

WEIGHT WATCHERS INTERNATIONAL INC

Form 10-Q

May 10, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from to

Commission File Number: 001-16769

WEIGHT WATCHERS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Virginia **11-6040273**
(State or other jurisdiction of **(I.R.S. Employer**
incorporation or organization) **Identification No.)**
11 Madison Avenue, 17th Floor, New York, New York 10010
(Address of principal executive offices) (Zip Code)

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 No

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
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 Exchange Act). Yes No

The number of shares of common stock outstanding as of April 30, 2012 was 55,540,137.

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	March 31, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 79,611	\$ 47,469
Receivables, net	43,986	47,175
Inventories, net	45,585	53,437
Prepaid income taxes	3,904	3,071
Deferred income taxes	24,505	24,612
Prepaid expenses and other current assets	33,701	38,762
TOTAL CURRENT ASSETS	231,292	214,526
Property and equipment, net	52,070	41,072
Franchise rights acquired	766,439	764,026
Goodwill	50,018	50,012
Trademarks and other intangible assets, net	39,051	37,461
Deferred financing costs, net	31,457	8,720
Other noncurrent assets	5,796	5,811
TOTAL ASSETS	\$ 1,176,123	\$ 1,121,628
LIABILITIES AND TOTAL DEFICIT		
CURRENT LIABILITIES		
Portion of long-term debt due within one year	\$ 128,037	\$ 124,933
Payable to related party	778,902	0
Accounts payable	49,587	60,810
Dividend payable	9,853	13,145
Derivative payable	21,355	24,613
UK self-employment liability	13,653	43,671
Accrued liabilities	150,793	140,573
Income taxes payable	15,728	2,704
Deferred revenue	121,246	83,758
TOTAL CURRENT LIABILITIES	1,289,154	494,207
Long-term debt	1,622,751	926,868
Deferred income taxes	110,535	100,723
Other	10,480	9,596

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TOTAL LIABILITIES	3,032,920	1,531,394
TOTAL DEFICIT		
Common stock, \$0 par value; 1,000,000 shares authorized; 111,988 shares issued	0	0
Treasury stock, at cost, 46,953 shares at March 31, 2012 and 38,389 shares at December 31, 2011	(2,510,786)	(1,793,983)
Retained earnings	646,372	1,378,616
Accumulated other comprehensive income	7,617	5,601
TOTAL DEFICIT	(1,856,797)	(409,766)
TOTAL LIABILITIES AND TOTAL DEFICIT	\$ 1,176,123	\$ 1,121,628

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

Table of Contents**WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF NET INCOME****(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

	Three Months Ended	
	March 31, 2012	April 2, 2011
Meeting fees, net	\$ 252,508	\$ 268,912
Product sales and other, net	124,082	142,555
Internet revenues	126,945	91,965
Revenues, net	503,535	503,432
Cost of meetings, products and other	199,444	207,189
Cost of Internet revenues	15,726	13,101
Cost of revenues	215,170	220,290
Gross profit	288,365	283,142
Marketing expenses	130,318	95,665
Selling, general and administrative expenses	55,273	51,746
Operating income	102,774	135,731
Interest expense	13,167	18,173
Other income, net	(509)	(470)
Early extinguishment of debt	1,328	0
Income before income taxes	88,788	118,028
Provision for income taxes	34,183	44,851
Net income	54,605	73,177
Net loss attributable to the noncontrolling interest	0	416
Net income attributable to Weight Watchers International, Inc.	\$ 54,605	\$ 73,593
Earnings per share attributable to Weight Watchers International, Inc.		
Basic	\$ 0.74	\$ 1.01
Diluted	\$ 0.74	\$ 1.00
Weighted average common shares outstanding		
Basic	73,343	72,919
Diluted	74,164	73,709
Dividends declared per common share	\$ 0.18	\$ 0.18

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

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

	Three Months Ended	
	March 31,	April 2,
	2012	2011
Net income	\$ 54,605	\$ 73,177
Other comprehensive income:		
Foreign currency translation adjustments, net of tax of \$237 and \$713, respectively	212	1,116
Current period changes in fair value of derivatives, net of tax of \$1,152 and \$4,147, respectively	1,802	6,486
Total other comprehensive income	2,014	7,602
Comprehensive income	56,619	80,779
Comprehensive loss attributable to the noncontrolling interest	0	416
Comprehensive income attributable to Weight Watchers International, Inc.	\$ 56,619	\$ 81,195

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

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	Three Months Ended	
	March 31, 2012	April 2, 2011
Cash provided by operating activities	\$ 110,754	\$ 184,056
Investing activities:		
Capital expenditures	(16,329)	(2,215)
Capitalized software expenditures	(4,607)	(4,317)
Other items, net	(46)	108
Cash used for investing activities	(20,982)	(6,424)
Financing activities:		
Proceeds from new term loans	726,000	0
Payments of long-term debt	(27,012)	(114,137)
Payment of dividends	(13,012)	(12,974)
Payments to acquire treasury stock	(724,316)	(34,924)
Deferred financing costs	(24,810)	0
Proceeds from stock options exercised	8,049	18,135
Tax benefit from restricted stock units vested and stock options exercised	2,289	1,245
Cash used for financing activities	(52,812)	(142,655)
Effect of exchange rate changes on cash and cash equivalents and other	(4,818)	1,735
Net increase in cash and cash equivalents	32,142	36,712
Cash and cash equivalents, beginning of period	47,469	40,534