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WW International, Inc. (WW)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Weight Watchers Second Quarter 2026 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to Anna Kate Heller from Investor Relations. Please go ahead.

Anna Kate Heller
Senior Vice President, Investor Relations, ICR

Thank you for joining us today for the Weight Watchers second quarter 2026 earnings conference call. We also released a Shareholder Letter and press release with our second quarter 2026 results, which are available on the company's corporate website located at corporate.ww.com. The purpose of this call is to provide investors with some further details regarding the company's financial results, as well as to provide a general update on the company's progress. Reconciliations of non-GAAP measures disclosed on this conference call to those directly comparable GAAP financial measures are also available as part of the Shareholder Letter and press release.

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 reports on Form 10-Q, the earnings release, the Shareholder Letter, and is 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 Felicia DellaFortuna, Chief Financial Officer; and Jon Volkmann, Chief Operations Officer. Both are members of the Interim Office of the Chief Executive.

Jon Volkmann
Chief Operations Officer & Member-Interim Office of the Chief Executive, WW International, Inc.

Thanks, Anna Kate. Good afternoon, everyone. Thank you all for joining us. Before we get started, I encourage everyone to look at our Shareholder Letter, which we posted on our corporate website. While the market today is increasingly filled with companies offering prescriptions without expert guidance and support, Weight Watchers provides the best of both worlds. Not only do our members have access to the most effective FDA-approved GLP-1 medications, they also benefit from the backing of an extraordinary team of experts who can guide them at every step along the way.

That includes clinicians trained to support people with obesity who are actively helping members understand and navigate the benefits and challenges of GLP-1 therapy. It includes registered dietitians who help members build tailored nutrition plans that balance caloric goals with protein, fiber, and healthy muscle preservation.

And it includes expert coaches who lead workshops and experiences where members learn from one another on topics like dining out while on a GLP-1 and exchange practical advice like the best healthy midnight snacks. And perhaps most important of all, they remind each other they are not in this alone.

Underscoring all of this human guidance is a reimagined digital experience that combines decades of science-led expertise with new technology to give members a clearer, more personalized view of their weight health and help them be more successful in reaching and sustaining their goals. With more than 1 in 10 Americans currently taking GLP-1 medications for weight loss, these therapies have fundamentally redefined our industry and transformed what is possible in obesity care. And we are continuing to evolve our offering to help expand medication access and remove friction for those eligible for clinical weight loss.

Patients can now access Weight Watchers Med+ seamlessly through LillyDirect, creating another meaningful channel for prospective members to discover our offering. In addition, Weight Watchers Med+ now supports eligible beneficiaries through the new Medicare GLP-1 Bridge program, unlocking $50 per month branded GLP-1 medication coverage through late 2027.

And we recently launched a new strategic collaboration with Sam's Club, bringing Weight Watchers to one of America's most trusted brands. These initiatives build on our broader commitment to help members find the best medication for them, whether they are using insurance or paying out of pocket. But while medication is a powerful tool, for many it is not the whole answer. Even with these medications, people still need to eat nutritious food, they still need to move their bodies, and they still benefit from community, accountability and education to support progress and sustain results.

We believe Weight Watchers' people-first, technology-powered offering is more relevant than ever as we support those navigating their journey with medication. Weight Watchers Med+ members prescribed GLP-1 medications reported over 30% more body weight lost on average at 12 months than select industry competitors.

In addition, Weight Watchers Med+ members who are prescribed GLP-1 medication and also regularly engage with our GLP-1 Success program lose 29% more body weight at 12 months on average than those who use medication without engaging with our structured behavioral support program. And studies indicate that Weight Watchers members reduce their calories from ultra-processed foods by 29%, a tangible marker of the real behavioral shifts from our approach.

These powerful results reinforce our position as the most trusted brand in weight loss. This foundation has enabled us to create an integrated ecosystem that supports members at every stage of their journey on or off medication.

For members looking for our proven behavioral program, we offer Core, our base behavioral offering anchored by Weight Watchers' signature Points program. For members who want more guidance, we offer Core+, our higher-value behavioral offering that adds unlimited workshops, coaching, and our GLP-1 Success program, which is available to members prescribed GLP-1s through an outside provider.

And for members who qualify for clinical care, we offer Med+, our clinical offering that combines the above tools, including our GLP-1 Success program, with access to clinicians and GLP-1 prescriptions for qualified members. The important point is this, people's needs change over time, and we've built a platform which enables our members to move seamlessly between levels of support, choosing the program that best fits their lives at any given time.

Weight Watchers' unique combination of clinical care, behavioral support, and user-friendly technology, all guided by actual people who are experts in the field, is becoming an even stronger competitive advantage in this rapidly growing market. We're seeing compelling evidence that this approach is building momentum within our business. And as we look ahead, our opportunity has never been clearer.

Losing weight is deeply personal and it rarely follows a straight line. People need expertise. They need accountability. They need encouragement. And that is why we're confident in our ability to create lasting value for both our members and our shareholders. We'll continue to invest thoughtfully to make sure that every person who comes to Weight Watchers gets something that is becoming harder and harder to find elsewhere, real people, real expertise, real support, and a partner for the entire journey.

With that, I'll turn it over to Felicia to cover the financials.

Felicia DellaFortuna

Chief Financial Officer & Member-Interim Office of the Chief Executive, WW International, Inc.

Thanks, Jon. Our financial performance in the second quarter demonstrated ongoing progress against our multi-year transformation. Our financial footing continues to improve as two of our three subscription tiers showed either stable or growing subscriber bases. The company also generated positive, meaningful operating cash flow and delivered on last quarter's commitment to reduce our debt load. These results demonstrate the earnings power of our more disciplined operating model and give us confidence in our ability to deliver against our full-year guidance. As we build for the future of Weight Watchers, we are reaffirming our full-year guidance for both revenue and Adjusted EBITDA.

Now, let's take a closer look at the numbers, starting with subscribers. Total end of period subscribers were 2.5 million. Core+, our higher-value behavioral tier, ended the quarter at 541,000 subscribers, an increase of 13.9% year-over-year. That is our third consecutive quarter of sequential growth in the tier, a trend we have only seen occur one other time in the past 15 years, which offers encouraging signs that our approach is resonating with consumers.

We closed Q2 with 2.3 million end of period behavioral subscribers, which reflects a 24.6% decline year-over-year, with the decline concentrated in our Core tier. However, we continue to see progress towards the higher-value mix shift we have been targeting. End of period Clinical subscribers were 197,000, up 55.7% year-over-year compared to 127,000 in the second quarter of 2025.

This number held steady from Q1 following a significant reduction in marketing spend coming out of peak when this spend was more heavily focused on our Clinical offering. In Q2, we deliberately recalibrated our investment allocation across our portfolio. ARPU increased 10.2% year-over-year, reflecting a mix shift in our subscriber base to Clinical and Core+ membership tiers.

Revenue in Q2 was $162.3 million compared to $189.2 million in the second quarter of 2025. Foreign exchange was about $1 million benefit in the quarter compared with a $4 million benefit in Q1. Clinical subscription revenue grew 30.4% to $39.9 million compared to $30.6 million in the second quarter of 2025, despite Q2 2025 reflecting significant contributions from our former compounded semaglutide offering. Clinical accounted for 24.6% of total revenue for Q2 2026, an increase from 15.9% for full-year 2025 revenue.

Behavioral subscription revenue was $121.5 million, down 22.7% compared to $157.3 million a year ago, with the decline concentrated in our Core tier. Q2 gross margin was 70.3% and adjusted gross margin was 73.6%. Both of which are on par with Q1 and remain near record highs. We are particularly encouraged to hold adjusted gross margin steady despite a shift in revenue mix toward Clinical, which requires higher staffing costs. This success is the result of structural work in both businesses, including workflow automation and operational efficiency.

Marketing expense in Q2 2026 was $47.9 million, or 29.5% of revenue, which is higher than Q2 2025 as the year-ago quarter reflected an intentional pullback in marketing spend during our Chapter 11 financial reorganization. Q2 2026 also reflects a significant decrease from the $92.9 million in Q1 2026 during peak season.

In addition to reducing our total investment, we also deliberately recalibrated our spend across our portfolio following elevated Clinical investment in Q1 to coincide with the Wegovy Pill launch. Adjusted SG&A was $25.7 million, or 15.8% of revenue, consistent with the prior-year period in absolute dollars. Adjusted SG&A includes the benefit of our exit from the corporate headquarters lease.

On a GAAP basis, SG&A was 31% of revenue, primarily driven by higher depreciation and amortization related to fresh start accounting. Product development expense was $6.4 million, or 4.0% of revenue, as we continue to execute on our technology roadmap with a more focused investment profile.

Net income for the quarter was $14.1, million that includes a $4.6 million gain on the extinguishment of debt related to the voluntary prepayment of a portion of our term loan at 68.5% of par. And it absorbs $25.9 million of depreciation and amortization, the majority of which relates to fresh start accounting.

Adjusted EBITDA was $39.8 million, a 24.5% margin, compared with a loss of $1.8 million in Q1 2026 as marketing spend normalized following peak season. The decline from $65.3 million adjusted EBITDA in the second quarter of 2025 reflects lower revenue and higher marketing investment as a percentage of revenue.

Now turning to cash and the balance sheet. We ended the quarter with $101.5 million in cash and cash equivalents compared with $120.9 million at the end of Q1 2026. Operations generated approximately $24.3 million of cash in the quarter, reflecting the cash-generative nature of our business and our continued commitment to maintaining a solid liquidity position as we execute our long-term strategic priorities. We deployed $36.8 million to pay down the term loan and $6.1 million to capitalize software and development.

On the debt paydown itself, the $36.8 million was made up of $26.8 million from our annual cash sweep and $10 million from the previously announced voluntary solicitation, which was fully subscribed at 68.5% of par. That reduced principal by $41.4 million, generated the $4.6 million gain I mentioned, and lowers our annual interest expense by approximately $4 million.

Our term loan now stands at $423.6 million, a reduction of more than 70% from the $1.6 billion we carried before our financial reorganization. Even as we continue to proactively pay down this loan, we retain the liquidity to invest in the strategic priorities that will define the company's future. Now to our outlook.

We are reaffirming our previously provided 2026 guidance for revenue of $620 million to $635 million and adjusted EBITDA of $105 million to $115 million. We continue to expect Clinical subscription revenue to represent 25% to 30% of 2026 total revenue, up from 15.9% for the full-year 2025. This growth incorporates moderate declines in Clinical subscribers in the remaining quarters, primarily due to lower marketing spend levels, a more balanced allocation of marketing resources across our lines of business following the more concentrated Clinical focus in Q1 2026, and the lapping of our 12-month long-term commitment plan introductions.

Q3 is our lowest quarter in terms of marketing spend, and spending will ramp up in Q4 ahead of peak season consistent with our typical seasonal cadence. Within behavioral, we expect continued year-over-year growth in Core+ subscribers and continued moderation in the year-over-year rate of behavioral end of period subscriber declines.

On gross margin, we continue to expect a modest adjusted gross margin decline in 2026 versus 2025, and we expect to remain above 72%. On operating expenses, we expect 2026 marketing expense as a percentage of revenue to increase modestly compared to 2025, with second-half spend below first-half levels. We expect product development to remain near the Q2 quarterly run rate.

On cash, with peak marketing investment behind us, we are very confident that we will generate cash and expect positive operating cash flow for the full-year 2026. We expect approximately $45 million to $50 million of interest costs for the full year, reflecting lower quarterly interest following the Q2 prepayment, quarterly capitalized software and development in line with Q2 run rate, and 2026 cash taxes of between $5 million and $10 million.

Our second quarter results demonstrate the earnings power of our more disciplined operating model. We are seeing clear signs of progress towards the higher-value mix shift we have been targeting with Core+ delivering its third consecutive quarter of sequential subscriber growth and Clinical continuing to grow its share of total revenue. As Core+ and Clinical become a larger share of our business, we see a company built on a stronger financial foundation with a meaningfully smaller debt load and positive operating cash flow supporting strategic investment in our transformation. We head into the second half with confidence in the multi-year plan we have laid out and then the team executing upon it.

I will now turn it over to the operator to open it up for Q&A.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] . At this time, there are no questions. I would like to hand it back over to Felicia for closing remarks.

Felicia DellaFortuna

Chief Financial Officer & Member-Interim Office of the Chief Executive, WW International, Inc.

Thank you all for joining us today. Weight Watchers exists to ensure that no one has to navigate their weight health journey alone, and we remain singularly focused on executing against that mission. We look forward to continuing to update you on our progress. Thank you.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.