Investor Conference Call

David Helderman, Director Investor Relations
Thank you for joining us today for the WeightWatchers Investor Conference Call. Earlier this afternoon we issued a press release reporting our first quarter 2025 results as well as a subsequent press release announcing that we entered into an agreement with the requisite supermajority of our lenders and noteholders in order to implement a financial reorganization, and as a result we have commenced a voluntary prepackaged Chapter 11 process. The purpose of this call is to provide investors with some further details regarding today's agreement and the company's progress. Both press releases are available on the company's corporate website located at corporate.ww.com. Supplemental investor materials and a summary of the agreement with the requisite supermajority of our lenders and noteholders are also available on the company's corporate website under Events and Presentations. Reconciliations of non-GAAP financial measures disclosed on this conference call to the most directly comparable GAAP financial measures are also available as part of the press release reporting our first quarter 2025 results and the summary of the agreement on the Company's corporate website under Events and Presentations. Before we begin, let me remind everyone that this call will contain forward-looking statements. Investors should be aware that any forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those discussed here today. These risk factors are explained in detail in the company's latest Annual Report on Form 10-K, Quarterly Report on Form 10-Q, and as updated by the company's other filings with the Securities and Exchange Commission. Please refer to these filings for a more detailed discussion of forward-looking statements and the risks and uncertainties of such statements. All forward-looking statements are made as of today, and except as required by law, the company undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. Joining today's call are Tara Comonte, President and Chief Executive Officer, and Felicia DellaFortuna, Chief Financial Officer. In light of our earlier announcement regarding our upcoming financial reorganization process, we won't be holding a Q&A session after today's prepared remarks.

I will now turn the call over to Tara.

Tara Comonte, Chief Executive Officer

Thanks, David, and to you all for joining us today. Ahead of Felicia taking you through the First Quarter financials, I'll share some broader context as to how we're thinking about the business in this moment and beyond, as we work to stabilize and lay the path back to long-term, sustainable growth.

A critical first step is the resetting of our capital structure. Transformations take time, and they also take investment. Our existing debt has been a significant burden on the business for many years and has resulted in approximately $100 million of annual interest payments in each of the last two years. As we've mentioned consistently over the past few quarters, we have chosen to take a proactive approach to finding a sustainable, long-term solution to our capital structure in order to ensure this business is set up for maximum success moving forward.

We are pleased to share that we have reached a comprehensive agreement with the requisite supermajority of our lenders and noteholders to reduce our debt by $1.15 billion, a more than 70% reduction from current levels. This will reduce our long-term debt obligations from $1.6 billion as we stand today, to $465 million moving forward, with maturities also extending to 2030. Our anticipated interest payments will be reduced by half, to approximately $50 million annually, expecting to directly improve our free cash flow and ability to invest in the business, including in product innovation and marketing expansion. Net leverage will drop from approximately 9 times using full year 2024 results to below 3 times based on trailing twelve months adjusted EBITDAS as of Quarter One. Our cash balance at Quarter One end was $236 million, and notably, a key benefit of this agreement allows us to retain the $171 million of cash from our revolving credit facility draw down, which was included in this balance.

This transaction will significantly strengthen our financial foundation, allowing us to compete more effectively, and better positioning us to invest for future growth and success. It also demonstrates the strong support of our key financial partners and their confidence in the Company's long-term growth potential and strategies.

As part of the agreement, all current equity investors will receive a pro rata share of 9% of new common equity in the reorganized company, subject to dilution from an equity incentive plan and reaching the milestones set forth in the agreement, and as such, they retain a portion of the benefit of our shift from a company that has been heavily debt-laden to one with a sustainable capital structure with room to facilitate future growth.

Importantly, WeightWatchers remains fully operational, with all of our offerings and services, including our workshops, our app, and our telehealth business continuing to operate with no interruption during this reorganization process and beyond. To repeat, there will be no impact to our members, or the plans they rely on to support their weight management goals, or to our teams. In addition, all trade creditors and other general unsecured creditors will be paid in full as part of this process. And finally, we intend for WeightWatchers to remain a publicly traded company upon emergence from this reorganization process.

While this significant reduction in future debt obligations will help provide the resources we need to innovate in this rapidly evolving weight management industry, it's just one component of what's needed to return to top-line growth. Executing on our strategic roadmap is our top priority and our team remains laser focused on doing so.

With greater free cash flow and a solid financial foundation, we can make the necessary investments to grow our business—specifically as it relates to our member experience, our product, our program, and the rebuilding of our brand. We're here today, and undergoing the previously mentioned transaction, because we unequivocally believe in the future of our brand and our business.

As our team sets its sights on our future, we've done so with a deep-rooted understanding of our past. WeightWatchers has always been a leader in weight management, and as we turn 62 years old this month, it's hardly a stretch to consider us the category creator. Over these six decades, we've helped tens of millions of members on their weight management journeys, innovating in the fields of nutrition science and behavior change to encourage healthy habits for longer, happier living.

With over 180 published studies and dozens of clinical trials, WeightWatchers is *the* most science-backed company in the space. Leading organizations, including The Obesity Society, the American Heart Association, the American College of Cardiology, and the CDC, have recognized our program's effectiveness. And that legacy of *trust* is why we're the #1 doctor-recommended program and have been named the best weight-loss diet by *U.S. News & World Report* for 15 years straight.

There are few categories more exciting to be in right now than weight management, with so much constantly evolving, from science and research to consumer behavior and beyond. But one theme that has emerged above all others in the rapid uptake of GLP-1 usage, is that despite all of their promise and potential, GLP-1s are a medication, not a miracle. Patients require behavior change in order to find sustainable health and success, on or off these medications. A much-cited clinical trial shows that people regained two-thirds of the weight they lost within a year of stopping GLP-1 medications. And from our own members, we consistently hear that long-term use isn't the plan with nearly two-thirds of them sharing that they expect to stop at some point. That's why a holistic care model matters. By building lasting lifestyle, nutritional, and behavioral habits while on medication, we help reduce dependence and make it easier, and more sustainable, for people to transition off when they're ready.

In any other field of care, it's well understood that medication is only one part of the health equation. When GLP-1s are prescribed without holistic support that helps people make informed decisions about their nutrition and lifestyle, patients are left without the comprehensive care they need and deserve for sustainable results.

Scientific community is now aligning with something WeightWatchers has long understood: obesity is a chronic disease that demands *comprehensive* care. Yet it was only recognized as such by the American Medical Association in 2013—decades after heart disease and diabetes, despite being a major driver of both. Like any chronic condition, it requires more than medication alone to manage effectively. Lasting impact demands a holistic approach that blends clinical care, sustained behavior change, and ongoing support—both from professionals and through community. That's the model WeightWatchers has been building for decades.

Even before we launched our Clinic offering, WeightWatchers understood that effective weight management requires that full spectrum of care. Today, that model is proving more powerful than ever. We've seen members on weight management medication, when combined with our behavioral program, lose 11% more weight than those on medication alone. It's also why we repeatedly see WeightWatchers deliver superior outcomes for our members, compared to a number of our key competitors. But perhaps most importantly, in a recent study, WeightWatchers members who transitioned from our Clinic program to our Behavioral program, not only maintained their weight loss - without a single member regaining the lost weight - but they continued to lose. This kind of sustained success is a powerful validation of our holistic model, one that delivers superior outcomes, strengthens our clinical differentiation, and reinforces our position as the most effective long-term solution in the space.

With more of a financial lens, it can also provide for more efficient customer acquisition, as we continue to see members convert from Behavioral memberships to Clinic, including 30% of First Quarter Clinic signups which came from existing Behavioral members.

Finally, I want to double down on something that is unique to WeightWatchers— that we firmly believe will continue to be a key differentiating factor in our years to come. And that's our community. We talk proudly and often about supporting our millions of members globally, and we are well known for our Virtual and our In-Person Workshops offering. I highlight community not only because it's a cornerstone of WeightWatchers' value proposition today and has been since our inception, but also because there's mounting evidence that shows the extent to which community supports positive health outcomes and improved results. From our own research, we see our Workshop members lose *twice* as much weight as people who go it alone. It's no wonder the connections fostered on a journey as personal as weight management, lead people to greater commitment and better results.

While we acknowledge that we are in a period of significant transformation and change, we also believe a simple truth: and that is, WeightWatchers has the right ingredients to succeed, and is already far differentiated from our competition. But at the same time that we project confidence, I also want to be clear: there is real, hard, transformational work to be undertaken to set this company up for its next 60 years of business. That's the fundamental reason we are taking the bold step to effectuate this transaction: so that we can effectively innovate and compete in this increasingly crowded and fast-evolving landscape. Grounded in the knowledge of what makes WeightWatchers unique, our team is dedicated and devoted to deep and full-scale innovation across our full member experience, product offering, brand reinvigoration, and clinical expansion. I look forward to elaborating on the other side of this transaction, and as we make progress in our transformation work over coming quarters.

With that, I'll hand over to Felicia to share some more financial color.

Felicia DellaFortuna, Chief Financial Officer

Thanks Tara.
We are extremely pleased to have reached this agreement with the requisite supermajority of our lenders and noteholders to reorganize our capital structure. This is a big step for the company, setting us up on a path to rebuild for a healthy and sustainable future.

As Tara mentioned, under the terms of the reorganization plan, our debt will decline from $1.6 billion, including our recent revolver draws, to $465 million. We will implement this reorganization through voluntary "pre-packaged" chapter 11 cases. We expect to move through this process swiftly, with the goal of emerging from the process within 45 days, if not sooner, and business will continue as normal throughout this time. We intend to emerge as a publicly traded company.

Shifting to Quarter One, our results were largely consistent with the trends we shared in our Fourth Quarter earnings call at the end of February. We faced continued acquisition challenges in our Behavioral business. However, Clinical subscriber growth accelerated from the fourth quarter 2024 to end Q1 with 135 thousand Clinic Subscribers, growing 47% from the end of 2024. The majority of this First Quarter subscriber growth came from our launch of compounded semaglutide in October 2024 during the FDA-declared shortage. I will talk a little more about this in a moment.

Total End of Period Subscribers for the Company declined 14% year-over year in Quarter One, ending at 3.4 million. However, we continued to see a positive mix shift to our higher LTV Clinical business, which generates significantly higher ARPU than our Behavioral business.

ARPU expansion from continued Clinical growth is an important lever in our overall return to top line growth.

These subscriber trends were reflected in our first quarter Revenue of $187 million, which declined 10% vs. the prior year due to the ongoing headwinds in the Behavioral business, partially offset by growth in Clinical Revenue, which totaled $29 million, and grew 57% in the quarter.

Turning to our profitability metrics. Adjusted Gross Margin was a record high at 71% in the First Quarter, expanding 311 basis points compared to 67.9% in the prior year period, as we continue to exercise strict cost discipline across the business. Adjusted EBITDAS was $27 million in the Quarter, with an Adjusted EBITDAS margin of 14.4%, an improvement from 3.5% in the same quarter last year.

Marketing expense was $79 million for the first quarter, a decline of 13% year-over-year. We have significant work ahead to improve our digital and product and member experience, and are being prudent with Marketing spend as we move through these innovation workstreams. While we manage this work over the coming quarters, we have substantially reduced marketing expense in areas of lower efficiency when assessing LTV to CAC.

Adjusted G&A in the First Quarter was $35 million, a reduction of 38%, or $21 million, compared to the same prior year quarter, reflecting the successful ongoing efforts of our cost-savings initiatives, as well as a one-time bonus related adjustment in the Quarter.

Adjusted EPS was a loss of 47 cents, and included a 43 cent tax expense from the valuation allowance mentioned in our press release.

We ended the First Quarter with $236 million of Cash and Cash Equivalents on the balance sheet, which included $171 million of cash from the drawdown of our revolving credit facility. Quarter One Cash Flow from Operations was positive $15 million. The profile of this business is one that can be highly cash-generative, especially pre-debt servicing charges - reflective of recurring subscription revenue, high incremental margins, and low capital intensity.

During the Quarter, we recorded $11 million of transaction related costs, and expect to incur significantly more as we work through the upcoming court process to effectuate the plan of reorganization. In total, we estimate transaction and associated fees to be between $55 and $60 million. Additionally, our Second Quarter this year includes payments for debt service across both our term loan and notes together with various compensation related items. We also made our second and final Sequence anniversary acquisition payment.

While we are not providing full year 2025 guidance at this time, I will share some context for the rest of the year. 2025 remains a time of significant reset - one where we focus on stabilization and innovation, to lay the groundwork for sustained future growth. We believe that with greater ability to invest, we have multiple growth levers over the mid to long term, and hold a unique competitive position in this rapidly evolving market.

In our Quarter Four earnings call, we shared that we were monitoring the FDA's decision that the semaglutide shortage had ended, and the resulting implications for offering access to this medication in the future. With May 22nd deadline for ending 503b outsourcing facility production of compounded semaglutide approaching, we are preparing transition plans for our members that will comply both with FDA requirements and prioritize patient continuity of care. WeightWatchers Clinic clinicians will stop prescribing compounded semaglutide medication on May 22 and begin transitioning Clinic members to other available and suitable medications, including branded GLP-1s and oral medications. We have also streamlined access to Zepbound vials through LillyDirect's pharmacy provider, GiftHealth, simplifying and improving the fulfilment process, and removing friction for our members.

While the transition from compounded semaglutide is occurring earlier in 2025 than we had initially anticipated and may result in near-term headwinds within our Clinic business — there is no change to our strong conviction in the fast-growing weight management sector and WeightWatchers Clinic outlook. Our ability to facilitate insurance coverage for members at scale through our proprietary AI-enabled software positions us well for success, particularly with so much of the field being fully reliant on cash-pay only options. Looking ahead, we see strong market tailwinds driven by ongoing clinical innovation, improving medication supply, growing price competition, and a clear and growing body of evidence around the health and cost benefits of treating obesity. We believe these factors will continue to support broader insurance coverage and improved access over time, creating the conditions for more people to pursue treatment earlier, stay engaged longer, benefiting from comprehensive, sustainable care models like the one we are proud to deliver.

In aggregate for 2025, and consistent with commentary from our Quarter Four earnings call, we continue to expect a sizable year-on-year revenue headwind, with continued declines across the Behavioral business lines. The Clinical landscape, including recent compounding developments, is also fast-changing but we remain confident in the long-term growth profile of this business. In the meantime, while we work to set WeightWatchers up for a long and bright future, we will remain disciplined in cost control and allocation of capital to manage the balance between profitability and our longer-term return to growth.

And as a reminder, our 2025 fiscal year includes a 53rd week, something we last saw in fiscal 2020. Our fiscal 2025 year-end therefore will bridge the last week of December 2025 and end on January 3rd, 2026. Given the importance of this 53rd week in our early seasonal Peak period, it will likely include higher levels of marketing investment.

In summary, while we face revenue headwinds from lower subscriber levels entering 2025, a challenging acquisition environment within Behavioral, and an evolving Clinical landscape, our focus is clear: gradually stabilize the business while taking decisive action through operational improvements and debt reduction to build a foundation for future, sustainable growth.

Handing back to Tara to wrap us up.

Tara Comonte, Chief Executive Officer

Thanks Felicia.
For more than 62 years, WeightWatchers has delivered the most effective, holistic solution for healthy, superior results—supported by a member community second to none. We are proud to be the most trusted, reliable partner for weight management in the world. Right now, when it seems more people than ever are talking about weight, our commitment to continue to set the bar in this field could not be higher.
We're not taking questions on this call, but before we wrap I would like to send a huge thank you to all our members, coaches, guides and employees around the world. This has been a noisy period for WeightWatchers, and one that we know has caused concern with the volume of recent headlines. We're deeply thankful to all our members and our teams for your loyalty, and your role in the very special global community that defines us. You are the secret to our success and the reason we've stood strong for so many decades, and will do so for many more to come.

With that, thank you everyone for joining the call today.