Section 1: 10-Q (10-Q)

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 June 30, 2018

OR

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

For the transition period from to

Commission File Number: 001-16769

WEIGHT WATCHERS INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Virginia	**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

(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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of common stock outstanding as of July 31, 2018 was 66,623,118.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS AT
(IN THOUSANDS)

	June 30, 2018	December 30, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 167,755	$ 83,054
Receivables (net of allowances: June 30, 2018 - $2,021 and December 30, 2017 - $2,001)	27,401	23,913
Inventories	18,649	31,728
Prepaid income taxes	49,193	43,488
Prepaid expenses and other current assets	28,457	26,805
TOTAL CURRENT ASSETS	291,455	208,988
Property and equipment, net	48,138	47,978
Franchise rights acquired	750,335	754,040
Goodwill	153,130	156,281
Other intangible assets, net	54,113	46,536
Deferred income taxes	15,239	12,447
Other noncurrent assets	24,142	19,730
TOTAL ASSETS	$ 1,336,552	$ 1,246,000
LIABILITIES AND TOTAL DEFICIT		
CURRENT LIABILITIES		
Portion of long-term debt due within one year	$ 118,498	$ 82,750
Accounts payable	22,952	24,356
Salaries and wages payable	56,678	62,179
Accrued marketing and advertising	12,242	18,154
Accrued interest	25,249	10,834
Other accrued liabilities	60,125	58,251
Derivative payable	0	12,171
Deferred revenue	83,878	74,332
TOTAL CURRENT LIABILITIES	379,622	343,027
Long-term debt, net	1,644,471	1,740,612
Deferred income taxes	204,304	143,591
Other	31,151	30,289
TOTAL LIABILITIES	2,259,548	2,257,519
Redeemable noncontrolling interest	4,004	4,467
TOTAL DEFICIT		
Common stock, $0 par value; 1,000,000 shares authorized; 120,353 shares issued at June 30, 2018 and 118,947 shares issued at December 30, 2017	0	0
Treasury stock, at cost, 53,765 shares at June 30, 2018 and 54,258 shares at December 30, 2017	(3,189,796)	(3,208,836)
Retained earnings	2,271,593	2,203,317
Accumulated other comprehensive loss	(8,797)	(10,467)
TOTAL DEFICIT	(927,000)	(1,015,986)
TOTAL LIABILITIES AND TOTAL DEFICIT	$ 1,336,552	$ 1,246,000

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Service revenues, net	$ 343,730	$ 283,001	$ 672,399	$ 544,477
Product sales and other, net	66,017	58,672	145,571	126,259
Revenues, net	409,747	341,673	817,970	670,736
Cost of services	128,159	120,325	267,939	245,210
Cost of product sales and other	36,794	32,335	84,236	72,416
Cost of revenues	164,953	152,660	352,175	317,626
Gross profit	244,794	189,013	465,795	353,110
Marketing expenses	55,421	41,968	154,340	128,397
Selling, general and administrative expenses	61,665	50,839	121,676	98,273
Operating income	127,708	96,206	189,779	126,440
Interest expense	35,866	27,092	71,732	55,234
Other expense (income), net	1,333	(488)	1,097	154
Gain on early extinguishment of debt	0	(1,554)	0	(1,554)
Income before income taxes	90,509	71,156	116,950	72,606
Provision for income taxes	19,825	25,992	7,208	16,864
Net income	70,684	45,164	109,742	55,742
Net loss attributable to the noncontrolling interest	36	9	90	83
Net income attributable to Weight Watchers International, Inc.	$ 70,720	$ 45,173	$ 109,832	$ 55,825
Earnings Per Share attributable to Weight Watchers International, Inc.				
Basic	$ 1.07	$ 0.70	$ 1.67	$ 0.87
Diluted	$ 1.01	$ 0.67	$ 1.57	$ 0.83
Weighted average common shares outstanding				
Basic	66,400	64,269	65,761	64,124
Diluted	70,154	67,737	69,914	67,304

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net income	$ 70,684	$ 45,164	$ 109,742	$ 55,742
Other comprehensive (loss) gain:				
Foreign currency translation (loss) gain	(3,804)	2,630	(7,229)	6,031
Income tax benefit (expense) on foreign currency translation (loss) gain	965	(1,026)	1,833	(2,352)
Foreign currency translation (loss) gain, net of taxes	(2,839)	1,604	(5,396)	3,679
Gain (loss) on derivatives	1,130	(1,136)	12,297	4,377
Income tax (expense) benefit on gain on derivatives	(287)	443	(3,119)	(1,707)
Gain (loss) on derivatives, net of taxes	843	(693)	9,178	2,670
Total other comprehensive (loss) gain	(1,996)	911	3,782	6,349
Comprehensive income	68,688	46,075	113,524	62,091
Net loss attributable to the noncontrolling interest	36	9	90	83
Foreign currency translation loss, net of taxes attributable to the noncontrolling interest	137	146	373	41
Comprehensive loss attributable to the noncontrolling interest	173	155	463	124
Comprehensive income attributable to Weight Watchers International, Inc.	$ 68,861	$ 46,230	$ 113,987	$ 62,215

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

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

	Six Months Ended June 30, 2018	Six Months Ended July 1, 2017
Operating activities:		
Net income	$ 109,742	$ 55,742
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	21,774	25,554
Amortization of deferred financing costs and debt discount	4,122	2,861
Impairment of intangible and long-lived assets	0	60
Write-off of net assets due to cessation of Spain operations	0	70
Share-based compensation expense	9,675	4,817
Deferred tax provision	752	10,331
Allowance for doubtful accounts	54	(857)
Reserve for inventory obsolescence	8,338	4,962
Foreign currency exchange rate loss	868	150
Gain on early extinguishment of debt	0	(1,802)
Changes in cash due to:		
Receivables	(9,650)	3,490
Inventories	4,999	5,887
Prepaid expenses	(3,023)	4,338
Accounts payable	(798)	(19,727)
Accrued liabilities	(1,696)	(28,575)
Deferred revenue	13,259	21,847
Other long term assets and liabilities, net	(4,309)	144
Income taxes	14,480	8,823
Cash provided by operating activities	168,587	98,115
Investing activities:		
Capital expenditures	(7,733)	(5,614)
Capitalized software expenditures	(13,118)	(13,419)
Other items, net	(9,669)	(86)
Cash used for investing activities	(30,520)	(19,119)
Financing activities:		
Net (payments) borrowings on revolver	(25,000)	0
Payments on long-term debt	(38,500)	(83,334)
Taxes paid related to net share settlement of equity awards	(11,139)	(3,648)
Proceeds from stock options exercised	23,262	1,258
Cash used for financing activities	(51,377)	(85,724)
Effect of exchange rate changes on cash and cash equivalents	(1,989)	2,557
Net increase (decrease) in cash and cash equivalents	84,701	(4,171)
Cash and cash equivalents, beginning of period	83,054	108,656
Cash and cash equivalents, end of period	$ 167,755	$ 104,485

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

1. Basis of Presentation

The accompanying consolidated financial statements include the accounts of Weight Watchers International, Inc. and all of its subsidiaries. The terms "Company" and "WWI" as used throughout these notes are used to indicate Weight Watchers International, Inc. and all of its operations consolidated for purposes of its financial statements. The Company's "meetings" business refers to providing access to combined meetings and digital offerings to the Company's commitment plan subscribers (including Total Access subscribers), as well as access to meetings to the Company's "pay-as-you-go" members and other meetings members. "Online" refers to Weight Watchers Online, Weight Watchers Online*Plus*, Personal Coaching and other digital subscription products.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and include amounts that are based on management's best estimates and judgments. While all available information has been considered, actual amounts could differ from those estimates. The consolidated financial statements include all of the Company's majority-owned subsidiaries. All entities acquired, and any entity of which a majority interest was acquired, are included in the consolidated financial statements from the date of acquisition. All intercompany accounts and transactions have been eliminated in consolidation. The Company's operating results for any interim period are not necessarily indicative of future or annual results. The consolidated financial statements are unaudited and, accordingly, they do not include all of the information necessary for a comprehensive presentation of results of operations, financial position and cash flow activity required by GAAP for complete financial statements but, in the opinion of management, reflect all adjustments including those of a normal recurring nature necessary for a fair statement of the interim results presented.

These statements should be read in conjunction with the Company's Annual Report on Form 10-K for fiscal 2017 filed on February 28, 2018, which includes additional information about the Company, its results of operations, its financial position and its cash flows.

2. Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (the "FASB") issued updated guidance regarding leases, requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. For lessees, leases will continue to be classified as either operating or finance leases in the income statement. Lessor accounting is similar to the current model but will be updated to align with certain changes to the lessee model. Lessors will continue to classify leases as operating, direct financing or sales-type leases. The effective date of the new guidance for public companies is for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. In July 2018, the FASB issued updated guidance by providing an entity with an additional and optional transition method to adopt the new lease guidance. The modified retrospective transition approach requires application of the new guidance at the beginning of the earliest comparative period presented and the optional transition method permits an entity to apply the guidance at the adoption date. The updated guidance is effective for the Company beginning in the first quarter of fiscal 2019. The Company is currently evaluating the impact that the adoption of this guidance will have on the consolidated financial statements and related disclosures of the Company.

In June 2018, the FASB issued updated guidance regarding share-based payment transactions for acquiring goods and services from nonemployees. The guidance also specifies that the updated guidance on stock compensation applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The effective date of the new guidance for public companies is for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted, but no earlier than an entity's adoption date of the revenue guidance. The updated guidance is effective for the Company beginning in the first quarter of fiscal 2019. The Company is currently evaluating the potential effects of this guidance on its consolidated financial statements.

For a discussion of the Company's other significant accounting policies, see "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements of the Company's Annual Report on Form 10-K for fiscal 2017. For a discussion of accounting standards adopted in the current period, see Note 3.

3. Accounting Standards Adopted in Current Year

In March 2016, the FASB issued updated guidance on revenue from contracts with customers, which is intended to clarify the implementation guidance on principal versus agent considerations. The amendments in this update do not change the core principle of the guidance, but are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations by including indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customer. In April 2016, the FASB issued updated guidance on revenue from contracts with customers, which is intended to clarify guidance related to identifying performance obligations and licensing implementation guidance contained in the new revenue recognition standard. In May 2016, the FASB issued updated guidance on revenue from contracts with customers, which is intended to provide narrow scope guidance and practical expedients contained in the new revenue standard. In December 2016, the FASB issued updated guidance on revenue from contracts with customers for technical corrections and improvements on narrow aspects within the original and amended guidance. The amendments in these updates are effective for annual periods beginning after December 15, 2017 and interim periods within those fiscal years, with early adoption permitted. On December 31, 2017, the Company adopted the updated guidance on revenue from contracts with customers on a modified retrospective basis. See Note 4 for further details.

In October 2016, the FASB issued updated guidance on intra-equity transfers of assets other than inventory which is intended to improve the accounting for income tax consequences by eliminating the deferral of tax effects of intra-entity asset transfers other than inventory within the consolidated entity. The current guidance to defer the recognition of any tax impact on the transfer of inventory within the consolidated entity until it is sold to a third party remains unaffected. The updated guidance is effective for annual periods beginning after December 15, 2017 and interim periods within those fiscal years, with early adoption permitted. The updated guidance must be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company adopted this guidance the first day of the first quarter of 2018, and as a result, recorded a net deferred tax liability with a corresponding cumulative adjustment to decrease retained earnings of $48,624 associated with an intra-entity transfer of certain intellectual property rights related to the Company’s non-U.S. business to its Canadian entity. Before the 2017 Tax Act was passed, the Company’s position was that this transaction was net neutral from a tax perspective and therefore a cumulative effect entry might not be required. However, after further analysis of the new tax law during the first quarter of 2018, the Company concluded an entry to retained earnings was necessary.

In February 2018, the FASB issued updated guidance on tax effects of items within accumulated other comprehensive income resulting from Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”). This update eliminates the stranded tax effects from the Act and permits a company to make an accounting policy election to reclassify those effects from accumulated other comprehensive income (“AOCI”) to retained earnings. The updated guidance is effective for the Company beginning in the first quarter of fiscal 2019 and early adoption is permitted. The Company adopted this guidance the first day of the first quarter of fiscal 2018, and the election was made to reclassify the income tax effects of the 2017 Tax Act from accumulated other comprehensive loss to retained earnings, resulting in a $2,485 increase to retained earnings in the consolidated balance sheet at March 31, 2018. There were no other income tax effects related to the application of the 2017 Tax Act with the adoption of this updated guidance.

In March 2018, the FASB issued guidance pursuant to the amendments issued by the staff of the U.S. Securities and Exchange Commission. The amendments provide guidance on when to record and disclose provisional amounts for certain income tax effects of the 2017 Tax Act. The amendments also require any provisional amounts or subsequent adjustments to be included in net income from continuing operations. Additionally, this guidance discusses required disclosures that an entity must make with regard to the 2017 Tax Act. This guidance is effective immediately as new information is available to adjust provisional amounts that were previously recorded. The Company adopted this guidance and will continue to evaluate indicators that may give rise to a change in our tax provision as a result of the 2017 Tax Act. See Note 9 for additional information on the 2017 Tax Act.

4. Revenue

Adoption of Revenue from Contracts with Customers

On December 31, 2017, the Company adopted the updated guidance on revenue from contracts with customers using the modified retrospective method applied to those contracts which were not completed as of December 31, 2017. Results for reporting periods beginning after December 31, 2017 are presented under the updated guidance, while prior period amounts are not adjusted and continue to be reported in accordance with the Company’s historical revenue accounting.

The Company recorded a net increase to opening retained earnings of $2,145 as of December 31, 2017 due to the cumulative impact of adopting the updated guidance, inclusive of a $3,501 decrease to deferred revenue, a decrease of $568 to prepaid expenses and other current assets and an increase to the deferred income tax liability of $788.

(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

Revenue Recognition

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

WWI earns revenue by conducting meetings, for which it charges a fee, predominantly through commitment plans, prepayment plans or the "pay-as-you-go" arrangement. WWI also earns revenue from subscriptions for the Company's Online products, selling products (including publications) in its meetings, online and to its franchisees, collecting commissions from franchisees, collecting royalties related to licensing agreements, selling magazine subscriptions, publishing, selling advertising space on its websites and in copies of its publications and By Mail product sales.

Commitment plans, prepaid meeting fees and magazine subscription revenue is recorded to deferred revenue and amortized into revenue as control is transferred over the period earned since the performance obligations are satisfied over time. In the meetings business, WWI generally charges non-refundable registration and starter fees in exchange for an introductory information session and materials it provides to new members. Revenue from these registration and starter fees is considered immaterial in the context of the contract and are recorded to deferred revenue and amortized into revenue over the commitment period. Online subscription revenues, consisting of the fees associated with subscriptions for the Company's Online subscription products, including its Personal Coaching product, are deferred and recognized on a straight-line basis as control is transferred over the subscription period. One-time Online sign-up fees are considered immaterial in the context of the contract and the related revenue is recorded to deferred revenue and amortized into revenue over the commitment period. Revenue from "pay-as-you-go" meeting fees, product sales, By Mail, commissions and royalties is recognized at the point in time control is transferred, when services are rendered, products are shipped to customers and title and risk of loss passes 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. For revenue transactions that involve multiple performance obligations, the amount of revenue recognized is determined using the relative fair value approach, which is generally based on each performance obligation's stand-alone selling price. Discounts to customers, including free registration offers, are recorded as a deduction from gross revenue in the period such revenue was recognized. Revenue from advertising on its websites is recognized when the advertisement is viewed by the user.

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Meeting Fees	$ 192,712	$ 175,003	$ 382,834	$ 339,355
Online Subscription Revenues	151,018	107,998	289,565	205,122
Service revenues, net	$ 343,730	$ 283,001	$ 672,399	$ 544,477
Product sales and other, net	66,017	58,672	145,571	126,259
Revenues, net	$ 409,747	$ 341,673	$ 817,970	$ 670,736

(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

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

	Three Months Ended June 30, 2018				
	North America	Continental Europe	United Kingdom	Other	Total
Meeting Fees	$ 142,767	$ 29,402	$ 14,551	$ 5,992	$ 192,712
Online Subscription Revenues	101,099	39,342	6,955	3,622	151,018
Service revenues, net	$ 243,866	$ 68,744	$ 21,506	$ 9,614	$ 343,730
Product sales and other, net	40,672	12,848	7,704	4,793	66,017
Revenues, net	$ 284,538	$ 81,592	$ 29,210	$ 14,407	$ 409,747

	Three Months Ended July 1, 2017				
	North America	Continental Europe	United Kingdom	Other	Total
Meeting Fees	$ 129,666	$ 24,798	$ 14,028	$ 6,511	$ 175,003
Online Subscription Revenues	73,535	25,701	5,745	3,017	107,998
Service revenues, net	$ 203,201	$ 50,499	$ 19,773	$ 9,528	$ 283,001
Product sales and other, net	35,788	10,997	6,662	5,225	58,672
Revenues, net	$ 238,989	$ 61,496	$ 26,435	$ 14,753	$ 341,673

	Six Months Ended June 30, 2018				
	North America	Continental Europe	United Kingdom	Other	Total
Meeting Fees	$ 282,918	$ 58,482	$ 28,933	$ 12,500	$ 382,834
Online Subscription Revenues	193,339	75,503	13,519	7,205	289,565
Service revenues, net	$ 476,257	$ 133,985	$ 42,452	$ 19,705	$ 672,399
Product sales and other, net	87,458	30,138	17,043	10,932	145,571
Revenues, net	$ 563,715	$ 164,123	$ 59,495	$ 30,637	$ 817,970

	Six Months Ended July 1, 2017				
	North America	Continental Europe	United Kingdom	Other	Total
Meeting Fees	$ 253,665	$ 46,764	$ 26,141	$ 12,785	$ 339,355
Online Subscription Revenues	141,682	47,243	10,200	5,997	205,122
Service revenues, net	$ 395,347	$ 94,007	$ 36,341	$ 18,782	$ 544,477
Product sales and other, net	76,372	24,907	14,093	10,887	126,259
Revenues, net	$ 471,719	$ 118,914	$ 50,434	$ 29,669	$ 670,736

Information about Contract Balances

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

	Deferred Revenue	Deferred Revenue-Long Term
Balance as of December 30, 2017	$ 74,332	$ 2,049
Net increase (decrease) during the period	9,546	(548)
Balance as of June 30, 2018	$ 83,878	$ 1,501

(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

Revenue recognized from amounts included in current deferred revenue as of December 30, 2017 was $67,090 for the six months ended June 30, 2018. The Company's long-term deferred revenue, which is included in other liabilities on the Company's consolidated balance sheet, had a balance of $1,501 at June 30, 2018 related to upfront payments received as an inducement for entering into certain sales-based royalty agreements with third party licensees. This revenue is amortized on a straight-line basis over the term of the agreements.

Practical Expedients and Exemptions

The Company elected to apply the updated guidance only to contracts that were not completed as of December 31, 2017, the date of adoption. The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. The Company expenses sales commissions when incurred (amortization period would have been one year or less) and these expenses are recorded within selling, general and administrative expenses. The Company treats shipping and handling fees as fulfillment costs and not as a separate performance obligation, and as a result, any fees received from customers are included in the transaction price allocated to the performance obligation of providing goods with a corresponding amount accrued within cost of product sales and other for amounts paid to applicable carriers. Sales tax, value-added tax, and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue.

5. Franchise Rights Acquired, Goodwill and Other Intangible Assets

Franchise rights acquired are due to acquisitions of the Company's franchised territories as well as the acquisition of franchise promotion agreements and other factors associated with the acquired franchise territories. For the six months ended June 30, 2018, the change in the carrying value of franchise rights acquired is due to the effect of exchange rate changes.

Goodwill primarily relates to the acquisition of the Company by H.J. Heinz Company in 1978, the acquisition of WeightWatchers.com, Inc. in 2005, the acquisitions of the Company's franchised territories, the acquisitions of the majority interest in Vigilantes do Peso Marketing Ltda. and of Knowplicity, Inc., d/b/a Wello, in fiscal 2014 and the acquisition of Weilos, Inc. in fiscal 2015. For the six months ended June 30, 2018, the change in the carrying amount of goodwill is due to the effect of exchange rate changes as follows:

	North America	Continental Europe	United Kingdom	Other	Total
Balance as of December 30, 2017	$ 140,389	$ 7,759	$ 1,253	$ 6,880	$ 156,281
Effect of exchange rate changes	(1,833)	(428)	(29)	(861)	(3,151)
Balance as of June 30, 2018	$ 138,556	$ 7,331	$ 1,224	$ 6,019	$ 153,130

Goodwill and Franchise Rights Acquired:

The Company reviews 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. The Company performed fair value impairment testing as of May 6, 2018 and May 7, 2017, each the first day of fiscal May, on its goodwill and other indefinite-lived intangible assets. In addition, for the Company's Brazil reporting unit only, given the ongoing challenging economic environment, the negative performance trends and the Company's reduced expectations regarding the future impact of its business growth strategies in the country, the Company performed an interim goodwill impairment analysis at December 30, 2017.

In performing its annual impairment analysis as of May 6, 2018 and May 7, 2017, the Company determined that the carrying amounts of its goodwill reporting units and franchise rights acquired with indefinite lives units of account did not exceed their respective fair values and therefore, no impairment existed. In performing the interim goodwill impairment analysis for its Brazil reporting unit, the Company recorded a $13,323 impairment charge at December 30, 2017.

For all reporting units, except for Brazil, there was significant headroom in the impairment analysis. Based on the results of the Company's annual impairment test performed for all of its reporting units except for Brazil, as of the June 30, 2018 balance sheet date, the Company estimated that for reporting units that hold approximately 97.0% of the Company's goodwill, those units had a fair value at least 50% higher than the respective reporting unit's carrying amount. Based on the results of the Company's annual impairment test performed for its Brazil reporting unit, the fair value of this reporting unit exceeded its carrying value by approximately 10%, and accordingly a relatively small change in the underlying assumptions would likely cause a change in the results of the impairment assessment and, as such, could result in an impairment of the goodwill related to Brazil, for which the carrying amount is $5,054.

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

The following is a discussion of the goodwill and franchise rights acquired impairment analysis.

Goodwill

In performing the impairment analysis for goodwill, the fair value for the Company's reporting units is estimated using a discounted cash flow approach. This approach involves projecting future cash flows attributable to the reporting unit and discounting those estimated cash flows using an appropriate discount rate. The estimated fair value is then compared to the carrying value of the reporting units. The Company has determined the appropriate reporting unit for purposes of assessing annual impairment to be the country for all reporting units. For all of the Company's reporting units except for Brazil (see below), the Company estimated future cash flows by utilizing the historical debt-free cash flows (cash flows provided by operating activities less capital expenditures) attributable to that country and then applied expected future operating income growth rates for such country. The Company utilized operating income as the basis for measuring its potential growth because it believes it is the best indicator of the performance of its business. The Company then discounted the estimated future cash flows utilizing a discount rate which was calculated using the 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 determined based on the average rate of long-term U.S. Treasury securities. The market risk premium was determined by reviewing external market data. The cost of debt was determined by estimating the Company's current borrowing rate.

As it relates to the impairment analysis for Brazil, the Company estimated future debt free cash flows in contemplation of its growth strategies for that market. In developing these projections, the Company considered the historical impact of similar growth strategies in other markets as well as the current market conditions in Brazil. The Company 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 determined based on the average rate of long-term U.S. Treasury securities. The market risk premium was determined by reviewing external market data including the current economic conditions in Brazil and the country specific risk thereon. A further risk premium was included to reflect the risk associated with the significantly higher growth rates projected in the May 6, 2017 annual impairment test. The cost of debt was determined by estimating the Company's current borrowing rate.

Franchise Rights Acquired

Finite-lived franchise rights acquired are amortized over the remaining contractual period, which is generally less than one year.

In performing the impairment analysis for indefinite-lived franchise rights acquired, the fair value for franchise rights acquired is estimated using a discounted cash flow approach referred to as the hypothetical start-up approach for franchise rights related to the Company's meetings business and a relief from royalty methodology for franchise rights related to the Company's Online business. The aggregate estimated fair value for these rights is then compared to the carrying value of the unit of account for those franchise rights. The Company has determined the appropriate unit of account for purposes of assessing impairment to be the combination of the rights in the meetings and Online businesses in the country in which the acquisitions have occurred. In its hypothetical start-up approach analysis for fiscal 2018, the Company assumed that the year of maturity was reached after 7 years. Subsequent to the year of maturity, the Company estimated future cash flows for the meetings business in each country based on assumptions regarding revenue growth and operating income margins. The cash flows associated with the Online business were based on the expected Online revenue for such country and the application of a market-based royalty rate. The cash flows for the meetings and Online businesses were discounted utilizing rates consistent with those utilized in the goodwill impairment analysis.

(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

Finite-lived Intangible Assets

The carrying values of finite-lived intangible assets as of June 30, 2018 and December 30, 2017 were as follows:

	June 30, 2018		December 30, 2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Capitalized software costs	$ 116,249	$ 99,512	$ 111,617	$ 94,697
Website development costs	96,106	68,886	90,096	61,125
Trademarks	11,378	10,916	11,231	10,833
Other	13,723	4,029	3,793	3,546
Trademarks and other intangible assets	$ 237,456	$ 183,343	$ 216,737	$ 170,201
Franchise rights acquired	4,321	4,321	4,526	4,526
Total finite-lived intangible assets	$ 241,777	$ 187,664	$ 221,263	$ 174,727

Aggregate amortization expense for finite-lived intangible assets was recorded in the amounts of $6,832 and $14,242 for the three and six months ended June 30, 2018, respectively. Aggregate amortization expense for finite-lived intangible assets was recorded in the amounts of $9,015 and $18,190 for the three and six months ended July 1, 2017, respectively.

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

Remainder of fiscal 2018	$ 13,051
Fiscal 2019	$ 18,732
Fiscal 2020	$ 10,450
Fiscal 2021	$ 3,357
Fiscal 2022 and thereafter	$ 8,523

(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

6. Long-Term Debt

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

	June 30, 2018				December 30, 2017			
	Principal Balance	Unamortized Deferred Financing Costs	Unamortized Debt Discount	Effective Rate (1)	Principal Balance	Unamortized Deferred Financing Costs	Unamortized Debt Discount	Effective Rate (1)
New Revolving Credit Facility due November 29, 2022	$ 0	$ 0	$ 0	4.34%	$ 25,000	$ 0	$ 0	4.15%
Former Tranche B-2 Term Facility due April 2, 2020	0	0	0	0.00%	0	0	0	4.76%
New Term Loan Facility due November 29, 2024	1,501,500	9,009	28,233	7.24%	1,540,000	9,783	30,433	6.84%
Notes due December 1, 2025	300,000	1,289	0	8.57%	300,000	1,422	0	8.82%
Total	1,801,500	$ 10,298	$ 28,233	7.44%	1,865,000	$ 11,205	$ 30,433	4.96%
Less: Current Portion	118,498				82,750			
Unamortized Deferred Financing Costs	10,298				11,205			
Unamortized Debt Discount	28,233				30,433			
Total Long-Term Debt	$1,644,471				$1,740,612			

(1) Includes amortization of deferred financing costs and debt discount. For fiscal 2017, the effective interest rate for the tranche B-2 term facility of the Company's then-existing term loan facility was computed based on interest expense incurred over the period for which borrowings were outstanding.

On November 29, 2017, the Company refinanced its then-existing credit facilities (hereinafter referred to as "the November 2017 debt refinancing") consisting of $1,930,386 of borrowings under a term loan facility and an undrawn $50,000 revolving credit facility with $1,565,000 of borrowings under its new credit facilities, consisting of a $1,540,000 term loan facility, and a $150,000 revolving credit facility (of which $25,000 was drawn upon at the time of the November 2017 debt refinancing) (collectively, the "New Credit Facilities"), and $300,000 in aggregate principal amount of 8.625% Senior Notes due 2025 (the "Notes"). During the fourth quarter of fiscal 2017, the Company incurred fees of $53,832 (which included $30,800 of a debt discount) in connection with the November 2017 debt refinancing. In addition, the Company recorded a loss on early extinguishment of debt of $10,524 in connection thereto. This early extinguishment of debt write-off was comprised of $5,716 of deferred financing fees paid in connection with the November 2017 debt refinancing and $4,808 of pre-existing deferred financing fees.

Senior Secured Credit Facilities

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

As of June 30, 2018, the Company had $1,501,500 of debt outstanding under the New Credit Facilities, with $148,735 of availability and $1,265 in issued but undrawn letters of credit outstanding under the New Revolving Credit Facility. Outstanding balances under the New Revolving Credit Facility are included in the current portion of long-term debt on the accompanying consolidated balance sheet as of December 30, 2017 included in these consolidated financial statements.

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

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

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

Borrowings under the New Term Loan Facility bear interest at a rate per annum equal to, at the Company's option, either (1) an applicable margin plus a base rate determined by reference to the highest of (a) 0.50% per annum plus the higher of (i) the Federal Funds Effective Rate and (ii) the Overnight Bank Funding Rate as determined by the Federal Reserve Bank of New York, (b) the prime rate of JPMorgan Chase and (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00%; provided that such rate is not lower than a floor of 1.75% or (2) an applicable margin plus a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that LIBOR is not lower than a floor of 0.75%. Borrowings under the New Revolving Credit Facility bear interest at a rate per annum equal to an applicable margin based upon a leverage-based pricing grid, plus, at the Company's option, either (1) a base rate determined by reference to the highest of (a) 0.50% per annum plus the higher of (i) the Federal Funds Effective Rate and (ii) the Overnight Bank Funding Rate as determined by the Federal Reserve Bank of New York, (b) the prime rate of JPMorgan Chase and (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% or (2) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs. As of June 30, 2018, the applicable margins for the LIBOR rate borrowings under the New Term Loan Facility and the New Revolving Credit Facility were 4.75% and 2.75%, respectively.

On a quarterly basis, the Company pays a commitment fee to the lenders under the New Revolving Credit Facility in respect of unutilized commitments thereunder, which commitment fee fluctuates depending upon the Company's Consolidated Leverage Ratio. Based on the Company's Consolidated Leverage Ratio as of June 30, 2018, the commitment fee was 0.50% per annum.

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

The availability of certain baskets and the ability to enter into certain transactions are also subject to compliance with certain financial ratios. In addition, the New Revolving Credit Facility includes a maintenance covenant that will require, in certain circumstances, compliance with certain first lien secured net leverage ratios.

As of June 30, 2018, the Company was in compliance with all financial covenants in the Credit Agreement governing the New Credit Facilities.

As of June 30, 2018, in accordance with the terms of the Credit Agreement, it is probable that the Company will have a Cash Flow Sweep obligation of approximately $41,498 to the lenders in the second quarter of fiscal 2019.

Senior Notes

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

The Notes accrue interest at a rate per annum equal to 8.625% and are due on December 1, 2025. Interest on the Notes is payable semi-annually on June 1 and December 1 of each year, beginning on June 1, 2018. On or after December 1, 2020, the Company may on any one or more occasions redeem some or all of the Notes at a purchase price equal to 104.313% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, such optional redemption price decreasing to 102.156% on or after December 1, 2021 and to 100.000% on or after December 1, 2022. Prior to December 1, 2020, the Company may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Notes with an amount not to exceed the net proceeds of certain equity offerings at 108.625% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the redemption date. Prior to December 1, 2020, the Company may redeem some or all of the Notes at a make-whole price plus accrued and unpaid interest, if any, to, but not including, the redemption date. If a change of control occurs, the Company must offer to purchase for cash the Notes at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the purchase date. Following the sale of certain assets and subject to certain conditions, the Company must offer to purchase for cash the Notes at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the purchase date. The Notes are guaranteed on a senior unsecured basis by the Company's subsidiaries that guarantee the New Credit Facilities.

Outstanding Debt

At June 30, 2018, the Company had $1,801,500 outstanding under the New Credit Facilities and the Notes, consisting of the New Term Loan Facility of $1,501,500, $0 drawn down on the New Revolving Credit Facility and $300,000 in aggregate principal amount of Notes issued and outstanding.

At June 30, 2018 and December 30, 2017, the Company's debt consisted of both fixed and variable-rate instruments. An interest rate swap was entered into to hedge a portion of the cash flow exposure associated with the Company's variable-rate borrowings. See Note 11 for information on the Company's interest rate swap. The weighted average interest rate (which includes amortization of deferred financing costs and debt discount) on the Company's outstanding debt, exclusive of the impact of the swap, was 7.46% and 7.12% per annum based on interest rates at June 30, 2018 and December 30, 2017, respectively. The weighted average interest rate (which includes amortization of deferred financing costs and debt discount) on the Company's outstanding debt, including the impact of the swap, was 7.41% and 7.34% per annum based on interest rates at June 30, 2018 and December 30, 2017, respectively.

7. Earnings Per Share

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

(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

The following table sets forth the computation of basic and diluted EPS:

	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Numerator:				
Net income attributable to Weight Watchers International, Inc.	$ 70,720	$ 45,173	$ 109,832	$ 55,825
Denominator:				
Weighted average shares of common stock outstanding	66,400	64,269	65,761	64,124
Effect of dilutive common stock equivalents	3,754	3,468	4,153	3,180
Weighted average diluted common shares outstanding	70,154	67,737	69,914	67,304
Earnings per share attributable to Weight Watchers International, Inc.				
Basic	$ 1.07	$ 0.70	$ 1.67	$ 0.87
Diluted	$ 1.01	$ 0.67	$ 1.57	$ 0.83

The number of anti-dilutive common stock equivalents excluded from the calculation of the weighted average number of common shares for diluted EPS was 32 and 868 for the three months ended June 30, 2018 and July 1, 2017, respectively. The number of anti-dilutive common stock equivalents excluded from the calculation of the weighted average number of common shares for diluted EPS was 399 and 956 for the six months ended June 30, 2018 and July 1, 2017, respectively.

8. Stock Plans

On May 6, 2008 and May 12, 2004, respectively, the Company's shareholders approved the 2008 Stock Incentive Plan (the "2008 Plan") and the 2004 Stock Incentive Plan (the "2004 Plan"). On May 6, 2014, the Company's shareholders approved the 2014 Stock Incentive Plan (as amended and restated, the "2014 Plan", and together with the 2004 Plan and the 2008 Plan, the "Stock Plans"), which replaced the 2008 Plan and 2004 Plan for all equity-based awards granted on or after May 6, 2014. The 2014 Plan is designed to promote the long-term financial interests and growth of the Company by attracting, motivating and retaining employees with the ability to contribute to the success of the business and to align compensation for the Company's employees over a multi-year period directly with the interests of the shareholders of the Company. The Company's long-term equity incentive compensation program has historically included time-vesting non-qualified stock option and/or restricted stock unit (including performance-based stock unit with both time- and performance-vesting criteria ("PSUs")) awards. The Company's Board of Directors or a committee thereof administers the 2014 Plan.

In fiscal 2018, the Company granted 81.3 PSUs in May 2018 having both time- and performance-vesting criteria. The time-vesting criteria for these PSUs will be satisfied upon continued employment (with limited exceptions) on the third anniversary of the grant date (i.e., May 15, 2021). The performance-vesting criteria for these PSUs will be satisfied if the Company has achieved a certain annual operating income objective for the performance period of fiscal 2020. Pursuant to these awards, the number of PSUs that become vested, if any, upon the satisfaction of both vesting criteria, shall be equal to (x) the target number of PSUs granted multiplied by (y) the applicable achievement percentage, rounded down to avoid the issuance of fractional shares. The applicable achievement percentage shall increase in the event the Company has achieved a certain revenue target during such performance period. If all of these awards fully meet the time-vesting criteria and the minimum performance condition is attained, depending on the Company's achievement, the number of shares of the Company's common stock issuable under these PSUs range from 27.0 to 161.8. The Company is currently accruing compensation expense to what it believes is the probable outcome upon vesting.

In fiscal 2017, the Company granted 98.5 PSUs in May 2017 and 47.9 PSUs in July 2017, all having both time- and performance-vesting criteria. The time-vesting criteria for these PSUs will be satisfied upon continued employment (with limited exceptions) on May 15, 2020. The performance-vesting criteria for these PSUs will be satisfied if the Company has achieved, in the case of the May 2017 awards, certain annual operating income objectives and, in the case of the July 2017 award, certain net income or operating income objectives, as applicable for each performance year, in each fiscal year over a three-year period (i.e., fiscal 2017 through fiscal 2019) (each, a "2017 Award Performance Year"). When the performance measure has been met for a particular 2017

Award Performance Year, that portion of units is “banked” for potential issuance following the satisfaction of the time-vesting criteria. Such portion of units to be “banked” shall be equal to (x) the target number of PSUs granted for the applicable 2017 Award Performance Year multiplied by (y) the applicable achievement percentage, rounded down to avoid the issuance of fractional shares. If all of these awards fully meet the time-vesting criteria and, in the case of the performance criteria, taking into account that the fiscal 2017 performance objective was satisfied at the "maximum" achievement level and assuming the minimum performance condition is attained in each of fiscal 2018 and fiscal 2019, depending on the Company's performance achievement in those two years, the number of shares of the Company's common stock issuable under these PSUs range from 106.0 to 227.2. The Company is currently accruing compensation expense to what it believes is the probable outcome upon vesting.

In fiscal 2016, the Company granted 289.9 PSUs having both time- and performance-vesting criteria. The time-vesting criteria for these PSUs will be satisfied upon continued employment (with limited exceptions) on the third anniversary of the grant date (i.e., May 16, 2019). The performance-vesting criteria for these PSUs will be satisfied if the Company has achieved a Debt Ratio (as defined in the applicable term sheet for these PSU awards and based on a Debt to EBITDAS ratio (each, as defined therein)) at levels at or below 4.5x over the performance period from December 31, 2017 to December 29, 2018. Pursuant to these awards, the number of PSUs that become vested, if any, upon the satisfaction of both vesting criteria, shall be equal to (x) the target number of PSUs granted multiplied by (y) the applicable Debt Ratio achievement percentage, rounded down to avoid the issuance of fractional shares. If all of these awards fully meet the time-vesting criteria and the minimum performance condition is attained, depending on the Company’s Debt Ratio achievement, the number of shares of the Company’s common stock issuable under these PSUs range from 54.9 to 274.8. The Company is currently accruing compensation expense to what it believes is the probable outcome upon vesting.

9. Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”) was enacted, which, among other things, lowered the U.S. corporate income tax rate to 21% from 35% and established a modified territorial system requiring a mandatory deemed repatriation tax on undistributed earnings of foreign subsidiaries. Beginning in 2018, the 2017 Tax Act also requires a minimum tax on certain earnings generated by foreign subsidiaries while providing for tax-free repatriation of such earnings through a 100% dividends-received deduction. The Company’s effective income tax rate in 2017 included a provisional charge of $56,560, recorded in the fourth quarter of 2017, related to the 2017 Tax Act using information and estimates available as of December 30, 2017. Given the significant complexity of the 2017 Tax Act, recent and anticipated further guidance from the U.S. Treasury about implementing the 2017 Tax Act and the potential for additional guidance from the SEC or the FASB related to the 2017 Tax Act or additional information becoming available, the Company’s provisional charge may be adjusted during 2018 and is expected to be finalized no later than the fourth quarter of 2018. Other provisions of the 2017 Tax Act that impact future tax years are still being assessed. The aforementioned guidance and additional information regarding the 2017 Tax Act may also impact the Company’s 2018 effective income tax rate, exclusive of any adjustment to the provisional charge.

Additionally, the Company continues to evaluate the impact of the Global Intangible Low Taxes Income (“GILTI”) provisions under the 2017 Tax Act which are complex and subject to continuing regulatory interpretation by the U.S. Internal Revenue Service (“IRS”). The Company is required to make an accounting policy election of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current period expense when incurred (the “period cost policy”) or (2) factoring such amounts into the Company’s measurement of its deferred taxes (the “deferred policy”). The Company’s accounting policy election with respect to the new GILTI Tax rules will depend, in part, on further guidance issued by the IRS, and on analyzing its global income to determine whether it can reasonably estimate the tax impact. While the Company has included an estimate of GILTI in its estimated effective tax rate for 2018, it has not completed its analysis and is not yet able to determine which method to elect. Adjustments related to the amount of GILTI Tax recorded in its consolidated financial statements may be required based on the outcome of this election.

The effective tax rates for the three and six months ended June 30, 2018 were 21.9% and 6.2%, respectively. The effective tax rates for the three and six months ended July 1, 2017 were 36.5% and 23.2%, respectively. For the six months ended June 30, 2018, the primary difference between the U.S. federal statutory tax rate and the Company’s consolidated effective tax rate was due to the $22,155 tax benefit related to tax windfalls from stock compensation and a $1,859 tax benefit related to the cessation of operations of the Company’s Mexican subsidiary.

For the six months ended July 1, 2017, the primary difference between the U.S. federal statutory tax rate and the Company’s consolidated effective tax rate was due to the $11,633 tax benefit related to the cessation of operations of the Company’s Spanish subsidiary, partially offset by $604 of tax expense related to tax shortfalls in connection with the updated guidance on stock compensation the Company adopted in the first quarter of fiscal 2017.

(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

The differences between the U.S. federal statutory tax rate and the Company's consolidated effective tax rate is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
U.S. federal statutory tax rate	21.0%	35.0%	21.0%	35.0%
State income taxes (net of federal benefit)	2.2%	1.8%	2.3%	2.4%
Cessation of operations	0.0%	0.4%	(1.6%)	(16.0%)
Research and development credit	(0.1%)	(1.1%)	(0.4%)	(2.2%)
Tax (windfall) shortfall on share-based awards	(4.5%)	(0.8%)	(18.9%)	0.8%
Section 162m limitation	0.2%	0.0%	0.3%	0.0%
Increase in valuation allowance due to net operating loss	0.1%	0.1%	0.4%	1.2%
Impact of Foreign Ops	2.3%	0.4%	2.3%	0.7%
Other	0.7%	0.7%	0.8%	1.3%
Total effective tax rate	21.9%	36.5%	6.2%	23.2%

10. Legal

Due to the nature of the Company's activities, it is, at times, subject to pending and threatened legal actions that arise out of the ordinary course of business. In the opinion of management, the disposition of any such matters is not expected, individually or in the aggregate, to have a material adverse effect on the Company's results of operations, financial condition or cash flows.

11. Derivative Instruments and Hedging

As of June 30, 2018 and December 30, 2017, the Company had in effect an interest rate swap with a notional amount totaling $1,250,000.

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

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

As of June 30, 2018 and December 30, 2017, cumulative unrealized gains (losses) for qualifying hedges were reported as a component of accumulated other comprehensive loss in the amount of $2,625 ($3,458 before taxes) and $(5,392) (($8,839) before taxes), respectively. As of June 30, 2018, the fair value of the Company's currently effective swap was an asset of $5,104 which is included in prepaid expenses and other current assets in the consolidated balance sheet. As of June 30, 2018, the fair value of the future swap was a liability of $1,943, which is included in other liabilities in the consolidated balance sheet. As of December 30, 2017, the fair value of the Company's currently effective swap was a liability of $12,171 which is included in derivative payable in the consolidated balance sheet.

(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

The Company is hedging forecasted transactions for periods not exceeding the next six years. The Company expects approximately $675 ($905 before taxes) of derivative gains included in accumulated other comprehensive loss at June 30, 2018, based on current market rates, will be reclassified into earnings within the next 12 months.

12. Fair Value Measurements

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

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

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

Fair Value of Financial Instruments

The Company's significant financial instruments include long-term debt and interest rate swap agreements as of June 30, 2018 and December 30, 2017. The fair value of the Company's borrowings under the New Revolving Credit Facility approximated a carrying value of $0 and $25,000 at June 30, 2018 and December 30, 2017, respectively, due to the nature of the debt (Level 2 input).

The fair value of the Company's New Credit Facilities is determined by utilizing average bid prices on or near the end of each fiscal quarter (Level 2 input). As of June 30, 2018 and December 30, 2017, the fair value of the Company's long-term debt was approximately $1,812,744 and $1,810,085, respectively, as compared to the carrying value (net of deferred financing costs and debt discount) of $1,762,969 and $1,798,362, respectively.

Derivative Financial Instruments

The fair values for the Company's derivative financial instruments are determined using observable current market information such as the prevailing LIBOR interest rate and LIBOR yield curve rates and include consideration of counterparty credit risk. See Note 11 for disclosures related to derivative financial instruments.

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

		Fair Value Measurements Using:		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap asset at June 30, 2018	$ 5,104	$ 0	$ 5,104	$ 0
Interest rate swap liability at June 30, 2018	$ 1,943	$ 0	$ 1,943	$ 0
Interest rate swap liability at December 30, 2017	$ 12,171	$ 0	$ 12,171	$ 0

The Company did not have any transfers into or out of Levels 1 and 2, and did not maintain any assets or liabilities classified as Level 3, during the three months ended June 30, 2018 and the fiscal year ended December 30, 2017.

(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

13. Accumulated Other Comprehensive Loss

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

Changes in Accumulated Other Comprehensive Loss by Component [(a)]

	Six Months Ended June 30, 2018		
	(Loss) Gain on Qualifying Hedges	Loss on Foreign Currency Translation	Total
Beginning Balance at December 30, 2017	$ (5,392)	$ (5,075)	$ (10,467)
Other comprehensive income (loss) before reclassifications, net of tax	7,236	(5,396)	1,840
Amounts reclassified from accumulated other comprehensive loss, net of tax[(b)]	1,942	0	1,942
Adoption of accounting standard	(1,161)	(1,324)	(2,485)
Net current period other comprehensive income (loss) including noncontrolling interest	8,017	(6,720)	1,297
Less: net current period other comprehensive loss attributable to the noncontrolling interest	0	373	373
Ending Balance at June 30, 2018	$ 2,625	$ (11,422)	$ (8,797)

(a) Amounts in parentheses indicate debits

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

	Six Months Ended July 1, 2017		
	Loss on Qualifying Hedges	Loss on Foreign Currency Translation	Total
Beginning Balance at December 31, 2016	$ (16,002)	$ (11,118)	$ (27,120)
Other comprehensive income before reclassifications, net of tax	(2,915)	2,892	(23)
Amounts reclassified from accumulated other comprehensive loss, net of tax[(b)]	5,585	787	6,372
Net current period other comprehensive income including noncontrolling interest	2,670	3,679	6,349
Less: net current period other comprehensive income attributable to the noncontrolling interest	0	41	41
Ending Balance at July 1, 2017	$ (13,332)	$ (7,398)	$ (20,730)

(a) Amounts in parentheses indicate debits

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

(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

Reclassifications out of Accumulated Other Comprehensive Loss (a)

Details about Other Comprehensive Loss Components	Three Months Ended June 30, 2018	Three Months Ended July 1, 2017	Six Months Ended June 30, 2018	Six Months Ended July 1, 2017	Affected Line Item in the Statement Where Net Income is Presented
	Amounts Reclassified from Accumulated Other Comprehensive Loss		Amounts Reclassified from Accumulated Other Comprehensive Loss		
Loss on Qualifying Hedges					
Interest rate contracts	$ (346)	$ (3,905)	$ (2,603)	$ (9,155)	Interest expense
	(346)	(3,905)	(2,603)	(9,155)	Income before income taxes
	88	1,523	661	3,570	Provision for income taxes
	$ (258)	$ (2,382)	$ (1,942)	$ (5,585)	Net income
Loss on Foreign Currency Translation	$ 0	$ (80)	$ 0	$ (787)	Other expense (income), net
	0	(80)	0	(787)	Income before income taxes
	0	0	0	0	Provision for income taxes
	$ 0	$ (80)	$ 0	$ (787)	Net income

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

14. Segment Data

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

	Total Revenue, net			
	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
North America	$ 284,538	$ 238,989	$ 563,715	$ 471,719
Continental Europe	81,592	61,496	164,123	118,914
United Kingdom	29,210	26,435	59,495	50,434
Other	14,407	14,753	30,637	29,669
Total revenue, net	$ 409,747	$ 341,673	$ 817,970	$ 670,736

(IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT AMOUNTS)

	Net Income			
	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Segment operating income:				
North America	$ 112,040	$ 79,073	$ 174,393	$ 113,189
Continental Europe	32,478	22,767	50,409	27,823
United Kingdom	6,035	6,672	9,903	9,245
Other	3,452	3,263	5,037	4,941
Total segment operating income	154,005	111,775	239,742	155,198
General corporate expenses	26,297	15,569	49,963	28,758
Interest expense	35,866	27,092	71,732	55,234
Other expense (income), net	1,333	(488)	1,097	154
Gain on early extinguishment of debt	0	(1,554)	0	(1,554)
Provision for income taxes	19,825	25,992	7,208	16,864
Net income	70,684	45,164	109,742	55,742
Net loss attributable to the noncontrolling interest	36	9	90	83
Net income attributable to Weight Watchers International, Inc.	$ 70,720	$ 45,173	$ 109,832	$ 55,825

	Depreciation and Amortization			
	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
North America	$ 9,163	$ 9,738	$ 18,642	$ 19,868
Continental Europe	317	292	618	601
United Kingdom	350	346	715	628
Other	164	136	309	275
Total segment depreciation and amortization	9,994	10,512	20,284	21,372
General corporate depreciation and amortization	2,834	3,556	5,612	7,043
Depreciation and amortization	$ 12,828	$ 14,068	$ 25,896	$ 28,415

15. Related Party

As previously disclosed, on October 18, 2015, the Company entered into the Strategic Collaboration Agreement with Oprah Winfrey, under which she will consult with the Company and participate in developing, planning, executing and enhancing the Weight Watchers program and related initiatives, and provide it with services in her discretion to promote the Company and its programs, products and services.

In addition to the Strategic Collaboration Agreement, Ms. Winfrey and her related entities provided services to the Company totaling $689 and $1,988 for the three and six months ended June 30, 2018, respectively and $874 and $2,556 for the three and six months ended July 1, 2017, respectively, which services included advertising, production and related fees.

The Company’s accounts payable to parties related to Ms. Winfrey at June 30, 2018 and December 30, 2017 was $233 and $828, respectively.

In March 2018, as permitted by the transfer provisions set forth in the previously disclosed Share Purchase Agreement, dated October 18, 2015, between the Company and Ms. Winfrey, and the Option Agreement, dated October 18, 2015, between the Company and Ms. Winfrey, Ms. Winfrey sold 954 of the shares she purchased under such purchase agreement and exercised a portion of her stock options resulting in the sale of 1,405 shares issuable under such options, respectively.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, this Quarterly Report on Form 10-Q 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 heading "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 Quarterly Report on Form 10-Q 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 and wellness 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, products or brands to continue to appeal to the market, or our ability to successfully expand into new channels of distribution or respond to consumer trends;
- the ability to successfully implement new strategic initiatives;
- the effectiveness of our advertising and marketing programs, including the strength of our social media presence;
- the impact on our reputation of actions taken by our franchisees, licensees, suppliers and other partners;
- the impact of our substantial amount of debt, and our debt service obligations and debt covenants;
- the inability to generate sufficient cash to service our debt and satisfy our other liquidity requirements;
- uncertainties regarding the satisfactory operation of our technology or systems;
- the impact of security breaches or privacy concerns;
- the recognition of asset impairment charges;
- the loss of key personnel, strategic partners or consultants or failure to effectively manage and motivate our workforce;
- the inability to renew certain of our licenses, or the inability to do so on terms that are favorable to us;
- the expiration or early termination by us of leases;
- 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;
- 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 Group S.A (together with its parents and subsidiaries, "Artal"), the largest holder of our common stock and a shareholder with significant influence over us, will conflict with our interests or the interests of other holders of our common stock; 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 herein, 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 Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events or otherwise.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Weight Watchers International, Inc. is a Virginia corporation with its principal executive offices in New York, New York. In this Quarterly Report on Form 10-Q unless the context indicates otherwise: "we," "us," "our," the "Company" and "WWI" refer to Weight Watchers International, Inc. and all of its operations consolidated for purposes of its financial statements; "North America" refers to our North American Company-owned operations; "Continental Europe" refers to our Continental Europe Company-owned operations; "United Kingdom" refers to our United Kingdom Company-owned operations; and "Other" refers to Australia, New Zealand and emerging markets operations and franchise revenues and related costs. Each of North America, Continental Europe, United Kingdom and Other is also a reportable segment. Our "meetings" business refers to providing access to combined meetings and digital offerings to the Company's commitment plan subscribers (including Total Access subscribers), as well as access to meetings to our "pay-as-you-go" members and other meetings members. "Online" refers to Weight Watchers Online, Weight Watchers Online*Plus*, Personal Coaching and other digital subscription products.

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

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

The following terms used in this Quarterly Report on Form 10-Q are our trademarks: Weight Watchers® and WW Freestyle™.

You should read the following discussion in conjunction with our Annual Report on Form 10-K for fiscal 2017 that includes additional information about us, our results of operations, our financial position and our cash flows, and with our unaudited consolidated financial statements and related notes included in Item 1 of this Quarterly Report on Form 10-Q (collectively referred to as the "Consolidated Financial Statements").

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. We present within this Quarterly Report on Form 10-Q the non-GAAP financial measures earnings before interest, taxes, depreciation, amortization and stock-based compensation ("EBITDAS"), earnings before interest, taxes, depreciation, amortization, stock-based compensation and goodwill impairment ("Adjusted EBITDAS") and net debt. See "—Liquidity and Capital Resources—EBITDAS, Adjusted EBITDAS and Net Debt" for the calculations. Our management believes these non-GAAP financial measures provide useful supplemental information to investors regarding the performance of our business and are useful for period-over-period comparisons of the performance of our business. While we believe that these non-GAAP financial measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. In addition, these non-GAAP financial measures may not be the same as similarly entitled measures reported by other companies.

USE OF CONSTANT CURRENCY

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

CRITICAL ACCOUNTING POLICIES

Goodwill and Franchise Rights Acquired Annual Impairment Test

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. We performed fair value impairment testing as of May 6, 2018 and May 7, 2017, each the first day of fiscal May, on our goodwill and other indefinite-lived intangible assets. In addition, for our Brazil reporting unit only, given the ongoing challenging economic environment, the negative performance trends and our reduced expectations regarding the future impact of our business growth strategies in the country, we performed an interim goodwill impairment analysis at December 30, 2017.

In performing our goodwill impairment analysis for our reporting units for fiscal 2018 and fiscal 2017 no impairment was identified as the respective fair values of each reporting unit exceeded its carrying value. In performing the interim goodwill impairment analysis for our Brazil reporting unit at December 30, 2017, we recorded a $13.3 million impairment charge. In performing the impairment analysis for our franchise rights acquired with indefinite lives for fiscal 2018 and fiscal 2017, we determined that the carrying amounts of these units of account did not exceed their respective fair values and therefore no impairment existed.

With respect to our impairment analysis, a change in the underlying assumptions would cause a change in the results of the impairment assessments 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 they are appropriate.

In performing our annual impairment analysis, we also considered the trading value of both our equity and debt. If the trading values of both our equity and debt were to significantly decline from their current levels, we may have to take an impairment charge at the appropriate time, which could be material. For additional information on risks associated with our recognizing asset impairment charges, see "Item 1A. Risk Factors" of our Annual Report on Form 10-K for fiscal 2017.

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 as of the June 30, 2018 balance sheet date were $97.8 million, $40.8 million, $4.6 million and $9.9 million, respectively.

Based on the results of our annual impairment test performed for all of our reporting units except for Brazil, as of the June 30, 2018 balance sheet date, we estimated that for reporting units that hold 97.0% of our goodwill, those units had a fair value at least 50% higher than the respective reporting unit's carrying amount. Based on the results of our annual impairment test performed for our Brazil reporting unit as of the June 30, 2018 balance sheet date, we estimated that this reporting unit holds 3.0% of our goodwill, and the fair value of this reporting unit was approximately 10% higher than its carrying value.

For all of our reporting units except for Brazil (see below), we estimated future cash flows by utilizing the historical debt-free cash flows (cash flows provided by operating activities less capital expenditures) attributable to that country and then applied expected future operating income growth rates for such country. We utilized operating income as the basis for measuring our potential growth because we believe it is the best indicator of the performance of our business. We then discounted the estimated future cash flows utilizing a discount rate which was calculated using the 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 determined based on the average rate of long-term U.S. Treasury securities. The market risk premium was determined by reviewing external market data. The cost of debt was determined by estimating our current borrowing rate.

The following are the more significant assumptions utilized in our annual impairment analysis (except for Brazil) for fiscal 2018 and fiscal 2017:

	June 30, 2018	July 1, 2017
Debt-Free Cumulative Annual Cash Flow Growth Rate	3.8% to 5.4%	3.6% to 4.1%
Discount Rate	8.7%	8.9%

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 determined based on the average rate of long-term U.S. Treasury securities. The market risk premium was determined by reviewing external market data including the current economic conditions in Brazil and the country specific risk thereon, all as reflected in the discount rate. A further risk premium was included to reflect the risk associated with the significantly higher growth rates projected in the May 6, 2017 annual impairment test. The cost of debt was determined by estimating the Company's current borrowing rate.

The following are the more significant assumptions utilized in our interim and our annual impairment analysis for Brazil for fiscal 2018 and fiscal 2017:

	June 30, 2018	December 30, 2017	July 1, 2017
Cumulative Annual Revenue Cash Flow Growth Rate	14.8%	16.8%	19.4%
Average Operating Income Margin	3.7%	(0.4%)	18.6%
Average Operating Income Margin Range	(17.3%) to 16.5%	(16.3%) to 13.8%	(10.8%) to 31.0%
Discount Rate	16.2%	17.0%	16.9%

Franchise Rights Acquired

Finite-lived franchise rights acquired are amortized over the remaining contractual period, which is generally less than one year. 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 account for those franchise rights. We have determined the appropriate unit of account for purposes of assessing impairment to be the combination of the rights in 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, and New Zealand as of the June 30, 2018 balance sheet date were $671.9 million, $54.9 million, $12.0 million, $6.7 million and $4.8 million, respectively.

Based on the results of our fiscal 2017 annual impairment analysis, we estimated that 100.0% 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 2018, we assumed that the year of maturity was reached after 7 years. Subsequent to the year of maturity, we estimated future cash flows for the meetings business in each country based on assumptions regarding revenue growth and operating income margins. The cash flows associated with the Online business were based on the expected Online revenue for such country and the application of a market-based royalty rate. The cash flows for the meetings and Online businesses were discounted utilizing rates consistent with those utilized in the goodwill impairment analysis.

In performing this impairment analysis for fiscal 2018, for the year of maturity we assumed meeting room revenue (comprised of Meeting Fees and revenues from products sold to members in meetings) growth of 37.2% to 59.3% in the year of maturity from fiscal 2017, in each case, earned in the applicable country and assumed cumulative annual revenue growth rates for the years beyond the year of maturity of 1.7%. For the year of maturity and beyond, we assumed operating income margin rates of 7.7% to 24.9%.

Other Critical Accounting Policies

For a discussion of the other critical accounting policies affecting us, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" of our Annual Report on Form 10-K for fiscal 2017. Our critical accounting policies have not changed since the end of fiscal 2017.

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 subscription plans for combined meetings and digital offerings and other payment arrangements for access to meetings. "Online Subscription Revenues" consist of the fees associated with subscriptions for our Online subscription products, including our Personal Coaching product. In addition, "product sales and other" consists of sales of products to members in meetings and online, revenues from licensing, magazine subscriptions, publishing and third-party advertising in publications and on our websites and sales from the By Mail product, other revenues, and, in the case of the consolidated financial results and Other reportable segment, franchise fees with respect to commitment plans and commissions.
- 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.
- Incoming Subscribers—"Subscribers" refer to meetings members and Online subscribers who participate in recurring billing programs. The "Incoming Subscribers" metric reports Weight Watchers subscribers in Company-owned operations at a given period start as follows: (i) "Incoming Meeting Subscribers" is the total number of Weight Watchers commitment plan subscribers (including Total Access); (ii) "Incoming Online Subscribers" is the total number of Weight Watchers Online, Weight Watchers Online*Plus* and Personal Coaching subscribers; and (iii) "Incoming Subscribers" is the sum of Incoming Meeting Subscribers and Incoming Online Subscribers. Recruitment and retention are key drivers for this metric.
- End of Period Subscribers—The "End of Period Subscribers" metric reports Weight Watchers subscribers in Company-owned operations at a given period end as follows: (i) "End of Period Meeting Subscribers" is the total number of Weight Watchers commitment plan subscribers (including Total Access); (ii) "End of Period Online Subscribers" is the total number of Weight Watchers Online, Weight Watchers Online*Plus* and Personal Coaching subscribers; and (iii) "End of Period Subscribers" is the sum of End of Period Meeting Subscribers and End of Period Online Subscribers. Recruitment and retention are key drivers for this metric.
- Gross profit and operating expenses as a percentage of revenue.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2018 COMPARED TO THE THREE MONTHS ENDED JULY 1, 2017

The table below sets forth selected financial information for the second quarter of fiscal 2018 from our consolidated statements of net income for the three months ended June 30, 2018 versus selected financial information for the second quarter of fiscal 2017 from our consolidated statements of net income for the three months ended July 1, 2017:

Summary of Selected Financial Data

	(In millions, except per share amounts) For The Three Months Ended				
	June 30, 2018	July 1, 2017	Increase/ (Decrease)	% Change	% Change Constant Currency
Revenues, net	$ 409.7	$ 341.7	$ 68.1	19.9%	17.6%
Cost of revenues	165.0	152.7	12.3	8.1%	6.2%
Gross profit	244.8	189.0	55.8	29.5%	26.8%
Gross Margin %	*59.7 %*	*55.3 %*			
Marketing expenses	55.4	42.0	13.5	32.1%	28.3%
Selling, general & administrative expenses	61.7	50.8	10.8	21.3%	20.0%
Operating income	127.7	96.2	31.5	32.7%	29.7%
Operating Income Margin %	*31.2 %*	*28.2 %*			
Interest expense	35.9	27.1	8.8	32.4%	32.4%
Other expense (income), net	1.3	(0.5)	1.8	100.0% *	100.0% *
Gain on early extinguishment of debt	0.0	(1.6)	1.6	(100.0%)*	(100.0%)*
Income before income taxes	90.5	71.2	19.4	27.2%	23.1%
Provision for income taxes	19.8	26.0	(6.2)	(23.7%)	(27.2%)
Net income	70.7	45.2	25.5	56.5%	52.0%
Net loss attributable to the noncontrolling interest	0.0	0.0	0.0	100.0%*	100.0% *
Net income attributable to Weight Watchers International, Inc.	$ 70.7	$ 45.2	$ 25.5	56.6%	52.1%
Weighted average diluted shares outstanding	70.2	67.7	2.4	3.6%	3.6%
Diluted earnings per share	$ 1.01	$ 0.67	$ 0.34	51.2%	46.9%

Note: Totals may not sum due to rounding.

*Note: Percentage in excess of 100.0%.

Consolidated Results

Revenues

Revenues in the second quarter of fiscal 2018 were $409.7 million, an increase of $68.1 million, or 19.9%, versus the second quarter of fiscal 2017. Excluding the impact of foreign currency, which positively impacted our revenues for the second quarter of fiscal 2018 by $8.0 million, revenues in the second quarter of fiscal 2018 would have increased 17.6% versus the prior year period. This increase was driven by revenue growth in all major markets. See "—Segment Results" for additional details on revenues.

Cost of Revenues and Gross Profit

Total cost of revenues in the second quarter of fiscal 2018 increased $12.3 million, or 8.1%, versus the prior year period. Gross profit increased $55.8 million, or 29.5%, in the second quarter of fiscal 2018 compared to the second quarter of fiscal 2017 primarily due to the increase in revenues. Excluding the impact of foreign currency, which positively impacted gross profit for the second quarter of fiscal 2018 by $5.2 million, gross profit in the second quarter of fiscal 2018 would have increased 26.8% versus the prior year period. Gross margin in the second quarter of fiscal 2018 increased 4.4% to 59.7% versus 55.3% in the second quarter of fiscal 2017. Gross margin expansion was driven primarily by improved operating leverage and a mix shift to the higher margin Online business.

Marketing

Marketing expenses for the second quarter of fiscal 2018 increased $13.5 million, or 32.1%, versus the second quarter of fiscal 2017. Excluding the impact of foreign currency, which increased marketing expenses for the second quarter of fiscal 2018 by $1.6 million, marketing expenses in the second quarter of fiscal 2018 would have increased 28.3% versus the second quarter of fiscal 2017. This increase in marketing expense was largely due to investments in digital marketing initiatives and our Summer of Impact campaign, as well as investments in evolving our brand. Marketing expenses as a percentage of revenue increased to 13.5% in the second quarter of fiscal 2018 as compared to 12.3% in the prior year period.

Selling, General and Administrative

Selling, general and administrative expenses for the second quarter of fiscal 2018 increased $10.8 million, or 21.3%, versus the second quarter of fiscal 2017. Excluding the impact of foreign currency, which increased selling, general and administrative expenses for the second quarter of fiscal 2018 by $0.7 million, selling, general and administrative expenses in the second quarter of fiscal 2018 would have increased 20.0% versus the prior year period. The increase in selling, general and administrative expenses in the second quarter of fiscal 2018 was driven primarily by higher compensation and incentive-related costs. Selling, general and administrative expenses as a percentage of revenue for the second quarter of fiscal 2018 increased to 15.0% from 14.9% for the second quarter of fiscal 2017.

Operating Income

Operating income in the second quarter of fiscal 2018 increased $31.5 million, or 32.7%, versus the prior year period. Excluding the impact of foreign currency, which positively impacted operating income for the second quarter of fiscal 2018 by $2.9 million, operating income in the second quarter of fiscal 2018 would have increased 29.7% versus the prior year period. This increase in operating income was driven by higher operating income in North America and Continental Europe as compared to the prior year period. Operating income margin in the second quarter of fiscal 2018 increased 3.0% to 31.2% versus 28.2% in the second quarter of fiscal 2017. This increase in operating income margin was driven by an increase in gross margin partially offset by an increase in marketing expenses as a percentage of revenue, and an increase in selling, general and administrative expenses as a percentage of revenue, all as compared to the prior year period.

Interest Expense

Interest expense in the second quarter of fiscal 2018 increased $8.8 million, or 32.4%, versus the second quarter of fiscal 2017. The increase in interest expense was driven primarily by higher interest expense arising from the interest rates under our New Term Loan Facility (defined hereafter) and on our Notes (defined hereafter) in connection with our November 2017 debt refinancing. The effective interest rate on our debt, based on interest incurred (which includes amortization of our deferred financing costs and debt discount) and our average borrowings during the second quarter of fiscal 2018 and the second quarter of fiscal 2017 and excluding the impact of our interest rate swap, increased to 7.73% per annum at the end of the second quarter of fiscal 2018 from 4.66% per annum at the end of the second quarter of fiscal 2017. Including the impact of our interest rate swap, the effective interest rate on our debt, based on interest incurred (which includes amortization of our deferred financing costs and debt discount) and our average borrowings during the second quarter of fiscal 2018 and the second quarter of fiscal 2017, increased to 7.80% per annum at the end of the second quarter of fiscal 2018 from 5.44% per annum at the end of the second quarter of fiscal 2017. See "—Liquidity and Capital Resources—Long-Term Debt" for additional details regarding our current and prior credit facilities and our Notes, including interest rates on our debt outstanding, and payments on our debt. For additional details on our interest rate swap, see "Item 3. Quantitative and Qualitative Disclosures about Market Risk" in Part I of this Quarterly Report on Form 10-Q.

Other Expense (Income), Net

Other expense (income), net, which consists primarily of the impact of foreign currency on intercompany transactions, increased by $1.8 million in the second quarter of fiscal 2018 to $1.3 million of expense as compared to $0.5 million of income in the prior year period.

Gain on Early Extinguishment of Debt

In May 2017, we paid an aggregate amount of cash proceeds totaling $73.0 million plus an amount sufficient to pay accrued and unpaid interest on the amount prepaid to prepay $75.5 million in aggregate principal amount of term loans under our then-existing tranche B-2 term facility. As a result of this prepayment, we wrote-off fees of $0.6 million, incurred fees of $0.3 million and recorded a gain on early extinguishment of debt of $1.6 million, inclusive of these fees, in the second quarter of fiscal 2017.

Tax

Our effective tax rate for the second quarter of fiscal 2018 was 21.9% as compared to 36.5% for the second quarter of fiscal 2017. The effective tax rate in the second quarter of fiscal 2018 was impacted by the $4.1 million tax benefit related to tax windfalls from stock compensation.

Net Income Attributable to the Company and Earnings Per Share

Net income attributable to the Company in the second quarter of fiscal 2018 increased $25.5 million, or 56.6%, from the second quarter of fiscal 2017. Excluding the impact of foreign currency, which positively impacted net income attributable to the Company in the second quarter of fiscal 2018 by $2.0 million, net income attributable to the Company in the second quarter of fiscal 2018 would have increased by 52.1% versus the prior year period.

Earnings per fully diluted share, or EPS, in the second quarter of fiscal 2018 was $1.01 compared to $0.67 in the second quarter of fiscal 2017. EPS for the second quarter of fiscal 2017 included a tax benefit of $0.01 in connection with the gain on early extinguishment of debt.

Segment Results

Metrics and Business Trends

The following tables set forth key metrics by reportable segment for the second quarter of fiscal 2018 and the percentage change in those metrics versus the prior year period:

(in millions except percentages and as noted)

	Q2 2018								
	GAAP			Constant Currency					
	Service Revenues	Product Sales & Other	Total Revenues	Service Revenues	Product Sales & Other	Total Revenues	Total Paid Weeks	Incoming Subscribers	EOP Subscribers
								(in thousands)	
North America	$ 243.9	$ 40.7	$ 284.5	$ 243.2	$ 40.6	$ 283.7	40.9	3,034.3	2,997.0
CE	68.7	12.8	81.6	64.2	11.9	76.1	13.6	1,040.1	1,020.6
UK	21.5	7.7	29.2	20.2	7.2	27.5	5.3	389.1	383.5
Other (1)	9.6	4.8	14.4	9.7	4.8	14.5	1.4	106.5	100.8
Total	$ 343.7	$ 66.0	$ 409.7	$ 337.3	$ 64.5	$ 401.8	61.2	4,569.9	4,502.0
	% Change Q2 2018 vs. Q2 2017								
North America	20.0%	13.6%	19.1%	19.7%	13.4%	18.7%	28.3%	28.1%	28.5%
CE	36.1%	16.8%	32.7%	27.1%	8.6%	23.8%	31.7%	34.4%	30.2%
UK	8.8%	15.6%	10.5%	2.3%	8.6%	3.9%	15.9%	18.9%	15.2%
Other (1)	0.9%	(8.1%)	(2.3%)	1.9%	(8.6%)	(1.8%)	8.0%	25.1%	29.7%
Total	21.5%	12.5%	19.9%	19.2%	10.0%	17.6%	27.3%	28.6%	27.6%

Note: Totals may not sum due to rounding.

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

(in millions except percentages and as noted)

	Q2 2018									
	Meeting Fees		Meeting Paid Weeks	Incoming Meeting Subscribers	EOP Meeting Subscribers	Online Subscription Revenues		Online Paid Weeks	Incoming Online Subscribers	EOP Online Subscribers
	GAAP	Constant Currency		(in thousands)		GAAP	Constant Currency		(in thousands)	
North America	$ 142.8	$ 142.4	15.4	1,119.4	1,082.7	$ 101.1	$ 100.8	25.5	1,914.9	1,914.3
CE	29.4	27.4	3.5	266.9	247.3	39.3	36.7	10.2	773.2	773.3
UK	14.6	13.7	2.9	209.6	203.6	7.0	6.5	2.4	179.4	179.9
Other (1)	6.0	6.1	0.6	48.6	45.2	3.6	3.6	0.7	57.9	55.5
Total	$ 192.7	$ 189.6	22.4	1,644.5	1,578.9	$ 151.0	$ 147.7	38.8	2,925.4	2,923.1
	% Change Q2 2018 vs. Q2 2017									
North America	10.1%	9.8%	10.7%	12.4%	10.5%	37.5%	37.1%	42.0%	39.5%	41.6%
CE	18.6%	10.6%	14.9%	18.0%	14.1%	53.1%	42.9%	38.5%	41.3%	36.3%
UK	3.7%	(2.4%)	7.8%	10.7%	7.8%	21.1%	13.8%	27.5%	30.0%	24.8%
Other (1)	(8.0%)	(6.6%)	(8.8%)	24.7%	27.4%	20.1%	20.3%	28.3%	25.5%	31.7%
Total	10.1%	8.3%	10.3%	13.4%	11.1%	39.8%	36.8%	39.8%	39.0%	38.8%

Note: Totals may not sum due to rounding.

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

North America Performance

The increase in North America revenues in the second quarter of fiscal 2018 versus the prior year period was driven primarily by the increase in Service Revenues. This increase in Service Revenues in the second quarter of fiscal 2018 versus the prior year period was driven primarily by the increase in Online Subscription Revenues and to a lesser extent an increase in Meeting Fees. The increase in North America Total Paid Weeks was driven by the higher number of Incoming Subscribers at the beginning of the second quarter fiscal 2018 versus the beginning of the second quarter of fiscal 2017, higher Online recruitments in the quarter driven by the successful launch of our new WW Freestyle program and improved retention in the second quarter of fiscal 2018 versus the prior year period.

The increase in North America product sales and other in the second quarter of fiscal 2018 versus the prior year period was driven primarily by an increase in product sales.

Continental Europe Performance

The increase in Continental Europe revenues in the second quarter of fiscal 2018 versus the prior year period was driven primarily by the increase in Service Revenues. This increase in Service Revenues in the second quarter of fiscal 2018 versus the prior year period was driven primarily by the increase in Online Subscription Revenues. The increase in Continental Europe Total Paid Weeks was driven by the higher number of Incoming Subscribers at the beginning of the second quarter of fiscal 2018 versus the beginning of the second quarter of fiscal 2017, higher recruitments in the quarter driven by the successful launch of our new program and improved retention in the second quarter of fiscal 2018 versus the prior year period.

The increase in Continental Europe product sales and other in the second quarter of fiscal 2018 versus the prior year period was driven by an increase in both product sales and licensing revenue.

United Kingdom Performance

The increase in UK revenues in the second quarter of fiscal 2018 versus the prior year period was driven primarily by the increase in Service Revenues. The increase in UK Total Paid Weeks was driven by the higher number of Incoming Subscribers at the beginning of the second quarter of fiscal 2018 versus the beginning of the second quarter of fiscal 2017, higher recruitments, primarily in our Online business driven by the successful launch of our new program and improved retention in the second quarter of fiscal 2018 versus the prior year period.

The increase in UK product sales and other in the second quarter of fiscal 2018 versus the prior year period was driven by an increase in product sales, partially offset by a decline in licensing revenue.

Other Performance

Other revenues in the second quarter of fiscal 2018 declined versus the prior year period. Although Service Revenues increased in the second quarter of fiscal 2018 versus the prior year period, a decrease in product sales and other more than offset such increase. The increase in Other Total Paid Weeks was driven primarily by the higher number of Incoming Online Subscribers at the beginning of the second quarter of fiscal 2018 versus the beginning of the second quarter of fiscal 2017 and recruitment strength in our Online business driven by the successful launch of our new program in the first quarter of fiscal 2018 versus the prior year period.

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2018 COMPARED TO THE SIX MONTHS ENDED JULY 1, 2017

The table below sets forth selected financial information for the first six months of fiscal 2018 from our consolidated statements of net income for the six months ended June 30, 2018 versus selected financial information for the first six months of fiscal 2017 from our consolidated statements of net income for the six months ended July 1, 2017:

Summary of Selected Financial Data

	(In millions, except per share amounts) For The Six Months Ended				% Change
	June 30, 2018	July 1, 2017	Increase/ (Decrease)	% Change	Constant Currency
Revenues, net	$ 818.0	$ 670.7	$ 147.2	22.0%	18.5%
Cost of revenues	352.2	317.6	34.5	10.9%	8.0%
Gross profit	465.8	353.1	112.7	31.9%	28.0%
Gross Margin %	*56.9 %*	*52.6 %*			
Marketing expenses	154.3	128.4	25.9	20.2%	15.7%
Selling, general & administrative expenses	121.7	98.3	23.4	23.8%	21.7%
Operating income	189.8	126.4	63.3	50.1%	45.5%
Operating Income Margin %	*23.2 %*	*18.9 %*			
Interest expense	71.7	55.2	16.5	29.9%	29.9%
Other expense, net	1.1	0.2	0.9	100.0%*	100.0% *
Gain on early extinguishment of debt	0.0	(1.6)	1.6	(100.0%)*	(100.0%)*
Income before income taxes	116.9	72.6	44.3	61.1%	53.0%
Provision for income taxes	7.2	16.9	(9.7)	(57.3%)	(68.0%)
Net income	109.7	55.7	54.0	96.9%	89.6%
Net loss attributable to the noncontrolling interest	0.1	0.1	0.0	7.8%	16.3%
Net income attributable to Weight Watchers International, Inc.	$ 109.8	$ 55.8	$ 54.0	96.7%	89.5%
Weighted average diluted shares outstanding	69.9	67.3	2.6	3.9%	3.9%
Diluted earnings per share	$ 1.57	$ 0.83	$ 0.74	89.4%	82.5%

Note: Totals may not sum due to rounding.

*Note: Percentage in excess of 100.0%.

Consolidated Results

Revenues

Revenues in the first six months of fiscal 2018 were $818.0 million, an increase of $147.2 million, or 22.0%, versus the first six months of fiscal 2017. Excluding the impact of foreign currency, which positively impacted our revenues for the first six months of fiscal 2018 by $22.8 million, revenues in the first six months of fiscal 2018 would have increased 18.5% versus the prior year period. This increase was driven by revenue growth in all major markets. See “—Segment Results” for additional details on revenues.

Cost of Revenues and Gross Profit

Total cost of revenues in the first six months of fiscal 2018 increased $34.5 million, or 10.9%, versus the prior year period. Gross profit increased $112.7 million, or 31.9%, in the first six months of fiscal 2018 compared to the first six months of fiscal 2017 primarily due to the increase in revenues. Excluding the impact of foreign currency, which positively impacted gross profit for the first six months of fiscal 2018 by $13.7 million, gross profit in the first six months of fiscal 2018 would have increased 28.0% versus the prior year period. Gross margin in the first six months of fiscal 2018 increased 4.3% to 56.9% versus 52.6% in the first six months of fiscal 2017. Gross margin expansion was driven primarily by improved operating leverage and a mix shift to the higher margin Online business.

Marketing

Marketing expenses for the first six months of fiscal 2018 increased $25.9 million, or 20.2%, versus the first six months of fiscal 2017. Excluding the impact of foreign currency, which increased marketing expenses for the first six months of fiscal 2018 by $5.8 million, marketing expenses in the first six months of fiscal 2018 would have increased 15.7% versus the first six months of fiscal 2017. This increase in marketing expense was largely due to investments in digital marketing initiatives and our Summer of Impact campaign, as well as investments in evolving our brand. Marketing expenses as a percentage of revenue decreased to 18.9% in the first six months of fiscal 2018 as compared to 19.1% in the prior year period.

Selling, General and Administrative

Selling, general and administrative expenses for the first six months of fiscal 2018 increased $23.4 million, or 23.8%, versus the first six months of fiscal 2017. Excluding the impact of foreign currency, which increased selling, general and administrative expenses for the first six months of fiscal 2018 by $2.1 million, selling, general and administrative expenses in the first six months of fiscal 2018 would have increased 21.7% versus the prior year period. The increase in selling, general and administrative expenses in the first six months of fiscal 2018 was driven primarily by higher compensation and incentive-related costs. Selling, general and administrative expenses as a percentage of revenue for the first six months of fiscal 2018 increased to 14.9% from 14.7% for the first six months of fiscal 2017.

Operating Income

Operating income for the first six months of fiscal 2018 increased $63.3 million, or 50.1%, versus the first six months of fiscal 2017. Excluding the impact of foreign currency, which positively impacted operating income for the first six months of fiscal 2018 by $5.8 million, operating income in the first six months of fiscal 2018 would have increased 45.5% versus the prior year period. This increase in operating income was driven by higher operating income in all major markets as compared to the prior year period. Operating income margin for the first six months of fiscal 2018 increased 4.4% to 23.2% versus 18.9% for the first six months of fiscal 2017. This increase in operating income margin was driven primarily by an increase in gross margin and a decrease in marketing expenses as a percentage of revenue, both as compared to the prior year period.

Interest Expense

Interest expense in the first six months of fiscal 2018 increased $16.5 million, or 29.9% , versus the first six months of fiscal 2017. The increase in interest expense was driven primarily by higher interest expense arising from the interest rates under our New Term Loan Facility and on our Notes in connection with our November 2017 debt refinancing. The effective interest rate on our debt, based on interest incurred (which includes amortization of our deferred financing costs and debt discount) and our average borrowings during the first six months of fiscal 2018 and the first six months of fiscal 2017 and excluding the impact of our interest rate swap, increased to 7.44% per annum at the end of the first six months of fiscal 2018 from 4.64% per annum at the end of the first six months of fiscal 2017. Including the impact of our interest rate swap, the effective interest rate on our debt, based on interest incurred (which includes amortization of our deferred financing costs and debt discount) and our average borrowings during the first six months of fiscal 2018 and the first six months of fiscal 2017, increased to 7.72% per annum at the end of the first six months of fiscal 2018 from 5.56% per annum at the end of the first six months of fiscal 2017. See “—Liquidity and Capital Resources—Long-Term Debt” for additional details regarding our current and prior credit facilities and our Notes, including interest rates on our debt outstanding, and payments on our debt. For additional details on our interest rate swap, see “Item 3. Quantitative and Qualitative Disclosures about Market Risk” in Part I of this Quarterly Report on Form 10-Q.

Other Expense, Net

Other expense, net, which consists primarily of the impact of foreign currency on intercompany transactions, increased by $0.9 million in the first six months of fiscal 2018 to $1.1 million as compared to $0.2 million of expense in the prior year period.

Gain on Early Extinguishment of Debt

In May 2017, we paid an aggregate amount of cash proceeds totaling $73.0 million plus an amount sufficient to pay accrued and unpaid interest on the amount prepaid to prepay $75.5 million in aggregate principal amount of term loans under our then-existing tranche B-2 term facility. As a result of this prepayment, we wrote-off fees of $0.6 million, incurred fees of $0.3 million and recorded a gain on early extinguishment of debt of $1.6 million, inclusive of these fees, in the first six months of fiscal 2017.

Tax

Our effective tax rate for the first six months of fiscal 2018 was 6.2% as compared to 23.2% for the first six months of fiscal 2017. The effective tax rate in the first six months of fiscal 2018 was impacted by the $22.2 million tax benefit related to tax windfalls from stock compensation and a $1.9 million tax benefit related to the cessation of operations of our Mexican subsidiary.

The effective tax rate in the first six months of fiscal 2017 was impacted by an $11.6 million tax benefit related to the cessation of operations of our Spanish subsidiary.

Net Income Attributable to the Company and Earnings Per Share

Net income attributable to the Company in the first six months of fiscal 2018 increased $54.0 million, or 96.7%, from the first six months of fiscal 2017. Excluding the impact of foreign currency, which positively impacted net income attributable to the Company in the first six months of fiscal 2018 by $4.0 million, net income attributable to the Company in the first six months of fiscal 2018 would have increased by 89.5% versus the prior year period.

Earnings per fully diluted share, or EPS, in the first six months of fiscal 2018 was $1.57 compared to $0.83 in the first six months of fiscal 2017. EPS for the first six months of fiscal 2018 included a $0.25 tax benefit from Ms. Winfrey’s exercise of a portion of her stock options. EPS for the first six months of fiscal 2017 included a tax benefit of (i) $0.18 that was offset by $0.01 of expense, both related to the cessation of operations of our Spanish subsidiary and (ii) $0.01 gain on early extinguishment of debt.

Segment Results

Metrics and Business Trends

The following tables set forth key metrics by reportable segment for the first six months of fiscal 2018 and the percentage change in those metrics versus the prior year period:

(in millions except percentages and as noted)

	First Half 2018								
	GAAP			Constant Currency					
	Service Revenues	Product Sales & Other	Total Revenues	Service Revenues	Product Sales & Other	Total Revenues	Total Paid Weeks	Incoming Subscribers (in thousands)	EOP Subscribers (in thousands)
North America	$ 476.3	$ 87.5	$ 563.7	$ 474.8	$ 87.3	$ 562.1	78.2	2,116.4	2,997.0
CE	134.0	30.1	164.1	121.2	27.1	148.3	26.3	723.2	1,020.6
UK	42.5	17.0	59.5	38.9	15.5	54.4	10.3	296.1	383.5
Other (1)	19.7	10.9	30.6	19.6	10.8	30.3	2.7	78.3	100.8
Total	$ 672.4	$ 145.6	$ 818.0	$ 654.5	$ 140.7	$ 795.1	117.5	3,213.9	4,502.0
	% Change First Half 2018 vs. First Half 2017								
North America	20.5%	14.5%	19.5%	20.1%	14.2%	19.2%	28.1%	23.1%	28.5%
CE	42.5%	21.0%	38.0%	29.0%	8.6%	24.7%	32.9%	28.1%	30.2%
UK	16.8%	20.9%	18.0%	7.0%	10.3%	7.9%	15.7%	11.7%	15.2%
Other (1)	4.9%	0.5%	3.3%	4.2%	(0.8%)	2.4%	7.5%	8.4%	29.7%
Total	23.5%	15.3%	22.0%	20.2%	11.4%	18.5%	27.4%	22.6%	27.6%

Note: Totals may not sum due to rounding.

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

(in millions except percentages and as noted)

	First Half 2018									
	Meeting Fees					Online Subscription Revenues				
	GAAP	Constant Currency	Meeting Paid Weeks	Incoming Meeting Subscribers (in thousands)	EOP Meeting Subscribers (in thousands)	GAAP	Constant Currency	Online Paid Weeks	Incoming Online Subscribers (in thousands)	EOP Online Subscribers (in thousands)
North America	$ 282.9	$ 282.1	30.2	865.8	1,082.7	$ 193.3	$ 192.7	48.0	1,250.6	1,914.3
CE	58.5	52.9	6.8	188.5	247.3	75.5	68.3	19.5	534.6	773.3
UK	28.9	26.5	5.7	161.7	203.6	13.5	12.4	4.6	134.3	179.9
Other (1)	12.5	12.5	1.3	34.0	45.2	7.2	7.1	1.5	44.3	55.5
Total	$ 382.8	$ 373.9	44.0	1,250.1	1,578.9	$ 289.6	$ 280.6	73.5	1,963.9	2,923.1
	% Change First Half 2018 vs. First Half 2017									
North America	11.5%	11.2%	12.9%	16.4%	10.5%	36.5%	36.0%	40.0%	28.2%	41.6%
CE	25.1%	13.1%	15.2%	9.8%	14.1%	59.8%	44.6%	40.3%	36.1%	36.3%
UK	10.7%	1.3%	7.0%	4.5%	7.8%	32.5%	21.4%	28.6%	21.8%	24.8%
Other (1)	(2.2%)	(2.6%)	(6.9%)	7.7%	27.4%	20.1%	18.5%	24.8%	9.0%	31.7%
Total	12.8%	10.2%	11.8%	13.4%	11.1%	41.2%	36.8%	39.0%	29.3%	38.8%

Note: Totals may not sum due to rounding.

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

North America Performance

The increase in North America revenues in the first six months of fiscal 2018 versus the prior year period was driven primarily by the increase in Service Revenues. This increase in Service Revenues in the first six months of fiscal 2018 versus the prior year period was driven primarily by the increase in Online Subscription Revenues and to a lesser extent an increase in Meeting Fees. The increase in North America Total Paid Weeks was driven by the higher number of Incoming Subscribers at the beginning of fiscal 2018 versus the beginning of fiscal 2017, higher Online recruitments driven by the successful launch of our new WW Freestyle program and improved retention in the first six months of fiscal 2018 versus the prior year period.

The increase in North America product sales and other in the first six months of fiscal 2018 versus the prior year period was driven by an increase in product sales.

Continental Europe Performance

The increase in Continental Europe revenues in the first six months of fiscal 2018 versus the prior year period was driven primarily by the increase in Service Revenues. This increase in Service Revenues in the first six months of fiscal 2018 versus the prior year period was driven primarily by the increase in Online Subscription Revenues. The increase in Continental Europe Total Paid Weeks was driven by the higher number of Incoming Subscribers at the beginning of fiscal 2018 versus the beginning of fiscal 2017, higher recruitments driven by the successful launch of our new program and improved retention in the first six months of fiscal 2018 versus the prior year period.

The increase in Continental Europe product sales and other in the first six months of fiscal 2018 versus the prior year period was driven primarily by an increase in product sales.

United Kingdom Performance

The increase in UK revenues in the first six months of fiscal 2018 versus the prior year period was driven primarily by the increase in Service Revenues. The increase in UK Total Paid Weeks was driven by the higher number of Incoming Subscribers at the beginning of fiscal 2018 versus the beginning of fiscal 2017, recruitment strength in our Online business driven by the successful launch of our new program and improved retention in the first six months of fiscal 2018 versus the prior year period.

The increase in UK product sales and other in the first six months of fiscal 2018 versus the prior year period was driven by an increase in product sales, partially offset by a decline in licensing revenue.

Other Performance

The increase in Other revenues in the first six months of fiscal 2018 versus the prior year period was driven primarily by the increase in Service Revenues. The increase in Other Total Paid Weeks was driven primarily by the higher number of Incoming Subscribers at the beginning of fiscal 2018 versus the beginning of fiscal 2017 and recruitment strength in our Online business driven by the successful launch of our new program in the first six months of fiscal 2018 versus the prior year period.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows provided by operating activities have historically supplied, and are expected to continue to supply, us with our primary source of liquidity. We use these cash flows, supplemented with long-term debt and short-term borrowings, to fund our operations and global strategic initiatives, pay down debt and engage in selective acquisitions. We believe that cash generated by operations during fiscal 2018, our cash on hand of approximately $167.8 million at June 30, 2018, our $148.7 million of availability under our New Revolving Credit Facility and our continued cost focus will provide us with sufficient liquidity to meet our obligations for the next twelve months.

Balance Sheet Working Capital

The following table sets forth certain relevant measures of our balance sheet working capital at:

	June 30, 2018	December 30, 2017	Increase/ (Decrease)
		(in millions)	
Total current assets	$ 291.5	$ 209.0	$ 82.5
Total current liabilities	379.6	343.0	36.6
Working capital deficit	(88.2)	(134.0)	(45.9)
Cash and cash equivalents	167.8	83.1	84.7
Current portion of long-term debt	118.5	82.8	35.7
Working capital deficit, excluding cash and cash equivalents and current portion of long-term debt	$ (137.5)	$ (134.3)	$ 3.1

Note: Totals may not sum due to rounding.

The following table sets forth a summary of the primary factors contributing to this $3.1 million increase in our working capital deficit:

	June 30, 2018	December 30, 2017	Increase/ (Decrease)	Impact to Working Capital Deficit
		(in millions)		
Derivative payable	$ -	$ 12.2	$ (12.2)	$ (12.2)
Operational liabilities and other, net of assets	$ 74.5	$ 55.8	$ 18.7	$ 18.7
Deferred revenue	$ 83.9	$ 74.3	$ 9.6	$ 9.6
Other current assets	$ 28.5	$ 26.8	$ 1.7	$ (1.7)
Accrued salaries and wages	$ 56.7	$ 62.2	$ (5.5)	$ (5.5)
Prepaid income taxes	$ 49.2	$ 43.4	$ 5.8	$ (5.8)
Working capital deficit change				$ 3.1

Note: Totals may not sum due to rounding.

The increase in operational liabilities and other, net of assets, and the decrease in accrued salaries and wages were driven primarily by the timing of payments. The increase in deferred revenue was driven by improved business performance.

Cash Flows

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

	June 30, 2018	July 1, 2017
	(in millions)	
Net cash provided by operating activities	$ 168.6	$ 98.1
Net cash used for investing activities	$ (30.5)	$ (19.1)
Net cash used for financing activities	$ (51.4)	$ (85.7)

Operating Activities

First Six Months of Fiscal 2018

Cash flows provided by operating activities of $168.6 million for the first six months of fiscal 2018 reflected an increase of $70.5 million from $98.1 million of cash flows provided by operating activities in the first six months of fiscal 2017. The increase in cash provided by operating activities was primarily the result of an increase in net income attributable to the Company of $54.0 million in the first six months of fiscal 2018 as compared to the prior year period.

First Six Months of Fiscal 2017

Cash flows provided by operating activities of $98.1 million for the first six months of fiscal 2017 reflected an increase of $51.7 million from $46.4 million of cash flows used for operating activities in the first six months of fiscal 2016. The increase in cash provided by operating activities was primarily the result of $36.1 million of higher net income and a $9.5 million deferred tax provision benefit, as well as the $6.8 million of benefit from the year-over-year change in working capital. The working capital benefit consisted of a decrease in accounts payable, a decrease in accrued expenses and an increase in prepaid expenses. This working capital benefit was partially offset by a decrease in inventory, an increase in deferred revenue and an increase in income taxes payable in the first six months of fiscal 2017 as compared to the prior year period.

Investing Activities

First Six Months of Fiscal 2018

Net cash used for investing activities totaled $30.5 million in the first six months of fiscal 2018, an increase of $11.4 million as compared to the first six months of fiscal 2017. This increase was due to investments in intellectual properties in the first six months of fiscal 2018.

First Six Months of Fiscal 2017

Net cash used for investing activities totaled $19.1 million in the first six months of fiscal 2017, a decrease of $0.8 million as compared to the first six months of fiscal 2016, which included the acquisition of its franchisee for certain territories in South Florida for $2.9 million.

Financing Activities

First Six Months of Fiscal 2018

Net cash used for financing activities totaled $51.4 million in the first six months of fiscal 2018, primarily due to $25.0 million of net repayments on the outstanding principal amount on the New Revolving Credit Facility and $38.5 million used for the scheduled debt repayments under our New Term Loan Facility, which was partially offset by $23.3 million in proceeds from stock options exercised.

First Six Months of Fiscal 2017

Net cash used for financing activities totaled $85.7 million in the first six months of fiscal 2017, primarily due to $73.0 million used for the debt prepayment and other scheduled debt repayments of $10.5 million in connection with our then-existing tranche B-2 term facility in the first six months of fiscal 2017.

Long-Term Debt

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

The following schedule sets forth our long-term debt obligations at June 30, 2018:

Long-Term Debt
At June 30, 2018
(Balances in millions)

		Balance
New Term Loan Facility due November 29, 2024	$	1,501.5
Notes due December 1, 2025		300.0
Total		1,801.5
Less: Current Portion		118.5
Unamortized Deferred Financing Costs		10.3
Unamortized Debt Discount		28.2
Total Long-Term Debt	$	1,644.5

Note: Totals may not sum due to rounding.

On November 29, 2017, we refinanced our then-existing credit facilities consisting of $1,930.4 million of borrowings under a term loan facility and an undrawn $50.0 million revolving credit facility with $1,565.0 million of borrowings under our new credit facilities, consisting of a $1,540.0 million term loan facility and a $150.0 million revolving credit facility (of which $25.0 million was drawn upon at the time of the November 2017 debt refinancing) (collectively referred to herein as the New Credit Facilities), and $300.0 million in aggregate principal amount of 8.625% Senior Notes due 2025, or the Notes. During the fourth quarter of fiscal 2017, we incurred fees of $53.8 million (which included $30.8 million of a debt discount) in connection with the November 2017 debt refinancing. In addition, we recorded a loss on early extinguishment of debt of $10.5 million in connection thereto. This early extinguishment of debt write-off was comprised of $5.7 million of deferred financing fees paid in connection with the November 2017 debt refinancing and $4.8 million of pre-existing deferred financing fees.

Senior Secured Credit Facilities

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

As of June 30, 2018, we had $1,501.5 million of debt outstanding under the New Credit Facilities, with $148.7 million of availability and $1.3 million in issued but undrawn letters of credit outstanding under the New Revolving Credit Facility. Outstanding balances under the New Revolving Credit Facility are included in the current portion of long-term debt on the accompanying consolidated balance sheet as of December 30, 2017 included elsewhere in this Quarterly Report on Form 10-Q, due to our intent to repay the borrowings within the next twelve months.

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

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

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

Borrowings under the New Term Loan Facility bear interest at a rate per annum equal to, at our option, either (1) an applicable margin plus a base rate determined by reference to the highest of (a) 0.50% per annum plus the higher of (i) the Federal Funds Effective Rate and (ii) the Overnight Bank Funding Rate as determined by the Federal Reserve Bank of New York, (b) the prime rate of JPMorgan Chase and (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00%; provided that such rate is not lower than a floor of 1.75% or (2) an applicable margin plus a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that LIBOR is not lower than a floor of 0.75%. Borrowings under the New Revolving Credit Facility bear interest at a rate per annum equal to an applicable margin based upon a leverage-based pricing grid, plus, at our option, either (1) a base rate determined by reference to the highest of (a) 0.50% per annum plus the higher of (i) the Federal Funds Effective Rate and (ii) the Overnight Bank Funding Rate as determined by the Federal Reserve Bank of New York, (b) the prime rate of JPMorgan Chase and (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% or (2) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs. As of June 30, 2018, the applicable margins for the LIBOR rate borrowings under the New Term Loan Facility and the New Revolving Credit Facility were 4.75% and 2.75%, respectively.

On a quarterly basis, we pay a commitment fee to the lenders under the New Revolving Credit Facility in respect of unutilized commitments thereunder, which commitment fee fluctuates depending upon our Consolidated Leverage Ratio. Based on our Consolidated Leverage Ratio as of June 30, 2018, the commitment fee was 0.50% per annum.

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

The availability of certain baskets and the ability to enter into certain transactions are also subject to compliance with certain financial ratios. In addition, the New Revolving Credit Facility includes a maintenance covenant that will require, in certain circumstances, compliance with certain first lien secured net leverage ratios.

As of June 30, 2018, we were in compliance with all covenants in the Credit Agreement governing the New Credit Facilities.

As of June 30, 2018, in accordance with the terms of the Credit Agreement, it is probable that we will have a Cash Flow Sweep obligation of approximately $41.5 million to the lenders in the second quarter of fiscal 2019.

Senior Notes

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

The Notes accrue interest at a rate per annum equal to 8.625% and are due on December 1, 2025. Interest on the Notes is payable semi-annually on June 1 and December 1 of each year, beginning on June 1, 2018. On or after December 1, 2020, the Company may on any one or more occasions redeem some or all of the Notes at a purchase price equal to 104.313% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, such optional redemption price decreasing to 102.156% on or after December 1, 2021 and to 100.000% on or after December 1, 2022. Prior to December 1, 2020, the Company may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Notes with an amount not to exceed the net proceeds of certain equity offerings at 108.625% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the redemption date. Prior to December 1, 2020, the Company may redeem some or all of the Notes at a make-whole price plus accrued and unpaid interest, if any, to, but not including, the redemption date. If a change of control occurs, the Company must offer to purchase for cash the Notes at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the purchase date. Following the sale of certain assets and subject to certain conditions, the Company must offer to purchase for cash the Notes at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the purchase date. The Notes are guaranteed on a senior unsecured basis by the Company's subsidiaries that guarantee the New Credit Facilities.

Outstanding Debt

At June 30, 2018, we had $1,801.5 million outstanding under the New Credit Facilities and the Notes, consisting of the New Term Loan Facility of $1,501.5 million, $0 drawn down on the New Revolving Credit Facility and $300.0 million in aggregate principal amount of Notes issued and outstanding.

At June 30, 2018 and December 30, 2017, our debt consisted of both fixed and variable-rate instruments. An interest rate swap was entered into to hedge a portion of the cash flow exposure associated with our variable-rate borrowings. Further information regarding our interest rate swap can be found in Part I, Item 1 of this Quarterly Report on Form 10-Q under Note 11 "Derivative Instruments and Hedging" in the Notes to the Consolidated Financial Statements. The weighted average interest rate (which includes amortization of deferred financing costs and debt discount) on our outstanding debt, exclusive of the impact of the swap, was 7.46%, and 7.12% per annum at June 30, 2018 and December 30, 2017, respectively, based on interest rates on the applicable dates. The weighted average interest rate (which includes amortization of deferred financing costs and debt discount) on our outstanding debt, including the impact of the swap, was 7.41% and 7.34% per annum at June 30, 2018 and December 30, 2017, respectively, based on interest rates on the applicable dates.

The following schedule sets forth our year-by-year debt obligations at June 30, 2018:

Total Debt Obligation
(Including Current Portion)
At June 30, 2018
(in millions)

Remainder of fiscal 2018	$	19.2
Fiscal 2019		118.5
Fiscal 2020		96.3
Fiscal 2021		77.0
Fiscal 2022		77.0
Fiscal 2023 and thereafter		1,413.5
Total	$	1,801.5

Accumulated Other Comprehensive Loss

Our accumulated other comprehensive loss includes changes in the fair value of derivative instruments and the effects of foreign currency translations. At June 30, 2018 and July 1, 2017, the cumulative balance of changes in fair value of derivative instruments, net of taxes, was a gain of $2.6 million and a loss of $13.3 million, respectively. At June 30, 2018 and July 1, 2017, the cumulative balance of the effects of foreign currency translations, net of taxes, was a loss of $11.4 million and $7.4 million, respectively.

Dividends and Stock Transactions

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

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 and its parents and subsidiaries under this program. The repurchase program currently has no expiration date. During the six months ended June 30, 2018 and July 1, 2017, we repurchased no shares of our common stock in the open market under this program.

EBITDAS, Adjusted EBITDAS and Net Debt

We define EBITDAS, a non-GAAP financial measure, as earnings before interest, taxes, depreciation, amortization and stock-based compensation and Adjusted EBITDAS, a non-GAAP financial measure, as earnings before interest, taxes, depreciation, amortization and stock-based compensation and goodwill impairment. The table below sets forth the calculations for EBITDAS for the three and six months ended June 30, 2018 and July 1, 2017, and EBITDAS and Adjusted EBITDAS for the trailing twelve months ended June 30, 2018:

(in millions)

	Three Months Ended		Six Months Ended		Trailing Twelve
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017	Months
Net Income	$ 70.7	$ 45.2	$ 109.8	$ 55.8	$ 217.5
Interest	35.9	27.1	71.7	55.2	129.3
Taxes	19.8	26.0	7.2	16.9	(27.9)
Depreciation and Amortization	10.6	12.7	21.8	25.6	47.1
Stock-based Compensation	5.3	2.5	9.7	4.8	19.8
EBITDAS	$ 142.3	$ 113.4	$ 220.2	$ 158.3	$ 385.8
Goodwill Impairment	-	-	-	-	13.3
Adjusted EBITDAS	$ 142.3	$ 113.4	$ 220.2	$ 158.3	$ 399.1

Note: Totals may not sum due to rounding.

Reducing leverage is a capital structure priority for the Company. As of June 30, 2018, our net debt/Adjusted EBITDAS ratio was 4.0x. The table below sets forth the calculation for net debt, a non-GAAP financial measure:

(in millions)

	June 30, 2018
Total debt	$ 1,801.5
Less: Unamortized deferred financing costs	10.3
Less: Unamortized debt discount	28.2
Less: Cash on hand	167.8
Net debt	$ 1,595.2

Note: Totals may not sum due to rounding.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

SEASONALITY

Our business is seasonal due to the importance of the winter season to our overall recruitment environment. Our advertising schedule generally supports each season, with winter having the highest concentration of advertising spending.

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 reports are publicly accessible no later than the business day following the filing.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2018, the market risk disclosures appearing in "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" of our Annual Report on Form 10-K for fiscal 2017 have not materially changed from December 30, 2017.

At the end of the second quarter of fiscal 2018, borrowings under the New Term Loan Facility bore interest at LIBOR plus an applicable margin of 4.75%. For the New Term Loan Facility, the minimum interest rate for LIBOR applicable to such facility pursuant to the terms of the Credit Agreement is set at 0.75%, referred to herein as the LIBOR Floor. In addition, as of June 30, 2018, our interest rate swap in effect had a notional amount of $1.25 billion. Accordingly, as of June 30, 2018, based on the amount of variable rate debt outstanding and the then-current LIBOR rate, after giving consideration to the impact of the interest rate swap and the LIBOR Floor, a hypothetical 75 basis point increase in interest rates would have increased annual interest expense by approximately $1.9 million and a hypothetical 75 basis point decrease in interest rates would have decreased annual interest expense by approximately $3.4 million. This increase is driven primarily by the interest rate applicable to our New Term Loan Facility. This decrease is driven primarily by the lower outstanding debt balance as of June 30, 2018 as compared to December 30, 2017.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our principal executive officer and our principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2018, the end of the second quarter of fiscal 2018. Based upon that evaluation and subject to the foregoing, our principal executive officer and our principal financial officer concluded that, as of the end of the second quarter of fiscal 2018, the design and operation of our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Due to the nature of the Company's activities, it is, 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, individually or in the aggregate, to have a material adverse effect on the Company's results of operations, financial condition or cash flows. However, the results of legal actions cannot be predicted with certainty. Therefore, it is possible that the Company's results of operations, financial condition or cash flows could be materially adversely affected in any particular period by the unfavorable resolution of one or more legal actions.

ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors from those detailed in our Annual Report on Form 10-K for fiscal 2017 other than as set forth below.

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

Artal owns approximately 31.4% of our outstanding common stock and has the ability to exercise significant influence over the election and removal of our directors and our corporate and management policies, including potential mergers or acquisitions, payment of dividends, asset sales, the amendment of our articles of incorporation or bylaws and other significant corporate transactions. This concentration of our ownership may delay or deter possible changes in control of our company, which may reduce the value of an investment in our common stock. So long as Artal owns 3% or more of our common stock, Artal will have the right pursuant to an agreement with us to nominate directors to our Board of Directors in proportion to its stock ownership. The interests of Artal may not coincide with our interests or the interests of other holders of our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Nothing to report under this item.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Nothing to report under this item.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Nothing to report under this item.

ITEM 6. EXHIBITS

Exhibit Number	Description
**Exhibit 1.1	Underwriting Agreement, dated as of May 10, 2018, by and among Weight Watchers International, Inc., Artal Luxembourg S.A. and Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC and UBS Securities LLC (filed as Exhibit 1.1 to the Company's Current Report on Form 8-K, as filed on May 11, 2018 (File No. 001-16769), and incorporated herein by reference).
†*Exhibit 10.1	2018 Form of Term Sheet for Employee Performance Stock Unit Awards and 2018 Form of Terms and Conditions for Employee Performance Stock Unit Awards.
†*Exhibit 10.2	2018 Form of Term Sheet for Employee Restricted Stock Unit Awards and 2018 Form of Terms and Conditions for Employee Restricted Stock Unit Awards.
†*Exhibit 10.3	2018 Form of Term Sheet for Employee Performance Stock Unit Awards and 2018 Form of Terms and Conditions for Employee Performance Stock Unit Awards (Chief Executive Officer Annual Equity Award).
*Exhibit 31.1	Rule 13a-14(a) Certification by Mindy Grossman, Chief Executive Officer.
*Exhibit 31.2	Rule 13a-14(a) Certification by Nicholas P. Hotchkin, Chief Financial Officer.
*Exhibit 32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*Exhibit 101	
*EX-101.INS	XBRL Instance Document
*EX-101.SCH	XBRL Taxonomy Extension Schema
*EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase
*EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase
*EX-101.LAB	XBRL Taxonomy Extension Label Linkbase
*EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.
** Previously filed.
† Represents a management arrangement or compensatory plan.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WEIGHT WATCHERS INTERNATIONAL, INC.

Date: August 7, 2018

By: /s/ Mindy Grossman
Mindy Grossman
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: August 7, 2018

By: /s/ Nicholas P. Hotchkin
Nicholas P. Hotchkin
Chief Financial Officer
(Principal Financial and Accounting Officer)

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Section 2: EX-10.1 (EX-10.1)

EXHIBIT 10.1

WEIGHT WATCHERS INTERNATIONAL, INC.
TERM SHEET FOR
EMPLOYEE PERFORMANCE STOCK UNIT AWARDS

FOR GOOD AND VALUABLE CONSIDERATION, Weight Watchers International, Inc., a Virginia corporation (the “Company”), hereby grants to the employee identified below (the “Employee”) the target number of Performance Stock Units specified below (the “PSU Award”). The PSU Award is ultimately payable, if at all, based on the achievement of certain conditions set forth below, in shares of Common Stock of the Company. The PSU Award is granted upon the terms, and subject to the conditions, set forth in this Term Sheet, the Company’s stock incentive plan specified below (as amended and restated, the “Plan”), and the Terms and Conditions for Employee Performance Stock Unit Awards promulgated under such Plan and as attached hereto (the “Terms and Conditions”), each hereby incorporated herein by this reference and each as amended from time to time (capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the Terms and Conditions or the Plan).

Key Terms and Conditions	
Name of Employee:	[ ]
Grant Date:	[ ]
Plan:	Second Amended and Restated Weight Watchers International, Inc. 2014 Stock Incentive Plan
Target Number of Performance Stock Units:	[ ]
Scheduled Vesting Date:	[ ]
Performance Period:	[ ]

<u>Vesting Schedule</u>

1. <u>Time-Vesting Service Condition</u>. The PSU Award shall only vest upon (a) satisfaction of the Time-Vesting Service Condition or (b) the occurrence of an event detailed in Paragraph 3 below which deems the Time-Vesting Service Condition satisfied.

2. Performance Criteria.

(a) Performance Conditions. Subject to the Employee meeting the Time-Vesting Service Condition, and the Company achieving the Performance Vesting Condition, the applicable number of PSUs (determined based on the applicable Achievement Percentage), if any, shall vest. All determinations with respect to the Company's Adjusted Operating Income (and Adjusted Revenue, if applicable) performance in Fiscal Year [ ] shall be made by the Committee and the Performance Vesting Condition shall not be achieved and the PSUs shall not be eligible to vest until the Committee certifies that such Performance Vesting Condition has been met.

(b) Adjusted Operating Income and Adjusted Revenue Achievement. The total number of PSUs (rounded down to the nearest whole PSU) that shall be subject to vesting shall be equal to (x) the target number of PSUs granted hereunder multiplied by (y) the applicable Achievement Percentage, determined as follows:

Level of Achievement	**Adjusted Operating Income**	**Achievement Percentage**
Below Threshold	[ ]	[ ]
Threshold	[ ]	[ ]
Target	[ ]	[ ]
Maximum	[ ]	[ ]

If, in addition to achieving an amount of Adjusted Operating Income in Fiscal Year [ ] equal to [ ] of the Operating Income Target Amount, the Company also achieves an amount of Adjusted Revenue in Fiscal Year [ ] equal to [ ] of the Revenue Target Amount, then the Employee may achieve an achievement percentage in excess of [ ] up to [ ] as set forth below in the following table:

Level of Achievement	**Adjusted Operating Income**	**Achievement Percentage**
Potential if Revenue Target is Achieved	[ ]	[ ]

3. Termination of Employment; Change in Control. Except as set forth herein, upon a termination of employment, the Employee shall be treated in accordance with the Terms and Conditions. Notwithstanding anything to the contrary in the Terms and Conditions, in the event of a Change in Control or the Employee's death or Permanent Disability prior to the Scheduled Vesting Date, the Time-Vesting Service Condition shall be deemed immediately satisfied and the Performance Vesting Condition shall be deemed satisfied at target level performance; provided, however, that if such Change in Control, death or Permanent Disability occurs following the end of the Performance Period, then the Performance Vesting Condition shall be deemed satisfied based on the actual Achievement Percentage for the Performance Period.

4. Definitions. For the purposes of this Term Sheet:

(a) "Achievement Percentage" means the percentage multiplier specified above with respect to the "Below Threshold," "Threshold," "Target," "Maximum" and "Potential if Revenue Target is Achieved" levels for the Adjusted Operating Income performance, or a percentage (percentage of achievement of Operating Income Target Amount rounded to the nearest whole percentage number) determined using linear interpolation if actual Adjusted Operating Income performance falls between any two levels or ranges, as applicable. Notwithstanding the foregoing, in the event that actual Adjusted Operating Income performance does not meet the "Threshold" level, the "Achievement Percentage" shall be zero. Additionally, the Revenue Target Amount is either achieved at [ ] or not achieved at all based on Adjusted Revenue performance in Fiscal Year [ ].

(b) "Adjusted Operating Income" means the Company's operating income as reported in (or otherwise calculated in a manner consistent with) the Company's Form 10-K as filed with the Securities and Exchange Commission, adjusted to exclude the impact of (i) changes in accounting principles, (ii) any material acquisition, divestiture or capital structure transaction, (iii) any impairment or similar charges, (iv) any material impact of foreign currency exchange rates, (v) any material regulatory matter or litigation in which the Company (or its related entities) is a defendant and (vi) other similar material events or matters which impact the Company's reported financials as determined by the Committee in its reasonable discretion.

(c) "Adjusted Revenue" means the Company's revenue as reported in (or otherwise calculated in a manner consistent with) the Company's Form 10-K as filed with the Securities and Exchange Commission, adjusted to exclude the impact of (i) changes in accounting principles, (ii) any material acquisition, divestiture or capital structure transaction, (iii) any impairment or similar charges, (iv) any material impact of foreign currency exchange rates, (v) any material regulatory matter or litigation in which the Company (or its related entities) is a defendant and (vi) other similar material events or matters which impact the Company's reported financials as determined by the Committee in its reasonable discretion.

(d) "Performance Vesting Condition" means the achievement of an amount of Adjusted Operating Income for Fiscal Year [ ], as determined under this Term Sheet, equal to or in excess of [ ] of the Operating Income Target Amount.

(e) "Time-Vesting Service Condition" means the Employee's continued employment with the Company or its Affiliates through the Scheduled Vesting Date identified above.

(f) "Operating Income Target Amount" means operating income for Fiscal Year [ ] of [ ].

(g) "Revenue Target Amount" means revenue for Fiscal Year [ ] of [ ].

* * *

By accepting this Term Sheet, the Employee acknowledges that he or she has received and read, and agrees that the Performance Stock Units granted herein are awarded pursuant to the Plan, are subject to and qualified in their entirety by this Term Sheet, the Plan, and the Terms and Conditions, and shall be subject to the terms and conditions of this Term Sheet, the Plan and the Terms and Conditions. Additionally, the Employee acknowledges and agrees that any right to acceleration or other benefit with respect to the PSU Award under any other written agreement by and between the Employee and the Company or any of its Affiliates, as may be amended from time to time (collectively, "Other Agreements"), is hereby governed by Paragraph 3 above, as may be amended in accordance with the terms of this Term Sheet, with respect to the number of shares of Common Stock to be vested pursuant to such right notwithstanding any term or condition set forth in the Other Agreements.

If the Employee does not sign and return this Term Sheet by [   ], this PSU Award shall be forfeited and shall be of no further force and effect.

WEIGHT WATCHERS INTERNATIONAL, INC.

By:	______________________________	______________________________
Name:	Kimberly Samon	Employee Signature
Title:	Chief Human Resources Officer	

**WEIGHT WATCHERS INTERNATIONAL, INC.
TERMS AND CONDITIONS FOR EMPLOYEE
PERFORMANCE STOCK UNIT AWARDS**

Weight Watchers International, Inc., a Virginia corporation (the "Company"), grants to the Employee who is identified on the Term Sheet for Employee Performance Stock Unit Awards provided to the Employee herewith (the "Term Sheet") the Performance Stock Units specified in the Term Sheet, upon the terms and subject to the conditions set forth in (i) the Term Sheet, (ii) the Company stock incentive plan specified in the Term Sheet (the "Plan") and (iii) these Terms and Conditions for Employee Performance Stock Unit Awards promulgated under such Plan (these "Terms and Conditions"), each hereby incorporated herein by this reference and each as amended from time to time.

ARTICLE I

DEFINITIONS

Capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the Term Sheet or the Plan.

Section 1.1 – Cause

"Cause" shall mean (i) the Employee's willful and continued failure to perform his or her material duties with respect to the Company or its Affiliates which continues beyond 10 days after a written demand for substantial performance is delivered to the Employee by the Company or its Affiliates, (ii) willful misconduct by the Employee involving dishonesty or breach of trust in connection with the Employee's employment which results in a demonstrable injury (which is other than de minimis) to the Company or its Affiliates, (iii) conviction for any felony or any misdemeanor involving moral turpitude, or (iv) any material breach of the Employee's restrictive covenants set forth in Section 6.10 below.

Section 1.2 – Code

"Code" shall mean the Internal Revenue Code of 1986, as amended.

Section 1.3 - Committee

"Committee" shall mean the Compensation Committee of the Board of Directors of the Company.

Section 1.4 – Common Stock

"Common Stock" shall mean the common stock, no par value per share, of the Company.

Section 1.5 - Company

“Company” shall mean Weight Watchers International, Inc.

Section 1.6 - Grant Date

“Grant Date” shall mean the date specified on the Term Sheet on which the PSU Award was granted.

Section 1.7 - Permanent Disability

The Employee shall be deemed to have a “Permanent Disability” if the Employee is unable to engage in the activities required by the Employee's job by reason of any medically determined physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months (in each case, as determined in good faith by a majority of the Committee, which determination shall be conclusive).

Section 1.8 - Performance Stock Units

A “Performance Stock Unit” represents the right to receive, upon satisfaction of the vesting conditions set forth herein, one share of Common Stock.

Section 1.9 - Plan

“Plan” shall mean the Company’s stock incentive plan specified on the Term Sheet.

Section 1.10 - Secretary

“Secretary” shall mean the Secretary of the Company.

ARTICLE II

GRANT OF PSU AWARD

Section 2.1 - Grant of Performance Stock Units

On and as of the Grant Date, the Company irrevocably grants to the Employee the target number of Performance Stock Units specified on the Term Sheet, upon the terms and conditions set forth in the Term Sheet and these Terms and Conditions. The Performance Stock Units shall vest and become non-forfeitable in accordance with Article III hereof.

Section 2.2 - Consideration to the Company

In consideration of the granting of the PSU Award by the Company, the Employee agrees to render faithful and efficient services to the Company or its Affiliates with such duties and responsibilities as the Company or its Affiliates shall from time to time prescribe. Nothing in the Term Sheet, in these Terms and Conditions or in the Plan shall confer upon the Employee any right to continue in the employment of the Company or its Affiliates, or shall interfere with or restrict in any way the rights of the Company or its Affiliates, which are hereby expressly reserved, to terminate the employment of the Employee at any time for any reason whatsoever, with or without Cause. Employee hereby acknowledges and agrees that neither the Company nor its Affiliates nor any other Person has made any representations or promises whatsoever to the Employee concerning the Employee's employment or continued employment by the Company or its Affiliates.

Section 2.3 - Adjustments

Subject to the provisions of the Plan, in the event that the outstanding shares of the Common Stock subject to a PSU Award are, from time to time, changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of a merger, consolidation, recapitalization, change of control, reclassification, stock split, spin-off, stock dividend, combination of shares, or otherwise, the Committee shall make an appropriate and equitable adjustment in the number and kind of shares or other consideration as to which such PSU Award shall be converted. Any such adjustment made by the Committee in its sole discretion and in accordance with the provisions of the Plan shall be final and binding upon the Employee, the Company and all other interested persons.

ARTICLE III

VESTING

Section 3.1 - Commencement of Vesting

Unless otherwise provided in the Term Sheet or these Terms and Conditions, so long as the Employee continues to be employed by the Company or its Affiliates, the Performance Stock Units shall vest on the date upon which both the Time- Vesting Service Condition and the Performance Vesting Condition have been achieved (such date, the "PSU Vesting Date").

Section 3.2 - Expiration of Performance Stock Units

(a) If the Employee's employment with the Company or its Affiliates is terminated for any reason by the Company or its Affiliates (other than due to a Permanent Disability) or by the Employee (other than due to death) prior to the PSU Vesting Date, the PSU Award shall, to the extent not then vested, be forfeited by the Employee without consideration therefor.

(b) Subject to (a) above, the Employee shall cease any additional vesting in his or her Performance Stock Units upon any termination of his or her employment and the unvested portion of the Performance Stock Units shall be cancelled without payment therefor upon any termination of his or her employment.

ARTICLE IV

STOCKHOLDER RIGHTS

Section 4.1 - Conditions to Issuance of Stock Certificates

The shares of Common Stock deliverable upon the vesting of the Performance Stock Units, or any portion thereof, shall be fully paid and nonassessable. The Company shall not be required to deliver any certificate or certificates for shares of stock upon the vesting of any Performance Stock Units, or any portion thereof, prior to fulfillment of all of the following conditions:

(a) The obtaining of approval or other clearance from any state or federal governmental agency which the Committee shall, in its absolute discretion, determine to be necessary or advisable; and

(b) The lapse of such reasonable period of time following the vesting of the Performance Stock Units as the Committee may from time to time establish for reasons of administrative convenience.

Section 4.2 - Rights as Stockholder

(a) PSU Rights. Unless otherwise set forth herein, the Employee shall receive, as soon as practicable after the PSU Vesting Date (but in no event later than ten (10) business days following the PSU Vesting Date), one share of Common Stock for each vested Performance Stock Unit that the Employee holds hereunder. Certificates for the Common Stock shall be delivered to the Employee or to the Employee's legal guardian or representative (or if such Common Stock is evidenced by uncertificated securities registered or recorded in records maintained by or on behalf of the Company in the name of a clearing agency, the Company will cause the Common Stock to be entered in the records of such clearing agency as owned by the Employee). It shall be a condition of the obligation of the Company upon delivery of Common Stock to the Employee pursuant this Section 4.2 that the Employee pay to the Company such amount as may be requested by the Company for the purpose of satisfying any liability for any federal, state or local income or other taxes required by law to be withheld with respect to such Common Stock. The Company shall be authorized to take such action as may be necessary, in the opinion of the Company's counsel (including, without limitation, withholding Common Stock otherwise deliverable to the Employee hereunder and/or withholding amounts from any compensation or other amount owing from the Company to the Employee), to satisfy the obligations for payment of the minimum amount of any such taxes. Until the PSU Vesting Date, a holder of a Performance Stock Unit shall not be, nor have any of the rights or privileges of, a stockholder of the Company.

(b) Dividend Equivalents for PSU Award. With respect to each cash dividend or distribution (if any) paid with respect to Common Stock to holders of record on and after the Grant Date but before the PSU Vesting Date, the Company shall maintain a notional account (the "Account") for the benefit of the Employee, in which the Company shall record the amount of each such cash dividend or distribution (if any) to which the Employee would have been entitled if the Employee had held the same number of shares of Common Stock equal to the target number of Performance Stock Units granted pursuant to the Term Sheet and these Terms and Conditions. As soon as practicable after the PSU Vesting Date (but in no event later than ten (10) business days following the PSU Vesting Date), the Employee shall, in the discretion of the Company (with respect to the form of payment), be paid an amount equal to the balance of the Account multiplied by the Achievement Percentage (as defined in the Term Sheet) (such product, if any, the "Vested Amount") in (a) cash or (b) a number of shares of Common Stock equal to the quotient of (i) the Vested Amount, divided by (ii) the Fair Market Value, on the PSU Vesting Date, of one share of Common Stock. In the event the Vested Amount is paid in shares of Common Stock, if the calculation set forth in the preceding sentence results in fractional shares, the Company shall round such number of shares to the nearest whole number; provided, that if such number is rounded down, the Company shall pay to the Employee an amount in cash equal to the fractional shares based on the Fair Market Value thereof. In the event the Employee's employment is terminated for any reason (other than due to death or Permanent Disability) prior to the PSU Vesting Date, the Employee shall forfeit all amounts maintained in the Account without consideration therefor.

(c) Delay of Receipt. Notwithstanding the foregoing, in the event that Employee would be required to make a filing under the Hart-Scott-Rodino Act in connection with receipt of Common Stock, the applicable time period(s) shall be appropriately extended to permit such filing and subsequent receipt of Common Stock (and associated Account) but not beyond March 15th in the year following the year in which the PSU Vesting Date occurs.

(d) Limitation on Obligations. The Company's obligation with respect to the Performance Stock Units granted hereunder is limited solely to the delivery to the Employee of shares of Common Stock on the date when such shares are due to be delivered hereunder, and in no way shall the Company become obligated to pay cash in respect of such obligation (except as set forth in Section 4.2(b) hereof). This PSU Award shall not be secured by any specific assets of the Company or any of its Affiliates, nor shall any assets of the Company or any of its Affiliates be designated as attributable or allocated to the satisfaction of the Company's obligations under the Term Sheet, these Terms and Conditions or the Plan.

(e) Tax Advice. The Employee is hereby advised to seek his or her own tax counsel regarding the taxation of an award of Performance Stock Units made hereunder.

ARTICLE V

THE COMPANY'S REPRESENTATIONS AND WARRANTIES

Section 5.1 - Authorization

The Company represents and warrants to the Employee that (i) the Term Sheet and these Terms and Conditions has been duly authorized, executed and delivered by the Company, and (ii) upon the vesting of Performance Stock Units (or any portion thereof), the Common Stock, when issued and delivered in accordance with the terms hereof, will be duly and validly issued, fully paid and nonassessable.

Section 5.2 - Registration

The Company shall use reasonable efforts to register the Common Stock on a Form S-8 Registration Statement or any successor to Form S-8 to the extent that such registration is then available with respect to such Common Stock, and (ii) the Company will file the reports required to be filed by it under the 1933 Act and the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations adopted by the SEC thereunder, to the extent required from time to time to enable the Employee to sell his or her shares of Stock without registration under the 1933 Act within the limitations of the exemptions provided by (A) Rule 144 under the 1933 Act, as such rule may be amended from time to time, or (B) any similar rule or regulation hereafter adopted by the SEC.

ARTICLE VI

MISCELLANEOUS

Section 6.1 - Administration

The Committee shall have the power to interpret the Plan, the Term Sheet and these Terms and Conditions and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Employee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Performance Stock Units. In its absolute discretion, the Board of Directors of the Company may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan, the Term Sheet and these Terms and Conditions.

Section 6.2 - Shares to Be Reserved

The Company shall at all times during the term of the PSU Award reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of the Term Sheet and these Terms and Conditions.

Section 6.3 - Recapitalizations, etc.

The provisions of the Term Sheet and these Terms and Conditions shall apply, to the full extent set forth herein with respect to the PSU Award, to any and all shares of capital stock of the Company or any capital stock, partnership units or any other security evidencing ownership interests in any successor or assign of the Company or its Affiliates (whether by merger, consolidation, sale of assets or otherwise) which may be issued in respect of, in exchange for, or substitution of the PSU Award, by reason of any stock dividend, split, reverse split, combination, recapitalization, liquidation, reclassification, merger, consolidation or otherwise.

Section 6.4 - State Securities Laws

The Company hereby agrees to use its best efforts to comply with all state securities or “blue sky” laws which might be applicable to the issuance of the shares underlying the Performance Stock Units to the Employee.

Section 6.5 - Binding Effect

The provisions of the Term Sheet and these Terms and Conditions shall be binding upon and accrue to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. In the case of a transferee permitted under the Term Sheet and these Terms and Conditions, such transferee shall be deemed the Employee hereunder; provided, however, that no transferee shall derive any rights under the Term Sheet and these Terms and Conditions unless and until such transferee has delivered to the Company a Joinder (in the form attached hereto as Exhibit A) and becomes bound by the terms of the Term Sheet and these Terms and Conditions.

Section 6.6 - Miscellaneous

In the Term Sheet and these Terms and Conditions, (i) all references to “dollars” or “$” are to United States dollars and (ii) the word “or” is not exclusive. If any provision of the Term Sheet and these Terms and Conditions shall be declared illegal, void or unenforceable by any court of competent jurisdiction, the other provisions shall not be affected, but shall remain in full force and effect.

Section 6.7 - Notices

Any notice to be given under the terms of the Term Sheet and these Terms and Conditions to the Company shall be addressed to the Company in care of its Secretary, and any notice to be given to the Employee shall be addressed to him at the address given on the Term Sheet. By a notice given pursuant to this Section 6.7, either party may hereafter designate a different address for notices to be given to him or her. Any notice which is required to be given to the Employee shall, if the Employee is then deceased, be given to the Employee's personal representative if such representative has previously informed the Company of his or her status and address by written notice under this Section 6.7. Any notice shall have been deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section 6.8 - Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Term Sheet and these Terms and Conditions.

Section 6.9 - Applicability of Plan

The Common Stock issued to the Employee upon the vesting of the Performance Stock Units shall be subject to all of the terms and provisions of the Plan, to the extent applicable to the vesting of the Performance Stock Units (or any portion thereof). In the event of any conflict between the Term Sheet and these Terms and Conditions, these Terms and Conditions shall control. In the event of any conflict between the Term Sheet or these Terms and Conditions and the Plan, the terms of the Plan shall control.

Section 6.10 - Covenant Not to Compete; Confidential Information; No Raid; Specific Performance

(a) In consideration of the Company entering into the Term Sheet and these Terms and Conditions with the Employee, the Employee hereby agrees effective as of the Grant Date, for so long as the Employee is employed by the Company or one of its Affiliates and for a period of one year thereafter (the "Noncompete Period"), the Employee shall not, without the Company's prior written consent, directly or indirectly, engage in, be employed by, act as a consultant for or have a financial interest (other than an ownership position of less than 1% in any company whose shares are publicly traded or any non-voting, non-convertible debt securities in any company) in any business engaged in Company Business, or work for or provide services to any Competitor of the Company or its Affiliates, within the United States or within any foreign country in which the Company or its Affiliates (i) has an office, (ii) is or has engaged in Company Business or (iii) proposes to engage in Company Business, as of the date of the termination of the Employee's association with the Company. For the purposes of these provisions, (A) the term "Company Business" shall mean any business related to weight loss or weight management programs, products, services and/or other similar activities; and (B) the term "Competitor" means any natural person, corporation, limited liability company, firm, organization, trust, partnership, association, joint venture, government agency or other entity (including, but not limited to, the websites and other electronic or digital media of such entities) that engages, or proposes to engage, in Company Business, including, but not limited to, (x) entities which are directly engaged in Company Business; and (y) entities which have a primary focus in broader topic areas, but who nevertheless engage in Company Business such as Unilever (Slimfast) (provided, however, only the part of such entities that are engaged in or oversee Company Business shall be deemed a "Competitor" for purposes of these provisions).

(b) The Employee will not disclose or use at any time, any Confidential Information (as defined below) of which the Employee is or becomes aware, whether or not such information is developed by him or her, except (i) to the extent that such disclosure or use is directly related to and required by the Employee performance of duties, if any, assigned to the Employee by the Company or its Affiliates or (ii) pursuant to the order of any court or administrative agency. As used herein, the term "Confidential Information" means information that is not generally known to the public and that is used, developed or obtained by the Company or its Affiliates in connection with its business, including but not limited to (i) products or services, (ii) fees, costs and pricing structures, (iii) business and financial results, plans, budgets, and projections, (iv) designs, content and other creative elements associated with products and services or marketing and promotional campaigns and programs, (v) computer software, including operating systems, applications and program listings, (vi) flow charts, manuals and documentation, (vii) data bases, (viii) accounting and business methods, (ix) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (x) customers and clients and customer or client lists, (xi) other copyrightable works, (xii) all technology and trade secrets, and (xiii) all similar and related information in whatever form. Confidential Information will not include any information that has been published in a form generally available to the public by a person or entity other than the Employee prior to the date the Employee proposes to disclose or use such information.

(i) Nothing in these Terms and Conditions shall prohibit or impede the Employee from communicating, cooperating or filing a complaint with any U.S. federal, state or local governmental or law enforcement branch, agency or entity (collectively, a "Governmental Entity") with respect to possible violations of any U.S. federal, state or local law or regulation, or otherwise making disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, provided that in each case such communications and disclosures are consistent with applicable law. The Employee does not need the prior authorization of (or to give notice to) the Company regarding any such communication or disclosure. The Employee hereby confirms that the Employee understands and acknowledges that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made either (1) in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (2) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Employee understands and acknowledges further that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order. Notwithstanding the foregoing, under no circumstance will the Employee be authorized to disclose any information covered by the Company's attorney-client privilege or the Company's attorney work product (A) without the prior written consent of the Company's General Counsel or other officer designated by the Company, or (B) unless such disclosure of that information would otherwise be permitted pursuant to 17 CFR 205.3(d)(2), applicable state attorney conduct rules, or otherwise under applicable law or court order.

(ii) The Employee acknowledges and agrees that all copyrights, works, inventions, innovations, improvements, developments, patents, trademarks and all similar or related information which relate to the actual or anticipated business of the Company and its subsidiaries (including its predecessors) and conceived, developed or made by the Employee while employed by the Company or its Affiliates belong to the Company. The Employee will perform all actions reasonably requested by the Company (whether during or after the Noncompete Period) to establish and confirm such ownership at the Company's expense (including without limitation assignments, consents, powers of attorney and other instruments).

(c) The Employee shall disclose promptly in writing and assign immediately, and hereby assigns to the Company, all of the Employee's right, title and interest in and to, any original works of authorship, formulas, processes, programs, benchmarking, solutions, tools, content, databases, techniques, know-how, data, developments, innovations, inventions, improvements, trademarks, patents, copyrights or discoveries, whether or not copyrightable, patentable or otherwise legally protectable, and whether or not they exist in electronic form, print form or other tangible or intangible form of medium (hereinafter referred to collectively as "Work Product"), which the Employee makes or conceives, or first reduces to practice or learns, either solely or jointly with others, during his or her employment period with the Company or its

Affiliates, through the Employee's work with the Company or its Affiliates, or with any other person or entity pursuant to an assignment by the Company or its Affiliates. The Employee acknowledges the special interest the Company and its Affiliates hold in its processes, techniques and technologies and agrees that such processes, techniques and technologies shall not be directly or indirectly used or distributed by the Employee for the interests of any person or entity besides the Company or its Affiliates.

(i) All disclosures and assignments made pursuant to these Terms and Conditions are made without royalty or any additional consideration to the Employee other than the regular compensation paid to the Employee by the Company or its Affiliates.

(ii) The Employee shall execute, acknowledge and deliver to the Company or its Affiliates all necessary documents, and shall take such other action as may be necessary to assist the Company in obtaining by statute, copyrights, patents, trademarks or other statutory or common law protections for the Work Product covered by these Terms and Conditions, vesting title and right in such copyrights, patents, trademarks and other protections in the Company and its designees. The Employee hereby agrees that the Work Product constitutes a "work made for hire" in accordance with the definition of that term under the U.S. copyright laws. The Employee shall further assist the Company or its Affiliates in every proper and reasonable way to enforce such copyrights, patents, trademarks and other protections as the Company may desire. The Employee's obligation to deliver documents and assist the Company or its Affiliates under these Terms and Conditions applies both during and subsequent to the term of his/her employment.

(iii) Any Work Product which the Employee may disclose to anyone within six (6) months after the termination of his/her employment, or for which the Company or its Affiliates may file an application for copyright, patent, trademark or other statutory or common law protection within twelve (12) months after the termination of said employment, shall be presumed to have been made, conceived, first reduced to practice or learned during the term of the Employee's employment and fully subject to the terms and conditions set forth herein; provided that if the Employee in fact, conceived any such Work Product subsequent to the termination of the employment and such Work Product is not based upon or derived from Confidential Information of the Company or its Affiliates or does not relate to the scope of work performed by the Employee pursuant to his/her employment duties with the Company or its Affiliates, then such Work Product shall belong to the Employee and shall be the Employee's sole property. The Employee assumes the responsibility of establishing by competent legal evidence that such Work Product is not based on such Confidential Information and that the Employee conceived any such Work Product after the termination of his/her employment.

(iv) The Employee represents that the Work Product does not infringe any copyright, patent or other proprietary right of any person or entity.

(v) Attached to and made as part of these Terms and Conditions as Exhibit B is a complete list of all Work Product, whether or not copyrighted, which has been made or conceived or first reduced to practice by the Employee alone or jointly prior to the date of his employment with the Company or its Affiliates. Such Work Product shall be excluded from the operation of these Terms and Conditions. If there is no such list on Exhibit B, the

Employee represents that no such Work Product exists at the time of execution of these Terms and Conditions.

(d) Without the Company's prior written consent, the Employee will not, during the Noncompete Period, directly or indirectly, solicit or offer employment to any person who has been employed by the Company or its Affiliates at any time during the twelve months immediately preceding such solicitation.

(e) Notwithstanding clauses (a), (b), (c) and (d) above, if at any time a court holds that the restrictions stated in such clauses (a), (b), (c) and (d) are unreasonable or otherwise unenforceable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographic area determined to be reasonable under such circumstances by such court will be substituted for the stated period, scope or area. Because the Employee's services are unique and because the Employee has had access to Confidential Information, the parties hereto agree that money damages will be an inadequate remedy for any breach of these Terms and Conditions. In the event of a breach or threatened breach of these Terms and Conditions, the Company or its Affiliates or their successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive relief in order to enforce, or prevent any violations of, the provisions hereof (without the posting of a bond or other security).

(f) The Employee acknowledges and agrees that the restrictions and remedies under this Section 6.10 are non-exclusive restrictions and remedies and shall not limit or modify any other restrictive covenants to which Employee is subject to as a result of Employee's employment with or services to the Company or any of its Affiliates nor shall such restrictions and remedies limit or modify the Company's and its Affiliates' other rights and remedies to obtain other monetary, equitable or injunctive relief as a result of breach of, or in order to enforce, the terms and conditions of these Terms and Conditions or with respect to any other covenants or agreements between the Company or any of its Affiliates and the Employee or the Employee's obligations under applicable law.

Section 6.11 - Amendment

The Term Sheet and these Terms and Conditions may be amended only by a writing executed by the parties hereto which specifically states that it is amending the Term Sheet or these Terms and Conditions, as applicable.

Section 6.12 - Governing Law

The Term Sheet and these Terms and Conditions shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

Section 6.13 – Jurisdiction

The parties to the Term Sheet and these Terms and Conditions agree that jurisdiction and venue in any action brought by any party hereto pursuant to the Term Sheet and these Terms and Conditions shall properly lie and shall be brought in any federal or state court located in the Borough of Manhattan, City and State of New York. By execution and delivery of

Term Sheet and these Terms and Conditions, each party hereto irrevocably submits to the jurisdiction of such courts for itself, himself or herself and in respect of its, his or her property with respect to such action. The parties hereto irrevocably agree that venue would be proper in such court, and hereby irrevocably waive any objection that such court is an improper or inconvenient forum for the resolution of such action.

Section 6.14 - Pronouns

The masculine pronoun shall include the feminine and neuter, and the singular the plural, where the context so indicates.

Section 6.15 – Counterparts

The Term Sheet and these Terms and Conditions may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

Section 6.16 – Code Section 409A

If any payment of money, delivery of shares of Common Stock or other benefits due to the Employee hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payment, delivery of shares of Common Stock or other benefits shall be deferred if deferral will make such payment, delivery of shares of Common Stock or other benefits compliant under Section 409A of the Code, otherwise such payment, delivery of shares of Common Stock or other benefits shall be restructured, to the extent possible, in a manner, determined by the Company and reasonably acceptable to the Employee, that does not cause such an accelerated or additional tax.

EXHIBIT A JOINDER

By execution of this Joinder, the undersigned agrees to become a party to that certain Term Sheet for Employee Performance Stock Unit Awards and that certain Terms and Conditions for Employee Performance Stock Unit Awards, effective as of ________________________ (collectively, the "Agreement"), among WEIGHT WATCHERS INTERNATIONAL, INC. (the "Company") and ________________________ (the "Employee"). By execution of this Joinder, the undersigned shall have all the rights, and shall observe all the obligations, applicable to the Employee (except as otherwise set forth in the Agreement), and to have made on the date hereof all representations and warranties made by such Employee, modified, if necessary, to reflect the nature of the undersigned as a trust, estate or other entity.

Name:

Address for Notices:	With copies to:
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________

Signature: ________________________________

Date: ________________________________

EXHIBIT B

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Section 3: EX-10.2 (EX-10.2)

EXHIBIT 10.2

WEIGHT WATCHERS INTERNATIONAL, INC.
TERM SHEET FOR
EMPLOYEE RESTRICTED STOCK UNIT AWARDS

FOR GOOD AND VALUABLE CONSIDERATION, Weight Watchers International, Inc., a Virginia corporation (the “Company”), hereby grants to the employee identified below (the “Employee”) the aggregate number of Restricted Stock Units specified below which are ultimately payable in shares of Common Stock of the Company (the “RSU Award”). The RSU Award is granted upon the terms, and subject to the conditions, set forth in this Term Sheet, the Company’s stock incentive plan specified below (as amended and restated, the “Plan”), and the Terms and Conditions for Employee Restricted Stock Unit Awards promulgated under such Plan and as attached hereto (the “Terms and Conditions”), each hereby incorporated herein by this reference and each as amended from time to time (capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the Terms and Conditions or the Plan).

Key Terms and Conditions	
Name of Employee:	[ ]
Grant Date:	[ ]
Plan:	Second Amended and Restated Weight Watchers International, Inc. 2014 Stock Incentive Plan
Aggregate Number of Restricted Stock Units:	[ ]

Vesting Schedule for Restricted Stock Units (subject to continued employment)	
Date	# of Restricted Stock Units
[ ]	33.3% of Aggregate Number of Restricted Stock Units
[ ]	33.3% of Aggregate Number of Restricted Stock Units
[ ]	33.3% of Aggregate Number of Restricted Stock Units

By accepting this Term Sheet, the Employee acknowledges that he or she has received and read, and agrees that the Restricted Stock Units granted herein are awarded pursuant to the Plan, are subject to and qualified in their entirety by this Term Sheet, the Plan, and the Terms and Conditions, and shall be subject to the terms and conditions of this Term Sheet, the Plan and the Terms and Conditions.

If the Employee does not sign and return this Term Sheet by [ ]**, this RSU Award shall be forfeited and shall be of no further force and effect.**

WEIGHT WATCHERS INTERNATIONAL, INC.

By: ______________________________ ______________________________

Name: Kimberly Samon Employee Signature

Title: Chief Human Resources Officer

WEIGHT WATCHERS INTERNATIONAL, INC.
TERMS AND CONDITIONS FOR
EMPLOYEE RESTRICTED STOCK UNIT AWARDS

Weight Watchers International, Inc., a Virginia corporation (the "Company"), grants to the Employee who is identified on the Term Sheet for Employee Restricted Stock Unit Awards provided to the Employee herewith (the "Term Sheet") the Restricted Stock Units specified in the Term Sheet, upon the terms and subject to the conditions set forth in (i) the Term Sheet, (ii) the Company stock incentive plan specified in the Term Sheet (the "Plan") and (iii) these Terms and Conditions for Employee Restricted Stock Unit Awards promulgated under such Plan (these "Terms and Conditions"), each hereby incorporated herein by this reference and each as amended from time to time.

ARTICLE I

DEFINITIONS

Capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the Term Sheet or the Plan.

Section 1.1 – Cause

"Cause" shall mean (i) the Employee's willful and continued failure to perform his or her material duties with respect to the Company or its Affiliates which continues beyond 10 days after a written demand for substantial performance is delivered to the Employee by the Company or its Affiliates, (ii) willful misconduct by the Employee involving dishonesty or breach of trust in connection with the Employee's employment which results in a demonstrable injury (which is other than de minimis) to the Company or its Affiliates, (iii) conviction for any felony or any misdemeanor involving moral turpitude, or (iv) any material breach of the Employee's restrictive covenants set forth in Section 6.10 below.

Section 1.2 – Code

"Code" shall mean the Internal Revenue Code of 1986, as amended.

Section 1.3 - Committee

"Committee" shall mean the Compensation Committee of the Board of Directors of the Company.

Section 1.4 – Common Stock

"Common Stock" shall mean the common stock, no par value per share, of the Company.

Section 1.5 – Company

“Company” shall mean Weight Watchers International, Inc.

Section 1.6 - Grant Date

“Grant Date” shall mean the date specified on the Term Sheet on which the RSU Award was granted.

Section 1.7 - Permanent Disability

The Employee shall be deemed to have a “Permanent Disability” if the Employee is unable to engage in the activities required by the Employee's job by reason of any medically determined physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months (in each case, as determined in good faith by a majority of the Committee, which determination shall be conclusive).

Section 1.8 - Plan

“Plan” shall mean the Company’s stock incentive plan specified on the Term Sheet.

Section 1.9 - Restricted Stock Units

A “Restricted Stock Unit” represents the right to receive, upon satisfaction of the vesting conditions set forth herein, one share of Common Stock.

Section 1.10 - Secretary

“Secretary” shall mean the Secretary of the Company.

ARTICLE II

GRANT OF RSU AWARD

Section 2.1 - Grant of Restricted Stock Units

On and as of the Grant Date, the Company irrevocably grants to the Employee the number of Restricted Stock Units specified on the Term Sheet, upon the terms and conditions set forth in the Term Sheet and these Terms and Conditions. The Restricted Stock Units shall vest and become non-forfeitable in accordance with Article III hereof.

Section 2.2 - Consideration to the Company

In consideration of the granting of the RSU Award by the Company, the Employee agrees to render faithful and efficient services to the Company or its Affiliates with such duties and responsibilities as the Company or its Affiliates shall from time to time prescribe. Nothing in the Term Sheet, in these Terms and Conditions or in the Plan shall confer upon the Employee any right to continue in the employment of the Company or its Affiliates, or shall interfere with or restrict in any way the rights of the Company or its Affiliates, which are hereby expressly reserved, to terminate the employment of the Employee at any time for any reason whatsoever, with or without Cause. Employee hereby acknowledges and agrees that neither the Company or its Affiliates nor any other Person has made any representations or promises whatsoever to the Employee concerning the Employee's employment or continued employment by the Company or its Affiliates.

Section 2.3 - Adjustments

Subject to the provisions of the Plan, in the event that the outstanding shares of the Common Stock subject to an RSU Award are, from time to time, changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of a merger, consolidation, recapitalization, change of control, reclassification, stock split, spin-off, stock dividend, combination of shares, or otherwise, the Committee shall make an appropriate and equitable adjustment in the number and kind of shares or other consideration as to which such RSU Award shall be converted. Any such adjustment made by the Committee in its sole discretion and in accordance with the provisions of the Plan shall be final and binding upon the Employee, the Company and all other interested persons.

ARTICLE III

VESTING

Section 3.1 - Commencement of Vesting

Unless otherwise provided in the Term Sheet or these Terms and Conditions, so long as the Employee continues to be employed by the Company or its Affiliates, the Restricted Stock Units shall vest on the dates specified on, and to the extent provided by, the vesting schedule set forth on the Term Sheet; provided, the Restricted Stock Units shall immediately vest prior to the dates specified on the Term Sheet with respect to one hundred percent (100%) of the unvested Restricted Stock Units on the first to occur of (i) the occurrence of a Change in Control, (ii) the date of the Employee's termination of employment due to the Employee's death, and (iii) the date the Company (or any of its Affiliates, as applicable) terminates the Employee's employment due to the Employee's Permanent Disability (any of the foregoing including the dates specified on the Term Sheet, an "RSU Vesting Date").

Section 3.2 - Expiration of Restricted Stock Units

(a) If the Employee's employment with the Company or its Affiliates is terminated for any reason by the Company or its Affiliates (other than due to a Permanent Disability) or by the Employee (other than due to death) prior to any RSU Vesting Date, the RSU Award shall, to the extent not then vested, be forfeited by the Employee without consideration therefor.

(b) Subject to (a) above, the Employee shall cease any additional vesting in his or her Restricted Stock Units upon any termination of his or her employment and the unvested portion of the Restricted Stock Units shall be cancelled without payment therefor upon any termination of his or her employment.

ARTICLE IV

STOCKHOLDER RIGHTS

Section 4.1 - Conditions to Issuance of Stock Certificates

The shares of Common Stock deliverable upon the vesting of the Restricted Stock Units, or any portion thereof, shall be fully paid and nonassessable. The Company shall not be required to deliver any certificate or certificates for shares of stock upon the vesting of any Restricted Stock Units, or any portion thereof, prior to fulfillment of all of the following conditions:

(a) The obtaining of approval or other clearance from any state or federal governmental agency which the Committee shall, in its absolute discretion, determine to be necessary or advisable; and

(b) The lapse of such reasonable period of time following the vesting of the Restricted Stock Units as the Committee may from time to time establish for reasons of administrative convenience.

Section 4.2 - Rights as Stockholder

(a) RSU Rights. Unless otherwise set forth herein, the Employee shall receive, as soon as practicable after the applicable RSU Vesting Date (but in no event later than ten (10) business days following the RSU Vesting Date), one share of Common Stock for each vested Restricted Stock Unit that the Employee holds hereunder. Certificates for the Common Stock shall be delivered to the Employee or to the Employee's legal guardian or representative (or if such Common Stock is evidenced by uncertificated securities registered or recorded in records maintained by or on behalf of the Company in the name of a clearing agency, the Company will cause the Common Stock to be entered in the records of such clearing agency as owned by the Employee). It shall be a condition of the obligation of the Company upon delivery of Common Stock to the Employee pursuant this Section 4.2 that the Employee pay to the Company such amount as may be requested by the Company for the purpose of satisfying any liability for any federal, state or local income or other taxes required by law to be withheld with respect to such Common Stock. The Company shall be authorized to take such action as may be necessary, in the opinion of the Company's counsel (including, without limitation, withholding Common Stock otherwise deliverable to the Employee hereunder and/or withholding amounts from any compensation or other amount owing from the Company to the Employee), to satisfy the obligations for payment of the minimum amount of any such taxes. Until the applicable RSU Vesting Date, a holder of a Restricted Stock Unit shall not be, nor have any of the rights or privileges of, a stockholder of the Company.

(b) Dividend Equivalents for RSU Award. With respect to each cash dividend or distribution (if any) paid with respect to Common Stock to holders of record on and after the Grant Date but before the applicable RSU Vesting Date, the Company shall maintain a notional account (the "Account") for the benefit of the Employee, in which the Company shall record the amount of each such cash dividend or distribution (if any) to which the Employee would have been entitled if the Employee had held the same number of shares of Common Stock equal to the number of Restricted Stock Units granted pursuant to the Term Sheet and these Terms and Conditions. As soon as practicable after the RSU Vesting Date (but in no event later than ten (10) business days following the RSU Vesting Date), the Employee shall, in the discretion of the Company (with respect to the form of payment), be paid an amount equal to the balance of the Account in (a) cash or (b) a number of shares of Common Stock equal to the quotient of (i) the balance of the Account, divided by (ii) the Fair Market Value, on the RSU Vesting Date, of one share of Common Stock. In the event the Account balance is paid in shares of Common Stock, if the calculation set forth in the preceding sentence results in fractional shares, the Company shall round such number of shares to the nearest whole number; provided, that if such number is rounded down, the Company shall pay to the Employee an amount in cash equal to the fractional shares based on the Fair Market Value thereof. In the event the Employee's employment is terminated for any reason (other than due to death or Permanent Disability) prior to any RSU Vesting Date, the Employee shall forfeit all amounts maintained in the Account without consideration therefor.

(c) Delay of Receipt. Notwithstanding the foregoing, in the event that Employee would be required to make a filing under the Hart-Scott-Rodino Act in connection with receipt of Common Stock, the applicable time period(s) shall be appropriately extended to permit such filing and subsequent receipt of Common Stock (and associated Account) but not beyond March 15th in the year following the year in which the RSU Vesting Date occurs.

(d) Limitation on Obligations. The Company's obligation with respect to the Restricted Stock Units granted hereunder is limited solely to the delivery to the Employee of shares of Common Stock on the date when such shares are due to be delivered hereunder, and in no way shall the Company become obligated to pay cash in respect of such obligation (except as set forth in Section 4.2(b) hereof). This RSU Award shall not be secured by any specific assets of the Company or any of its Affiliates, nor shall any assets of the Company or any of its Affiliates be designated as attributable or allocated to the satisfaction of the Company's obligations under the Term Sheet, these Terms and Conditions or the Plan.

(e) Tax Advice. The Employee is hereby advised to seek his or her own tax counsel regarding the taxation of an award of Restricted Stock Units made hereunder.

ARTICLE V

THE COMPANY'S REPRESENTATIONS AND WARRANTIES

Section 5.1 - Authorization

The Company represents and warrants to the Employee that (i) the Term Sheet and these Terms and Conditions has been duly authorized, executed and delivered by the Company, and (ii) upon the vesting of Restricted Stock Units (or any portion thereof), the Common Stock, when issued and delivered in accordance with the terms hereof, will be duly and validly issued, fully paid and nonassessable.

Section 5.2 - Registration

The Company shall use reasonable efforts to register the Common Stock on a Form S-8 Registration Statement or any successor to Form S-8 to the extent that such registration is then available with respect to such Common Stock, and the Company will file the reports required to be filed by it under the 1933 Act and the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations adopted by the SEC thereunder, to the extent required from time to time to enable the Employee to sell his or her shares of Stock without registration under the 1933 Act within the limitations of the exemptions provided by (A) Rule 144 under the 1933 Act, as such rule may be amended from time to time, or (B) any similar rule or regulation hereafter adopted by the SEC.

ARTICLE VI

MISCELLANEOUS

Section 6.1 - Administration

The Committee shall have the power to interpret the Plan, the Term Sheet and these Terms and Conditions and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Employee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Restricted Stock Units. In its absolute discretion, the Board of Directors of the Company may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan, the Term Sheet and these Terms and Conditions.

Section 6.2 - Shares to Be Reserved

The Company shall at all times during the term of the RSU Award reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of the Term Sheet and these Terms and Conditions.

Section 6.3 - Recapitalizations, etc.

The provisions of the Term Sheet and these Terms and Conditions shall apply, to the full extent set forth herein with respect to the RSU Award, to any and all shares of capital stock of the Company or any capital stock, partnership units or any other security evidencing ownership interests in any successor or assign of the Company or its Affiliates (whether by merger, consolidation, sale of assets or otherwise) which may be issued in respect of, in exchange for, or substitution of the RSU Award, by reason of any stock dividend, split, reverse split, combination, recapitalization, liquidation, reclassification, merger, consolidation or otherwise.

Section 6.4 - State Securities Laws

The Company hereby agrees to use its best efforts to comply with all state securities or “blue sky” laws which might be applicable to the issuance of the shares underlying the Restricted Stock Units to the Employee.

Section 6.5 - Binding Effect

The provisions of the Term Sheet and these Terms and Conditions shall be binding upon and accrue to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. In the case of a transferee permitted under the Term Sheet and these Terms and Conditions, such transferee shall be deemed the Employee hereunder; provided, however, that no transferee shall derive any rights under the Term Sheet and these Terms and Conditions unless and until such transferee has delivered to the Company a Joinder (in the form attached hereto as Exhibit A) and becomes bound by the terms of the Term Sheet and these Terms and Conditions.

Section 6.6 - Miscellaneous

In the Term Sheet and these Terms and Conditions, (i) all references to “dollars” or “$” are to United States dollars and (ii) the word “or” is not exclusive. If any provision of the Term Sheet and these Terms and Conditions shall be declared illegal, void or unenforceable by any court of competent jurisdiction, the other provisions shall not be affected, but shall remain in full force and effect.

Section 6.7 - Notices

Any notice to be given under the terms of the Term Sheet and these Terms and Conditions to the Company shall be addressed to the Company in care of its Secretary, and any notice to be given to the Employee shall be addressed to him or her at the address given on the Term Sheet. By a notice given pursuant to this Section 6.7, either party may hereafter designate a different address for notices to be given to him or her. Any notice which is required to be given to the Employee shall, if the Employee is then deceased, be given to the Employee's personal representative if such representative has previously informed the Company of his or her status and address by written notice under this Section 6.7. Any notice shall have been deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section 6.8 - Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Term Sheet and these Terms and Conditions.

Section 6.9 - Applicability of Plan

The Common Stock issued to the Employee upon the vesting of the Restricted Stock Units shall be subject to all of the terms and provisions of the Plan, to the extent applicable to the vesting of the Restricted Stock Units (or any portion thereof). In the event of any conflict between the Term Sheet and these Terms and Conditions, these Terms and Conditions shall control. In the event of any conflict between the Term Sheet or these Terms and Conditions and the Plan, the terms of the Plan shall control.

Section 6.10 - Covenant Not to Compete; Confidential Information; No Raid; Specific Performance

(a) In consideration of the Company entering into the Term Sheet and these Terms and Conditions with the Employee, the Employee hereby agrees effective as of the Grant Date, for so long as the Employee is employed by the Company or one of its Affiliates and for a period of one year thereafter (the “Noncompete Period”), the Employee shall not, without the Company’s prior written consent, directly or indirectly, engage in, be employed by, act as a consultant for or have a financial interest (other than an ownership position of less than 1% in any company whose shares are publicly traded or any non-voting, non-convertible debt securities in any company) in any business engaged in Company Business, or work for or provide services to any Competitor of the Company or its Affiliates, within the United States or within any foreign country in which the Company or its Affiliates (i) has an office, (ii) is or has engaged in Company Business or (iii) proposes to engage in Company Business, as of the date of the termination of the Employee’s association with the Company. For the purposes of these provisions, (A) the term “Company Business” shall mean any business related to weight loss or weight management programs, products, services and/or other similar activities; and (B) the term “Competitor” means any natural person, corporation, limited liability company, firm, organization, trust, partnership, association, joint venture, government agency or other entity (including, but not limited to, the websites and other electronic or digital media of such entities) that engages, or proposes to engage, in Company Business, including, but not limited to, (x) entities which are directly engaged in Company Business; and (y) entities which have a primary focus in broader topic areas, but who nevertheless engage in Company Business such as Unilever (Slimfast) (provided, however, only the part of such entities that are engaged in or oversee Company Business shall be deemed a “Competitor” for purposes of these provisions).

(b) The Employee will not disclose or use at any time, any Confidential Information (as defined below) of which the Employee is or becomes aware, whether or not such information is developed by him or her, except (i) to the extent that such disclosure or use is directly related to and required by the Employee performance of duties, if any, assigned to the Employee by the Company or its Affiliates or (ii) pursuant to the order of any court or administrative agency. As used herein, the term “Confidential Information” means information that is not generally known to the public and that is used, developed or obtained by the Company or its Affiliates in connection with its business, including but not limited to (i) products or services, (ii) fees, costs and pricing structures, (iii) business and financial results, plans, budgets, and projections, (iv) designs, content and other creative elements associated with products and services or marketing and promotional campaigns and programs, (v) computer software, including operating systems, applications and program listings, (vi) flow charts, manuals and documentation, (vii) data bases, (viii) accounting and business methods, (ix) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (x) customers and clients and customer or client lists, (xi) other copyrightable works, (xii) all technology and trade secrets, and (xiii) all similar and related information in whatever form. Confidential Information will not include any information that has been published in a form generally available to the public by a person or entity other than the Employee prior to the date the Employee proposes to disclose or use such information.

(i) Nothing in these Terms and Conditions shall prohibit or impede the Employee from communicating, cooperating or filing a complaint with any U.S. federal, state or local governmental or law enforcement branch, agency or entity (collectively, a "Governmental Entity") with respect to possible violations of any U.S. federal, state or local law or regulation, or otherwise making disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, provided that in each case such communications and disclosures are consistent with applicable law. The Employee does not need the prior authorization of (or to give notice to) the Company regarding any such communication or disclosure. The Employee hereby confirms that the Employee understands and acknowledges that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made either (1) in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (2) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Employee understands and acknowledges further that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order. Notwithstanding the foregoing, under no circumstance will the Employee be authorized to disclose any information covered by the Company's attorney-client privilege or the Company's attorney work product (A) without the prior written consent of the Company's General Counsel or other officer designated by the Company, or (B) unless such disclosure of that information would otherwise be permitted pursuant to 17 CFR 205.3(d)(2), applicable state attorney conduct rules, or otherwise under applicable law or court order.

(ii) The Employee acknowledges and agrees that all copyrights, works, inventions, innovations, improvements, developments, patents, trademarks and all similar or related information which relate to the actual or anticipated business of the Company and its subsidiaries (including its predecessors) and conceived, developed or made by the Employee while employed by the Company or its Affiliates belong to the Company. The Employee will perform all actions reasonably requested by the Company (whether during or after the Noncompete Period) to establish and confirm such ownership at the Company's expense (including without limitation assignments, consents, powers of attorney and other instruments).

(c) The Employee shall disclose promptly in writing and assign immediately, and hereby assigns to the Company, all of the Employee's right, title and interest in and to, any original works of authorship, formulas, processes, programs, benchmarking, solutions, tools, content, databases, techniques, know-how, data, developments, innovations, inventions, improvements, trademarks, patents, copyrights or discoveries, whether or not copyrightable, patentable or otherwise legally protectable, and whether or not they exist in electronic form, print form or other tangible or intangible form of medium (hereinafter referred to collectively as "Work Product"), which the Employee makes or conceives, or first reduces to practice or learns, either solely or jointly with others, during his or her employment period with the Company or its

Affiliates, through the Employee's work with the Company or its Affiliates, or with any other person or entity pursuant to an assignment by the Company or its Affiliates. The Employee acknowledges the special interest the Company and its Affiliates hold in its processes, techniques and technologies and agrees that such processes, techniques and technologies shall not be directly or indirectly used or distributed by the Employee for the interests of any person or entity besides the Company or its Affiliates.

(i) All disclosures and assignments made pursuant to these Terms and Conditions are made without royalty or any additional consideration to the Employee other than the regular compensation paid to the Employee by the Company or its Affiliates.

(ii) The Employee shall execute, acknowledge and deliver to the Company or its Affiliates all necessary documents, and shall take such other action as may be necessary to assist the Company in obtaining by statute, copyrights, patents, trademarks or other statutory or common law protections for the Work Product covered by these Terms and Conditions, vesting title and right in such copyrights, patents, trademarks and other protections in the Company and its designees. The Employee hereby agrees that the Work Product constitutes a "work made for hire" in accordance with the definition of that term under the U.S. copyright laws. The Employee shall further assist the Company or its Affiliates in every proper and reasonable way to enforce such copyrights, patents, trademarks and other protections as the Company may desire. The Employee's obligation to deliver documents and assist the Company or its Affiliates under these Terms and Conditions applies both during and subsequent to the term of his/her employment.

(iii) Any Work Product which the Employee may disclose to anyone within six (6) months after the termination of his/her employment, or for which the Company or its Affiliates may file an application for copyright, patent, trademark or other statutory or common law protection within twelve (12) months after the termination of said employment, shall be presumed to have been made, conceived, first reduced to practice or learned during the term of the Employee's employment and fully subject to the terms and conditions set forth herein; provided that if the Employee in fact, conceived any such Work Product subsequent to the termination of the employment and such Work Product is not based upon or derived from Confidential Information of the Company or its Affiliates or does not relate to the scope of work performed by the Employee pursuant to his/her employment duties with the Company or its Affiliates, then such Work Product shall belong to the Employee and shall be the Employee's sole property. The Employee assumes the responsibility of establishing by competent legal evidence that such Work Product is not based on such Confidential Information and that the Employee conceived any such Work Product after the termination of his/her employment.

(iv) The Employee represents that the Work Product does not infringe any copyright, patent or other proprietary right of any person or entity.

(v) Attached to and made as part of these Terms and Conditions as Exhibit B is a complete list of all Work Product, whether or not copyrighted, which has been made or conceived or first reduced to practice by the Employee alone or jointly prior to the date of his employment with the Company or its Affiliates. Such Work Product shall be excluded from the operation of these Terms and Conditions. If there is no such list on Exhibit B, the

Employee represents that no such Work Product exists at the time of execution of these Terms and Conditions.

(d) Without the Company's prior written consent, the Employee will not, during the Noncompete Period, directly or indirectly, solicit or offer employment to any person who has been employed by the Company or its Affiliates at any time during the twelve months immediately preceding such solicitation.

(e) Notwithstanding clauses (a), (b), (c) and (d) above, if at any time a court holds that the restrictions stated in such clauses (a), (b), (c) and (d) are unreasonable or otherwise unenforceable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographic area determined to be reasonable under such circumstances by such court will be substituted for the stated period, scope or area. Because the Employee's services are unique and because the Employee has had access to Confidential Information, the parties hereto agree that money damages will be an inadequate remedy for any breach of these Terms and Conditions. In the event of a breach or threatened breach of these Terms and Conditions, the Company or its Affiliates or their successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive relief in order to enforce, or prevent any violations of, the provisions hereof (without the posting of a bond or other security).

(f) The Employee acknowledges and agrees that the restrictions and remedies under this Section 6.10 are non-exclusive restrictions and remedies and shall not limit or modify any other restrictive covenants to which Employee is subject to as a result of Employee's employment with or services to the Company or any of its Affiliates nor shall such restrictions and remedies limit or modify the Company's and its Affiliates' other rights and remedies to obtain other monetary, equitable or injunctive relief as a result of breach of, or in order to enforce, the terms and conditions of these Terms and Conditions or with respect to any other covenants or agreements between the Company or any of its Affiliates and the Employee or the Employee's obligations under applicable law.

Section 6.11 - Amendment

The Term Sheet and these Terms and Conditions may be amended only by a writing executed by the parties hereto which specifically states that it is amending the Term Sheet or these Terms and Conditions, as applicable.

Section 6.12 - Governing Law

The Term Sheet and these Terms and Conditions shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

Section 6.13 – Jurisdiction

The parties to the Term Sheet and these Terms and Conditions agree that jurisdiction and venue in any action brought by any party hereto pursuant to the Term Sheet and these Terms and Conditions shall properly lie and shall be brought in any federal or state court located in the Borough of Manhattan, City and State of New York. By execution and delivery of

Term Sheet and these Terms and Conditions, each party hereto irrevocably submits to the jurisdiction of such courts for itself, himself or herself and in respect of its, his or her property with respect to such action. The parties hereto irrevocably agree that venue would be proper in such court, and hereby irrevocably waive any objection that such court is an improper or inconvenient forum for the resolution of such action.

Section 6.14 - Pronouns

The masculine pronoun shall include the feminine and neuter, and the singular the plural, where the context so indicates.

Section 6.15 – Counterparts

The Term Sheet and these Terms and Conditions may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

Section 6.16 – Code Section 409A

If any payment of money, delivery of shares of Common Stock or other benefits due to the Employee hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payment, delivery of shares of Common Stock or other benefits shall be deferred if deferral will make such payment, delivery of shares of Common Stock or other benefits compliant under Section 409A of the Code, otherwise such payment, delivery of shares of Common Stock or other benefits shall be restructured, to the extent possible, in a manner, determined by the Company and reasonably acceptable to the Employee, that does not cause such an accelerated or additional tax.

EXHIBIT A

JOINDER

By execution of this Joinder, the undersigned agrees to become a party to that certain Term Sheet for Employee Restricted Stock Unit Awards and that certain Terms and Conditions for Employee Restricted Stock Unit Awards, effective as of ____________________________(collectively, the "Agreement"), among WEIGHT WATCHERS INTERNATIONAL, INC. (the "Company") and ____________________________(the "Employee"). By execution of this Joinder, the undersigned shall have all the rights, and shall observe all the obligations, applicable to the Employee (except as otherwise set forth in the Agreement), and to have made on the date hereof all representations and warranties made by such Employee, modified, if necessary, to reflect the nature of the undersigned as a trust, estate or other entity.

Name:

Address for Notices:	With copies to:
____	____
____	____
____	____
____	____
____	____

Signature: ____

Date: ____

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Section 4: EX-10.3 (EX-10.3)

EXHIBIT 10.3

WEIGHT WATCHERS INTERNATIONAL, INC.
TERM SHEET FOR
EMPLOYEE PERFORMANCE STOCK UNIT AWARDS

FOR GOOD AND VALUABLE CONSIDERATION, Weight Watchers International, Inc., a Virginia corporation (the "Company"), hereby grants to the employee identified below (the "Employee") the target number of Performance Stock Units specified below which are ultimately payable (to the extent vested) in shares of Common Stock of the Company (the "PSU Award"). The PSU Award is granted upon the terms, and subject to the conditions, set forth in this Term Sheet, the Company's stock incentive plan specified below (as amended and restated, the "Plan"), and the Terms and Conditions for Employee Performance Stock Unit Awards promulgated under such Plan and as attached hereto (the "Terms and Conditions"), each hereby incorporated herein by this reference and each as amended from time to time (capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the Terms and Conditions or the Plan).

Key Terms and Conditions	
Name of Employee:	Mindy Grossman
Grant Date:	[ ]
Plan:	Second Amended and Restated Weight Watchers International, Inc. 2014 Stock Incentive Plan
Target Number of Performance Stock Units:	[ ]
Scheduled Vesting Date:	[ ]
Performance Period:	[ ]

Vesting Schedule

1. Time-Vesting Service Condition. The PSU Award shall only vest upon (a) satisfaction of the Time-Vesting Service Condition or (b) the occurrence of an event detailed in Paragraph 3 below which deems the Time-Vesting Service Condition satisfied.

2. Performance Criteria.

(a) Performance Conditions. Subject to the Employee meeting the Time-Vesting Service Condition, and the Company achieving the Performance Vesting Condition, the applicable number of PSUs (determined based on the applicable Achievement Percentage), if any, shall vest. All determinations with respect to the Company's Adjusted Operating Income (and Adjusted Revenue, if applicable) performance in Fiscal Year [ ]shall be made by the Committee and the Performance Vesting Condition shall not be achieved and the PSUs shall not be eligible to vest until the Committee certifies that such Performance Vesting Condition has been met.

(b) Adjusted Operating Income and Adjusted Revenue Achievement. The total number of PSUs (rounded down to the nearest whole PSU) that shall be subject to vesting shall be equal to (x) the target number of PSUs granted hereunder multiplied by (y) the applicable Achievement Percentage, determined as follows:

Level of Achievement	Adjusted Operating Income	Achievement Percentage
Below Threshold	[ ]	[ ]
Threshold	[ ]	[ ]
Target	[ ]	[ ]
Maximum	[ ]	[ ]

If, in addition to achieving an amount of Adjusted Operating Income in Fiscal Year [ ] equal to [ ] of the Operating Income Target Amount, the Company also achieves an amount of Adjusted Revenue in Fiscal Year [ ] equal to [ ] of the Revenue Target Amount, then the Employee may achieve an achievement percentage in excess of [ ] up to [ ] as set forth below in the following table:

Level of Achievement	Adjusted Operating Income	Achievement Percentage
Potential if Revenue Target is Achieved	[ ]	[ ]

3. Termination of Employment. Except as set forth herein, upon a termination of employment, the Employee shall be treated in accordance with the Terms and Conditions. Notwithstanding anything to the contrary in the Terms and Conditions, in the event of (i) the Employee's death or Disability prior to the Scheduled Vesting Date or (ii) Employee's termination of employment described in Section 3(a) of the Continuity Agreement, the Time- Vesting Service Condition shall be deemed immediately satisfied and the Performance Vesting Condition shall be deemed satisfied at target level performance; provided, however, that if the applicable qualifying termination of employment occurs following the end of the Performance Period, then the Performance Vesting Condition shall be deemed satisfied based on the actual Achievement Percentage for the Performance Period.

4. Definitions. For the purposes of this Term Sheet:

(a) "Achievement Percentage" means the percentage multiplier specified above with respect to the "Below Threshold," "Threshold," "Target," "Maximum" and "Potential if Revenue Target is Achieved" levels for the Adjusted Operating Income performance, or a percentage (percentage of achievement of Operating Income Target Amount rounded to the nearest whole percentage number) determined using linear interpolation if actual Adjusted Operating Income performance falls between any two levels or ranges, as applicable. Notwithstanding the foregoing, in the event that actual Adjusted Operating Income performance does not meet the "Threshold" level, the "Achievement Percentage" shall be zero. Additionally, the Revenue Target Amount is either achieved at [ ] or not achieved at all based on Adjusted Revenue performance in Fiscal Year [ ].

(b) "Adjusted Operating Income" means the Company's operating income as reported in (or otherwise calculated in a manner consistent with) the Company's Form 10-K as filed with the Securities and Exchange Commission, adjusted to exclude the impact of (i) changes in accounting principles, (ii) any material acquisition, divestiture or capital structure transaction, (iii) any impairment or similar charges, (iv) any material impact of foreign currency exchange rates, (v) any material regulatory matter or litigation in which the Company (or its related entities) is a defendant and (vi) other similar material events or matters which impact the Company's reported financials as determined by the Committee in its reasonable discretion.

(c) "Adjusted Revenue" means the Company's revenue as reported in (or otherwise calculated in a manner consistent with) the Company's Form 10-K as filed with the Securities and Exchange Commission, adjusted to exclude the impact of (i) changes in accounting principles, (ii) any material acquisition, divestiture or capital structure transaction, (iii) any impairment or similar charges, (iv) any material impact of foreign currency exchange rates, (v) any material regulatory matter or litigation in which the Company (or its related entities) is a defendant and (vi) other similar material events or matters which impact the Company's reported financials as determined by the Committee in its reasonable discretion.

(d) "Performance Vesting Condition" means the achievement of an amount of Adjusted Operating Income for Fiscal Year [ ], as determined under this Term Sheet, equal to or in excess of [ ] of the Operating Income Target Amount.

(e) "Time-Vesting Service Condition" means the Employee's continued employment with the Company or its Affiliates through the Scheduled Vesting Date identified above. of [ ].

(f) "Operating Income Target Amount" means operating income for Fiscal Year [ ]

(g) "Revenue Target Amount" means revenue for Fiscal Year [ ] of [ ].

* * *

By accepting this Term Sheet, the Employee acknowledges that he or she has received and read, and agrees that the Performance Stock Units granted herein are awarded pursuant to the Plan, are subject to and qualified in their entirety by this Term Sheet, the Plan, and the Terms and Conditions, and shall be subject to the terms and conditions of this Term Sheet, the Plan and the Terms and Conditions. Additionally, the Employee acknowledges and agrees that any right to acceleration or other benefit with respect to the PSU Award under any other written agreement by and between the Employee and the Company or any of its Affiliates, as may be amended from time to time (collectively, "Other Agreements"), is hereby governed by Paragraph 3 above, as may be amended in accordance with the terms of this Term Sheet, with respect to the number of shares of Common Stock to be vested pursuant to such right notwithstanding any term or condition set forth in the Other Agreements.

If the Employee does not sign and return this Term Sheet by [   ]**, this PSU Award shall be forfeited and shall be of no further force and effect.**

WEIGHT WATCHERS INTERNATIONAL, INC.

By: ______________________________	______________________________
Name: Kimberly Samon	Employee Signature
Title: Chief Human Resources Officer	Mindy Grossman

WEIGHT WATCHERS INTERNATIONAL, INC.
TERMS AND CONDITIONS FOR EMPLOYEE PERFORMANCE STOCK UNIT AWARDS

Weight Watchers International, Inc., a Virginia corporation (the "Company"), grants to the Employee who is identified on the Term Sheet for Employee Performance Stock Unit Awards provided to the Employee herewith (the "Term Sheet") the Performance Stock Units specified in the Term Sheet, upon the terms and subject to the conditions set forth in (i) the Term Sheet, (ii) the Company stock incentive plan specified in the Term Sheet (the "Plan") and (iii) these Terms and Conditions for Employee Performance Stock Unit Awards promulgated under such Plan (these "Terms and Conditions"), each hereby incorporated herein by this reference and each as amended from time to time.

ARTICLE I

DEFINITIONS

Capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the Term Sheet or the Plan.

Section 1.1 – Cause

"Cause" shall be as defined in the Employment Agreement.

Section 1.2 – Change in Control

Notwithstanding the definition in the Plan, "Change in Control" shall be deemed to have the same meaning as in the Continuity Agreement.

Section 1.3 – Code

"Code" shall mean the Internal Revenue Code of 1986, as amended.

Section 1.4 - Committee

"Committee" shall mean the Compensation Committee of the Board of Directors of the Company.

Section 1.5 – Common Stock

"Common Stock" shall mean the common stock, no par value per share, of the Company.

Section 1.6 – Company

"Company" shall mean Weight Watchers International, Inc.

Section 1.7 –Continuity Agreement

"Continuity Agreement" shall mean that Continuity Agreement between the Company and Employee entered into as of April 21, 2017, as it may be amended from time to time.

Section 1.8 - Disability

"Disability" shall be as defined in the Employment Agreement.

Section 1.9 – Employment Agreement

"Employment Agreement" shall mean that Employment Agreement between the Company and Employee entered into as of April 21, 2017, as may be amended from time to time.

Section 1.10 – Good Reason

"Good Reason" shall be as defined in the Employment Agreement.

Section 1.11 - Grant Date

"Grant Date" shall mean the date specified on the Term Sheet on which the PSU Award was granted.

Section 1.12 - Performance Stock Units

A "Performance Stock Unit" represents the right to receive, upon satisfaction of the vesting conditions set forth herein, one share of Common Stock.

Section 1.13 – Plan

"Plan" shall mean the Company's stock incentive plan specified on the Term Sheet.

Section 1.14 – PSU Vesting Date

"PSU Vesting Date" shall mean the date upon which both the Time- Vesting Service Condition and the Performance Vesting Condition applicable to the PSU Award have been satisfied.

Section 1.15 - Secretary

"Secretary" shall mean the Secretary of the Company.

ARTICLE II

GRANT OF PSU AWARD

Section 2.1 - Grant of Performance Stock Units

On and as of the Grant Date, the Company irrevocably grants to the Employee the target number of Performance Stock Units specified on the Term Sheet, upon the terms and conditions set forth in the Term Sheet and these Terms and Conditions. The Performance Stock Units shall vest and become non-forfeitable in accordance with Article III hereof.

Section 2.2 – Employment Agent

This PSU Award is made as required by Section 4 of the Employment Agreement. Nothing in the Term Sheet, in these Terms and Conditions or in the Plan shall confer upon the Employee any right to continue in the employment of the Company or its Affiliates, or shall interfere with or restrict in any way the rights of the Company or its Affiliates, which are hereby expressly reserved, to terminate the employment of the Employee at any time for any reason whatsoever, with or without Cause (subject to the terms of the Employment Agreement). Employee hereby acknowledges and agrees that neither the Company nor its Affiliates nor any other Person has made any representations or promises whatsoever to the Employee concerning the Employee's employment or continued employment by the Company or its Affiliates, subject to the terms of the Employment Agreement.

Section 2.3 - Adjustments

Subject to the provisions of the Plan, in the event that the outstanding shares of the Common Stock subject to a PSU Award are, from time to time, changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of a merger, consolidation, recapitalization, change of control, reclassification, stock split, spin-off, stock dividend, combination of shares, or otherwise, the Committee shall make an appropriate and equitable adjustment in the number and kind of shares or other consideration as to which such PSU Award shall be converted. Any such adjustment made by the Committee in its good faith discretion and in accordance with the provisions of the Plan shall be final and binding upon the Employee, the Company and all other interested persons. To the extent that any PSU Award is not continued, assumed or substituted for options, performance stock units or any other form of equity of a surviving entity in connection with one of the foregoing events, it shall become fully vested immediately prior to the event.

ARTICLE III

VESTING

Section 3.1 - Commencement of Vesting

Unless otherwise provided in the Term Sheet, these Terms and Conditions or the Plan, so long as the Employee continues to be employed by the Company or its Affiliates, the Performance Stock Units shall vest on the dates specified on, and to the extent provided by, the vesting schedule set forth on the Term Sheet (subject to Section 3.2 below).

Section 3.2 - Expiration of Performance Stock Units

Unless otherwise provided in the Term Sheet, the Employee shall cease any additional vesting in his or her Performance Stock Units upon any termination of his or her employment and the unvested portion of the Performance Stock Units shall be cancelled without payment therefor upon any termination of his or her employment.

ARTICLE IV

STOCKHOLDER RIGHTS

Section 4.1 - Conditions to Issuance of Stock Certificates

The shares of Common Stock deliverable upon the vesting of the Performance Stock Units, or any portion thereof, shall be fully paid and nonassessable. The Company shall not be required to deliver any certificate or certificates for shares of stock upon the vesting of any Performance Stock Units, or any portion thereof, prior to fulfillment of all of the following conditions:

(a) The obtaining of approval or other clearance from any state or federal governmental agency which the Committee shall, in its absolute discretion, determine to be necessary or advisable; and

(b) The lapse of such reasonable period of time following the vesting of the Performance Stock Units as the Committee may from time to time establish for reasons of administrative convenience.

Section 4.2 - Rights as Stockholder

(a) PSU Rights. Unless otherwise set forth herein, the Employee shall receive, as soon as practicable after the PSU Vesting Date (but in no event later than ten (10) business days following the PSU Vesting Date), one share of Common Stock for each vested Performance Stock Unit that the Employee holds hereunder. Certificates for the Common Stock shall be delivered to the Employee or to the Employee's legal guardian or representative (or if such Common Stock is evidenced by uncertificated securities registered or recorded in records maintained by or on behalf of the Company in the name of a clearing agency, the Company will cause the Common Stock to be entered in the records of such clearing agency as owned by the

Employee). It shall be a condition of the obligation of the Company upon delivery of Common Stock to the Employee pursuant this Section 4.2 that the Employee pay to the Company such amount as may be requested by the Company for the purpose of satisfying any liability for any federal, state or local income or other taxes required by law to be withheld with respect to such Common Stock. Minimum required withholding shall be satisfied by the Company withholding Common Stock otherwise deliverable to the Employee hereunder. Until the PSU Vesting Date, a holder of a Performance Stock Unit shall not be, nor have any of the rights or privileges of, a stockholder of the Company.

(b) Dividend Equivalents for PSU Award. With respect to each cash dividend or distribution (if any) paid with respect to Common Stock to holders of record on and after the Grant Date but before the PSU Vesting Date, the Company shall maintain a notional account (the "Account") for the benefit of the Employee, in which the Company shall record the amount of each such cash dividend or distribution (if any) to which the Employee would have been entitled if the Employee had held the same number of shares of Common Stock equal to the target number of Performance Stock Units granted pursuant to the Term Sheet and these Terms and Conditions. As soon as practicable after the PSU Vesting Date (but in no event later than ten (10) business days following the PSU Vesting Date), the Employee shall, in the discretion of the Company (with respect to the form of payment), be paid an amount equal to the balance of the Account multiplied by the Achievement Percentage (as defined in the Term Sheet) (such product, if any, the "Vested Amount") in (a) cash or (b) a number of shares of Common Stock equal to the quotient of (i) the Vested Amount, divided by (ii) the Fair Market Value, on the PSU Vesting Date, of one share of Common Stock. In the event the Vested Amount is paid in shares of Common Stock, if the calculation set forth in the preceding sentence results in fractional shares, the Company shall round such number of shares to the nearest whole number; provided, that if such number is rounded down, the Company shall pay to the Employee an amount in cash equal to the fractional shares based on the Fair Market Value thereof. In the event the Employee's employment is terminated for any reason (other than a termination that results in the acceleration of vesting of PSUs) prior to the PSU Vesting Date, the Employee shall forfeit all amounts maintained in the Account without consideration therefor.

(c) Delay of Receipt. Notwithstanding the foregoing, in the event that Employee would be required to make a filing under the Hart-Scott-Rodino Act in connection with receipt of Common Stock, the applicable time period(s) shall be appropriately extended to permit such filing and subsequent receipt of Common Stock (and associated Account) but not beyond March 15th in the year following the year in which the PSU Vesting Date occurs.

(d) Limitation on Obligations. The Company's obligation with respect to the Performance Stock Units granted hereunder is limited solely to the delivery to the Employee of shares of Common Stock on the date when such shares are due to be delivered hereunder, and in no way shall the Company become obligated to pay cash in respect of such obligation (except as set forth in Section 4.2(b) hereof). This PSU Award shall not be secured by any specific assets of the Company or any of its Affiliates, nor shall any assets of the Company or any of its Affiliates be designated as attributable or allocated to the satisfaction of the Company's obligations under the Term Sheet, these Terms and Conditions or the Plan.

(e) Tax Advice. The Employee is hereby advised to seek his or her own tax counsel regarding the taxation of an award of Performance Stock Units made hereunder.

ARTICLE V

THE COMPANY'S REPRESENTATIONS AND WARRANTIES

Section 5.1 - Authorization

The Company represents and warrants to the Employee that (i) the Term Sheet and these Terms and Conditions has been duly authorized, executed and delivered by the Company, and (ii) upon the vesting of Performance Stock Units (or any portion thereof), the Common Stock, when issued and delivered in accordance with the terms hereof, will be duly and validly issued, fully paid and nonassessable.

Section 5.2 - Registration

The Common Stock are registered on a Form S-8 Registration Statement or any successor to Form S-8 to the extent that such registration is then available with respect to such Common Stock, and the Company will file the reports required to be filed by it under the 1933 Act and the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations adopted by the SEC thereunder, to the extent required from time to time to enable the Employee to sell his or her shares of Stock without registration under the 1933 Act within the limitations of the exemptions provided by (A) Rule 144 under the 1933 Act, as such rule may be amended from time to time, or (B) any similar rule or regulation hereafter adopted by the SEC.

ARTICLE VI

MISCELLANEOUS

Section 6.1 - Administration

The Committee shall have the power to interpret the Plan, the Term Sheet and these Terms and Conditions and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Employee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Performance Stock Units. In its absolute discretion, the Board of Directors of the Company may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan, the Term Sheet and these Terms and Conditions. Notwithstanding anything else herein or the Plan, interpretation of the terms Cause, Good Reason and Disability shall be made in accordance with the procedures and dispute resolutions provisions of the Employment Agreement and that of Change in Control in accordance with the procedures and dispute resolutions provisions of the Continuity Agreement.

Section 6.2 - Shares to Be Reserved

The Company shall at all times during the term of the PSU Award reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of the Term Sheet and these Terms and Conditions.

Section 6.3 - Recapitalizations, etc.

The provisions of the Term Sheet and these Terms and Conditions shall apply, to the full extent set forth herein with respect to the PSU Award, to any and all shares of capital stock of the Company or any capital stock, partnership units or any other security evidencing ownership interests in any successor or assign of the Company or its Affiliates (whether by merger, consolidation, sale of assets or otherwise) which may be issued in respect of, in exchange for, or substitution of the PSU Award, by reason of any stock dividend, split, reverse split, combination, recapitalization, liquidation, reclassification, merger, consolidation or otherwise.

Section 6.4 - State Securities Laws

The Company hereby agrees to use its best efforts to comply with all state securities or “blue sky” laws which might be applicable to the issuance of the shares underlying the Performance Stock Units to the Employee.

Section 6.5 - Binding Effect

The provisions of the Term Sheet and these Terms and Conditions shall be binding upon and accrue to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. In the case of a transferee permitted under the Term Sheet and these Terms and Conditions, such transferee shall be deemed the Employee hereunder; provided, however, that no transferee shall derive any rights under the Term Sheet and these Terms and Conditions unless and until such transferee has delivered to the Company a Joinder (in the form attached hereto as Exhibit A) and becomes bound by the terms of the Term Sheet and these Terms and Conditions.

Section 6.6 - Miscellaneous

In the Term Sheet and these Terms and Conditions, (i) all references to “dollars” or “$” are to United States dollars and (ii) the word “or” is not exclusive. If any provision of the Term Sheet and these Terms and Conditions shall be declared illegal, void or unenforceable by any court of competent jurisdiction, the other provisions shall not be affected, but shall remain in full force and effect.

Section 6.7 - Notices

Any notice to be given under the terms of the Term Sheet and these Terms and Conditions to the Company shall be addressed to the Company in care of its Secretary, and any notice to be given to the Employee shall be addressed to him or her at the address given on the Term Sheet. By a notice given pursuant to this Section 6.7, either party may hereafter designate a different address for notices to be given to him or her. Any notice which is required to be given to the Employee shall, if the Employee is then deceased, be given to the Employee's personal representative if such representative has previously informed the Company of his or her status and address by written notice under this Section 6.7. Any notice shall have been deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section 6.8 - Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Term Sheet and these Terms and Conditions.

Section 6.9 - Applicability of Plan

The Common Stock issued to the Employee upon the vesting of the Performance Stock Units shall be subject to all of the terms and provisions of the Plan, to the extent applicable to the vesting of the Performance Stock Units (or any portion thereof). In the event of any conflict between the Term Sheet and these Terms and Conditions, these Terms and Conditions shall control. In the event of any conflict between the Term Sheet, these Terms and Conditions and the Plan, the Term Sheet or Terms and Conditions shall control.

Section 6.10 – Restrictive Covenants

In consideration of the Company entering into the Term Sheet and these Terms and Conditions with the Employee, the Employee reaffirms the restrictive covenants set forth in Section 8 of the Employment Agreement.

Section 6.11 - Amendment

The Term Sheet and these Terms and Conditions may be amended only by a writing executed by the parties hereto which specifically states that it is amending the Term Sheet or these Terms and Conditions, as applicable.

Section 6.12 - Governing Law

The Term Sheet and these Terms and Conditions shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

Section 6.13 – Jurisdiction

The parties to the Term Sheet and these Terms and Conditions agree that jurisdiction and venue in any action brought by any party hereto pursuant to the Term Sheet and these Terms and Conditions shall properly lie and shall be brought in any federal or state court located in the Borough of Manhattan, City and State of New York. By execution and delivery of Term Sheet and these Terms and Conditions, each party hereto irrevocably submits to the jurisdiction of such courts for itself, himself or herself and in respect of its, his or her property with respect to such action. The parties hereto irrevocably agree that venue would be proper in such court, and hereby irrevocably waive any objection that such court is an improper or inconvenient forum for the resolution of such action.

Section 6.14 - Pronouns

The masculine pronoun shall include the feminine and neuter, and the singular the plural, where the context so indicates.

Section 6.15 – Counterparts

The Term Sheet and these Terms and Conditions may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

Section 6.16 – Code Section 409A

If any payment of money, delivery of shares of Common Stock or other benefits due to the Employee hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payment, delivery of shares of Common Stock or other benefits shall be deferred if deferral will make such payment, delivery of shares of Common Stock or other benefits compliant under Section 409A of the Code, otherwise such payment, delivery of shares of Common Stock or other benefits shall be restructured, to the extent possible, in a manner, determined by the Company and reasonably acceptable to the Employee, that does not cause such an accelerated or additional tax.

EXHIBIT A

JOINDER

By execution of this Joinder, the undersigned agrees to become a party to that certain Term Sheet for Employee Performance Stock Unit Awards and that certain Terms and Conditions for Employee Performance Stock Unit Awards, effective as of ____________________ (collectively, the "Agreement"), among WEIGHT WATCHERS INTERNATIONAL, INC. (the "Company") and _______________________(the "Employee"). By execution of this Joinder, the undersigned shall have all the rights, and shall observe all the obligations, applicable to the Employee (except as otherwise set forth in the Agreement), and to have made on the date hereof all representations and warranties made by such Employee, modified, if necessary, to reflect the nature of the undersigned as a trust, estate or other entity.

Name:

Address for Notices:	With copies to:
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________

Signature: ______________________________

Date: ______________________________

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Section 5: EX-31.1 (EX-31.1)

EXHIBIT 31.1

CERTIFICATION

I, Mindy Grossman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Weight Watchers International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2018

Signature: /s/ Mindy Grossman
Mindy Grossman
President, Chief Executive Officer and Director
(Principal Executive Officer)

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Section 6: EX-31.2 (EX-31.2)

EXHIBIT 31.2

CERTIFICATION

I, Nicholas P. Hotchkin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Weight Watchers International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2018

Signature: /s/ Nicholas P. Hotchkin
Nicholas P. Hotchkin
Chief Financial Officer
(Principal Financial and Accounting Officer)

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Section 7: EX-32.1 (EX-32.1)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Weight Watchers International, Inc. (the "Company") for the quarterly period ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned officers of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2018

Signature: /s/ Mindy Grossman
Mindy Grossman
President, Chief Executive Officer and Director
(Principal Executive Officer)

Signature: /s/ Nicholas P. Hotchkin
Nicholas P. Hotchkin
Chief Financial Officer
(Principal Financial and Accounting Officer)

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