S-1**
**REGISTRATION STATEMENT**
**UNDER**
**THE SECURITIES ACT OF 1933**

**GNC Corporation**
*(Exact name of registrant as specified in its charter)*

| | | |
|---|---|---|
| **Delaware** | **5499** | **72-1575170** |
| *(State or other jurisdiction of incorporation or organization)* | *(Primary Standard Industrial Classification Code Number)* | *(I.R.S. Employer Identification Number)* |

**300 Sixth Avenue**
**Pittsburgh, Pennsylvania 15222**
**(412) 288-4600**
*(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)*

**Mark L. Weintrub, Esq.**
**Senior Vice President, Chief Legal Officer, and Secretary**
**GNC Corporation**
**300 Sixth Avenue**
**Pittsburgh, Pennsylvania 15222**
**(412) 288-4600**
*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

***Copies of All Communications to:***

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the SEC, acting pursuant to Section 8(a), may determine.**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

Subject to Completion
Preliminary Prospectus dated August 4, 2006

**PROSPECTUS**

**23,530,000 Shares**
**GNC Corporation**
**Common Stock**

This is GNC Corporation s initial public offering of its common stock. We are selling 9,391,176 shares and 14,138,824 shares are being sold by our stockholders. We will not receive any proceeds from the sale of our common stock by the selling stockholders.

No public market currently exists for our common stock. We have applied to list our common stock on the New York Stock Exchange under the symbol GNC. We anticipate that the initial public offering price of our common stock will be between $16.00 and $18.00 per share.

***Investing in our common stock involves risk. See Risk Factors beginning on page 12 of this prospectus.***

| | Per Share | Total |
|---|---|---|
| Public offering price | $ | $ |
| Underwriting discount | $ | $ |
| Proceeds, before expenses, to GNC Corporation | $ | $ |
| Proceeds, before expenses, to the selling stockholders | $ | $ |

The selling stockholders have granted the underwriters a 30-day option to purchase up to 3,529,500 additional shares of common stock at the public offering price, less the underwriting discount, to cover overallotments, if any. We will not receive any proceeds from the exercise of the overallotment option.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The shares will be ready for delivery on or about , 2006.

*Joint Book-Running Managers*

**Merrill Lynch & Co.** **Lehman Brothers** **UBS Investment Bank**

**Goldman, Sachs & Co.** **JPMorgan** **Morgan Stanley**

The date of this prospectus is , 2006

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**GNC WORLDWIDE RETAIL FOOTPRINT**
Over 5,800 locations worldwide

**4,812 U.S. Locations**
Corporate: 2,529

Franchise: 1,123

Rite Aid: 1,160 Note: As of March 31, 2006.

**137**
**Canadian Locations**

**873 International Franchise Locations 45 Countries**

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Why GNC?

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Leading source of health and wellness products for 70 years
innovative & quality products
Dedicated & knowledgeable sales associates
High-margin, value-added products

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Through and including , 2006 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

You should rely only on the information contained in this prospectus, any free writing prospectus prepared by or on behalf of us, or information to which we have referred you; we have not authorized anyone to provide you with information that is different. This prospectus is not an offer to sell or a solicitation of an offer to buy shares in any jurisdiction where an offer or sale of shares would be unlawful. The information in this prospectus is complete and accurate only as of the date on the front cover regardless of the time of delivery of this prospectus or of any sale of shares.

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## PROSPECTUS SUMMARY

*This summary highlights the information contained in this prospectus. Because this is only a summary, it does not contain all of the information that may be important to you. For a more complete understanding of the information that you may consider important in making your investment decision, we encourage you to read this entire prospectus. Before making an investment decision, you should carefully consider the information under the heading Risk Factors and our consolidated financial statements and their notes in this prospectus.*

## GNC Corporation

With our worldwide network of over 5,800 locations and our www.gnc.com website, we are the largest global specialty retailer of health and wellness products, including vitamins, minerals, herbal and specialty supplements, sports nutrition products, and diet products. We believe that the strength of our GNC® brand, which is distinctively associated with health and wellness, combined with our stores and website, give us broad access to consumers and uniquely position us to benefit from the favorable trends driving growth in our industry. We derive our revenues principally from product sales through our company-owned stores, franchise activities, and sales of products manufactured in our facilities to third parties. Our broad and deep product mix, which is focused on high-margin, value-added nutritional products, is sold under our GNC proprietary brands, including Mega Men®, Ultra Mega®, Pro Performance®, and Preventive Nutrition®, and under nationally recognized third-party brands. For the 12 months ended March 31, 2006, we generated revenue of $1.4 billion, Adjusted EBITDA of $129.2 million, and net income of $27.1 million. For the first quarter of 2006, we generated revenue of $386.9 million, Adjusted EBITDA of $42.6 million, and net income of $11.4 million. EBITDA and Adjusted EBITDA are non-GAAP measures of performance and liquidity, as applicable; for the definition of EBITDA and an explanation of its usefulness to management, see note (1) to Summary Consolidated Financial Data.

Our business model has enabled us to establish significant credibility and brand equity with both our vendors and our customers. Our domestic retail network, which is the largest specialty retail store network in the U.S. nutritional supplements industry according to Nutrition Business Journal s Supplement Business Report 2005, is approximately nine times larger than that of our next largest U.S. specialty retail competitor, and provides a leading platform for our vendors to distribute their products to their target consumer. This gives us tremendous leverage with our vendor partners and has enabled us to negotiate product exclusives or first-to-market opportunities. In addition, our in-house product development capabilities enable us to offer our customers proprietary merchandise that can only be purchased through our stores or our website. As the nutritional supplement consumer often requires knowledgeable customer service, we also differentiate ourselves from mass and drug retailers with our well-trained sales associates. We believe that our expansive retail network, our differentiated merchandise offering, and our quality customer service result in a unique shopping experience.

### Our Strategic Repositioning

In 2005, we undertook a series of strategic initiatives to enhance our business and establish a foundation for stronger future performance. Specifically, we:

- introduced a single national pricing structure in order to improve our customer value perception;
- developed and executed a national, more diversified marketing program focused on reinforcing GNC s brand name;
- overhauled our field organization and store programs to improve our customer shopping experience;
- focused our merchandising and marketing initiatives on driving increased traffic to our store locations;
- improved our supply chain and inventory management, resulting in better in-stock levels;

reinvigorated our proprietary new product development activities;

revitalized our vendor relationships, including their new product development activities and our exclusive or first-to-market access to new products;

realigned our franchise system with our corporate strategies and re-acquired or closed unprofitable or non-compliant franchised stores;

reduced our overhead cost structure; and

launched www.gnc.com.

These initiatives have allowed us to capitalize on our national footprint, brand awareness, and competitive positioning to meaningfully improve our overall operating performance. Since the first quarter of 2005, domestic company-owned same store sales have improved with each successive quarter, culminating in a 14.5% increase in the first quarter of 2006. Given the significant operating leverage in our business, Adjusted EBITDA grew by 51.1% in the first quarter of 2006 compared to the first quarter of 2005. We believe these initiatives will continue to allow us to profitably grow our business in the future.

**Business Overview**

The following charts illustrate, for the year ended December 31, 2005, the percentage of our net revenue generated by our three business segments and the percentage of our net U.S. retail revenue generated by our product categories:

**2005 Net Revenue by Segment** **2005 Net Retail Revenue by Product Category**

(1) Vitamins, minerals, and herbal and specialty supplements.

We have a diverse portfolio of product offerings, and we do not have any meaningful concentration of sales from any single product or product line. We believe this baseline of sales from which we now operate is a solid, recurring base from which we will continue to grow our revenues. Our sales trends in the first half of 2005 were impacted by a decline in diet products related to the slowdown of the low-carbohydrate diet trend. Excluding the diet category, we have generated positive same store sales for seven of the last nine quarters since the beginning of 2004.

As of March 31, 2006, our retail network included 5,817 GNC locations globally, including: (1) 2,529 company-owned stores in the United States (all 50 states, the District of Columbia, and Puerto Rico); (2) 132 company-owned stores in Canada; (3) 1,123 domestic franchised stores; (4) 873 international franchised stores in 45 international markets; and (5) 1,160 GNC store-within-a-store locations under our strategic alliance with Rite Aid Corporation. In December 2005, we also started selling products through our website, www.gnc.com. This additional sales channel has enabled us to market and sell our products in regions where we do not have retail operations or have limited operations.

In addition to our large existing store base, we have a stable workforce and a vertically integrated structure. As a result, we can support higher sales volume without adding significant incremental costs, which enables us to convert a high percentage of our net revenue into cash flow from operations. In addition, our stores require only modest capital expenditures, allowing us to generate substantial free cash flow before debt amortization.

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Our franchise activities generate income primarily through product sales to franchisees, royalties on franchise retail sales, and franchise fees. We believe that our franchise program enhances our brand awareness and market presence and will enable us to continue to expand our store base internationally with limited capital expenditures on our part.

We offer a wide range of nutritional supplements sold under our GNC proprietary brand names and under nationally recognized third-party brand names. Sales of our proprietary brands generally have higher gross margins than sales of third-party brands and represented approximately 47% of our net retail product revenues at company-owned stores for 2005. This high percentage of proprietary branded sales is a testament to the value and quality perception of the GNC brand name by its consumers. We are a vertically integrated producer and supplier of nutritional supplements with technologically sophisticated manufacturing and distribution facilities supporting our retail stores. We believe our vertical integration allows us to better control costs, protect product quality, monitor delivery times, and maintain appropriate inventory levels.

**Risks Related to Our Business and Strategy**

Despite our competitive strengths, there are a number of risks and uncertainties that may affect our financial and operating performance and our ability to execute our business strategy, including unfavorable publicity or consumer perception of our products and any similar products distributed by other companies and our failure to appropriately respond to changing consumer preferences and demand for new products and services. In addition to these risks and uncertainties, you should also consider the risks discussed under Risk Factors.

**Recent Developments**

We have filed our Form 10-Q for the quarter ended June 30, 2006 and have reported the following results for the second quarter of 2006:

- net revenues of $382.8 million compared to $333.3 million for the same period in 2005;
- net cash provided by operating activities of $21.4 million compared to $(16.9) million for the same period in 2005;
- EBITDA of $40.4 million compared to $31.1 million for the same period in 2005;
- Adjusted EBITDA of $40.8 million compared to $31.5 million for the same period in 2005;
- net income of $13.1 million compared to $7.1 million for the same period in 2005;
- domestic company-owned same store sales of 11.5% compared to (5.2%) for the same period in 2005; and
- domestic franchised same store sales of 5.9% compared to (6.5%) for the same period in 2005.

We have also reported the following results for the six months ended June 30, 2006:

- net revenues of $769.7 million compared to $669.8 million for the same period in 2005;
- net cash provided by operating activities of $33.9 million compared to $18.6 million for the same period in 2005;
- EBITDA of $77.9 million compared to $59.0 million for the same period in 2005;

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Adjusted EBITDA of $83.5 million compared to $59.8 million for the same period in 2005; and

net income of $24.5 million compared to $9.8 million for the same period in 2005.

As of June 30, 2006, we operated 2,523 company-owned stores in the United States, 132 company-owned stores in Canada, 1,098 domestic franchised stores, 899 international franchised stores in 43 international markets, and 1,183 store-within-a-store locations.

Additionally, on July 7, 2006, we issued a redemption notice to the holders of our Series A preferred stock notifying them that, subject to the closing of this offering, we will redeem all of the outstanding shares of Series A preferred stock on the fifth business day following the closing of this offering at the redemption price of $1,085.71 per share, plus a cash amount equal to all accumulated dividends as of the redemption date.

For the definition of EBITDA and Adjusted EBITDA and an explanation of their usefulness to management, see note (1) to Summary Consolidated Financial Data.

The following table reconciles EBITDA and Adjusted EBITDA to net income for the three months and the six months ended June 30, 2006, and EBITDA and Adjusted EBITDA to net income for the three months and the six months ended June 30, 2005:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2005** | **2006** | **2005** | **2006** |
| | **(Dollars in millions)** | | | |
| **Net income** | **$ 7.1** | **$ 13.1** | **$ 9.8** | **$ 24.5** |
| Interest expense, net | 9.8 | 10.1 | 23.3 | 19.8 |
| Income tax expense | 4.1 | 7.7 | 5.6 | 14.5 |
| Depreciation and amortization | 10.1 | 9.5 | 20.3 | 19.1 |
| **EBITDA** | **$ 31.1** | **$ 40.4** | **$ 59.0** | **$ 77.9** |
| Management fee payment | 0.4 | 0.4 | 0.8 | 0.8 |
| Discretionary payment to stock option holders | | | | 4.8 |
| **Adjusted EBITDA** | **$ 31.5** | **$ 40.8** | **$ 59.8** | **$ 83.5** |

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The following table reconciles EBITDA and Adjusted EBITDA to net cash provided by operating activities for the three months and the six months ended June 30, 2006, and EBITDA and Adjusted EBITDA to net cash provided by operating activities for the three months and the six months ended June 30, 2005:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2005** | **2006** | **2005** | **2006** |
| | **(Dollars in millions)** | | | |
| **Net cash provided by operating activities** | **$ (16.9)** | **$ 21.4** | **$ 18.6** | **$ 33.9** |
| Cash paid for interest | 11.0 | 11.5 | 13.2 | 20.1 |
| Cash paid for taxes | 2.4 | 10.7 | 2.7 | 10.9 |
| Changes in assets and liabilities | 34.6 | (3.2) | 24.5 | 13.0 |
| **EBITDA** | **$ 31.1** | **$ 40.4** | **$ 59.0** | **$ 77.9** |
| Management fee payment | 0.4 | 0.4 | 0.8 | 0.8 |
| Discretionary payment to stock option holders | | | | 4.8 |
| **Adjusted EBITDA** | **$ 31.5** | **$ 40.8** | **$ 59.8** | **$ 83.5** |

**Corporate Information**

Our principal executive office is located at 300 Sixth Avenue, Pittsburgh, Pennsylvania 15222, and our telephone number is (412) 288-4600. We also maintain a website at www.gnc.com.

## The Offering

| | |
|---|---|
| Total common stock offered | 23,530,000 shares |
| Common stock offered by GNC Corporation | 9,391,176 shares |
| Common stock offered by the selling stockholders | 14,138,824 shares |
| Underwriters option to purchase additional shares from the selling stockholders in this offering | 3,529,500 shares |
| Common stock outstanding after this offering | 59,955,124 shares |
| Voting rights | One vote per share |
| Use of proceeds | We estimate that the net proceeds to us from this offering will be approximately $147.8 million, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use our net proceeds to redeem all of our outstanding preferred stock, including the liquidation preference, additional redemption price, accumulated and unpaid dividends, and related expenses. A $1.00 change in the per share offering price would change net proceeds to us by approximately $8.8 million. Any remaining net proceeds will be used for working capital and general corporate purposes. We will not receive any proceeds from the sale of any shares by the selling stockholders. See Use of Proceeds. |
| Proposed New York Stock Exchange symbol | GNC |
| Risk factors | For a discussion of risks relating to our business and an investment in our common stock, see Risk Factors beginning on page 12. |

Except as otherwise indicated, the number of shares of our common stock that will be outstanding after this offering is based on the 50,563,948 shares outstanding as of July 15, 2006, and:

- includes the shares of common stock to be issued by us upon the closing of this offering;
- assumes an initial public offering price of $17.00 per share, the midpoint of the range on the cover of this prospectus;
- excludes 4,795,766 shares of common stock subject to outstanding stock options with a weighted average exercise price of $3.67 per share; and
- excludes 3,800,000 shares of common stock available for future grant or issuance under our stock plans.

Unless we specifically state otherwise, the information in this prospectus:

- gives effect to a 1.707-for-one split of shares of our common stock effected on July 27, 2006; and does not take into account the sale of up to 3,529,500 shares of our common stock that the underwriters have the option to purchase from the selling stockholders.

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## Summary Consolidated Financial Data

The summary consolidated financial data presented below for the period from January 1, 2003 to December 4, 2003, for the 27 days ended December 31, 2003 and for the years ended December 31, 2004 and 2005 are derived from our audited consolidated financial statements and accompanying footnotes included in this prospectus. The summary consolidated financial data for the period from January 1, 2003 to December 4, 2003 represent a period during which our predecessor, General Nutrition Companies, Inc. was owned by Numico USA, Inc. The summary consolidated financial data for the 27 days ended December 31, 2003, for the years ended December 31, 2004 and 2005, and for the three months ended March 31, 2005 and 2006 represent the period of operations subsequent to the December 5, 2003 acquisition from Numico, which we refer to as the Numico acquisition in this prospectus.

The summary consolidated financial data presented below for the three months ended March 31, 2005 and 2006, and as of March 31, 2006, are derived from our unaudited consolidated financial statements and accompanying notes included in this prospectus and include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, for a fair statement of our financial position and operating results as of and for the three months ended March 31, 2005 and 2006. Our results for interim periods are not necessarily indicative of our results for a full year s operations.

| | Predecessor | Successor | | | Successor | |
|---|---|---|---|---|---|---|
| | Period from January 1, 2003 to December 4, 2003 | 27 Days Ended December 31, 2003 | Year Ended December 31, 2004 | Year Ended December 31, 2005 | Three Months Ended March 31, 2005 | Three Months Ended March 31, 2006 |
| | | | | | (Unaudited) | |
| | | | (Dollars in millions) | | | |
| **Statement of Income Data:** | | | | | | |
| Total revenues | $ 1,340.2 | $ 89.3 | $ 1,344.7 | $ 1,317.7 | $ 336.4 | $ 386.9 |
| Gross profit | $ 405.3 | $ 25.7 | $ 449.5 | $ 419.0 | $ 106.0 | $ 130.0 |
| Operating (loss) income | $ (638.3) | $ 3.4 | $ 100.7 | $ 72.2 | $ 17.8 | $ 27.9 |
| Interest expense, net | $ 121.1 | $ 2.8 | $ 34.5 | $ 43.1 | $ 13.5 | $ 9.7 |
| Net (loss) income | $ (584.9) | $ 0.4 | $ 41.7 | $ 18.4 | $ 2.7 | $ 11.4 |
| **Other Data:** | | | | | | |
| Net cash provided by operating activities | $ 92.9 | $ 4.7 | $ 83.5 | $ 64.2 | $ 35.5 | $ 12.5 |
| Net cash used in investing activities | $ (31.5) | $ (740.0) | $ (27.0) | $ (21.5) | $ (4.9) | $ (3.8) |
| Net cash (used in) provided by financing activities | $ (90.8) | $ 759.2 | $ (4.5) | $ (41.7) | $ (37.9) | $ (50.4) |
| EBITDA(1) | $ (579.2) | $ 5.7 | $ 139.5 | $ 113.2 | $ 27.9 | $ 37.5 |
| Adjusted EBITDA(1) | $ (579.2) | $ 5.7 | $ 141.0 | $ 114.7 | $ 28.2 | $ 42.6 |
| Capital expenditures(2) | $ 31.0 | $ 1.8 | $ 28.3 | $ 20.8 | $ 4.4 | $ 3.7 |
| Number of stores (at end of period): | | | | | | |
| Company-owned stores(3) | 2,757 | 2,748 | 2,642 | 2,650 | 2,644 | 2,661 |
| Franchised stores(3) | 1,978 | 2,009 | 2,036 | 2,014 | 2,034 | 1,996 |
| | 988 | 988 | 1,027 | 1,149 | 1,043 | 1,160 |

| | | | | | |
|---|---|---|---|---|---|
| Store-within-a-store locations(3) | | | | | |
| Same store sales growth:(4) | | | | | |
| Domestic company-owned | (0.4)% | (4.1)% | (1.5)% | (7.8)% | 14.5% |
| Domestic franchised | (0.6)% | (5.5)% | (5.4)% | (9.0)% | 6.8% |

| | As of March 31, 2006 | |
|---|---|---|
| | Actual | As Adjusted(5) |
| | (Unaudited) (Dollars in millions) | |
| **Balance Sheet Data:** | | |
| Cash and cash equivalents | $ 44.3 | $ 25.2 |
| Working capital(6) | 265.0 | 249.9 |
| Total assets | 1,022.2 | 1,003.1 |
| Total current and non-current long-term debt | 472.8 | |