REFINITIV

DELTA REPORT

10-Q

WW - WW INTERNATIONAL, INC.

10-Q - MARCH 30, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2280
CHANGES	406
DELETIONS	1246
ADDITIONS	628

REFINITIV

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 September March 30, 2023 2024

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

WW 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	WW	The Nasdaq Stock Market LLC

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, a 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 October 26, 2023 April 25, 2024 was 79,081,017 79,274,672.

WW INTERNATIONAL, INC.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2023	December 31, 2022	March 30, 2024	December 30, 2023
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 107,498	$ 178,326	$ 66,615	$ 109,366
Receivables (net of allowances: September 30, 2023 - $1,435 and December 31, 2022 - $976)	19,178	24,273		
Inventories	10,141	20,528		
Receivables (net of allowances: March 30, 2024 - $1,887 and December 30, 2023 - $1,041)			13,173	14,938
Prepaid income taxes	53,880	19,447	14,316	25,370
Prepaid marketing and advertising			2,982	10,149
Prepaid expenses and other current assets	28,092	38,757	19,888	19,651
TOTAL CURRENT ASSETS	218,789	281,331	116,974	179,474
Property and equipment, net	22,608	28,229	19,068	19,741
Operating lease assets	55,414	75,696	50,133	52,272
Franchise rights acquired	386,168	386,745	128,213	386,526
Goodwill	244,927	155,998	242,258	243,441
Other intangible assets, net	66,532	63,306	58,031	63,208
Deferred income taxes	20,728	22,246	20,328	19,683
Other noncurrent assets	17,087	14,879	19,243	17,685

TOTAL ASSETS	1,032,25 $ 3	1,028,43 $ 0	$ 654,248	$ 982,030
LIABILITIES AND TOTAL DEFICIT				
CURRENT LIABILITIES				
Portion of operating lease liabilities due within one year	$ 9,804	$ 17,955	$ 9,660	$ 9,613
Accounts payable	19,732	18,890	22,514	18,507
Salaries and wages payable	61,794	72,577	52,769	79,096
Accrued marketing and advertising	13,645	17,927	15,789	18,215
Accrued interest	10,969	5,289	11,204	5,346
Deferred acquisition payable			16,000	16,500
Other accrued liabilities	44,569	30,118	23,019	22,610
Income taxes payable	987	1,646	62,088	1,609
Deferred revenue	32,445	32,156	36,004	33,966
TOTAL CURRENT LIABILITIES	193,945	196,558	249,047	205,462
Long-term debt, net	1,425,41 9	1,422,28 4	1,427,509	1,426,464
Long-term operating lease liabilities	56,643	68,099	51,256	53,461
Deferred income taxes	15,932	25,084	22,544	41,994
Other	15,481	2,185	16,191	15,743
TOTAL LIABILITIES	1,707,42 0	1,714,21 0	1,766,547	1,743,124
TOTAL DEFICIT				
Common stock, $0 par value; 1,000,000 shares authorized; 130,048 shares issued at September 30, 2023 and 122,052 shares issued at December 31, 2022	0	0		
Treasury stock, at cost, 51,030 shares at September 30, 2023 and 51,496 shares at December 31, 2022	(3,073,1 96)	(3,097,3 04)		
Common stock, $0 par value; 1,000,000 shares authorized; 130,048 shares issued at March 30, 2024 and 130,048 shares issued at December 30, 2023			0	0
Treasury stock, at cost, 50,803 shares at March 30, 2024 and 50,859 shares at December 30, 2023			(3,062,005)	(3,064,628)

Retained earnings	2,409,997	2,416,994	1,966,625	2,314,834
Accumulated other comprehensive loss	(11,968)	(5,470)	(16,919)	(11,300)
TOTAL DEFICIT	(675,167)	(685,780)	(1,112,299)	(761,094)
TOTAL LIABILITIES AND TOTAL DEFICIT	$ 1,032,253	$ 1,028,430	$ 654,248	$ 982,030

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

WW INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended		Nine Months Ended		Three Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	March 30, 2024	April 1, 2023
Subscription revenues, net	$ 203,496	$ 220,746	$ 626,667	$ 718,122	$ 204,056	$ 211,032
Product sales and other, net	11,375	28,972	56,927	98,810		
Other revenues, net					2,492	30,863
Revenues, net	214,871	249,718	683,594	816,932	206,548	241,895
Cost of subscription revenues	67,080	73,541	233,354	243,710	67,816	94,897
Cost of product sales and other	6,036	23,826	45,794	77,811		
Cost of other revenues					932	27,487
Cost of revenues	73,116	97,367	279,148	321,521	68,748	122,384

Gross profit	141,755	152,351	404,446	495,411	137,800	119,511
Marketing expenses	48,114	35,696	187,468	195,123	90,162	88,234
Selling, general and administrative expenses	63,034	58,443	188,638	193,320	58,982	59,860
Franchise rights acquired and goodwill impairments	—	312,741	—	339,161		
Operating income (loss)	30,607	(254,529)	28,340	(232,193)		
Franchise rights acquired impairments					257,988	—
Operating loss					(269,332)	(28,583)
Interest expense	24,508	20,912	71,429	58,837	24,727	22,846
Other expense (income), net	815	1,344	(36)	3,303		
Income (loss) before income taxes	5,284	(276,785)	(43,053)	(294,333)		
Benefit from income taxes	(38,447)	(70,749)	(18,933)	(73,246)		
Net income (loss)	$ 43,731	$ (206,036)	$ (24,120)	$ (221,087)		
Earnings (net loss) per share						
Other income, net					(1,605)	(330)
Loss before income taxes					(292,454)	(51,099)
Provision for income taxes					55,448	67,580
Net loss					$ (347,902)	$ (118,679)
Net loss per share						
Basic	$ 0.55	$ (2.93)	$ (0.32)	$ (3.15)	$ (4.39)	$ (1.68)
Diluted	$ 0.54	$ (2.93)	$ (0.32)	$ (3.15)	$ (4.39)	$ (1.68)
Weighted average common shares outstanding						
Basic	78,979	70,383	75,861	70,258	79,208	70,596
Diluted	80,638	70,383	75,861	70,258	79,208	70,596

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

WW INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) LOSS

(IN THOUSANDS)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net income (loss)	$ 43,731	$ (206,036)	$ (24,120)	$ (221,087)
Other comprehensive (loss) gain:				
Foreign currency translation loss	(2,639)	(9,552)	(1,710)	(18,018)
Income tax benefit on foreign currency translation loss	660	2,406	428	4,530
Foreign currency translation loss, net of taxes	(1,979)	(7,146)	(1,282)	(13,488)
(Loss) gain on derivatives	(3,280)	8,590	(6,955)	27,748
Income tax benefit (expense) on (loss) gain on derivatives	820	(2,159)	1,739	(6,973)
(Loss) gain on derivatives, net of taxes	(2,460)	6,431	(5,216)	20,775
Total other comprehensive (loss) gain	(4,439)	(715)	(6,498)	7,287
Comprehensive income (loss)	$ 39,292	$ (206,751)	$ (30,618)	$ (213,800)

	Three Months Ended	
	March 30, 2024	April 1, 2023
Net loss	$ (347,902)	$ (118,679)
Other comprehensive loss:		
Foreign currency translation (loss) gain	(3,888)	113
Income tax benefit (expense) on foreign currency translation (loss) gain	985	(28)
Foreign currency translation (loss) gain, net of taxes	(2,903)	85
Loss on derivatives	(3,473)	(3,130)
Income tax benefit on loss on derivatives	757	782

Loss on derivatives, net of taxes	(2,716)	(2,348)
Total other comprehensive loss	(5,619)	(2,263)
Comprehensive loss	$ (353,521)	$ (120,942)

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

WW INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL DEFICIT

(IN THOUSANDS)

Three Months Ended September 30, 2023	**Common Stock**		**Treasury Stock**		**Accumulated Other Comprehensive**	**Retained**	
	Shares	**Amount**	**Shares**	**Amount**	**Loss**	**Earnings**	**Total**
Balance at July 1, 2023	130,048	$ 0	51,146	$ (3,079,073)	$ (7,529)	$ 2,368,375	$ (718,227)
Comprehensive income (loss)					(4,439)	43,731	39,292
Issuance of treasury stock under stock plans			(116)	5,877		(5,334)	543
Compensation expense on share-based awards						3,225	3,225
Balance at September 30, 2023	130,048	$ 0	51,030	$ (3,073,196)	$ (11,968)	$ 2,409,997	$ (675,167)

Nine Months Ended September 30, 2023	**Common Stock**		**Treasury Stock**		**Accumulated Other Comprehensive**	**Retained**	

	Shares	Amount	Shares	Amount	Loss	Earnings	Total
Balance at December 31, 2022	122,052	$ 0	51,496	$ (3,097,304)	$ (5,470)	$ 2,416,994	$ (685,780)
Comprehensive loss					(6,498)	(24,120)	(30,618)
Issuance of treasury stock under stock plans			(466)	24,108		(24,776)	(668)
Compensation expense on share-based awards						8,956	8,956
Issuance of common stock	7,996					32,943	32,943
Balance at September 30, 2023	130,048	$ 0	51,030	$ (3,073,196)	$ (11,968)	$ 2,409,997	$ (675,167)

Three Months Ended March 30, 2024	Common Stock		Treasury Stock		Accumulated Other Comprehensive	Retained	
	Shares	Amount	Shares	Amount	Loss	Earnings	Total
Balance at December 30, 2023	130,048	$ 0	50,859	$ (3,064,628)	$ (11,300)	$ 2,314,834	$ (761,094)
Comprehensive loss	—	—	—	—	(5,619)	(347,902)	(353,521)
Issuance of treasury stock under stock plans	—	—	(56)	2,623	—	(2,709)	(86)
Compensation expense on share-based awards	—	—	—	—	—	2,402	2,402
Balance at March 30, 2024	130,048	$ 0	50,803	$ (3,062,005)	$ (16,919)	$ 1,966,625	$ (1,112,299)

Three Months Ended October 1, 2022	Common Stock		Treasury Stock		Accumulated Other Comprehensive	Retained	
	Shares	Amount	Shares	Amount	Loss	Earnings	Total
Balance at July 2, 2022	122,052	$ 0	51,691	$ (3,107,324)	$ (10,602)	$ 2,663,133	$ (454,793)
Comprehensive loss					(715)	(206,036)	(206,751)
Issuance of treasury stock under stock plans			(24)	1,226		(1,246)	(20)
Compensation expense on share-based awards						3,376	3,376
Balance at October 1, 2022	122,052	$ 0	51,667	$ (3,106,098)	$ (11,317)	$ 2,459,227	$ (658,188)

Nine Months Ended October 1, 2022	Common Stock		Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount	Shares	Amount	Loss	Earnings	Total
Balance at January 1, 2022	122,052	$ 0	51,988	$ (3,120,149)	$ (18,604)	$ 2,685,849	$ (452,904)
Comprehensive (loss) income					7,287	(221,087)	(213,800)
Issuance of treasury stock under stock plans			(321)	14,051		(15,897)	(1,846)
Compensation expense on share-based awards						10,362	10,362
Balance at October 1, 2022	122,052	$ 0	51,667	$ (3,106,098)	$ (11,317)	$ 2,459,227	$ (658,188)

Three Months Ended April 1, 2023	Common Stock		Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount	Shares	Amount	Loss	Earnings	Total
Balance at December 31, 2022	122,052	$ 0	51,496	$ (3,097,304)	$ (5,470)	$ 2,418,959	$ (683,815)
Comprehensive loss	—	—	—	—	(2,263)	(118,679)	(120,942)
Issuance of treasury stock under stock plans	—	—	(78)	4,067	—	(4,248)	(181)
Compensation expense on share-based awards	—	—	—	—	—	2,669	2,669
Balance at April 1, 2023	122,052	$ 0	51,418	$ (3,093,237)	$ (7,733)	$ 2,298,701	$ (802,269)

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

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	Nine Months Ended		Three Months Ended	
	September 30, 2023	October 1, 2022	March 30, 2024	April 1, 2023
Operating activities:				
Net loss	$ (24,120)	$ (221,087)	$ (347,902)	$ (118,679)
Adjustments to reconcile net loss to cash (used for) provided by operating activities:				
Adjustments to reconcile net loss to cash used for operating activities:				
Depreciation and amortization	39,805	33,371	10,403	11,989
Amortization of deferred financing costs and debt discount	3,763	3,763	1,254	1,254
Impairment of franchise rights acquired and goodwill	—	339,161		
Impairment of franchise rights acquired			257,988	—
Impairment of intangible and long-lived assets	197	2,088	24	171
Share-based compensation expense	12,838	10,362	2,402	2,669
Deferred tax benefit	(7,449)	(107,879)	(18,244)	(3,110)
Allowance for doubtful accounts	407	54	2,757	(74)
Reserve for inventory obsolescence	1,897	4,712	85	2,037
Foreign currency exchange rate (gain) loss	(31)	3,562		
Foreign currency exchange rate gain			(1,304)	(389)
Changes in cash due to:				
Receivables	9,117	(9,760)	3,788	(5,961)
Inventories	9,009	(725)	79	7,994
Prepaid expenses	(27,301)	17,613	13,882	4,937
Accounts payable	1,221	(3,634)	4,130	2,728
Accrued liabilities	(17,010)	15,390	(26,393)	3,188
Deferred revenue	309	(3,576)	2,321	3,405
Other long term assets and liabilities, net	(2,701)	(4,662)	(1,796)	734
Income taxes	(1,104)	1,793	60,491	60,385
Cash (used for) provided by operating activities	(1,153)	80,546		

Cash used for operating activities			(36,035)	(26,722)
Investing activities:				
Capital expenditures	(2,143)	(1,756)	(476)	(990)
Capitalized software expenditures	(26,190)	(27,584)		
Cash paid for acquisitions, net of cash acquired	(38,362)	(4,350)		
Capitalized software and website development expenditures			(4,333)	(9,350)
Other items, net	(14)	(29)	(1)	(8)
Cash used for investing activities	(66,709)	(33,719)	(4,810)	(10,348)
Financing activities:				
Taxes paid related to net share settlement of equity awards	(1,417)	(1,938)	(114)	(205)
Proceeds from stock options exercised	710	—	—	7
Cash paid for acquisitions	(1,178)	(113)	(500)	(500)
Other items, net	(43)	(86)	(2)	(26)
Cash used for financing activities	(1,928)	(2,137)	(616)	(724)
Effect of exchange rate changes on cash and cash equivalents	(1,038)	(10,193)	(1,290)	315
Net (decrease) increase in cash and cash equivalents	(70,828)	34,497		
Net decrease in cash and cash equivalents			(42,751)	(37,479)
Cash and cash equivalents, beginning of period	178,326	153,794	109,366	178,326
Cash and cash equivalents, end of period	$ 107,498	$ 188,291	$ 66,615	$ 140,847

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

WW INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying consolidated financial statements include the accounts of WW International, Inc., all of its subsidiaries and the variable interest entities of which WW International, Inc. is the primary beneficiary (as discussed below). beneficiary. The terms “Company” and “WW” as used throughout these notes are used to indicate WW International, Inc. and all of its operations consolidated for purposes of its financial statements. The Company’s “Digital” business refers to providing subscriptions to the Company’s digital product offerings, which formerly included Digital 360 (as applicable). offerings. The Company’s “Workshops + Digital” business refers to providing subscriptions for unlimited access to the Company’s workshops combined with the Company’s digital subscription product offerings to commitment plan subscribers, including former Digital 360 members (as applicable). It also formerly included the provision of access to workshops for members who did not subscribe to commitment plans, which included the Company’s “pay-as-you-go” members. offerings. The Company’s “Clinical” business refers to providing subscriptions to the Company’s clinical product offerings included in its Sequence (as defined below) program. In the second quarter of fiscal 2022, the Company ceased offering its Digital 360 product. More than a majority of associated members were transitioned from the Company’s Digital business provided by WeightWatchers Clinic (formerly referred to its Workshops + Digital business during the second quarter of fiscal 2022, with a de minimis number transitioning during the beginning of the third quarter of fiscal 2022. The cessation of this product offering and these transitions of former Digital 360 members at the then-current pricing for such product impacted the number of End of Period Subscribers in each business as well as the associated Paid Weeks and Revenues for each business. Sequence).

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and include amounts that are based on management’s best estimates and judgments. assumptions. While all available information has been considered, actual amounts could differ from those estimates. These assumptions estimates and estimates assumptions may change as new events occur and additional information is obtained, and such future changes may have an adverse impact on the Company's results of operations, financial position and liquidity. 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.

The Company evaluates its ownership, contractual As previously disclosed, effective the first day of fiscal 2024 (i.e., December 31, 2023), as a result of the continued evolution of the Company’s centralized organizational structure in fiscal 2023, and other interests in entities management’s 2024 strategic planning process, the Company’s reportable segments changed to determine if it has any variable interest in a variable interest entity (“VIE”). These evaluations are complex one segment for the purpose of making operational and involve judgment resource decisions and the use of estimates and assumptions based on available information. If assessing financial performance. Since the Company determines that an entity operates in which it holds a contractual or ownership interest is a VIEone operating segment and that the Company is the primary beneficiary, such entity is consolidated reportable segment, all required financial segment information can be found in the Company’s consolidated financial statements. The primary beneficiary of a VIE is the party that meets both of the following criteria: (i) has the power to make decisions that most significantly affect the economic performance of the VIE; and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. The Company performs ongoing reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE will cause the consolidation conclusion to change.

The Company operates certain clinical telehealth groups which are deemed Prior period amounts have been reclassified to be Friendly-Physician Entities ("FPEs") and due to legal requirements, the physician-owners must retain 100% of the equity interest. The Company's agreements with FPEs generally consist of both an Administrative Service Agreement, which provides for various administrative and management services to be provided by the Company to the FPE, and Stock Transfer Restriction ("STR") agreements conform with the physician-owners of the FPEs, which provide for the transition of ownership interest of the FPEs under certain conditions. The Company has the right to receive income as an ongoing management fee, which effectively absorbs all of the residual interests, and can also provide financial support through loans to the FPEs. The Company has exclusive responsibility for the provision of all nonmedical services including technology and intellectual property required for the day-to-day operation and management of each of the FPEs. In addition, the STR agreements provide that the Company has the right to designate a person(s) to purchase the equity interest of the FPE for a nominal amount in the event of a succession event at the Company's discretion. Based on the provisions of these agreements, the Company determined that the FPEs are VIEs due to their equity holder having insufficient capital at risk, and the Company has a variable interest in the FPEs.

The contractual arrangements described above allow Sequence to direct the activities that most significantly affect the economic performance of the FPEs. Accordingly, Sequence is the primary beneficiary of the FPEs and consolidates the FPEs under the VIE model. Furthermore, as a direct result of nominal initial equity contributions by the physicians, the financial support the Company can provide to the FPEs (e.g., loans) and the provisions of the contractual arrangements and nominee shareholder succession arrangements described above, the interests held by noncontrolling interest holders lack economic substance and do not provide them with the ability to participate in the residual profits or losses generated by the FPEs. Therefore, all income and expenses recognized by the FPEs are consolidated by the Company. The Company does not hold interests in any VIEs for which the Company is not deemed to be the primary beneficiary.

With respect to the Company's previously announced change in segment reporting, segment data for the three and nine months ended October 1, 2022 has been updated to reflect the new reportable segment structure. See Notes 4 and 14 for disclosures related to segments. current period presentation.

These consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for fiscal 2022 2023 filed on March 6, 2023 February 28, 2024, which includes additional information about the Company, its results of operations, its financial position and its cash flows.

Revision of Previously Issued Consolidated Financial Statements

After the three months ended September 30, 2023, the Company identified misstatements in its accounting for income taxes resulting primarily from the recording of a U.S. deferred tax liability related to a foreign branch of the U.S., partially offset by a U.S. deferred tax asset related to its U.S. leases, that should have been recorded in prior fiscal years. The Company evaluated the misstatements and concluded that the misstatements were not material, either individually or in aggregate, to its current or previously issued consolidated financial statements.

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

To correct the immaterial misstatements, the Company has revised its previously issued consolidated financial statements as of and for the year ended December 31, 2022 and its unaudited consolidated financial statements for the nine months ended October 1, 2022. The revision of the historical consolidated financial statements also includes the correction of other immaterial misstatements that the Company had previously recorded as out-of-period adjustments. The Company had previously determined that these previously identified misstatements did not, either individually or in the aggregate, result in a material misstatement of its previously issued consolidated financial statements and reached the same conclusion when aggregating the previously identified misstatements with the recently identified misstatements. See Note 17 for further information regarding the misstatements and related revisions.

The accompanying financial statements and relevant notes to the consolidated financial statements for the periods referenced above in this Quarterly Report on Form 10-Q have been revised to correct for such misstatements. Additionally, the Company will further present the revisions of its previously issued consolidated financial statements and relevant notes to the consolidated financial statements as of and for the year ended December 31, 2022 and prior in connection with the future filing of its 2023 Annual Report on Form 10-K.

2. Accounting Standards Adopted in Current Year

There were no new accounting standards adopted during the nine three months ended September 30, 2023 March 30, 2024.

3. Leases

At September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, the Company's lease assets and lease liabilities, primarily for its studios and corporate offices, were as follows:

	September 30, 2023	December 31, 2022	March 30, 2024	December 30, 2023
Assets:				
Operating leases	$ 55,414	$ 75,696	$ 50,133	$ 52,272
Finance leases	10	54	2	5
Total lease assets	$ 55,424	$ 75,750	$ 50,135	$ 52,277
Liabilities:				
Current				
Operating leases	$ 9,804	$ 17,955	$ 9,660	$ 9,613

Finance leases	9	31	2	4
Noncurrent				
Operating leases	56,643	68,099	51,256	53,461
Finance leases	0	7	—	—
Total lease liabilities	$ 66,456	$ 86,092	$ 60,918	$ 63,078

For the three and nine months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, the components of the Company’s lease expense were as follows:

	Three Months Ended		Nine Months Ended		Three Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	March 30, 2024	April 1, 2023
Operating lease cost:						
Fixed lease cost	$ 4,312	$ 9,071	$ 17,423	$ 24,974	$ 3,983	$ 7,153
Lease termination (benefit) cost	(538)	(189)	11,512	1,912	(156)	12,219
Variable lease cost	15	7	46	20	14	15
Total operating lease cost	$ 3,789	$ 8,889	$ 28,981	$ 26,906	$ 3,841	$ 19,387
Finance lease cost:						
Amortization of leased assets	5	25	$ 43	$ 86	$ 2	$ 26
Interest on lease liabilities	0	4	1	6	0	0
Total finance lease cost	$ 5	$ 29	$ 44	$ 92	$ 2	$ 26

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

Total lease cost	$ 3,794	$ 8,918	$ 29,025	$ 26,998	$ 3,843	$ 19,413

As previously disclosed, in conjunction with the continued rationalization of its real estate portfolio, the Company entered into subleases with commencement dates in the first quarter of fiscal 2023. The Company recorded $931 912 and $2,455 621 of sublease income for the three and nine months ended September 30, 2023 March 30, 2024 and April 1, 2023, respectively, as an offset to general and administrative expenses.

At September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, the Company's weighted average remaining lease term and weighted average discount rates were as follows:

	September 30, 2023	December 31, 2022	March 30, 2024	December 30, 2023
Weighted Average Remaining Lease Term (years)				
Operating leases	7.42	6.90	7.14	7.31
Finance leases	0.62	1.00	0.70	0.48
Weighted Average Discount Rate				
Operating leases	7.48	7.03	7.55	7.54
Finance leases	3.91	3.52	3.69	4.10

The Company's leases have remaining lease terms of 0 to 9 8 years with a weighted average lease term of 7.42 7.14 years as of September 30, 2023 March 30, 2024.

At September 30, 2023 March 30, 2024, the maturity of the Company's lease liabilities in each of the next five fiscal years and thereafter were as follows:

	Operating Leases	Finance Leases	Total	Operating Leases	Finance Leases	Total
Remainder of fiscal 2023	$ 2,778	$ 2	$ 2,780			
Fiscal 2024	15,307	7	15,314			
Remainder of fiscal 2024				$ 10,342	$ 2	$ 10,344
Fiscal 2025	13,054	—	13,054	13,081	—	13,081
Fiscal 2026	10,056	—	10,056	10,228	—	10,228
Fiscal 2027	9,590	—	9,590	9,473	—	9,473
Fiscal 2028	9,277	—	9,277	9,030	—	9,030
Fiscal 2029				8,950	—	8,950
Thereafter	26,919	—	26,919	17,852	—	17,852
Total lease payments	$ 86,981	$ 9	$ 86,990	$ 78,956	$ 2	$ 78,958
Less imputed interest	20,534	0	20,534	18,040	0	18,040
Present value of lease liabilities	$ 66,447	$ 9	$ 66,456	$ 60,916	$ 2	$ 60,918

Supplemental cash flow information related to leases for the nine three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023 were as follows:

	Nine Months Ended		Three Months Ended	
	September 30, 2023	October 1, 2022	March 30, 2024	April 1, 2023
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	$ 17,826	$ 24,244	$ 3,964	$ 7,208
Operating cash flows from finance leases	$ 1	$ 6	$ 0	$ 0
Financing cash flows from finance leases	$ 43	$ 86	$ 2	$ 26
Lease assets (modified) obtained in exchange for (modified) new operating lease liabilities	$ (6,683)	$ 11,160		
Lease assets obtained in exchange for new finance lease liabilities	$ —	$ 44		

Lease assets obtained (modified) in exchange for new (modified) operating lease liabilities	$	766	$	(1,052)
Lease assets (modified) obtained in exchange for (modified) new finance lease liabilities	$	(1)	$	—

4. Revenue

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.

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

	Three Months Ended		Nine Months Ended		Three Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	March 30, 2024	April 1, 2023
Digital Subscription Revenues	$ 140,889	$ 155,881	$ 437,613	$ 521,582	$ 137,633	$ 149,344
Workshops + Digital Fees	52,618	64,865	171,473	196,540		
Workshops + Digital Subscription Revenues					47,671	61,688
Clinical Subscription Revenues	9,989	—	17,581	—	18,752	—
Subscription Revenues, net	$ 203,496	$ 220,746	$ 626,667	$ 718,122	$ 204,056	$ 211,032
Product sales and other, net	11,375	28,972	56,927	98,810		
Other Revenues, net					2,492	30,863
Revenues, net	$ 214,871	$ 249,718	$ 683,594	$ 816,932	$ 206,548	$ 241,895

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

Segment information for the three and nine months ended October 1, 2022 presented below has been updated to reflect the new reportable segment structure. The following tables present the Company's revenues disaggregated by revenue source and segment:

	Three Months Ended September 30, 2023		
	North America	International	Total
Digital Subscription Revenues	$ 92,437	$ 48,452	$ 140,889
Workshops + Digital Fees	42,867	9,751	52,618
Clinical Subscription Revenues	9,989	—	9,989
Subscription Revenues, net	$ 145,293	$ 58,203	$ 203,496
Product sales and other, net	9,394	1,981	11,375
Revenues, net	$ 154,687	$ 60,184	$ 214,871
	Three Months Ended October 1, 2022		
	North America	**International**	**Total**
Digital Subscription Revenues	$ 102,735	$ 53,146	$ 155,881
Workshops + Digital Fees	52,113	12,752	64,865
Subscription Revenues, net	$ 154,848	$ 65,898	$ 220,746
Product sales and other, net	21,621	7,351	28,972
Revenues, net	$ 176,469	$ 73,249	$ 249,718
	Nine Months Ended September 30, 2023		
	North America	**International**	**Total**
Digital Subscription Revenues	$ 285,655	$ 151,958	$ 437,613
Workshops + Digital Fees	138,639	32,834	171,473
Clinical Subscription Revenues	17,581	—	17,581
Subscription Revenues, net	$ 441,875	$ 184,792	$ 626,667
Product sales and other, net	46,025	10,902	56,927
Revenues, net	$ 487,900	$ 195,694	$ 683,594
	Nine Months Ended October 1, 2022		
	North America	**International**	**Total**
Digital Subscription Revenues	$ 342,489	$ 179,093	$ 521,582
Workshops + Digital Fees	155,558	40,982	196,540

Subscription Revenues, net	$	498,047	$	220,075	$	718,122
Product sales and other, net		71,478		27,332		98,810
Revenues, net	$	569,525	$	247,407	$	816,932

Information about Contract Balances

For Subscription Revenues, the Company can collect 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 were as follows:

	Deferred Revenue		Deferred Revenue-Long Term	
Balance as of December 31, 2022	$	32,156	$	360
Net increase (decrease) during the period		289		(155)
Balance as of September 30, 2023	$	32,445	$	205
Balance as of January 1, 2022	$	45,855	$	28
Net (decrease) increase during the period		(6,083)		11
Balance as of October 1, 2022	$	39,772	$	39

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WW INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

	Deferred Revenue		Deferred Revenue-Long Term	
Balance as of December 30, 2023	$	33,966	$	165
Net increase (decrease) during the period		2,038		(21)
Balance as of March 30, 2024	$	36,004	$	144
Balance as of December 31, 2022	$	32,156	$	360
Net increase (decrease) during the period		3,560		(57)
Balance as of April 1, 2023	$	35,716	$	303

Revenue recognized from amounts included in current deferred revenue as of December 30, 2023 was $27,915 for the three months ended March 30, 2024. Revenue recognized from amounts included in current deferred revenue as of December 31, 2022 was $31,855 29,733 for the nine three months ended September 30, 2023. Revenue recognized from amounts included in current deferred revenue as of January 1, 2022 was $44,375 for the nine months ended October 1, 2022 April 1, 2023. The Company's long-term deferred revenue, which is included in other liabilities on the Company's its consolidated balance sheet, sheets, represents revenue that will not be recognized during the next 12 months and is generally related to upfront payments received as an inducement for entering into certain sales-based royalty agreements with third party third-party licensees. This revenue is amortized on a straight-line basis over the term of the applicable agreement.

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

5. Acquisitions

Acquisition of Sequence

On April 10, 2023 (the “Closing Date”), the Company completed its previously announced acquisition of Weekend Health, Inc., doing business as Sequence, a Delaware corporation (“Sequence”), subject to the terms and conditions set forth in the Agreement and Plan of Merger, dated as of March 4, 2023, by and among the Company, Well Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company, Sequence, and Fortis Advisors LLC, a Delaware limited liability company, solely in its capacity as the Equityholders’ Representative (as defined therein) for Sequence (the “Merger Agreement”), pursuant to which Sequence continued as a wholly-owned subsidiary of the Company (the “Acquisition”). Sequence provides provided a technology powered care platform and mobile web application through its subscription based service, which includes included a comprehensive weight management program, pharmacotherapy treatment, nutrition plans, health insurance coordination services, and access to clinicians, dietitians, fitness coaches and care coordinators.

As consideration for the Acquisition, the Company agreed to pay an aggregate amount equal to $132,000, subject to the adjustments set forth in the Merger Agreement (the “Merger Consideration”). Subject to the terms and conditions of the Merger Agreement, the Merger Consideration has been paid, or is payable, as follows: (i) approximately $64,217 in cash (inclusive of approximately $25,800 of cash on the balance sheet of Sequence) and approximately $34,702 in the form of approximately 7,996 newly issued shares of Company common stock (valued at $4.34 per share), in each case, paid on or promptly following the Closing Date, (ii) $16,000 in cash to be paid on April 10, 2024, and (iii) $16,000 in cash to be paid on April 10, 2025, in each case, subject to the adjustments and deductions set forth in the Merger Agreement.

The following table shows the purchase price allocation for Sequence to the acquired identifiable assets, liabilities assumed and goodwill:

Total consideration:		
Cash paid at closing	$ 64,217	$ 64,217

Cash to be paid on April 10, 2024	16,000		16,000	
Cash to be paid on April 10, 2025 (1)	12,420		12,420	
Total cash payments		$ 92,637		$ 92,637
Less stock-based compensation expense attributable to post combination vesting		(3,882)		(3,882)
Common shares issued	7,996		7,996	
Stock price as of April 10, 2023 (2)	$ 4.12		$ 4.12	
Total stock issuance purchase price (2)		32,943		32,943
Aggregated merger consideration		$ 121,698		$ 121,698
Assets acquired:				
Cash	$ 25,776		$ 25,776	
Prepaid expenses and other current assets	2,220		2,220	
Property, plant and equipment	34		34	
Intangible assets	7,768		7,222	
Total assets acquired		35,798		35,252
Liabilities assumed:				
Accounts payable	$ 70		$ 70	
Accrued liabilities	14		14	
Deferred revenue	1,300		1,300	
Deferred tax liability	1,906		1,912	
Total liabilities assumed		3,290		3,296
Net assets acquired		32,508		31,956
Total goodwill		$ 89,190		$ 89,742

(1) Reflects $16,000 of cash payable on April 10, 2025 as Merger Consideration discounted using the Company's Company's weighted average cost of debt.

(2) Represents the fair value of the shares transferred to the sellers as Merger Consideration, based on the number of shares to be issued, 7,996, multiplied by the closing price of the Company's Company's ordinary shares on April 10, 2023 of $4.12 per share.

The acquisition Acquisition has been accounted for under the purchase method of accounting. The acquisition Acquisition resulted in goodwill related to, among other things, expected synergies in operations. The goodwill will not be deductible for tax purposes. The results of operations of Sequence (now operating as WeightWatchers Clinic) have been included in the consolidated operating results of the Company from the Closing Date.

The Company incurred transaction-related costs of $0 and $8,605 3,719 for the three and nine months ended September 30, 2023, respectively. April 1, 2023. These costs were associated with legal and professional services and were recognized as operating expenses on the consolidated statements of operations.

The Company's consolidated statements of operations for the three and nine months ended September 30, 2023 included total revenue of $9,989 and $17,581, respectively, and net loss of $3,133 and $4,763, respectively, from Sequence.

Acquisitions of Franchisees

On February 18, 2022, the Company acquired the entire issued share capital of its Republic of Ireland franchisee, Denross Limited, and its Northern Ireland franchisee, Checkweight Limited, as follows:

(a) The Company acquired the entire issued share capital of Denross Limited for a purchase price of $4,500. Payment was in the form of cash paid on December 21, 2021 ($650), cash paid on February 18, 2022 ($3,100) and cash in reserves ($750), of which $375 was paid on February 17, 2023. The total purchase price was allocated to goodwill ($4,645), deferred tax asset ($496) fully offset by a tax valuation allowance ($496), assumed liabilities ($166), customer relationship value ($14), cash ($4) and other receivables ($3). The goodwill will not be deductible for tax purposes; and

(b) The Company acquired the entire issued share capital of Checkweight Limited for a purchase price of $1,500. Payment was in the form of cash ($1,250) and cash in reserves ($250), of which $125 was paid on February 17, 2023. The total purchase price was allocated to goodwill ($1,291), franchise rights acquired ($240), assumed liabilities ($56), customer relationship value ($17), deferred tax asset ($5) fully offset by a tax valuation allowance ($5), cash ($4) and other receivables ($4). The goodwill will not be deductible for tax purposes.

These acquisitions have been accounted for under the purchase method of accounting and, accordingly, earnings of the acquired franchises have been included in the consolidated operating results of the Company since the date of acquisition.

6. 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 nine three months ended September 30, 2023 March 30, 2024, the change in the carrying value of franchise rights acquired was due to the impairments of the United States, Australia, New Zealand and United Kingdom units of account as discussed below and the effect of exchange rate changes.

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

Goodwill primarily relates to the acquisition of the Company by The Kraft Heinz Company (successor to H.J. Heinz Company) in 1978, and the Company's acquisitions of WW.com, LLC (formerly known as WW.com, Inc. and WeightWatchers.com, Inc.) in 2005, Sequence in 2023 and the Company's franchised territories. See Note 5 for additional information about acquisitions by on the Company. Company's acquisitions. For the nine three months ended September 30, 2023 March 30, 2024, the change in the carrying amount of goodwill was due to the acquisition of Sequence and the effect of exchange rate changes as follows:

	North America	International	Total		
Balance as of January 1, 2022	$ 147,530	$ 9,844	$ 157,374		
Balance as of December 31, 2022				$	155,998
Goodwill acquired during the period	—	5,936	5,936		89,742
Goodwill impairment	(1,101)	(2,023)	(3,124)		(3,586)
Effect of exchange rate changes	(2,862)	(1,326)	(4,188)		1,287
Balance as of December 31, 2022	$ 143,567	$ 12,431	$ 155,998		
Goodwill acquired during the period	89,190	—	89,190		
Balance as of December 30, 2023				$	243,441
Effect of exchange rate changes	(6)	(255)	(261)		(1,183)
Balance as of September 30, 2023	$ 232,751	$ 12,176	$ 244,927		
Balance as of March 30, 2024				$	242,258

Change in Goodwill Reporting Units

As discussed in Note 1, effective the first day of fiscal 2024 (i.e., December 31, 2023), as a result of the continued evolution of the Company's centralized organizational structure in fiscal 2023, and management's 2024 strategic planning process, the Company's reportable segments changed to one segment for the purpose of making operational and resource decisions and assessing financial performance. In connection with the Company's change to one reportable segment, the Company's operating segments also changed to one segment. As a result of this change to the Company's operating segments, the Company reassessed its reporting units for the evaluation of goodwill during the first quarter of fiscal 2024.

In accordance with the Financial Accounting Standards Board's Accounting Standards Codification 350, Intangibles—Goodwill and Other ("ASC 350"), the Company determines its reporting units based upon whether discrete financial information is available, if management regularly reviews the operating results of the component, the nature of the products offered to customers and the market characteristics of each reporting unit. A reporting unit is considered to be an operating segment or one level below an operating segment also known as a component. Prior to the change in operating segments, the Company's reporting units for the evaluation of goodwill were determined by country. Component level financial information is reviewed by management across two business lines: Behavioral and Clinical. The Company's "Behavioral" business line consists of the Company's Workshops + Digital business and Digital business. Accordingly, these were determined to be the Company's new reporting units as of the first day of fiscal 2024.

This change in reporting units qualified as a triggering event and required goodwill to be tested for impairment. As required by ASC 350, the Company tested goodwill for impairment immediately before and after the change in reporting units. As a result of these impairment analyses, it was determined that goodwill was not impaired before or after the change in reporting units.

First Quarter Fiscal 2024 Interim Impairment Tests

The Company reviews indefinite-lived franchise rights acquired and goodwill for potential impairment on at least an annual basis or more often if events so require. During the quarter ended March 30, 2024, the Company identified various qualitative and quantitative factors which collectively indicated a triggering event had occurred. These factors included the continued decline in the Company's stock price and market capitalization, and actual business performance. As a result of this triggering event, the Company performed interim impairment tests for all of its franchise rights acquired units of account and goodwill reporting units in the first quarter of fiscal 2024.

Franchise Rights Acquired

Finite-lived franchise rights acquired are amortized over the remaining contractual period, which is generally less than one year. Indefinite-lived franchise rights acquired are tested for potential impairment on at least an annual basis or more often if events so require.

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 Workshops + Digital business and a relief from royalty methodology for franchise rights related to the Company's Digital business. The aggregate estimated fair value for these franchise rights is then compared to the carrying value of the unit of account for these rights. The Company has determined the appropriate unit of account for purposes of assessing impairment to be the combination of the rights in both the Workshops + Digital business and the Digital business in the country in which the applicable acquisition occurred. The net book values of these franchise rights acquired in the United States Australia, and United Kingdom and New Zealand units of account as of the September 30, 2023 March 30, 2024 balance sheet date were $374,354, $3,995, $2,688 122,923 and $2,295 2,628, respectively.

In its hypothetical start-up approach analysis for fiscal 2023, 2024, 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 Workshops + Digital business in each country based on assumptions regarding revenue growth and operating income margins. In the Company's relief from royalty approach analysis for fiscal 2023, 2024, the cash flows associated with the Digital business in each country were based on the expected Digital revenue for such country and the application of a royalty rate based on current market terms. The cash flows for the Workshops + Digital and the Digital businesses were discounted utilizing rates which were calculated using the weighted-average weighted average cost of capital, which included the cost of equity and the cost of debt.

In performing the interim franchise rights acquired impairment test as of March 30, 2024, the Company determined that the carrying amounts of its United States, Australia, New Zealand and United Kingdom franchise rights acquired with indefinite-lived units of account exceeded their respective fair values. Accordingly, the Company recorded impairment charges for its United States, Australia, New Zealand and United Kingdom units of account of $251,431, $4,074 (which comprised the remaining balance of franchise rights acquired for the Australia unit of account), $2,328 (which comprised the remaining balance of franchise rights acquired for the New Zealand unit of account) and $155, respectively, in the first quarter of fiscal 2024. These impairments were driven primarily by the weighted average cost of capital used in this interim impairment test, reflecting market factors, including higher interest rates and the trading values of the Company's equity and debt, and, to a lesser extent, business performance.

14 Based on the results of the interim franchise rights acquired impairment test as of March 30, 2024 performed for the Company's United States and United Kingdom units of account, which held

 97.9
 % and
 2.1

%, respectively, of the Company's indefinite-lived franchise rights acquired as of the March 30, 2024 balance sheet date, the estimated fair values of these units of account were equal to their respective carrying values. Accordingly, a change in the underlying assumptions for the United States and United Kingdom units of account may change the results of the impairment assessment and, as such, could result in further impairment of the franchise rights acquired related to the United States and United Kingdom, for which the net book values were $122,923 and $2,628, respectively, as of March 30, 2024.

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 unit. Excluding the goodwill associated with the acquisition of Sequence, the The Company has determined the appropriate reporting unit units for purposes of assessing annual goodwill impairment to be the country for all reporting units. Behavioral and Clinical business lines. The net book values of goodwill excluding the acquisition of Sequence, in the United States, Canada Behavioral and other countries Clinical reporting units as of the September 30, 2023 March 30, 2024 balance sheet date were $104,020, $39,541 152,516 and $12,176 89,742, respectively.

In performing the impairment analysis for goodwill, for all of the Company's reporting units, the Company estimated future cash flows by utilizing the historical debt-free cash flows (cash flows provided by operations less capital expenditures) attributable to that country each of the Behavioral and Clinical reporting units and then applied expected future operating income growth rates for such country. the respective reporting unit. 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 weighted-average weighted average cost of capital, which included the cost of equity and the cost of debt.

Indefinite-Lived Franchise Rights Acquired and Goodwill Annual Impairment Tests

The Company reviews indefinite-lived intangible assets, including franchise rights acquired with indefinite lives, and goodwill for potential impairment on at least an annual basis or more often if events so require. The Company performed its annual fair value impairment testing as of May 7, 2023 and May 8, 2022, each the first day of fiscal May, on its indefinite-lived intangible assets and goodwill.

In performing its annual impairment analysis as of May 7, 2023, the Company determined that the carrying amounts of its franchise rights acquired with indefinite-lived units of account and goodwill reporting units did not exceed their respective fair values and, therefore, no impairment existed. In performing its annual impairment analysis as of May 8, 2022, the Company determined that (i) the carrying amounts of its Canada and New Zealand franchise rights acquired with indefinite-lived units of account exceeded their respective fair values and, as a result, the Company recorded impairment charges for its Canada and New Zealand units of account of $24,485 and $834, respectively, in the second quarter of fiscal 2022; and (ii) the carrying amounts of all of its other franchise rights acquired with indefinite-lived units of account did not exceed their respective fair values and, therefore, noimpairment existed with respect thereto. In performing its annual impairment analysis as of May 8, 2022, the Company determined that the carrying amounts of its goodwill reporting units did not exceed their respective fair values and, therefore, noimpairment existed.

Based on the results of the Company's May 7, 2023 annual franchise rights acquired interim goodwill impairment analysis performed for all of its units of account, all units, except for New Zealand, had an estimated fair value at least 70% higher than the respective unit's carrying amount. Collectively, these units of account represented 99.4% of the Company's franchise rights acquired test as of the September 30, 2023 balance sheet date. Based on the results of the Company's May 7, 2023 annual franchise rights acquired impairment analysis performed for its New Zealand unit of account, which held 0.6% of the Company's franchise rights acquired as of the September 30, 2023 balance sheet date, the estimated fair value of this unit of account exceeded its carrying value by approximately 20%. Accordingly, a change in the underlying assumptions for the New Zealand unit of account may change the results of the impairment assessment and, as such, could result in an impairment of the franchise rights acquired related to New Zealand, for which the net book value was $2,295 as of September 30, 2023.

In performing the annual franchise rights acquired impairment analysis for fiscal 2023, in the Company's hypothetical start-up approach analysis, for the year of maturity, it assumed Workshops + Digital revenue (comprised of Workshops + Digital Fees and revenues from products sold to members in studios) growth of (37.1%) to (18.4%) in the year of maturity from fiscal 2022, in each case, earned in the applicable country, and assumed cumulative annual revenue growth rates for the years beyond the year of maturity of 2.8%. For the year of maturity and beyond, the Company assumed operating income margin rates of (6.4%) to 12.7%. In the Company's relief from royalty approach, it assumed Digital revenue growth in each country of (14.8%) to 7.5% for fiscal 2023.

Based on the results of the Company's May 7, 2023 annual goodwill impairment analysis March 30, 2024 performed for all of its reporting units, all units except for the Republic of Ireland, had an estimated fair value at least 120 25% higher than the respective unit's carrying amount. Collectively, these reporting units represented 99.1% of the Company's goodwill as of the September 30, 2023 balance sheet date. Based on the results of the Company's May 7, 2023 annual goodwill amount and, therefore, no impairment analysis performed for its Republic of Ireland reporting unit, which held 0.9% of the Company's goodwill as of the September 30, 2023 balance sheet date, the estimated fair value of this reporting unit exceeded its carrying value by approximately 55%. Accordingly, a change in the underlying assumptions for the Republic of Ireland may change the results of the impairment assessment and, as such, could result in an impairment of the goodwill related to the Republic of Ireland, for which the net book value was $2,307 as of September 30, 2023. existed.

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

The following are the more significant assumptions utilized in the Company's annual goodwill impairment analyses for fiscal 2023 and fiscal 2022:

	Fiscal 2023	Fiscal 2022
Debt-Free Cumulative Annual Cash Flow Growth Rate	3.9% to 24.9%	1.2% to 20.6%
Discount Rate	10.8%	9.6%

Indefinite-Lived Franchise Rights Acquired Interim Impairment Test

During the quarter ended October 1, 2022, the Company identified various qualitative and quantitative factors which collectively, when combined with the difference or lack thereof between the estimated fair value of the applicable unit of account and its carrying value for the United States, Canada and New Zealand units of account, indicated a triggering event had occurred within these units of account. These factors included actual business performance as compared to the assumptions used in its annual impairment test, the continued decline in the Company's market capitalization and market factors, including the increase in interest rates. As a result of this triggering event, the Company performed an interim impairment test of these units of account. In performing this interim impairment test as of October 1, 2022, the Company determined that the carrying amounts of its United States, Canada and New Zealand franchise rights acquired with indefinite-lived units of account exceeded their respective fair values. Accordingly, the Company recorded impairment charges for its United States, Canada and New Zealand units of account of $298,291, $13,312 and $1,138, respectively, in the third quarter of fiscal 2022. The preponderance of these impairments was driven by the increased weighted-average cost of capital used in this interim impairment test as compared to the weighted-average cost of capital used in the May 8, 2022 annual impairment test of its indefinite-lived franchise rights acquired, reflecting market factors including higher interest rates and the trading values of the Company's equity and debt.

Kurbo Goodwill Impairment

On August 10, 2018, the Company acquired substantially all of the assets of Kurbo Health, Inc., a family-based healthy lifestyle coaching program, for a net purchase price of $3,063, of which $1,101 was allocated to goodwill. The goodwill was deductible annually for tax purposes. The Company determined in the second quarter of fiscal 2022 to exit the Kurbo business in the third quarter of fiscal 2022 as part of its strategic plan. As a result of this determination, the Company recorded an impairment charge of $1,101 in the second quarter of fiscal 2022, which comprised the entire goodwill balance for Kurbo.

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

Finite-lived Intangible Assets

The carrying values of finite-lived intangible assets as of September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023 were as follows:

	September 30, 2023		December 31, 2022		March 30, 2024		December 30, 2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Capitalized software costs	$ 109,250	$ 101,753	$ 107,229	$ 94,375				
Website development costs	164,975	113,570	133,818	91,482				
Capitalized software and website development costs					$ 250,343	$ 199,657	$ 251,410	$ 195,696
Trademarks	12,177	12,003	12,162	11,882	12,190	12,048	12,188	12,024
Other	13,949	6,493	13,961	6,125	13,970	6,767	13,991	6,661
Trademarks and other intangible assets	$ 300,351	$ 233,819	$ 267,170	$ 203,864	$ 276,503	$ 218,472	$ 277,589	$ 214,381
Franchise rights acquired	8,209	5,373	8,164	5,101	7,998	5,336	8,029	5,314
Total finite-lived intangible assets	$ 308,560	$ 239,192	$ 275,334	$ 208,965	$ 284,501	$ 223,808	$ 285,618	$ 219,695

Aggregate amortization expense for finite-lived intangible assets was recorded in the amounts of $13,628 9,290 and $32,590 8,519 for the three and nine months ended September 30, 2023 March 30, 2024 and April 1, 2023, respectively. Aggregate amortization expense for finite-lived intangible assets was recorded in the amounts of $8,347 and $25,282 for the three and nine months ended October 1, 2022, respectively.

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

Remainder of fiscal 2023	$	10,937		
Fiscal 2024	$	27,292		
Remainder of fiscal 2024			$	22,773
Fiscal 2025	$	17,679	$	21,238
Fiscal 2026	$	5,500	$	8,475
Fiscal 2027	$	725	$	1,104
Fiscal 2028	$	533	$	712
Fiscal 2029			$	704
Thereafter	$	6,702	$	5,687

7. Long-Term Debt

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

	September 30, 2023				December 31, 2022				March 30, 2024				December 30, 2023			
	Principal Balance	Unamortized Deferred Financing Costs	Unamortized Debt Discount	Effective Rate (1)	Principal Balance	Unamortized Deferred Financing Costs	Unamortized Debt Discount	Effective Rate (1)	Principal Balance	Unamortized Deferred Financing Costs	Unamortized Debt Discount	Effective Rate (1)	Principal Balance	Unamortized Deferred Financing Costs	Unamortized Debt Discount	Effective Rate (1)
Revolving Credit Facility due April 13, 2026	$—	$—	$—	0.00%	$—	$—	$—	0.00%	$ —	$ —	$ —	0.00 %	$ —	$ —	$ —	0.00 %

Term Loan Facility due April 13, 2028	945,000	4,989	10,340	8.99%	945,000	5,821	12,064	5.85%	945,000	4,435	9,191	9.45 %	945,000	4,712	9,766	9.21 %
Senior Secured Notes due April 15, 2029	500,000	4,252	—	4.65%	500,000	4,831	—	4.70%	500,000	3,865	—	4.64 %	500,000	4,058	—	4.70 %
Total	$ 1,445,000	$ 9,241	$ 10,340	7.48%	$ 1,445,000	$ 10,652	$ 12,064	5.45%	$ 1,445,000	$ 8,300	$ 9,191	7.78 %	$ 1,445,000	$ 8,770	$ 9,766	7.64 %
Less: Current portion	—				—				—				—			

Unamortized deferred financing costs	9,241	10,652	8,300	8,770
Unamortized debt discount	10,340	12,064	9,191	9,766

Total long-term debt	$ 1,425,419	$ 1,422,284	$ 1,427,509	$ 1,426,464

(1) Includes amortization of deferred financing costs and debt discount.

On April 13, 2021, In the Company (1) repaid second quarter of fiscal 2021, in full approximately $1,189,750 in aggregate principal amount connection with its refinancing of senior secured tranche B term loans due in 2024 under its then-existing credit facilities, and (2) redeemed all of the $300,000 in aggregate principal amount of its then-outstanding 8.625% Senior Notes due in 2025 (the “Discharged Senior Notes”). On April 13, 2021, the Company’s then-existing credit facilities included a senior secured revolving credit facility (which included borrowing capacity available for letters of credit) due in 2022 with $175,000 in an aggregate principal amount of commitments. There were no outstanding borrowings under such revolving credit facility on that date. The Company funded such repayment of loans and redemption of notes with cash on hand as well as with proceeds received from incurred approximately $1,000,000 in an aggregate principal amount of borrowings under its new credit facilities (as amended from time to time, the “Credit Facilities”) and proceeds received from the issuance of issued $500,000 in aggregate principal amount of 4.500% Senior Secured Notes due 2029 (the “Senior Secured Notes”), each as described in further detail below. These transactions are collectively referred to herein as the “April 2021 debt refinancing”. During the second quarter of fiscal 2021, the Company incurred fees of $37,910

(which included $

12,939 14

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of a prepayment penalty on the Discharged Senior Notes and $5,000 of a debt discount on its Term Loan Facility (as defined below)) in connection with the April 2021 debt refinancing. In addition, the Company recorded a loss on early extinguishment of debt of $29,169 in connection thereto. This early extinguishment of debt charge was comprised of $12,939 of a prepayment penalty on the Discharged Senior Notes, $9,017 of financing fees paid in connection with the April 2021 debt refinancing and the write-off of $7,213 of pre-existing deferred financing fees and debt discount.

Credit Facilities

The Credit Facilities were issued under a credit agreement, dated April 13, 2021 (as amended from time to time, the “Credit Agreement”), among the Company, as borrower, the lenders party thereto, and Bank of America, N.A. (“Bank of America”), as administrative agent and an issuing bank. The Credit Facilities consist of (1) $1,000,000 in aggregate principal amount of senior secured tranche B term loans due in 2028 (the “Term Loan Facility”) and (2) $175,000 in an aggregate principal amount of commitments under a senior secured revolving credit facility (which includes borrowing capacity available for letters of credit) due in 2026 (the “Revolving Credit Facility”).

In December 2021, the Company made voluntary prepayments at par in an aggregate amount of $52,500 in respect of its outstanding term loans under the Term Loan Facility. As a result of these prepayments, the Company wrote off a debt discount and deferred financing fees of $1,183 in the aggregate in the fourth quarter of fiscal 2021.

As of September 30, 2023 March 30, 2024, the Company had $945,000 in an aggregate principal amount of loans outstanding under the Credit Facilities, with $173,921 173,841 of availability and $1,079 1,159 in issued but undrawn letters of credit outstanding under the Revolving Credit Facility subject to its terms and conditions as discussed below. There were no outstanding borrowings under the Revolving Credit Facility as of September 30, 2023 March 30, 2024.

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 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 cer exceptions.

The Credit Facilities require the Company to prepay outstanding term loans, subject to certain exceptions, with:

- 50% (which percentage will be reduced to 25% and 0% if the Company attains certain first lien secured net leverage ratios) of the Company’s annual excess cash flow;
- 100% of the net cash proceeds of certain non-ordinary course asset sales by the Company and its restricted subsidiaries

(including casualty and condemnation events, subject to de minimis thresholds), and subject to the right to reinvest 100% of such proceeds, subject to certain qualifications; and

- 100% of the net proceeds of any issuance or incurrence of debt by the Company or any of its restricted subsidiaries, other than certain debt permitted under the Credit Agreement.

The foregoing mandatory prepayments will be used to reduce the installments of principal on the Term Loan Facility. The Company may voluntarily repay outstanding loans under the Credit Facilities at any time without penalty, except for customary “breakage” costs with respect to Term SOFR loans under the Credit Facilities.

In June 2023, in connection with the planned phase-out of LIBOR, the Company amended its Credit Facilities to replace LIBOR with Term SOFR as the benchmark rate under the Credit Agreement, which will be calculated to include a credit spread adjustment of 0.11448%, 0.26161%, 0.42826%, or 0.71513% for 1, 3, 6, or 12 months period, respectively, in addition to the Term SOFR Screen Rate (as defined in the Credit Agreement) and the margin (which was not amended).

Borrowings under the 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 Federal Funds Effective Rate as determined by the Federal Reserve Bank of New York, (b) the prime rate of Bank of America and (c) the Term SOFR 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 1.50% or (2) an applicable margin plus a Term SOFR rate determined by reference to the cost of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that Term SOFR is not lower than a floor of 0.50%. Borrowings under the 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 Federal Funds Effective Rate as determined by the Federal Reserve Bank of New York, (b) the prime rate of Bank of America and (c) the Term SOFR 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 1.00% or (2) a Term SOFR rate determined by reference to the cost of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided such rate is not lower than a floor of zero. As of September 30, 2023 March 30, 2024, the applicable margins for the Term SOFR rate borrowings under the Term Loan Facility and the Revolving Credit Facility were 3.50% and 2.75%, respectively.

On a quarterly basis, the Company pays a commitment fee to the lenders under the Revolving Credit Facility in respect of unutilized commitments thereunder, which commitment fee fluctuates depending upon the Company’s Consolidated First Lien Leverage Ratio (as defined in the Credit Agreement).

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, if the aggregate principal amount of extensions of credit outstanding under the Revolving Credit Facility as of any fiscal quarter end exceeds 35% of the amount of the aggregate commitments under the Revolving Credit Facility in effect on such date, the Company must be in compliance with a Consolidated First Lien Leverage Ratio of 5.50:1.00 for the period ending after the first fiscal quarter of 2023 through and including the first fiscal quarter of 2024, with a step down to 5.25:1.00 for the period ending after the first fiscal quarter of 2024 through and including the first fiscal quarter of 2025, and an additional step down to 5.00:1.00 for the period following the first fiscal quarter of 2025. As of September 30, 2023 March 30, 2024, the Company's actual Consolidated First Lien Leverage Ratio was 8.64 8.87:1.00 and there were no borrowings under its Revolving Credit Facility and total letters of credit issued were $1,079 1,159. The Company was not in compliance with the Consolidated First Lien Leverage Ratio as of September 30, 2023 March 30, 2024, and as a result, the Company is limited to borrowing no more than 35%, or $61,250, of the amount of the aggregate commitments under the Revolving Credit Facility as of each fiscal quarter end until the Company complies with the applicable ratio.

Senior Secured Notes

The Senior Secured Notes were issued pursuant to an Indenture, dated as of April 13, 2021 (as amended, supplemented or modified from time to time, the "Indenture"), among the Company, the guarantors named therein and The Bank of New York Mellon, as trustee and notes collateral agent. The Indenture contains customary terms, events of default and covenants 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 Senior Secured Notes accrue interest at a rate per annum equal to 4.500% and will mature on April 15, 2029. Interest on the Senior Secured Notes is payable semi-annually on April 15 and October 15 of each year, beginning on October 15, 2021. year. On or after April 15, 2024, the Company may on any one or more occasions redeem some or all of the Senior Secured Notes at a purchase price equal to 102.250% of the principal amount of the Senior Secured Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, such optional redemption price decreasing to 101.125% on or after April 15, 2025 and to 100.000% on or after April 15, 2026. Prior to April 15, 2024, the Company may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Secured Notes with an amount not to exceed the net proceeds of certain equity offerings at 104.500% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the redemption date. Prior to April 15, 2024, the Company may redeem some or all of the Senior Secured Notes at a make-whole price plus accrued and unpaid interest, if any, to, but not including, the redemption date. In addition, during any twelve-month period ending prior to April 15, 2024, the Company may redeem up to 10% of the aggregate principal amount of the Senior Secured Notes at a purchase price equal to 103.000% of the principal amount of the Senior Secured Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. If a change of control occurs, the Company must offer to purchase for cash the Senior Secured Notes at a purchase price equal to 101% of the principal amount of the Senior Secured 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 Senior Secured Notes at a purchase price equal to 100% of the principal amount of the Senior Secured Notes, plus accrued and unpaid interest, if any, to, but not including, the purchase date.

The Senior Secured Notes are guaranteed on a senior secured basis by the Company's subsidiaries that guarantee the Credit Facilities. The Senior Secured Notes and the note guarantees are secured by a first-priority lien on all the collateral that secures the Credit Facilities, subject to a shared lien of equal priority with the Company's and each guarantor's obligations under the Credit Facilities and subject to certain thresholds, exceptions and permitted liens.

Outstanding Debt

At September 30, 2023 March 30, 2024, the Company had $1,445,000 outstanding under the Credit Facilities and the Senior Secured Notes, consisting of borrowings under the Term Loan Facility of $945,000, $0 drawn down on the Revolving Credit Facility and $500,000 in aggregate principal amount of Senior Secured Notes issued and outstanding.

At September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, the Company's debt consisted of both fixed and variable-rate instruments. Interest rate swaps were 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 swaps. 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 swaps then in effect, was approximately 7.48 7.78% and 5.45 7.64% per annum at September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, respectively, based on interest rates on these dates. 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 swaps then in effect, was approximately 6.44 6.59% and 5.50 6.53% per annum at September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, respectively, based on interest rates on these dates.

8. Per Share Data

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

The following table sets forth the computation of basic and diluted earnings (net loss) net loss per share:

	Three Months Ended		Nine Months Ended		Three Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	March 30, 2024	April 1, 2023
Numerator:						
Net income (loss)	$ 43,731	$ (206,036)	$ (24,120)	$ (221,087)		
Net loss					$ (347,902)	$ (118,679)
Denominator:						
Weighted average shares of common stock outstanding	78,979	70,383	75,861	70,258	79,208	70,596
Effect of dilutive common stock equivalents	1,659	—	—	—	—	—
Weighted average diluted common shares outstanding	80,638	70,383	75,861	70,258	79,208	70,596
Earnings (net loss) per share						
Net loss per share						
Basic	$ 0.55	$ (2.93)	$ (0.32)	$ (3.15)	$ (4.39)	$ (1.68)
Diluted	$ 0.54	$ (2.93)	$ (0.32)	$ (3.15)	$ (4.39)	$ (1.68)

The number of anti-dilutive common stock equivalents excluded from the calculation of the weighted average number of common shares for diluted earnings (net loss) per share was 6,770 and 9,229 for the three months ended September 30, 2023 and October 1, 2022, respectively. The number of anti-dilutive common stock equivalents excluded from the calculation of the weighted average number of common shares for diluted net loss per share was 9,341 9,083 and 8,307 8,999 for the nine three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, respectively.

9. Taxes

Income Taxes

The Company's effective tax rates rate for the three and nine months ended September 30, 2023 were March 30, 2024 was (727.7 19.0%) and 44.0%, respectively, compared to (25.6 132.3% and 24.9%) for the three and nine months ended October 1, 2022, respectively. April 1, 2023. The effective tax rate for interim periods is determined using an annual effective tax rate, adjusted for discrete items. In fiscal 2023, the Company was required to increase the valuation allowance recorded against U.S. deferred tax assets as a result of the limitation on interest deductions in the U.S. The forecasted full-year tax expense, which included the an increase in valuation allowance against U.S. deferred tax assets, in relation to the Company's forecasted full-year pretax loss (albeit minimal), drove an unusually high negative annual effective tax rate. Applying this negative annual effective tax rate resulting in an income tax benefit of $18,933 for to the nine months ended September 30, 2023. This tax benefit resulted in an income tax benefit of $38,447pretax loss for the three months ended September 30, 2023, since March 30, 2024 resulted in an income tax expense of $19,515 55,448 was recorded for , which is mostly reflected in income taxes payable on the six months ended July 1, 2023. Company's consolidated balance sheet and consolidated statement of cash flows. Given the seasonal nature of the Company's business, this income tax expense is expected to largely reverse in the third and fourth quarters of fiscal 2024, when the Company expects to earn pretax income.

For the nine three months ended September 30, 2023 March 30, 2024, the difference between the U.S. federal statutory tax rate and the Company's consolidated effective tax rate was primarily due to the valuation allowance noted above. In addition, the effective tax rate was impacted by a tax benefit related to foreign-derived intangible income ("FDII"). The adoption of the Organization for Economic Cooperation and Development's global tax reform initiative, which introduces a global minimum tax of 15% applicable to large multinational corporations, did not have an impact on the first quarter of 2024. For the three months ended April 1, 2023, the difference between the U.S. federal statutory tax rate and the Company's consolidated effective tax rate was primarily due to the valuation allowance noted above. In addition, the effective tax rate was impacted by tax expense from income earned in foreign jurisdictions, partially offset by a tax benefit benefits related to foreign-derived intangible income ("FDII"). For the nine months ended October 1, 2022, the tax benefit was impacted by a U.S. state tax rate change, partially offset by tax shortfalls from stock compensation. For the nine months ended October 1, 2022, the difference between the U.S. federal statutory tax rate and the Company's consolidated effective tax rate was primarily due to state income tax expense and tax expense from income earned in foreign jurisdictions, partially offset by a tax benefit related to FDII.

Non-Income Tax Matters

The Internal Revenue Service (the "IRS") notified the Company of certain penalties assessed related to the annual disclosure and reporting requirements of the Affordable Care Act. The Company is in the process of appealing this determination and does not believe it has any liability with respect to this matter. Until the appeals process is complete, the IRS will maintain a federal tax lien which is currently limited to certain IRS refunds due to the Company.

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. 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.

11. Derivative Instruments and Hedging

In June 2023, the Company amended the terms of its interest rate swap agreements to implement a forward-looking interest rate based on Term SOFR in place of LIBOR. Since the interest rate swap agreements were affected by reference rate reform, the Company applied the expedients and exceptions provided to preserve the past presentation of its derivatives without de-designating the existing hedging relationships. All amendments to interest rate swap agreements were executed with the existing counterparties and did not change the notional amounts, maturity dates, or other critical terms of the hedging relationships.

As of September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, the Company had in effect interest rate swaps with an aggregate notional amount totaling $500,000.

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 (the “2018 swap”) with an effective date of April 2, 2020 and a termination date of March 31, 2024. The initial notional amount of this swap was $500,000. During the term of this swap, the notional amount decreased from $500,000 effective April 2, 2020 to $250,000 on March 31, 2021. This Following the transition from LIBOR to Term SOFR, this interest rate swap effectively fixed the variable interest rate on the notional amount of this swap at 3.1513%. On June 7, 2019, in order to hedge a portion of its variable rate debt, the Company entered into a forward-starting interest rate swap (the “2019 swap”, and together with the 2018 swap, the “current swaps”) with an effective date of April 2, 2020 and a termination date of March 31, 2024. The notional amount of this swap is $250,000. This Following the transition from LIBOR to Term SOFR, this interest rate swap effectively fixed the variable interest rate on the notional amount of this swap at 1.9645%. The current swaps qualify for hedge accounting and, therefore, changes in the fair value of the current swaps have been recorded in accumulated other comprehensive loss.

As of September 30, 2023 March 30, 2024, there was no cumulative unrealized gain for qualifying hedges reported as a component of accumulated other comprehensive loss. As of December 30, 2023, the cumulative unrealized gain for qualifying hedges was reported as a component of accumulated other comprehensive loss in the amount of $5,507 2,716 ($7,192 before taxes). As of December 31, 2022, the cumulative unrealized gain for qualifying hedges was reported as a component of accumulated other comprehensive loss in the amount of $10,723 ($14,146 3,474 before taxes).

The following table presents the aggregate fair value of the Company’s derivative financial instruments by balance sheet classification and location:

			Fair Value				Fair Value	
	Balance Sheet Classification	Balance Sheet Location	September 30, 2023	December 31, 2022	Balance Sheet Classification	Balance Sheet Location	March 30, 2024	December 30, 2023
Assets:								

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

Interest rate swaps - current swaps	Current asset	Prepaid expenses and other current assets	$ 7,272	$ 11,748	Current asset	Prepaid expenses and other current assets	$ —	$ 3,555
Interest rate swaps - current swaps	Noncurrent asset	Other noncurrent assets	—	2,450				
Total assets			$ 7,272	$ 14,198			$ —	$ 3,555

The Company is hedging forecasted transactions for periods not exceeding the next year. The Company expects approximately $7,926 ($10,569 before taxes) of net derivative gains included in accumulated other comprehensive loss at September 30, 2023, 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 September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023. Since there were no outstanding borrowings under the Revolving Credit Facility as of September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, the fair value approximated a carrying value of $0 at both September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023.

The fair value of the Company's Credit Facilities is determined by utilizing average bid prices on or near the end of each fiscal quarter (Level 2 input). As of September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, the fair value of the Company's long-term debt was approximately $1,058,128 622,909 and $782,384 996,429, respectively, as compared to the carrying value (net of deferred financing costs and debt discount) of $1,425,419 1,427,509 and $1,422,284 1,426,464, 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 Term SOFR interest rate and Term SOFR 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 current asset at September 30, 2023	$ 7,272	$ —	$ 7,272	$ —
Interest rate swap current asset at December 31, 2022	$ 11,748	$ —	$ 11,748	$ —
Interest rate swap noncurrent asset at December 31, 2022	$ 2,450	$ —	$ 2,450	$ —

		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 current asset at March 30, 2024	$ —	$ —	$ —	$ —
Interest rate swap current asset at December 30, 2023	$ 3,555	$ —	$ 3,555	$ —

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 nine three months ended September 30, 2023 March 30, 2024 and the fiscal year ended December 31, 2022 December 30, 2023.

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

13. Accumulated Other Comprehensive Loss

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

Changes in Accumulated Other Comprehensive Loss by Component (1)

	Nine Months Ended September 30, 2023		
	Gain on Qualifying Hedges	Loss on Foreign Currency Translation	Total
Beginning balance at December 31, 2022	$ 10,723	$ (16,193)	$ (5,470)
Other comprehensive income (loss) before reclassifications, net of tax	1,778	(1,282)	496
Amounts reclassified from accumulated other comprehensive loss, net of tax (2)	(6,994)	—	(6,994)
Net current period other comprehensive loss	$ (5,216)	$ (1,282)	$ (6,498)
Ending balance at September 30, 2023	$ 5,507	$ (17,475)	$ (11,968)

	Three Months Ended March 30, 2024		
	Gain on Qualifying Hedges	Loss on Foreign Currency Translation	Total
Beginning balance at December 30, 2023	$ 2,716	$ (14,016)	$ (11,300)
Other comprehensive loss before reclassifications, net of tax	(57)	(2,903)	(2,960)
Amounts reclassified from accumulated other comprehensive loss, net of tax (2)	(2,659)	—	(2,659)
Net current period other comprehensive loss	$ (2,716)	$ (2,903)	$ (5,619)
Ending balance at March 30, 2024	$ —	$ (16,919)	$ (16,919)

(1) Amounts in parentheses indicate debits
(2) See separate table below for details about these reclassifications

	Nine Months Ended October 1, 2022

	(Loss) Gain on Qualifying Hedges	Loss on Foreign Currency Translation	Total
Beginning balance at January 1, 2022	$ (10,843)	$ (7,761)	$ (18,604)
Other comprehensive income (loss) before reclassifications, net of tax	17,350	(13,488)	3,862
Amounts reclassified from accumulated other comprehensive loss, net of tax (2)	3,425	—	3,425
Net current period other comprehensive income (loss)	$ 20,775	$ (13,488)	$ 7,287
Ending balance at October 1, 2022	$ 9,932	$ (21,249)	$ (11,317)

	Three Months Ended April 1, 2023		
	Gain on Qualifying Hedges	Loss on Foreign Currency Translation	Total
Beginning balance at December 31, 2022	$ 10,723	$ (16,193)	$ (5,470)
Other comprehensive (loss) income before reclassifications, net of tax	(415)	85	(330)
Amounts reclassified from accumulated other comprehensive loss, net of tax (2)	(1,933)	—	(1,933)
Net current period other comprehensive (loss) income	$ (2,348)	$ 85	$ (2,263)
Ending balance at April 1, 2023	$ 8,375	$ (16,108)	$ (7,733)

(1) Amounts in parentheses indicate debits

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

Reclassifications out of Accumulated Other Comprehensive Loss (1)

Three Months Ended		Nine Months Ended		Three Months Ended	
September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	March 30, 2024	April 1, 2023

Details about Other Comprehensive Loss Components	Amounts Reclassified from Accumulated Other Comprehensive Loss		Amounts Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the Statement Where Net Income is Presented	Amounts Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the Statement Where Net Income is Presented
Gain (Loss) on Qualifying Hedges								
Gain on Qualifying Hedges								
Interest rate contracts	$ 3,559	$ (3,326)	$ 9,327	$ (4,575)	Interest expense	$ 3,545	$ 2,578	Interest expense
	3,559	(3,326)	9,327	(4,575)	Income (loss) before income taxes	3,545	2,578	Loss before income taxes
	(890)	82	(2,333)	1,150	Benefit from income taxes	(886)	(645)	Provision for income taxes
	$ 2,669	$ (244)	$ 6,994	$ (3,425)	Net income (loss)	$ 2,659	$ 1,933	Net loss

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

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14. Segment Data

As previously disclosed, effective the first day of fiscal 2023 (i.e., January 1, 2023), the Company realigned its organizational structure and resources to more closely align with its strategic priorities and centralized the global management of certain functions and systems. As a result of the change in its organizational structure, the Company now has two reportable segments, consisting of North America and International, for the purpose of making operational and resource decisions and assessing financial performance. “North America” refers to the Company’s North American Company-owned operations and franchise revenues and related costs; and “International” refers to the Company’s Continental Europe Company-owned operations, United Kingdom Company-owned operations, and Australia, New Zealand and emerging markets operations. The new reportable segments will continue to provide similar services and products. 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. Segment information for the three and nine months ended October 1, 2022 presented below has been updated to reflect the new reportable segment structure.

Information about the Company’s reportable segments is as follows:

	Total Revenues, net		Total Revenues, net	
	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
North America	$ 154,687	$ 176,469	$ 487,900	$ 569,525
International	60,184	73,249	195,694	247,407
Total revenues, net	$ 214,871	$ 249,718	$ 683,594	$ 816,932
	Net Income (Loss)		Net Loss	
	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Segment operating income (loss):				
North America	$ 36,064	$ (255,102)	$ 81,850	$ (207,039)
International	23,675	29,074	55,797	77,216
Total segment operating income (loss)	59,739	(226,028)	137,647	(129,823)
General corporate expenses	29,132	28,501	109,307	102,370
Interest expense	24,508	20,912	71,429	58,837
Other expense (income), net	815	1,344	(36)	3,303
Benefit from income taxes	(38,447)	(70,749)	(18,933)	(73,246)
Net income (loss)	$ 43,731	$ (206,036)	$ (24,120)	$ (221,087)
	Depreciation and Amortization		Depreciation and Amortization	
	Three Months Ended		Nine Months Ended	

	September 30, 2023		October 1, 2022		September 30, 2023		October 1, 2022	
North America	$	8,523	$	7,939	$	24,719	$	24,738
International		237		362		787		1,347
Total segment depreciation and amortization		8,760		8,301		25,506		26,085
General corporate depreciation and amortization		7,431		3,532		18,062		11,049
Depreciation and amortization	$	16,191	$	11,833	$	43,568	$	37,134

15. Related Party

As previously disclosed, on October 18, 2015, the Company entered into the Strategic Collaboration Agreement with Oprah Winfrey, under which she consulted with the Company and participated in developing, planning, executing and enhancing the WW program and related initiatives, and provided it with services in her discretion to promote the Company and its programs, products and services for an initial term of five years (the “Initial Term”).

As previously disclosed, on December 15, 2019, the Company entered into an amendment of the Strategic Collaboration Agreement with Ms. Winfrey, pursuant to which, among other things, the Initial Term of the Strategic Collaboration Agreement was extended until April 17, 2023 (with no additional successive renewal terms), after which a second term commenced that will continue through the earlier of the date of the Company’s 2025 annual meeting of shareholders or May 31, 2025. Ms. Winfrey will continue to provide certain consulting and other services to the Company during the second term.

In addition to the Strategic Collaboration Agreement, Ms. Winfrey and her related entities provided services to the Company totaling $62 2 and $384 235 for the three and nine months ended September 30, 2023, respectively, March 30, 2024 and $284 and $860 for the three and nine months ended October 1, 2022 April 1, 2023, respectively, which services included advertising, production and related fees.

The Company’s accounts payable Company had no outstanding payables to parties related to Ms. Winfrey at September 30, 2023 March 30, 2024 and December 31, 2022 was $61 and $0, respectively. December 30, 2023.

16. 15.Restructuring

2023 Plan

As previously disclosed, in the fourth quarter of fiscal 2022, management reviewed the then-current global business operations of the Company as well as the different functions and systems supporting those operations and contrasted them with the Company's strategic priorities and requirements for fiscal 2023 and beyond. Based on that review, in December 2022, the Company's management resolved to centralize its global management of certain functions and systems, deprioritize and in some cases cease operations for certain non-strategic business lines, and continue the rationalization of its real estate portfolio to align with its future needs. Throughout December 2022 and January 2023, management developed and continued refining a detailed plan to achieve these goals.

The Company has committed to a restructuring plan consisting of (i) an organizational restructuring and rationalization of certain functions and systems to centralize the Company's management, align resources with strategic business lines and reduce costs associated with certain functions and systems (the "Organizational Restructuring") and (ii) the continued rationalization of its real estate portfolio and resulting operating lease termination charges and the associated employment termination costs (the "Real Estate Restructuring," and together with the Organizational Restructuring, the "2023 Plan"). In connection with Refer to the tables below for the total restructuring charges under the 2023 Plan recorded for the Company previously expected three months ended March 30, 2024 and for the fiscal years ended December 30, 2023 and December 31, 2022. The cumulative amount incurred as of March 30, 2024 related to record restructuring charges of approximately the aggregate 2023 Plan is $39,000 72,844 to $46,000 in the aggregate. The Company revised its estimate and currently expects to record restructuring charges in connection with the 2023 Plan of approximately $47,000 to $54,000 in the aggregate. For the fiscal year ended December 31, 2022, the Company recorded restructuring charges totaling $13,608 ($10,201 after tax) in connection with the 2023 Plan. For the three and nine months ended September 30, 2023, the Company recorded restructuring charges totaling $6,187 ($4,640 after tax) and $30,603 ($22,949 after tax), respectively, in connection with the 2023 Plan. .

The Organizational Restructuring has resulted and will further result in the elimination of certain positions and the termination of employment for certain employees worldwide. In connection with Refer to the Organizational Restructuring, tables below for the Company previously expected to record restructuring charges of approximately $16,000 to $19,000 in the aggregate, consisting primarily of general and administrative expenses. The Company revised its estimate and currently expects to record restructuring charges in connection with the Organizational Restructuring of approximately $21,000 to $26,000 in the aggregate. A significant portion of these charges were recorded in the fourth quarter of fiscal 2022 at the time management resolved to undertake the Organizational Restructuring. For the fiscal year ended December 31, 2022, the Company recorded employee termination benefit costs related to the Organizational Restructuring totaling $11,810 ($8,853 after tax). For under the 2023 Plan recorded for the three and nine months ended September 30, 2023, March 30, 2024 and for the Company recorded fiscal years ended December 30, 2023 and December 31, 2022. The cumulative amount incurred as of March 30, 2024 related to the aggregate employee termination benefit costs related to the Organizational Restructuring totaling under the 2023 Plan is $4,025 41,736 ($3,018 after tax) and $8,901 ($6,675 after tax), respectively. .

In connection with Refer to the Real Estate Restructuring, tables below for the Company previously expected to record restructuring charges of approximately $20,000 to $24,000 in the aggregate, the majority of which was recorded in the first quarter of fiscal 2023. The Company revised its estimate lease termination costs and currently expects to record restructuring charges in connection with the Real Estate Restructuring of approximately $22,000 to $24,000 in the aggregate. For the fiscal year ended December 31, 2022, the Company recorded employee termination benefit costs related to the Real Estate Restructuring totaling $1,798 ($1,348 after tax). For under the 2023 Plan recorded for the three and nine months ended September 30, 2023 March 30, 2024 and for the fiscal years ended December 30, 2023 and December 31, 2022, in connection with as applicable. The cumulative amount incurred as of March 30, 2024 related to the Real Estate Restructuring, the Company recorded aggregate lease termination and other related costs totaling $(523) ($(392) after tax) and $14,371 ($10,777 after tax), respectively, and employee termination benefit costs totaling related to the Real Estate Restructuring under the 2023 Plan is $562 12,768 ($421 after tax) and $4,825 9,855 ($3,618 after tax), respectively.

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Additionally, Refer to the Company previously expected tables below for the other cash restructuring charges and other non-cash restructuring charges under the 2023 Plan recorded for the three months ended March 30, 2024 and for the fiscal year ended December 30, 2023. The cumulative amount incurred as of March 30, 2024 related to record other restructuring costs of approximately $3,000 in the aggregate in fiscal 2023. The Company revised its estimate and currently expects to record other cash restructuring charges of approximately and total non-cash restructuring charges under the 2023 Plan is $4,000 1,850 in the aggregate in fiscal 2023. and $6,635, respectively.

Substantially all of the costs arising from the 2023 Plan are expected to result in cash expenditures related to separation payments, other employee termination expenses and lease termination payments. The Company expects the 2023 Plan to be fully executed by the end of fiscal 2023.

For the three and nine months ended September 30, 2023 March 30, 2024, the components of the Company's restructuring charges for the 2023 Plan were as follows:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023	Three Months Ended March 30, 2024
Real Estate Restructuring - Lease termination and other related costs	$ (523)	$ 14,371	
Cash restructuring charges:			
Real Estate Restructuring - Lease termination costs			$ (156)
Real Estate Restructuring - Employee termination benefit costs	562	4,825	2,379
Organizational Restructuring - Employee termination benefit costs	4,025	8,901	2,999
Other costs	2,123	2,506	
Other cash restructuring charges			273

Total cash restructuring charges			$ 5,495
Non-cash restructuring charges			(2)
Total restructuring charges	$ 6,187	$ 30,603	$ 5,493

For the three and nine months ended September 30, 2023 March 30, 2024, restructuring charges for the 2023 Plan were recorded in the Company's consolidated statements of operations as follows:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023	Three Months Ended March 30, 2024
Cost of revenues	$ 444	$ 19,869	$ 2,430
Selling, general and administrative expenses	5,743	10,734	3,063
Total restructuring charges	$ 6,187	$ 30,603	$ 5,493

For the fiscal year ended December 30, 2023, the components of the Company's restructuring charges for the 2023 Plan were as follows:

	Fiscal Year Ended December 30, 2023
Cash restructuring charges:	
Real Estate Restructuring - Lease termination costs	$ 12,924
Real Estate Restructuring - Employee termination benefit costs	5,678
Organizational Restructuring - Employee termination benefit costs	26,927
Other cash restructuring charges	1,577
Total cash restructuring charges	$ 47,106
Non-cash restructuring charges:	
Accelerated depreciation and amortization charges	$ 6,831
Other non-cash restructuring charges	(194)
Total non-cash restructuring charges	$ 6,637
Total restructuring charges	$ 53,743

For the fiscal year ended December 30, 2023, restructuring charges for the 2023 Plan were recorded in the Company's consolidated statements of operations as follows:

	Fiscal Year Ended December 30, 2023
Cost of revenues	$ 21,116
Selling, general and administrative expenses	32,627
Total restructuring charges	$ 53,743

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For the fiscal year ended December 31, 2022, the components of the Company's restructuring charges for the 2023 Plan were as follows:

	Fiscal Year Ended December 31, 2022	Fiscal Year Ended December 31, 2022
Cash restructuring charges:		
Real Estate Restructuring - Employee termination benefit costs	$ 1,798	$ 1,798
Organizational Restructuring - Employee termination benefit costs	11,810	11,810
Total restructuring charges	$ 13,608	$ 13,608

For the fiscal year ended December 31, 2022, restructuring charges for the 2023 Plan were recorded in the Company's consolidated statements of operations as follows:

	Fiscal Year Ended December 31, 2022
Cost of revenues	$ 1,798
Selling, general and administrative expenses	11,810
Total restructuring charges	$ 13,608

All expenses were recorded to general corporate expenses.

The following table presents a roll-forward of cash restructuring-related liabilities, which is included within accrued expenses and, therefore, there was no impact to in the segments. Company's consolidated balance sheets:

In connection with the Real Estate Restructuring, for the nine months ended September 30, 2023

	Real Estate Restructuring - Lease termination costs	Real Estate Restructuring - Employee termination benefit costs	Organizational Restructuring - Employee termination benefit costs	Other cash restructuring charges	Total
Balance as of December 31, 2022	$ —	$ 1,798	$ 11,810	$ —	$ 13,608
Charges	12,924	5,678	26,927	1,577	47,106

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Payments	(12,768)	(4,813)	(15,142)	(1,233)	(33,956)
Balance as of December 30, 2023	$ 156	$ 2,663	$ 23,595	$ 344	$ 26,758
Charges	—	2,287	691	273	3,251
Payments	—	(111)	(7,583)	(384)	(8,078)
Change in estimate	(156)	92	2,308	—	2,244
Balance as of March 30, 2024	$ —	$ 4,931	$ 19,011	$ 233	$ 24,175

As of March 30, 2024, the Company made payments of $11,224 towards the liability for the lease termination costs and increased provision estimates by $67. In connection with the Real Estate Restructuring, for the nine months ended September 30, 2023, the Company made payments of $4,347 towards the liability for the employee termination benefit costs. In connection with the Organizational Restructuring, for the nine months ended September 30, 2023, the Company made payments of $11,172 towards the liability for the employee termination benefit costs.

The Company expects the remaining lease termination liability related to the Real Estate Restructuring of $528, the remaining employee termination benefit liability related to the Real Estate Restructuring, of $2,275 and the remaining employee termination benefit liability related to the Organizational Restructuring of $9,539and other cash restructuring charges to be paid in full by the end of fiscal 2025.

2022 Plan

As previously disclosed, in the second quarter of fiscal 2022, the Company committed to a restructuring plan consisting of (i) an organizational realignment to simplify the Company's corporate structure and reduce associated costs (the "Organizational Realignment") and (ii) a continued rationalization of its real estate portfolio resulting in the termination of certain of the Company's operating leases (together with the Organizational Realignment, the "2022 Plan"). The Organizational Realignment has resulted in the elimination of certain positions and termination of employment for certain employees worldwide. For Refer to the tables below for the total restructuring charges under the 2022 Plan recorded for the fiscal year ended December 31, 2022, . The cumulative amount incurred as of March 30, 2024 related to the Company recorded restructuring charges totaling aggregate 2022 Plan is $27,181 28,561 ($ .20,375

after tax).

Costs arising from the 2022 Plan related to separation payments, other employee termination expenses and lease termination and other related costs, except for lease impairment and accelerated depreciation and amortization related to leased locations, are expected to result in cash expenditures. 23

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For the fiscal year ended December 31, 2022, the components of the Company's restructuring charges for the 2022 Plan were as follows:

	Fiscal Year Ended December 31, 2022	Fiscal Year Ended December 31, 2022
Lease termination and other related costs	$ 3,791	
Cash restructuring charges:		
Lease termination costs		$ 2,424
Employee termination benefit costs	19,170	19,170
Other cash restructuring charges		995
Total cash restructuring charges		$ 22,589
Non-cash restructuring charges:		
Lease impairments	2,680	$ 2,680
Other costs	1,540	
Accelerated depreciation and amortization charges		1,453
Other non-cash restructuring charges		459
Total non-cash restructuring charges		$ 4,592
Total restructuring charges	$ 27,181	$ 27,181

For the fiscal year ended December 31, 2022, restructuring charges for the 2022 Plan were recorded in the Company's consolidated statements of operations as follows:

	Fiscal Year Ended December 31, 2022
Cost of revenues	$ 6,476
Selling, general and administrative expenses	20,705
Total restructuring charges	$ 27,181

All expenses were recorded to general corporate expenses.

The following table presents a roll-forward of cash restructuring-related liabilities, which is included within accrued expenses and, therefore, there was no impact to in the segments. Company's consolidated balance sheets:

For the fiscal year ended December 31, 2022, the Company made payments of $1,877

	Lease termination costs	Employee termination benefit costs	Other cash restructuring charges	Total

Balance as of January 1, 2022	$	—	$	—	$	—	$	—
Charges		2,424		19,170		995		22,589
Payments		(1,877)		(10,909)		—		(12,786)
Balance as of December 31, 2022	$	547	$	8,261	$	995	$	9,803
Payments		(122)		(8,880)		(995)		(9,997)
Change in estimate		(425)		1,560		—		1,135
Balance as of December 30, 2023	$	—	$	941	$	—	$	941
Payments		—		(685)		—		(685)
Change in estimate		—		245		—		245
Balance as of March 30, 2024	$	—	$	501	$	—	$	501

towards the liability for the lease termination costs. For the fiscal year ended December 31, 2022, the Company made payments of $10,909 towards the liability for the employee termination benefit costs.

For the nine months ended September 30, 2023, the Company made payments of $122 towards the liability for the lease termination costs and decreased provision estimates by $425. For the nine months ended September 30, 2023, the Company made payments of $7,636 towards the liability for the employee termination benefit costs and increased provision estimates by $1,067.

As of September 30, 2023 March 30, 2024, there was no outstanding lease termination liability. The the Company expects the remaining employee termination benefit liability of $1,692 to be paid in full by the end of fiscal 2024.

2021 Plan

As previously disclosed, in the first quarter of fiscal 2021, as the Company continued to evaluate its cost structure, anticipate consumer demand and focus on costs, the Company committed to a plan which has resulted in the termination of operating leases and elimination of certain positions worldwide. For the fiscal year ended January 1, 2022, the Company recorded restructuring charges totaling $21,534 ($16,109 after tax).

For the fiscal year ended January 1, 2022, the components of the Company’s restructuring charges were as follows:

Fiscal Year Ended

		Fiscal Year Ended January 1, 2022
Lease termination and other related costs	$	12,688
Employee termination benefit costs		8,846
Total restructuring charges	$	21,534

For the fiscal year ended January 1, 2022, restructuring charges were recorded in the Company's consolidated statements of operations as follows:

		Fiscal Year Ended January 1, 2022
Cost of revenues	$	16,727
Selling, general and administrative expenses		4,807
Total restructuring charges	$	21,534

All expenses were recorded to general corporate expenses and, therefore, there was no impact to the segments.

For the fiscal year ended January 1, 2022, the Company made payments of $7,640 towards the liability for the lease termination costs and decreased provision estimates by $3. For the fiscal year ended January 1, 2022, the Company made payments of $4,802 towards the liability for the employee termination benefit costs.

For the fiscal year ended December 31, 2022, the Company made payments of $777 towards the liability for the lease termination costs, decreased provision estimates by $681 and incurred additional lease termination and other related costs of $119. For the fiscal year ended December 31, 2022, the Company made payments of $3,814 towards the liability for the employee termination benefit costs, increased provision estimates by $72 and incurred additional employee termination benefit costs of $148.

For the nine months ended September 30, 2023, the Company made payments of $507 towards the liability for the employee termination benefit costs and increased provision estimates by $57.

As of September 30, 2023, there was no outstanding lease termination liability and no outstanding employee termination benefit liability.

2020 Plan

As previously disclosed, in the second quarter of fiscal 2020, in connection with its cost-savings initiative, and its continued response to the COVID-19 pandemic and the related shift in market conditions, the Company committed to a plan of reduction in force which has resulted in the elimination of certain positions and termination of employment for certain employees worldwide. To adjust to anticipated consumer demand, the Company evolved its workshop strategy and expanded its restructuring plan to include lease termination and other related costs. For the fiscal year ended January 2, 2021, the Company recorded restructuring charges totaling $33,092 ($24,756 after tax).

For the fiscal year ended January 2, 2021, the components of the Company's restructuring charges were as follows:

		Fiscal Year Ended January 2, 2021
Lease termination and other related costs	$	7,989
Employee termination benefit costs		25,103
Total restructuring charges	$	33,092

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For the fiscal year ended January 2, 2021, restructuring charges were recorded in the Company's consolidated statements of operations as follows:

	Fiscal Year Ended January 2, 2021	
Cost of revenues	$	23,300
Selling, general and administrative expenses		9,792
Total restructuring charges	$	33,092

All expenses were recorded to general corporate expenses and, therefore, there was no impact to the segments.

For the fiscal year ended January 2, 2021, the Company made payments of $645 towards the liability for the lease termination costs. For the fiscal year ended January 2, 2021, the Company made payments of $15,434 towards the liability for the employee termination benefit costs and increased provision estimates by $180.

For the fiscal year ended January 1, 2022, the Company made payments of $4,649 towards the liability for the lease termination costs and decreased provision estimates by $470. For the fiscal year ended January 1, 2022, the Company made payments of $6,773 towards the liability for the employee termination benefit costs and decreased provision estimates by $1,136.

For the fiscal year ended December 31, 2022, the Company made payments of $86 towards the liability for the lease termination costs and decreased provision estimates by $116. For the fiscal year ended December 31, 2022, the Company made payments of $1,202 towards the liability for the employee termination benefit costs and decreased provision estimates by $621.

For the nine months ended September 30, 2023, the Company made payments of $97 towards the liability for the employee termination benefit costs and decreased provision estimates by $20.

As of September 30, 2023, there was no outstanding lease termination liability and no outstanding employee termination benefit liability.

17. Revision of Previously Issued Financial Statements

As disclosed in Note 1, after the three months ended September 30, 2023, the Company identified misstatements in its accounting for income taxes resulting primarily from the recording of a U.S. deferred tax liability related to a foreign branch of the U.S., partially offset by a U.S. deferred tax asset related to its U.S. leases, that should have been recorded in prior fiscal years. The Company concluded that these misstatements were not material, either individually or in aggregate, to its current or previously issued consolidated financial statements, and is revising its previously issued consolidated financial statements to correct for these misstatements. In connection with such revisions, the Company is also correcting for other previously identified immaterial misstatements that were previously corrected as out-of-period adjustments during the year ended December 31, 2022.

Due to these misstatements, which originated prior to fiscal 2023, the opening retained earnings balance as of January 1, 2023 was overstated by $5,465 due to the net impact of the income tax misstatement of $1,965 and other previously identified misstatements of $3,500. Such previously identified misstatements were previously corrected through out-of-period adjustments and included income tax misstatements related to the reversal of (i) a basis difference related to goodwill and other intangibles and (ii) a

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

U.S. federal income tax receivable, in addition to the release of a brand marketing accrual that should have been released in a prior year.

The revisions to the accompanying unaudited consolidated statement of operations, consolidated statement of comprehensive loss and consolidated statement of cash flows for the nine months ended October 1, 2022 are presented below. There were no changes to the consolidated statements of operations or comprehensive loss for the three months ended October 1, 2022, or to the consolidated statements of changes in total deficit that have not otherwise been reflected in the consolidated statements of operations and comprehensive loss as detailed in the tables below.

	Nine Months Ended October 1, 2022		
	As Previously Reported	Adjustments	As Revised
CONSOLIDATED STATEMENT OF OPERATIONS			
Benefit from income taxes	$ (75,431)	$ 2,185	$ (73,246)
Net loss	$ (218,902)	$ (2,185)	$ (221,087)
Net loss per share			
Basic	$ (3.12)	$ (0.03)	$ (3.15)
Diluted	$ (3.12)	$ (0.03)	$ (3.15)

	Nine Months Ended October 1, 2022		
	As Previously Reported	Adjustments	As Revised
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS			
Net loss	$ (218,902)	$ (2,185)	$ (221,087)
Comprehensive loss	$ (211,615)	$ (2,185)	$ (213,800)

	Nine Months Ended October 1, 2022		
	As Previously Reported	Adjustments	As Revised
CONSOLIDATED STATEMENT OF CASH FLOWS			
Net loss	$ (218,902)	$ (2,185)	$ (221,087)
Changes in cash due to:			
Income taxes	$ (392)	$ 2,185	$ 1,793
Cash provided by operating activities	$ 80,546	$ —	$ 80,546

The revisions to the unaudited consolidated statement of operations for the three months ended December 31, 2022 are as follows:

	Three Months Ended December 31, 2022

	As Previously Reported	Adjustments	As Revised
CONSOLIDATED STATEMENT OF OPERATIONS			
Revenues, net	$ 223,924	$ (1,021)	$ 222,903
Gross profit	$ 126,990	$ (1,021)	$ 125,969
Operating loss	$ (50,756)	$ (1,021)	$ (51,777)
Loss before income taxes	$ (71,448)	$ (1,021)	$ (72,469)
Benefit from income taxes	$ (38,948)	$ 2,259	$ (36,689)
Net loss	$ (32,500)	$ (3,280)	$ (35,780)
Net loss per share			
Basic	$ (0.46)	$ (0.05)	$ (0.51)
Diluted	$ (0.46)	$ (0.05)	$ (0.51)

The revisions to the audited consolidated balance sheet, consolidated statement of operations, consolidated statement of comprehensive loss and consolidated statement of cash flows as of and for the year ended December 31, 2022 are presented below. Additionally, the Company will further present the revisions of its previously issued consolidated financial statements and relevant notes to the consolidated financial statements as of and for the year ended December 31, 2022 and prior in connection with the future filing of its 2023 Annual Report on Form 10-K. There were no changes to the consolidated statement of changes in total deficit that have not otherwise been reflected in the consolidated balance sheet and consolidated statements of operations and comprehensive loss as detailed in the tables below.

	At December 31, 2022		
	As Previously Reported	Adjustments	As Revised
CONSOLIDATED BALANCE SHEET			
Deferred income taxes	$ 23,119	$ 1,965	$ 25,084
Total Liabilities	$ 1,712,245	$ 1,965	$ 1,714,210
Retained earnings	$ 2,418,959	$ (1,965)	$ 2,416,994
Total Deficit	$ (683,815)	$ (1,965)	$ (685,780)
	Fiscal Year Ended December 31, 2022		
	As Previously Reported	Adjustments	As Revised
CONSOLIDATED STATEMENT OF OPERATIONS			
Revenues, net	$ 1,040,856	$ (1,021)	$ 1,039,835
Gross profit	$ 622,400	$ (1,021)	$ 621,379
Operating loss	$ (282,950)	$ (1,021)	$ (283,971)

Loss before income taxes	$ (365,782)	$ (1,021)	$ (366,803)
Benefit from income taxes	$ (114,379)	$ 4,444	$ (109,935)
Net loss	$ (251,403)	$ (5,465)	$ (256,868)
Net loss per share			
Basic	$ (3.58)	$ (0.08)	$ (3.65)
Diluted	$ (3.58)	$ (0.08)	$ (3.65)

	Fiscal Year Ended December 31, 2022		
	As Previously Reported	Adjustments	As Revised
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS			
Net loss	$ (251,403)	$ (5,465)	$ (256,868)
Comprehensive loss	$ (238,269)	$ (5,465)	$ (243,734)

	Fiscal Year Ended December 31, 2022		
	As Previously Reported	Adjustments	As Revised
CONSOLIDATED STATEMENT OF CASH FLOWS			
Net loss	$ (251,403)	$ (5,465)	$ (256,868)
Changes in cash due to:			
Prepaid expenses	$ 9,599	$ (721)	$ 8,878
Accrued liabilities	$ 19,904	$ 1,021	$ 20,925
Income taxes	$ (588)	$ 5,165	$ 4,577
Cash provided by operating activities	$ 76,646	$ —	$ 76,646

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 (the “Exchange Act”), including, in particular, the statements about our plans, strategies, objectives 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,” “aim” 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:

- the impact of the COVID-19 pandemic on our business and the consumer environment and markets in which we operate;
- competition from other weight management and health and wellness industry participants or the development of more effect or more favorably perceived weight management methods;
- our failure to continue to retain and grow our subscriber base;
- our ability to be a leader in the rapidly evolving and increasingly competitive clinical weight management and weight loss market;

- our ability to continue to develop new, innovative services and products and enhance our existing services and products or t 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 or sentiment;
- the our ability to successfully implement strategic initiatives;
- our ability to transform evolve our Workshops + Digital business strategy community offerings to meet the evolving needs tas and preferences of our members;
- the effectiveness and efficiency of our advertising and marketing programs, including the strength of our social media preser
- the impact on our reputation of actions taken by our franchisees, licensees, suppliers, affiliated provider entities, PCs' health professionals, and other partners, including as a result of our acquisition of Weekend Health, Inc., doing business as Sequer ("Sequence") (the "Acquisition");
- the recognition of asset impairment charges;
- the loss of key personnel, strategic partners or consultants or failure to effectively manage and motivate our workforce;
- our chief executive officer transition;
- ability to successfully make acquisitions or enter into collaborations or joint ventures, including our ability to successfully integrate, operate or realize the inability anticipated benefits of such businesses, including with respect to renew certain of ou licenses, or the inability to do so on terms that are favorable to us;
- the early termination by us of leases; Sequence;
- uncertainties related to a downturn in general economic conditions or consumer confidence, including as a result of the exist inflationary environment, rising interest rates, the potential impact of political and social unrest and instability increased volat in the banking system as a result of several recent bank failures;
- our ability to successfully make acquisitions or enter into joint ventures or collaborations, including our ability to successfully integrate, operate or realize the anticipated benefits of such businesses, including with respect to Sequence; credit and capit markets;
- the seasonal nature of our principal business;
- the impact of events that discourage or impede people from gathering with others or impede accessing resources;
- our failure to maintain effective internal control over financial reporting;
- the impact of events that impede accessing resources or discourage or impede people from gathering with others;
- the early termination by us of leases;
- the inability to renew certain of our licenses, or the inability to do so on terms that are favorable to us;
- the impact of our substantial amount of debt, debt service obligations and debt covenants, and our exposure to variable rate indebtedness;
- the ability 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 data security breaches and other malicious acts or privacy concerns, including the costs of compliance with evolving privacy laws and regulations;
- our ability to successfully integrate and use artificial intelligence in our business;
- 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;
- risks and uncertainties associated with our international operations, including regulatory, economic, political, social, intellectu property, and foreign currency risks, which risks may be exacerbated as a result of war and terrorism;
- the outcomes of litigation or regulatory actions;
- the impact of existing and future laws and regulations;
- risks related to our the Acquisition, including risks that the Acquisition may not achieve its intended results;

- risks related to our exposure to extensive and complex healthcare laws and regulations as a result of the Acquisition;

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- the impact that the sale of substantial amounts of our common stock by existing large shareholders, or the perception that su sales could occur, could have on the market price 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 (the “SEC”).

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.

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

WW 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: otherwise, “we,” “us,” “our,” the “Company,” “Weight Watchers” and “WW” refer to WW International, Inc. and all of its operations consolidated for purposes of its financial statements; “North America” refers to our North American Company-owned operations and franchise revenues and related costs; and “International” refers to our Continental Europe Company-owned operations, United Kingdom Company-owned operations, and Australia, New Zealand and emerging markets operations. statements. Effective the first day of fiscal 2023 2024 (i.e., January 1, 2023 December 31, 2023), we realigned as a result of the continued evolution of our centralized organizational structure in fiscal 2023, and resources to more closely align with management’s 2024 strategic planning process, our strategic priorities and centralized the global management of certain functions and systems, resulting in each of North America and International being our sole reportable segments as changed to one segment for the purpose of such date.making operational and resource decisions and assessing financial performance. Our “Digital” business refers to providing subscriptions to our digital product offerings, which formerly included Digital 360 (as applicable). offerings. Our “Workshops + Digital” business refers to providing subscriptions for unlimited access to our workshops combined with our digital subscription product offerings to commitment plan subscribers, including former Digital 360 members (as applicable). It also formerly included the provision of access to workshops for members who did not subscribe to commitment plans, which included our “pay-as-you-go” members. offerings. Our “Clinical” business refers to providing subscriptions to our clinical product offerings included in our Sequence program. In the second quarter of fiscal 2022, we ceased offering our Digital 360 product. More than a majority of associated members were transitioned from our Digital business provided by WeightWatchers Clinic (formerly referred to our Workshops + Digital business during the second quarter of fiscal 2022, with a de minimis number transitioning during the beginning of the third quarter of fiscal 2022. For additional details on the cessation of this product offering and how these transitions of former Digital 360 members at the then-current pricing for such product impacted the fiscal 2022 second quarter and first half number of End of Period Subscribers in each business as well as the associated Paid Weeks and Revenues for each business, see our Quarterly Report on Form 10-Q for the second quarter of fiscal 2022. Sequence).

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 2020" refers to our fiscal year ended January 2, 2021 (included 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;
- "fiscal 2025" refers to our fiscal year ended January 3, 2026 (includes a 53rd week);
- "fiscal 2026" refers to our fiscal year ended January 2, 2027;
- "fiscal 2027" refers to our fiscal year ended January 1, 2028; and
- "fiscal 2028" refers to our fiscal year ended December 30, 2028; and
- "fiscal 2029" refers to our fiscal year ended December 29, 2029.

The following terms used in this Quarterly Report on Form 10-Q are our trademarks: Digital 360®, Weekend Health™, Weight Watchers®,and the WW Weight Watchers logo.

You should read the following discussion in conjunction with our Annual Report on Form 10-K for fiscal 2022 2023 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").

The following discussion has been adjusted to reflect our revision of previously issued consolidated financial statements to correct for prior period misstatements, which we concluded did not, either individually or in the aggregate, result in a material misstatement of our previously issued consolidated financial statements. Further information regarding the revision is included in "Note 1. Basis of Presentation" and "Note 17. Revision of Previously Issued Financial Statements" in the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

NON-GAAP FINANCIAL MEASURES

To supplement our consolidated results presented in accordance with accounting principles generally accepted in the United States (“GAAP”), we have disclosed non-GAAP financial measures of operating results that exclude or adjust certain items. Gross profit, gross margin, operating income (loss), loss, operating income (loss) loss margin and components thereof are discussed in this Quarterly Report on Form 10-Q both as reported (on a GAAP basis) and as adjusted (on a non-GAAP basis), as applicable, with respect to (i) the third first quarter of fiscal 2023 2024 to exclude (x) the impact of impairment charges for our franchise rights acquired related to our United States, Australia, New Zealand and United Kingdom units of account and (y) the net impact of (a) charges associated with our previously disclosed 2023 restructuring plan (the “2023 plan”) and (b) the reversal of certain of the charges associated with our previously disclosed 2022 restructuring plan (the “2022 plan”); and (ii) the first nine months quarter of fiscal 2023 to exclude (a) (x) the net impact of (w) (a) charges associated with the 2023 plan, (x) (b) charges associated with the 2022 plan or the reversal of certain of the charges associated with the 2022 plan, as applicable, (y) (c) the reversal of certain of the charges associated with our previously disclosed 2021 organizational restructuring plan (the “2021 plan”) or the reversal of certain of the charges associated with the 2021 plan, as applicable, , and (z) (d) the reversal of certain of the charges associated with our previously disclosed 2020 organizational restructuring plan (the “2020 plan”); and (b) (y) the impact of certain non-recurring transaction costs in connection with the acquisition of Sequence (as defined below); (iii) the third quarter of fiscal 2022 to exclude (a) the impact of impairment charges for our franchise rights acquired related to our United States, Canada and New Zealand units of account and (b) the net impact of (x) charges associated with the 2022 plan and (y) charges associated with the 2021 plan; and (iv) the first nine months of fiscal 2022 to exclude (a) the impact of impairment charges for our franchise rights acquired related to our United States, Canada and New Zealand units of account and the impairment charge for our goodwill related to our wholly-owned subsidiary Kurbo, Inc. (“Kurbo”) and (b) the net impact of (x) charges associated with the 2022 plan, (y) charges associated with the 2021 plan or the reversal of certain of the charges associated with the 2021 plan, as applicable, and (z) the reversal of certain of the charges associated with the 2020 plan. Sequence. We generally refer to such non-GAAP measures as follows: (i) with respect to the adjustments for the third quarter of fiscal 2023, as excluding or adjusting for the net impact of restructuring charges; (ii) with respect to the adjustments for the first nine months of fiscal 2023, as excluding or adjusting for franchise rights acquired impairments, the net impact of restructuring charges, and the impact of acquisition transaction costs; (iii) with respect to the adjustments for the third quarter of fiscal 2022, costs, as excluding or adjusting for the impact of the franchise rights acquired impairments and the net impact of restructuring charges; and (iv) with respect to the adjustments for the first nine months of fiscal 2022, as excluding or adjusting for the impact of franchise rights acquired and goodwill impairments and the net impact of restructuring charges. applicable. We also 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, franchise rights acquired and goodwill impairments, net restructuring charges, and certain non-recurring transaction costs in connection with the acquisition of Sequence (“Adjusted EBITDAS”); total debt less unamortized deferred financing costs, unamortized debt discount and cash on hand (i.e., net debt); and a net debt/Adjusted EBITDAS ratio. Adjusted EBITDAS for the first quarter of fiscal 2023 as presented herein was recast to reflect certain non-recurring transaction costs in connection with the acquisition of Sequence. See “—Liquidity and Capital Resources—EBITDAS, Adjusted EBITDAS and Net Debt” for the reconciliations of these non-GAAP financial measures to the most comparable GAAP financial measure in each case. 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 titled 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 ESTIMATES

Franchise Rights Acquired

Finite-lived franchise rights acquired are amortized over the remaining contractual period, which is generally less than one year. Indefinite-lived franchise rights acquired are tested for potential impairment on at least an annual basis or more often if events so require.

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 our Workshops + Digital business and a relief from royalty methodology for franchise rights related to our Digital business. The aggregate estimated fair value for these franchise rights is then compared to the carrying value of the unit of account for these rights. We have determined the appropriate unit of account for purposes of assessing impairment to be the combination of the rights in both the Workshops + Digital business and the Digital business in the country in which the applicable acquisition occurred. The net book values of these franchise rights acquired in the United States Australia, and United Kingdom and New Zealand units of account as of the September 30, 2023 March 30, 2024 balance sheet date were $374.4 million, $4.0 million, $2.7 million $122.9 million and $2.3 million $2.6 million, respectively.

In our hypothetical start-up approach analysis for fiscal 2023, 2024, 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 Workshops + Digital business in each country based on assumptions regarding revenue growth and operating income margins. In our relief from royalty approach analysis for fiscal 2023, 2024, the cash flows associated with the Digital business in each country were based on the expected Digital revenue for such country and the application of a royalty rate based on current market terms. The cash flows for the Workshops + Digital and the Digital businesses were discounted utilizing rates which were calculated using the weighted-average weighted average cost of capital, which included the cost of equity and the cost of debt.

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. Excluding the goodwill associated with the acquisition of Sequence, we We have determined the appropriate reporting unit units for purposes of assessing annual goodwill impairment to be the country for all reporting units. Behavioral and Clinical business lines. Our "Behavioral" business line consists of our Workshops + Digital business and Digital business. The net book values of goodwill excluding the acquisition of Sequence, in the United States, Canada Behavioral and other countries Clinical reporting units as of the September 30, 2023 March 30, 2024 balance sheet date were $104.0 million, $39.5 million $152.5 million and $12.2 million $89.7 million, respectively.

In performing the impairment analysis for goodwill, for all of our reporting units, we estimated future cash flows by utilizing the historical debt-free cash flows (cash flows provided by operations less capital expenditures) attributable to that country each of the Behavioral and Clinical reporting units and then applied expected future operating income growth rates for such country. the respective reporting unit. 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 weighted-average weighted average cost of capital, which included the cost of equity and the cost of debt.

Indefinite-Lived Franchise Rights Acquired and Goodwill Annual Impairment Tests

We review indefinite-lived intangible assets, including franchise rights acquired with indefinite lives, and goodwill for potential impairment on at least an annual basis or more often if events so require. We performed our annual fair value impairment testing as of May 7, 2023 and May 8, 2022, each the first day of fiscal May, on our indefinite-lived intangible assets and goodwill.

When determining fair value, we utilize various assumptions, including projections of future cash flows, revenue growth rates, operating income margins and discount rates. A change in these underlying assumptions could cause a change in the results of the impairment assessments 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, we would be required to record a corresponding charge, 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 assumptions and believe that these assumptions are appropriate.

In performing our impairment analysis, analyses, 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 levels at the time of testing, 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 the risk factor titled "We have in the past and may in the future be required to recognize asset impairment charges for indefinite- and definite-lived assets" found in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for fiscal 2022. 2023.

Further information regarding the results of our franchise rights acquired and goodwill annual interim impairment tests and our franchise rights acquired interim impairment test for the third first quarter of fiscal 2022 2024 can be found in Part I, Item 1 of this Quarterly Report on Form 10-Q under Note 6 "Franchise Rights Acquired, Goodwill and Other Intangible Assets" in the Notes notes to the Consolidated Financial Statements.

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consolidated financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Critical Accounting Policies

Information concerning our critical accounting policies is set forth in “Note 2. Summary of Significant Accounting Policies” of our audited consolidated financial statements contained in our Annual Report on Form 10-K for fiscal 2022. 2023. Our critical accounting policies have not changed since the end of fiscal 2022. 2023.

PERFORMANCE INDICATORS

Our management team regularly reviews and analyzes a number of financial and operating metrics, including the key performance indicators listed below, in order to manage our business, measure our performance, identify trends affecting our business, determine the allocation of resources, make decisions regarding corporate strategies and assess the quality and potential variability of our cash flows and earnings. We also believe that these key performance indicators are useful to both management and investors for forecasting purposes and to facilitate comparisons to our historical operating results. These metrics are supplemental to our GAAP results and include operational measures.

- Revenues—Our “Subscription Revenues” consist of “Digital Subscription Revenues”, “Workshops + Digital Fees” Subscriptic Revenues” and “Clinical Subscription Revenues”. “Digital Subscription Revenues” consist of the fees associated with subscriptions for our Digital offerings, which formerly included Digital 360 (as applicable). offerings. “Workshops + Digital Fees” Subscription Revenues” consist of the fees associated with our subscription plans subscriptions for combined workshc and digital offerings and other payment arrangements for access to workshops. Digital offerings. “Clinical Subscription Revenues” consist of the fees associated with subscriptions for our Clinical offerings. In addition, “Other Revenues” (formerl known as “product sales and other” consists) consist of sales of consumer products via e-commerce, in studios and through trusted partners, revenues from licensing and publishing, other revenues, and, in the case of the consolidated financial resul and the North America reportable segment, franchise fees with respect to commitment plans and royalties. royalties, and oth revenues. Prior to fiscal 2024, “Other Revenues” included sales of consumer products.

- Paid Weeks—The “Paid Weeks” metric reports paid weeks by WW customers in Company-owned operations for a given pe as follows: (i) “Digital Paid Weeks” is the total paid subscription weeks for our digital subscription products, which formerly included Digital 360 (as applicable); offerings; (ii) “Workshops + Digital Paid Weeks” is the sum of total paid commitment plan subscription weeks which include for combined workshops and digital offerings and formerly included total “pay-as-you- weeks; Digital offerings; (iii) “Clinical Paid Weeks” is the total paid subscription weeks for our Clinical subscription products; offerings; and (iv) “Total Paid Weeks” is the sum of Digital Paid Weeks, Workshops + Digital Paid Weeks and Clinic Paid Weeks.

- Incoming Subscribers—“Subscribers” refer to Digital subscribers, Workshops + Digital subscribers and Clinical subscribers v participate in recurring bill programs in Company-owned operations. The “Incoming Subscribers” metric reports WW subscribers Subscribers in Company-owned operations at a given period start as follows: (i) “Incoming Digital Subscribers” is total number of Digital including former Digital 360 (as applicable), subscribers; (ii) “Incoming Workshops + Digital Subscribe is the total number of commitment plan subscribers that have access to combined workshops and digital Digital offerings; (iii “Incoming Clinical Subscribers” is the total number of Clinical subscribers; and (iv) “Incoming Subscribers” is the sum of Incoming Digital Subscribers, Incoming Workshops + Digital Subscribers and Incoming Clinical Subscribers, as applicable. Given we completed our acquisition of Sequence in April 2023 after the beginning of the second quarter of fiscal 2023, we h incoming subscribers with respect to our Clinical business for the third first quarter of fiscal 2023, 2024, but not for the first ni months quarter of fiscal 2023. Recruitment and retention are key drivers for this metric.

- End of Period Subscribers—The “End of Period Subscribers” metric reports WW subscribers Subscribers in Company-owne operations at a given period end as follows: (i) “End of Period Digital Subscribers” is the total number of Digital including forr Digital 360 (as applicable), subscribers; (ii) “End of Period Workshops + Digital Subscribers” is the total number of commitm plan subscribers that have access to combined workshops and digital Digital offerings; (iii) “End of Period Clinical Subscribe the total number of Clinical subscribers; and (iv) “End of Period Subscribers” is the sum of End of Period Digital Subscribers End of Period Workshops + Digital Subscribers and End of Period Clinical 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 SEPTEMBER MARCH 30, 2023 2024 COMPARED TO THE THREE MONTHS ENDED OCTOBER APRIL 1, 2022 2023

The table below sets forth selected financial information for the third first quarter of fiscal 2024 from our consolidated statements of operations for the three months ended March 30, 2024 versus selected financial information for the first quarter of fiscal 2023 from our consolidated statements of operations for the three months ended September 30, 2023 versus selected financial information for the third quarter of fiscal 2022 from our consolidated statements of operations for the three months ended October 1, 2022 April 1, 2023.

Summary of Selected Financial Data

(In millions, except per share amounts) For The Three Months Ended					(In millions, except per share amounts) For The Three Months Ended				
September 30, 2023	October 1, 2022	Increase/ (Decrease)	% Change	% Change Constant Currency	March 30, 2024	April 1, 2023	Increase/ (Decrease)	% Change	% Change Constant Currency

Revenues, net	$ 214.9	$ 249.7	$ (34.8)	(14.0%)	(15.3%)	$ 206.5	$ 241.9	$ (35.3)	(14.6%)	(14.9%)
Cost of revenues	73.1	97.4	(24.3)	(24.9%)	(25.5%)	68.7	122.4	(53.6)	(43.8%)	(44.0%)
Gross profit	141.8	152.4	(10.6)	(7.0%)	(8.7%)	137.8	119.5	18.3	15.3%	14.8%
Gross Margin %	*66.0%*	*61.0%*				*66.7%*	*49.4%*			
Marketing expenses	48.1	35.7	12.4	34.8%	33.1%	90.2	88.2	1.9	2.2%	1.9%
Selling, general & administrative expenses	63.0	58.4	4.6	7.9%	7.0%	59.0	59.9	(0.9)	(1.5%)	(1.7%)
Franchise rights acquired impairments	—	312.7	(312.7)	(100.0%)	(100.0%)	258.0	—	258.0	100.0%	100.0%
Operating income (loss)	30.6	(254.5)	285.1	100.0% *	100.0% *					
Operating Income (Loss) Margin %	*14.2%*	*(101.9%)*								
Operating loss						(269.3)	(28.6)	240.7	100.0% *	100.0% *
Operating Loss Margin %						*(130.4%)*	*(11.8%)*			
Interest expense	24.5	20.9	3.6	17.2%	17.2%	24.7	22.8	1.9	8.2%	8.2%
Other expense, net	0.8	1.3	(0.5)	(39.4%)	(39.4%)					
Income (loss) before income taxes	5.3	(276.8)	282.1	100.0% *	100.0% *					
Other income, net						(1.6)	(0.3)	1.3	100.0% *	100.0% *
Loss before income taxes						(292.5)	(51.1)	241.4	100.0% *	100.0% *

Benefit from income taxes	(38.4)	(70.7)	(32.3)	(45.7%)	(45.0%)					
Net income (loss)	$ 43.7	$ (206.0)	$ 249.8	100.0% *	100.0% *					
Provision for income taxes						55.4	67.6	(12.1)	(18.0%)	(18.1%)
Net loss						$ (347.9)	$ (118.7)	$ 229.2	100.0% *	100.0% *
Weighted average diluted shares outstanding	80.6	70.4	10.3	14.6%	14.6%	79.2	70.6	8.6	12.2%	12.2%
Diluted earnings (net loss) per share	$ 0.54	$ (2.93)	$ 3.47	100.0% *	100.0% *					
Diluted net loss per share						$ (4.39)	$ (1.68)	$ 2.71	100.0% *	100.0% *

Note: Totals may not sum due to rounding.

* Note: Percentage in excess of 100.0% and not meaningful.

Certain results for the third first quarter of fiscal 2023 2024 are adjusted to exclude the impact of franchise rights acquired impairments and the net impact of the $6.2 million of 2023 plan restructuring charges and the reversal of $0.2 million of 2022 plan restructuring charges. See “Non-GAAP Financial Measures” above. The table below sets forth a reconciliation of certain of those components of our selected financial data for the three months ended September 30, 2023 March 30, 2024 which have been adjusted.

	Operating	**Operating**

(in millions except percentages)	Gross Profit	Gross Margin	Operating Income	Income Margin	Gross Profit	Gross Margin	Operating Loss	Loss Margin
Third Quarter of Fiscal 2023	$ 141.8	*66.0%*	$ 30.6	*14.2%*				
First Quarter of Fiscal 2024					$ 137.8	*66.7%*	$ (269.3)	*(130.4%)*
Adjustments to reported amounts (1)								
Franchise rights acquired impairments					—		258.0	
2023 plan restructuring charges	0.4		6.2		2.4		5.5	
2022 plan restructuring charges	(0.0)		(0.2)		0.0		0.2	
Total adjustments (1)	0.4		6.0		2.5		263.7	
Third Quarter of Fiscal 2023, as adjusted (1)	$ 142.2	*66.2%*	$ 36.6	*17.0%*				
First Quarter of Fiscal 2024, as adjusted (1)					$ 140.3	*67.9%*	$ (5.6)	*(2.7%)*

Note: Totals may not sum due to rounding.

(1) The "As adjusted" measure is a non-GAAP financial measure that adjusts the consolidated statements of operations for the third first quarter of fiscal 2023 2024 to exclude the impact of the $258.0 million ($241.5 million after tax) of franchise rights acquired impairments, and the net impact of the $6.2 million $5.5 million ($4.6 4.1 million after tax) of 2023 plan restructuring charges and the reversal of $0.2 million ($0.2 million after tax) of 2022 plan restructuring charges. See "Non-GAAP Financial Measures" above for an explanation of our use of non-GAAP financial measures.

Certain results for the third quarter of fiscal 2022 are adjusted to exclude the impact of the $312.7 million of franchise rights acquired impairments and the net impact of the $3.6 million of 2022 plan restructuring charges and the $0.1 million of 2021 plan restructuring charges. See "Non-GAAP Financial Measures" above. The table below sets forth a reconciliation of certain of those components of our selected financial data for the three months ended October 1, 2022 which have been adjusted.

(in millions except percentages)	Gross Profit	Gross Margin	Operating (Loss) Income	Operating (Loss) Income Margin
Third Quarter of Fiscal 2022	$ 152.4	*61.0%*	$ (254.5)	*(101.9%)*
Adjustments to reported amounts (1)				
Franchise rights acquired impairments	—		312.7	
2022 plan restructuring charges	(0.1)		3.6	
2021 plan restructuring charges	0.1		0.1	
Total adjustments (1)	0.0		316.4	
Third Quarter of Fiscal 2022, as adjusted (1)	$ 152.4	*61.0%*	$ 61.9	*24.8%*

Note: Totals may not sum due to rounding.

(1) The “As adjusted” measure is a non-GAAP financial measure that adjusts the consolidated statements of operations for the third quarter of fiscal 2022 to exclude t impact of the $312.7 million ($235.1 million after tax) of franchise rights acquired impairments and the net impact of the $3.6 million ($2.7 million after tax) of 2022 restructuring charges and the $0.1 million ($0.1 million after tax) of 2021 plan restructuring charges. See “Non-GAAP Financial Measures” above for an explanatio our use of non-GAAP financial measures.

Consolidated Results

Revenues

Revenues for the third quarter of fiscal 2023 were $214.9 million, a decrease of $34.8 million, or 14.0%, versus the third quarter of fiscal 2022. Excluding the impact of foreign currency, which positively impacted our revenues in the third quarter of fiscal 2023 by $3.2 million, revenues for the third quarter of fiscal 2023 would have decreased 15.3% versus the prior year period. This decrease was driven by lower Subscription Revenues due to a higher mix of subscribers within their initial, lower-priced, commitment periods and the continued mix shift to our Digital business. Subscription Revenues included $10.0 million of Clinical Subscription Revenues for the third quarter of fiscal 2023. The decline in consumer product sales from our continued wind down of our consumer products business also contributed to the decrease in revenues in the quarter. See “—Segment Results” for additional details on revenues.

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Cost of Revenues

Cost of revenues for the third quarter of fiscal 2023 decreased $24.3 million, or 24.9%, versus the third quarter of fiscal 2022. Excluding the impact of foreign currency, which increased cost of revenues in the third quarter of fiscal 2023 by $0.6 million, cost of revenues for the third quarter of fiscal 2023 would have decreased 25.5% versus the prior year period. Excluding the net impact of the $0.4 million of restructuring charges in the third quarter of fiscal 2023 and the net impact of the $6 thousand of restructuring charges in the third quarter of fiscal 2022, cost of revenues for the third quarter of fiscal 2023 would have decreased by 25.3%, or 25.9% on a constant currency basis, versus the prior year period.

Gross Profit

Gross profit for the third quarter of fiscal 2023 decreased $10.6 million, or 7.0%, versus the third quarter of fiscal 2022. Excluding the impact of foreign currency, which positively impacted gross profit in the third quarter of fiscal 2023 by $2.7 million, gross profit for the third quarter of fiscal 2023 would have decreased 8.7% versus the prior year period. Excluding the net impact of the $0.4 million of restructuring charges in the third quarter of fiscal 2023 and the net impact of the $6 thousand of restructuring charges in the third quarter of fiscal 2022, gross profit for the third quarter of fiscal 2023 would have decreased by 6.7%, or 8.5% on a constant currency basis, versus the prior year period primarily due to the decrease in revenues. Gross margin for the third quarter of fiscal 2023 increased to 66.0% versus 61.0% for the third quarter of fiscal 2022. Excluding the impact of foreign currency, gross margin in the third quarter of fiscal 2023 would have increased 4.7% to 65.7% versus the prior year period. Excluding the net impact of restructuring charges in the third quarter of fiscal 2023 and the net impact of restructuring charges in the third quarter of fiscal 2022, gross margin for the third quarter of fiscal 2023 would have increased 5.1% to 66.2% versus the prior year period. Excluding the impact of foreign currency, the net impact of restructuring charges in the third quarter of fiscal 2023 and the net impact of restructuring charges in the third quarter of fiscal 2022, gross margin for the third quarter of fiscal 2023 would have increased 4.9% to 65.9% versus the prior year period. This gross margin increase was driven primarily by actions to reduce the fixed cost base within our Workshops + Digital business and the revenue mix shift to our higher margin Digital business.

Marketing

Marketing expenses for the third quarter of fiscal 2023 increased $12.4 million, or 34.8%, versus the third quarter of fiscal 2022. Excluding the impact of foreign currency, which increased marketing expenses in the third quarter of fiscal 2023 by $0.6 million, marketing expenses for the third quarter of fiscal 2023 would have increased 33.1% versus the prior year period. This increase in marketing expenses was primarily due to higher spend on Online advertising. As previously disclosed, we shifted our marketing spend out of the first quarter of fiscal 2023 to the remainder of the year in connection with our performance marketing plan. Marketing expenses as a percentage of revenue for the third quarter of fiscal 2023 increased to 22.4% from 14.3% for the third quarter of fiscal 2022.

Selling, General and Administrative

Selling, general and administrative expenses for the third quarter of fiscal 2023 increased $4.6 million, or 7.9%, versus the third quarter of fiscal 2022. Excluding the impact of foreign currency, which increased selling, general and administrative expenses in the third quarter of fiscal 2023 by $0.5 million, selling, general and administrative expenses for the third quarter of fiscal 2023 would have increased 7.0% versus the prior year period. Excluding the net impact of the $5.6 million of restructuring charges in the third quarter of fiscal 2023 and the net impact of the $3.7 million of restructuring charges in the third quarter of fiscal 2022, selling, general and administrative expenses for the third quarter of fiscal 2023 would have increased by 4.9%, or 4.0% on a constant currency basis, versus the prior year period. This increase in selling, general and administrative expenses was primarily due to non-transaction related costs associated with the acquisition of Sequence. Selling, general and administrative expenses as a percentage of revenue for the third quarter of fiscal 2023 increased to 29.3% from 23.4% for the third quarter of fiscal 2022. Excluding the net impact of restructuring charges in the third quarter of fiscal 2023 and the net impact of restructuring charges in the third quarter of fiscal 2022, selling, general and administrative expenses as a percentage of revenue for the third quarter of fiscal 2023 would have increased by 4.8%, or 5.0% on a constant currency basis, versus the prior year period.

Impairments

In performing our interim impairment analysis as of October 1, 2022, we determined that the carrying amounts of our United States, Canada and New Zealand franchise rights acquired with indefinite-lived units of account exceeded their respective fair values and, as a result, we recorded impairment charges for our United States, Canada and New Zealand units of account of $298.3 million, $13.3 million and $1.1 million, respectively, in the third quarter of fiscal 2022.

Operating Income (Loss)

Operating income for the third quarter of fiscal 2023 was $30.6 million compared to operating loss for the third quarter of fiscal 2022 of $254.5 million. Operating income for the third quarter of fiscal 2023 was positively impacted by $1.6 million of foreign currency. Excluding the net impact of the $6.0 million of restructuring charges in the third quarter of fiscal 2023, the impact of the $312.7 million of franchise rights acquired impairments in the third quarter of fiscal 2022 and the net impact of the $3.7 million of restructuring charges in the third quarter of fiscal 2022, operating income would have been $36.6 million for the third quarter of fiscal 2023 versus operating income of $61.9 million for the third quarter of fiscal 2022, a decrease of 40.9%, or 43.5% on a constant currency basis. Operating income margin for the third quarter of fiscal 2023 was 14.2% compared to operating loss margin for the third quarter of fiscal 2022 of 101.9%. Excluding the net impact of restructuring charges in the third quarter of fiscal 2023, the impact of the franchise rights acquired impairments in the third quarter of fiscal 2022 and the net impact of restructuring charges in the third quarter of fiscal 2022, operating income margin would have been 17.0% for the third quarter of fiscal 2023 versus operating income margin of 24.8% for the third quarter of fiscal 2022, a decrease of 7.8%, or 8.2% on a constant currency basis. This decrease in operating income margin was driven primarily 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, partially offset by an increase in gross margin, versus the prior year period.

Interest Expense

Interest expense for the third quarter of fiscal 2023 increased $3.6 million, or 17.2%, versus the third quarter of fiscal 2022. The increase in interest expense was driven primarily by an increase in the base rate of our Term Loan Facility (as defined below).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 third quarter of fiscal 2023 and the third quarter of fiscal 2022 and excluding the impact of our interest rate swaps then in effect, increased to 7.73% per annum at the end of the third quarter of fiscal 2023 from 5.68% per annum at the end of the third quarter of fiscal 2022. Including the impact of our interest rate swaps then in effect, 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 third quarter of fiscal 2023 and the third quarter of fiscal 2022, increased to 6.75% per annum at the end of the third quarter of fiscal 2023 from 5.77% per annum at the end of the third quarter of fiscal 2022. See "—Liquidity and Capital Resources—Long-Term Debt" for additional details regarding our debt, including interest rates and payments thereon. For additional details on our interest rate swaps, 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, decreased by $0.5 million for the third quarter of fiscal 2023 to $0.8 million of expense as compared to $1.3 million of expense for the third quarter of fiscal 2022.

Tax

Our effective tax rate for the third quarter of fiscal 2023 was (727.7%) compared to 25.6% for the third quarter of fiscal 2022. The effective tax rate for interim periods is determined using an annual effective tax rate, adjusted for discrete items. In fiscal 2023, we were required to increase the valuation allowance recorded against U.S. deferred tax assets as a result of the limitation on interest deductions in the U.S. The forecasted full-year tax expense, which included the increase in valuation allowance, in relation to our forecasted full-year pretax loss (albeit minimal), drove an unusually high negative annual effective tax rate. Applying this negative annual effective tax rate to pretax income for the third quarter of fiscal 2023 resulted in an income tax benefit of $38.4 million for the third quarter of fiscal 2023.

For the third quarter of fiscal 2023, the difference between the U.S. federal statutory tax rate and our consolidated effective tax rate was primarily due to the valuation allowance noted above. In addition, the effective tax rate was impacted by tax expense from income earned in foreign jurisdictions, partially offset by a tax benefit related to foreign-derived intangible income ("FDII"). The tax benefit for the third quarter of fiscal 2022 was impacted by a U.S. state tax rate change. For the third quarter of fiscal 2022, the difference between the U.S. federal statutory tax rate and our consolidated effective tax rate was primarily due to state income tax expense and tax expense from income earned in foreign jurisdictions, partially offset by a tax benefit related to FDII.

Net Income (Loss) and Diluted Earnings (Net Loss) Per Share

Net income for the third quarter of fiscal 2023 was $43.7 million compared to net loss for the third quarter of fiscal 2022 of $206.0 million. Net income for the third quarter of fiscal 2023 was positively impacted by $1.1 million of foreign currency. Net income for the third quarter of fiscal 2023 included a $4.5 million net impact from restructuring charges. Net loss for the third quarter of fiscal

2022 included a $235.1 million impact from the franchise rights acquired impairments and a $2.7 million net impact from restructuring charges.

Earnings per fully diluted share (“EPS”) for the third quarter of fiscal 2023 was $0.54 compared to diluted net loss per share for the third quarter of fiscal 2022 of $2.93. EPS for the third quarter of fiscal 2023 included a $0.06 net impact from restructuring charges. Diluted net loss per share for the third quarter of fiscal 2022 included a $3.34 impact from the franchise rights acquired impairments and a $0.04 net impact from restructuring charges.

Segment Results

As previously disclosed, effective the first day of fiscal 2023 (i.e., January 1, 2023), we realigned our organizational structure and resources to more closely align with our strategic priorities and centralized the global management of certain functions and systems. As a result of the change in our organizational structure, we now have two reportable segments, consisting of North America and International, for the purpose of making operational and resource decisions and assessing financial performance. The new reportable segments will continue to provide similar services and products.

Metrics and Business Trends

The following tables set forth key metrics by reportable segment for the third quarter of fiscal 2023 and the percentage change in those metrics versus the prior year period, as applicable:

(in millions except percentages and as noted)

	Q3 2023								
	GAAP			Constant Currency					
	Subscription Revenues	Product Sales & Other	Total Revenues	Subscription Revenues	Product Sales & Other	Total Revenues	Total Paid Weeks	Incoming Subscribers	EOP Subscribers
								(in thousands)	
North America	$ 145.3	$ 9.4	$ 154.7	$ 145.5	$ 9.4	$ 154.9	35.0	2,710.4	2,675.7
International	58.2	2.0	60.2	54.8	1.9	56.7	17.5	1,375.7	1,346.2
Total	$ 203.5	$ 11.4	$ 214.9	$ 200.3	$ 11.3	$ 211.6	52.5	4,086.1	4,021.8
	% Change Q3 2023 vs. Q3 2022								
North America	(6.2 %)	(56.6 %)	(12.3 %)	(6.0 %)	(56.5 %)	(12.2 %)	2.9 %	(3.4 %)	8.6 %

International	(11.7 %)	(73.1 %)	(17.8 %)	(16.8 %)	(74.3 %)	(22.6 %)	(2.5 %)	(5.9 %)	1.2 %
Total	(7.8 %)	(60.7 %)	(14.0 %)	(9.2 %)	(61.0 %)	(15.3 %)	1.0 %	(4.3 %)	6.0 %

Note: Totals may not sum due to rounding.

(in millions except percentages and as noted)

	Q3 2023									
	Digital Subscription Revenues					Workshops + Digital Fees				
	GAAP	Constant Currency	Digital Paid Weeks	Incoming Digital Subscribers	EOP Digital Subscribers	GAAP	Constant Currency	Workshops + Digital Paid Weeks	Incoming Workshops + Digital Subscribers	EOP Workshops + Digital Subscribers
				(in thousands)					(in thousands)	
North America	$ 92.4	$ 92.6	27.6	2,130.7	2,112.2	$ 42.9	$ 42.9	6.9	542.9	518.1
International	48.5	45.6	15.2	1,198.6	1,171.7	9.8	9.2	2.3	177.1	174.5
Total	$ 140.9	$ 138.2	42.8	3,329.3	3,283.8	$ 52.6	$ 52.1	9.1	720.0	692.6
	% Change Q3 2023 vs. Q3 2022									
North America	(10.0 %)	(9.9 %)	5.1 %	(2.0 %)	10.7 %	(17.7 %)	(17.6 %)	(11.2 %)	(13.9 %)	(6.7 %)
International	(8.8 %)	(14.1 %)	(0.8 %)	(5.3 %)	3.0 %	(23.5 %)	(27.8 %)	(12.8 %)	(10.1 %)	(9.2 %)
Total	(9.6 %)	(11.3 %)	2.9 %	(3.2 %)	7.8 %	(18.9 %)	(19.6 %)	(11.6 %)	(13.0 %)	(7.3 %)

Note: Totals may not sum due to rounding.

(in millions except as noted)

	Q3 2023			
	Clinical Subscription Revenues			
	GAAP	Clinical Paid Weeks	Incoming Clinical Subscribers	EOP Clinical Subscribers
			(in thousands)	
North America	$ 10.0	0.5	36.8	45.4
International	—	—	—	—
Total	$ 10.0	0.5	36.8	45.4

North America Performance

The decrease in North America revenues for the third quarter of fiscal 2023 versus the prior year period was driven by both a decrease in product sales and other and a decrease in Subscription Revenues. The decrease in Subscription Revenues for the third quarter of fiscal 2023 versus the prior year period was driven primarily by a decrease in Digital Subscription Revenues and a decrease in Workshops + Digital Fees. Digital Subscription Revenues and Workshops + Digital Fees were both negatively impacted by the lower number of respective Incoming Subscribers at the beginning of the third quarter of fiscal 2023 versus the beginning of the third quarter of fiscal 2022. Subscription Revenues for the third quarter of fiscal 2023 benefited from Clinical Subscription Revenues following our acquisition of Sequence. The increase in North America Total Paid Weeks for the third quarter of fiscal 2023 versus the prior year period was driven primarily by higher recruitments in the third quarter of fiscal 2023 versus the third quarter of fiscal 2022.

The decrease in North America product sales and other for the third quarter of fiscal 2023 versus the prior year period was driven primarily by a decline in consumer product sales as we continued the wind down of our consumer products business.

International Performance

The decrease in International revenues for the third quarter of fiscal 2023 versus the prior year period was driven by a decrease in Subscription Revenues and, to a lesser extent, a decrease in product sales and other. The decrease in Subscription Revenues for the third quarter of fiscal 2023 versus the prior year period was driven by a decrease in Digital Subscription Revenues and, to a lesser extent, a decrease in Workshops + Digital Fees. Digital Subscription Revenues and Workshops + Digital Fees were both negatively impacted by the lower number of respective Incoming Subscribers at the beginning of the third quarter of fiscal 2023 versus the beginning of the third quarter of fiscal 2022. The decrease in International Total Paid Weeks for the third quarter of fiscal 2023 versus the prior year period was driven primarily by the lower number of Total Incoming Subscribers at the beginning of the third quarter of fiscal 2023 versus the beginning of the third quarter of fiscal 2022.

The decrease in International product sales and other for the third quarter of fiscal 2023 versus the prior year period was driven primarily by a decline in consumer product sales as we continued the wind down of our consumer products business.

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RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2023 COMPARED TO THE NINE MONTHS ENDED OCTOBER 1, 2022

The table below sets forth selected financial information for the first nine months of fiscal 2023 from our consolidated statements of operations for the nine months ended September 30, 2023 versus selected financial information for the first nine months of fiscal 2022 from our consolidated statements of operations for the nine months ended October 1, 2022.

Summary of Selected Financial Data

	(In millions, except per share amounts) For The Nine Months Ended				
	September 30, 2023	October 1, 2022	Increase/ (Decrease)	% Change	% Change Constant Currency
Revenues, net	$ 683.6	$ 816.9	$ (133.3)	(16.3%)	(16.1%)
Cost of revenues	279.1	321.5	(42.4)	(13.2%)	(12.8%)
Gross profit	404.4	495.4	(91.0)	(18.4%)	(18.2%)

Gross Margin %	*59.2 %*	*60.6 %*			
Marketing expenses	187.5	195.1	(7.7)	(3.9 %)	(3.2 %)
Selling, general & administrative expenses	188.6	193.3	(4.7)	(2.4 %)	(2.2 %)
Franchise rights acquired and goodwill impairments	—	339.2	(339.2)	(100.0 %)	(100.0 %)
Operating income (loss)	28.3	(232.2)	260.5	100.0 % *	100.0 % *
Operating Income (Loss) Margin %	*4.1 %*	*(28.4 %)*			
Interest expense	71.4	58.8	12.6	21.4 %	21.4 %
Other (income) expense, net	(0.0)	3.3	3.3	100.0 % *	100.0 % *
Loss before income taxes	(43.1)	(294.3)	(251.3)	(85.4 %)	(85.0 %)
Benefit from income taxes	(18.9)	(73.2)	(54.3)	(74.2 %)	(73.7 %)
Net loss	$ (24.1)	$ (221.1)	$ (197.0)	(89.1 %)	(88.7 %)
Weighted average diluted shares outstanding	75.9	70.3	5.6	8.0 %	8.0 %
Diluted net loss per share	$ (0.32)	$ (3.15)	$ (2.83)	(89.9 %)	(89.6 %)

Note: Totals may not sum due to rounding.

* Note: Percentage in excess of 100.0% and not meaningful.

Certain results for the first nine months of fiscal 2023 are adjusted to exclude the net impact of the $30.6 million of 2023 plan restructuring charges, the $0.6 million of 2022 plan restructuring charges, the $0.1 million of 2021 plan restructuring charges and the de minimis reversal of 2020 plan restructuring charges and the impact of the $8.6 million of acquisition transaction costs. See “Non-GAAP Financial Measures” above. The table below sets forth a reconciliation of certain of those components of our selected financial data for the nine three months ended September 30, 2023 April 1, 2023 which have been adjusted.

(in millions except percentages)	Gross Profit	Gross Margin	Operating Income	Operating Income Margin	Gross Profit	Gross Margin	Operating Loss	Operating Loss Margin
First Nine Months of Fiscal 2023	$ 404.4	*59.2 %*	$ 28.3	*4.1 %*				
First Quarter of Fiscal 2023					$ 119.5	*49.4 %*	$ (28.6)	*(11.8 %)*
Adjustments to reported amounts (1)								

2023 plan restructuring charges	19.9		30.6		18.9		22.6	
2022 plan restructuring charges	(0.3)		0.6		(0.3)		0.0	
2021 plan restructuring charges	0.1		0.1		(0.0)		(0.0)	
2020 plan restructuring charges	(0.0)		(0.0)		(0.0)		(0.0)	
Acquisition transaction costs	—		8.6		—		3.7	
Total adjustments (1)	19.7		39.9		18.6		26.4	
First Nine Months of Fiscal 2023, as adjusted (1)	$ 424.1	*62.0 %*	$ 68.2	*10.0 %*				
First Quarter of Fiscal 2023, as adjusted (1)					$ 138.1	*57.1 %*	$ (2.2)	*(0.9 %)*

Note: Totals may not sum due to rounding.

(1) The "As adjusted" measure is a non-GAAP financial measure that adjusts the consolidated statements of operations for the first nine months quarter of fiscal 2023 to exclude the net impact of the $30.6 million $22.6 million ($22.9 17.0 million after tax) of 2023 plan restructuring charges, the $0.6 million $40 thousand ($0.5 million 30 thousand after tax) of 2022 plan restructuring charges, the $0.1 million reversal of $7 thousand ($43 5 thousand after tax) of 2021 plan restructuring charges and the reversal of $21 $5 thousand ($16 4 thousand after tax) of 2020 plan restructuring charges, and the impact of the $8.6 million $3.7 million ($7.5 3.3 million after tax) of acquisition transaction costs. See "Non-GAAP Financial Measures" above for an explanation of our use of non-GAAP financial measures.

Certain results for the first nine months of fiscal 2022 are adjusted to exclude the impact of the $339.2 million of franchise rights acquired and goodwill impairments and the net impact of the $22.7 million of 2022 plan restructuring charges, the reversal of $0.2 million of 2021 plan restructuring charges and the reversal of $0.1 million of 2020 plan restructuring charges. See "Non-GAAP Financial Measures" above. The table below sets forth a reconciliation of certain of those components of our selected financial data for the nine months ended October 1, 2022 which have been adjusted.

(in millions except percentages)	Gross Profit	Gross Margin	Operating (Loss) Income	Operating (Loss) Income Margin
First Nine Months of Fiscal 2022	$ 495.4	*60.6 %*	$ (232.2)	*(28.4 %)*
Adjustments to reported amounts (1)				
Franchise rights acquired and goodwill impairments	—		339.2	
2022 plan restructuring charges	4.4		22.7	
2021 plan restructuring charges	(0.4)		(0.2)	
2020 plan restructuring charges	(0.1)		(0.1)	
Total adjustments (1)	3.9		361.5	
First Nine Months of Fiscal 2022, as adjusted (1)	$ 499.3	*61.1 %*	$ 129.3	*15.8 %*

Note: Totals may not sum due to rounding.

(1) The “As adjusted” measure is a non-GAAP financial measure that adjusts the consolidated statements of operations for the first nine months of fiscal 2022 to exclu the impact of the $339.2 million ($256.4 million after tax) of franchise rights acquired and goodwill impairments and the net impact of the $22.7 million ($17.0 millio after tax) of 2022 plan restructuring charges, the reversal of $0.2 million ($0.1 million after tax) of 2021 plan restructuring charges and the reversal of $0.1 million ($ million after tax) of 2020 plan restructuring charges. See “Non-GAAP Financial Measures” above for an explanation of our use of non-GAAP financial measures.

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Consolidated Results

Revenues

Revenues for the first nine months quarter of fiscal 2023 2024 were $683.6 million $206.5 million, a decrease of $133.3 million $35.3 million, or 16.3% 14.6%, versus the first nine months quarter of fiscal 2022. 2023. Excluding the impact of foreign currency, which negatively positively impacted our revenues in the first nine months quarter of fiscal 2023 2024 by $1.7 million $0.8 million, revenues for the first nine months quarter of fiscal 2023 2024 would have decreased 16.1% 14.9% versus the prior year period. This decrease was driven primarily by lower Digital Subscription Revenues as a result of the lower number of Incoming Digital Subscribers at the beginning of fiscal 2023 versus the beginning of fiscal 2022 and, to a lesser extent, by the decline in consumer product sales in Other Revenues from the first nine months compared to the prior year period as we continued the wind down discontinuation of our consumer products business. business at the end of fiscal 2023. Lower Subscription Revenues primarily due to a higher mix of subscribers within their initial, lower-priced, commitment periods and the continued mix shift from our Workshops + Digital business to our Digital business also contributed to the decrease in revenues in the quarter. Additionally, Subscription Revenues were negatively impacted by non-Clinical recruitment declines during the first quarter of fiscal 2024 versus the prior year period. Subscription Revenues included $17.6 million $18.8 million of Clinical Subscription Revenues for the first nine months quarter of fiscal 2023. 2024. See “—Segment Operating Results” for additional details on revenues.

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Cost of Revenues

Cost of revenues for the first nine months quarter of fiscal 2023 2024 decreased $42.4 million $53.6 million, or 13.2% 43.8%, versus the first nine months quarter of fiscal 2022. 2023. Excluding the impact of foreign currency, which decreased increased cost of revenues in the first nine months quarter of fiscal 2023 2024 by $1.1 million $0.2 million, cost of revenues for the first nine months quarter of fiscal 2023 2024 would have decreased 12.8% 44.0% versus the prior year period. Excluding the net impact of the $19.7 million $2.5 million of restructuring charges in the first nine months quarter of fiscal 2023 2024 and the net impact of the $3.9 million $18.6 million of restructuring charges in the first nine months quarter of fiscal 2022, 2023, cost of revenues for the first nine months quarter of fiscal 2023 2024 would have decreased by 18.3% 36.1%, or 18.0% 36.3% on a constant currency basis, versus the prior year period.

Gross Profit

Gross profit for the first nine months quarter of fiscal 2023 decreased $91.0 million 2024 increased $18.3 million, or 18.4% 15.3%, versus the first nine months quarter of fiscal 2022. 2023. Excluding the impact of foreign currency, which negatively positively impacted gross profit in the first nine months quarter of fiscal 2023 2024 by $0.6 million, gross profit for the first nine months quarter of fiscal 2023 2024 would have decreased 18.2% increased 14.8% versus the prior year period. Excluding the net impact of the $19.7 million $2.5 million of restructuring charges in the first nine months quarter of fiscal 2023 2024 and the net impact of the $3.9 million $18.6 million of restructuring charges in the first nine months quarter of fiscal 2022, 2023, gross profit for the first nine months quarter of fiscal 2023 2024 would have decreased increased by 15.1% 1.5%, or 14.9% 1.1% on a constant currency basis, versus the prior year period primarily due to the decrease in revenues. period. Gross margin for the first nine months quarter of fiscal 2023 decreased 2024 increased to 59.2% 66.7%, both as reported and on a constant currency basis, versus 60.6% 49.4% for the first nine months quarter of fiscal 2022. Excluding the impact of foreign currency, gross margin in the first nine months of fiscal 2023 would have decreased 1.5% to 59.1% versus the prior year period. 2023. Excluding the net impact of restructuring charges in the first nine months quarter of fiscal 2023 2024 and the net impact of restructuring charges in the first nine months quarter of fiscal 2022, 2023, gross margin for the first nine months quarter of fiscal 2023 2024 would have increased 0.9% 10.8% to 62.0% 67.9%, both as adjusted and as adjusted on a constant currency basis, versus the prior year period. This gross margin increase was driven primarily by actions to reduce the fixed cost base and mix shift within our Workshops + Digital business. The first quarter of fiscal 2023 included the impact of accounting for subscription and consumer product promotional bundles.

Marketing

Marketing expenses for the first nine months quarter of fiscal 2023 decreased $7.7 million 2024 increased $1.9 million, or 3.9% 2.2%, versus the first nine months quarter of fiscal 2022. 2023. Excluding the impact of foreign currency, which decreased increased marketing expenses in the first nine months quarter of fiscal 2023 2024 by $1.3 million $0.3 million, marketing expenses for the first nine months quarter of fiscal 2023 2024 would have decreased 3.2% increased 1.9% versus the prior year period. This decrease increase in marketing expenses was primarily due to higher spend on Online advertising, including for our new Clinical business, partially offset by lower spend on TV advertising and production celebrity fees, and other related costs, partially offset by higher spend for Online advertising. agency fees. Marketing expenses as a percentage of revenue for the first nine months quarter of fiscal 2023 2024 increased to 27.4% 43.7% from 23.9% 36.5% for the first nine months quarter of fiscal 2022.

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2023.

Selling, General and Administrative

Selling, general and administrative expenses for the first nine months quarter of fiscal 2023 2024 decreased $4.7 million $0.9 million, or 2.4% 1.5%, versus the first nine months quarter of fiscal 2022. 2023. Excluding the impact of foreign currency, which decreased increased selling, general and administrative expenses in the first nine months quarter of fiscal 2023 2024 by $0.4 million $0.1 million, selling, general and administrative expenses for the first nine months quarter of fiscal 2023 2024 would have decreased 2.2% 1.7% versus the prior year period. Excluding the net impact of the $11.6 million $3.3 million of restructuring charges in the first nine months quarter of fiscal 2024, the net impact of the $4.0 million of restructuring charges in the first quarter of fiscal 2023 and the impact of the $8.6 million $3.7 million of acquisition transaction costs in the first nine months quarter of fiscal 2023, and the net impact of the $18.5 million of restructuring charges in the first nine months of fiscal 2022, selling, general and administrative expenses for the first nine months quarter of fiscal 2023 2024 would have decreased increased by 3.7% 6.9%, or 3.4% 6.7% on a constant currency basis, versus the prior year period. This decrease increase in selling, general and administrative expenses was primarily due to lower compensation expense and related costs as a result of the 2022 and 2023 restructuring plans, partially offset by non-transaction related costs associated with our new Clinical business that we acquired in the acquisition second quarter of Sequence. fiscal 2023. Selling, general and administrative expenses as a percentage of revenue for the first nine months quarter of fiscal 2023 2024 increased to 27.6% 28.6% from 23.7% 24.7% for the first nine months quarter of fiscal 2022. 2023. Excluding the net impact of restructuring charges in the first nine months quarter of fiscal 2024, the net impact of restructuring charges in the first quarter of fiscal 2023 and the impact of acquisition transaction costs in the first nine months quarter of fiscal 2023, and the net impact of restructuring charges in the first nine months of fiscal 2022, selling, general and administrative expenses as a percentage of revenue for the first nine months quarter of fiscal 2023 2024 would have increased by 3.2% 5.4%, both as adjusted and as adjusted or 5.5% on a constant currency basis, versus the prior year period.

Impairments

In performing our interim impairment analysis as of October 1, 2022 March 30, 2024, we determined that the carrying amounts of our United States, Canada Australia, New Zealand and New Zealand United Kingdom franchise rights acquired with indefinite-lived units of account exceeded their respective fair values and, as a result, we recorded impairment charges for our United States, Canada Australia, New Zealand and New Zealand United Kingdom units of account of $298.3 million $251.4 million, $13.3 million $4.1 million, $2.3 million and $1.1 million $0.2 million, respectively, in the third first quarter of fiscal 2022. 2024.

In performing our annual impairment analysis as of May 8, 2022, we determined that 33

Operating Loss

Operating loss for the carrying amounts of our Canada and New Zealand franchise rights acquired with indefinite lived units of account exceeded their respective fair values and, as a result, we recorded impairment charges for our Canada and New Zealand units of account of $24.5 million and $0.8 million, respectively, in the second first quarter of fiscal 2022. In addition, we determined in the second quarter of fiscal 2022 to exit the Kurbo business in the third quarter of fiscal 2022 as part of our strategic plan. As a result of this determination, we recorded an impairment charge of $1.1 million in the second quarter of fiscal 2022, which comprised the entire goodwill balance for Kurbo.

Operating Income (Loss)

Operating income for the first nine months of fiscal 2023 2024 was $28.3 million $269.3 million compared to operating loss for the first nine months quarter of fiscal 2022 2023 of $232.2 million $28.6 million. Operating income loss for the first nine months quarter of fiscal 2023 2024 was positively impacted by $1.1 million $0.3 million of foreign currency. Excluding the impact of the $258.0 million of franchise rights acquired impairments in the first quarter of fiscal 2024, the net impact of the $31.3 million $5.7 million of restructuring charges in the first nine months quarter of fiscal 2024, the net impact of the $22.7 million of restructuring charges in the first quarter of fiscal 2023 and the impact of the $8.6 million $3.7 million of acquisition transaction costs in the first nine months quarter of fiscal 2023, the impact of the $339.2 million of franchise rights acquired and goodwill impairments in the first nine months of fiscal 2022 and the net impact of the $22.4 million of restructuring charges in the first nine months of fiscal 2022, operating income would have been $68.2 million loss for the first nine months quarter of fiscal 2023 versus 2024 would have increased to $5.6 million from $2.2 million of operating income of $129.3 million for loss in the first nine months of fiscal 2022, a decrease of 47.2%, or 48.1% on a constant currency basis. prior year period. Operating income loss margin for the first nine months quarter of fiscal 2023 2024 was 4.1% 130.4% compared to operating loss margin for the first nine months quarter of fiscal 2022 2023 of 28.4% 11.8%. Excluding the impact of franchise rights acquired impairments in the first quarter of fiscal 2024, the net impact of restructuring charges in the first nine months quarter of fiscal 2024, the net impact of restructuring charges in the first quarter of fiscal 2023 and the impact of acquisition transaction costs in the first nine months quarter of fiscal 2023, the impact of the franchise rights acquired and goodwill impairments in the first nine months of fiscal 2022 and the net impact of restructuring charges in the first nine months of fiscal 2022, operating income loss margin would have been 10.0% for the first nine months quarter of fiscal 2024 would have increased to 2.7% from 0.9% of operating loss margin in the prior year period. This increase in operating loss margin for the first quarter of fiscal 2024 versus the operating loss margin for the first quarter of fiscal 2023 versus operating income margin of 15.8% for the first nine months of fiscal 2022, a decrease of 5.8%, or 6.0% on a constant currency basis. This decrease in operating income margin was driven primarily 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, partially offset by an increase in gross margin versus the prior year period.

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margin.

Interest Expense

Interest expense for the first nine months quarter of fiscal 2023 2024 increased $12.6 million $1.9 million, or 21.4% 8.2%, versus the first nine months quarter of fiscal 2022. 2023. The increase in interest expense was driven primarily by an increase in the base rate of our Term Loan Facility (as defined below). 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 nine months quarter of fiscal 2023 2024 and the first nine months quarter of fiscal 2022 2023 and excluding the impact of our interest rate swaps then in effect, increased to 7.48% 7.78% per annum at the end of the first nine months quarter of fiscal 2023 2024 from 4.98% 7.20% per annum at the end of the first nine months quarter of fiscal 2022. 2023. Including the impact of our interest rate swaps then in effect, 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 nine months quarter of fiscal 2024 and the first quarter of fiscal 2023, and the first nine months of fiscal 2022, increased to 6.62% 6.80% per annum at the end of the first nine months quarter of fiscal 2023 2024 from 5.40% 6.48% per annum at the end of the first nine months quarter of fiscal 2022. 2023. See "—Liquidity and Capital Resources—Long-Term Debt" for additional details regarding our debt, including interest rates and payments thereon. For additional details on Further information regarding our interest rate swaps see "Item 3. Quantitative can be found in Note 11 "Derivative Instruments and Qualitative Disclosures about Market Risk" Hedging" in the notes to the consolidated financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Other (Income) Expense, Income, Net

Other (income) expense, income, net, which consists primarily of the impact of foreign currency on intercompany transactions, changed increased by $3.3 million $1.3 million for the first nine months quarter of fiscal 2023 2024 to $36 thousand $1.6 million of income as compared to $3.3 million $0.3 million of expense income for the first nine months quarter of fiscal 2022. 2023.

Tax

Our effective tax rate for the first nine months quarter of fiscal 2023 2024 was 44.0% (19.0%) compared to 24.9% (132.3%) for the first nine months quarter of fiscal 2022. 2023. The effective tax rate for interim periods is determined using an annual effective tax rate, adjusted for discrete items. In fiscal 2023, we were required to increase the valuation allowance recorded against U.S. deferred tax assets as a result of the limitation on interest deductions in the U.S. The forecasted full-year tax expense, which included the an increase in valuation allowance against U.S. deferred tax assets, in relation to our forecasted full-year pretax loss (albeit minimal), drove an unusually high negative annual effective tax rate. Applying this negative annual effective tax rate resulting to the pretax loss for the first quarter of fiscal 2024 resulted in an income tax benefit expense of $18.9 million for $55.4 million, which is mostly reflected in income taxes payable on our consolidated balance sheet and consolidated statement of cash flows. Given the first nine months seasonal nature of our business, this income tax expense is expected to largely reverse in the third and fourth quarters of fiscal 2023. 2024, when we expect to earn pretax income.

For the first nine months quarter of fiscal 2024, the difference between the U.S. federal statutory tax rate and our consolidated effective tax rate was primarily due to the valuation allowance noted above. In addition, the effective tax rate was impacted by a tax benefit related to foreign-derived intangible income ("FDII"). The adoption of the Organization for Economic Cooperation and Development's global tax reform initiative, which introduces a global minimum tax of 15% applicable to large multinational corporations, did not have an impact on the first quarter of 2024. For the first quarter of fiscal 2023, the difference between the U.S. federal statutory tax rate and our consolidated effective tax rate was primarily due to the valuation allowance noted above. In addition, the effective tax rate was impacted by tax expense from income earned in foreign jurisdictions, partially offset by a tax benefit benefits related to FDII. The tax benefit for the first nine months of fiscal 2022 was impacted by a U.S. state tax rate change, partially offset by tax shortfalls from stock compensation. For the first nine months of fiscal 2022, the difference between the U.S. federal statutory tax rate and our consolidated effective tax rate was primarily due to state income tax expense and tax expense from income earned in foreign jurisdictions, partially offset by a tax benefit related to FDII.

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Net Loss and Diluted Net Loss Per Share

Net loss for the first nine months quarter of fiscal 2023 2024 was $24.1 million $347.9 million compared to net loss for the first nine months quarter of fiscal 2022 2023 of $221.1 million $118.7 million. Net loss for the first nine months quarter of fiscal 2023 2024 was positively impacted by $0.8 million $0.2 million of foreign currency. Net loss for the first nine months quarter of fiscal 2024 included a $241.5 million impact from franchise rights acquired impairments and a $4.3 million net impact from restructuring charges. Net loss for the first quarter of fiscal 2023 included a $23.5 million $17.0 million net impact from restructuring charges and a $7.5 million $3.3 million impact from acquisition transaction costs. Net loss for the first nine months of fiscal 2022 included a $256.4 million impact from franchise rights acquired and goodwill impairments and a $16.7 million net impact from restructuring charges.

Diluted net loss per share for the first nine months quarter of fiscal 2023 2024 was $0.32 $4.39 compared to diluted net loss per share for the first nine months quarter of fiscal 2022 2023 of $3.15. $1.68. Diluted net loss per share for the first nine months quarter of fiscal 2023 2024 included a $0.31 $3.05 impact from franchise rights acquired impairments and a $0.05 net impact from restructuring charges and a $0.10 impact from acquisition transaction costs. charges. Diluted net loss per share for the first nine months quarter of fiscal 2022 2023 included a $3.65 impact from franchise rights acquired and goodwill impairments and a $0.24 net impact from restructuring charges. charges and a $0.05 impact from acquisition transaction costs.

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Segment Operating Results

As previously disclosed, effective the first day of fiscal 2023 2024 (i.e., January 1, 2023 December 31, 2023), we realigned our organizational structure and resources to more closely align with our strategic priorities and centralized the global management of certain functions and systems. As as a result of the change in continued evolution of our centralized organizational structure we now have two in fiscal 2023, and management's 2024 strategic planning process, our reportable segments consisting of North America and International, changed to one segment for the purpose of making operational and resource decisions and assessing financial performance. The new reportable segments will continue to provide similar services and products.

Metrics and Business Trends

The following tables set forth key metrics by reportable segment for the first nine months quarter of fiscal 2023 2024 and the percentage change in those metrics versus the prior year period, as applicable:

(in millions except percentages and as noted)

	First Nine Months of Fiscal 2023								
	GAAP			Constant Currency					
	Subscription Revenues	Product Sales & Other	Total Revenues	Subscription Revenues	Product Sales & Other	Total Revenues	Total Paid Weeks	Incoming Subscribers	EOP Subscribers
								(in thousands)	
North America	$ 441.9	$ 46.0	$ 487.9	$ 443.1	$ 46.1	$ 489.2	104.2	2,337.0	2,675.7
International	184.8	10.9	195.7	184.8	11.3	196.1	52.6	1,209.2	1,346.2
Total	$ 626.7	$ 56.9	$ 683.6	$ 627.9	$ 57.4	$ 685.3	156.8	3,546.1	4,021.8
	% Change First Nine Months of Fiscal 2023 vs. First Nine Months of Fiscal 2022								
North America	(11.3%)	(35.6%)	(14.3%)	(11.0%)	(35.4%)	(14.1%)	(5.7%)	(14.6%)	8.6%
International	(16.0%)	(60.1%)	(20.9%)	(16.0%)	(58.8%)	(20.8%)	(9.1%)	(15.7%)	1.2%
Total	(12.7%)	(42.4%)	(16.3%)	(12.6%)	(41.9%)	(16.1%)	(6.9%)	(14.9%)	6.0%

Note: Totals may not sum due to rounding.

Q1 2024								
GAAP			Constant Currency					
Subscription Revenues	Other Revenues	Total Revenues	Subscription Revenues	Other Revenues	Total Revenues	Total Paid Weeks	Incoming Subscribers	EOP Subscribers

							(in thousands)	
$ 204.1	$ 2.5	$ 206.5	$ 203.3	$ 2.5	$ 205.8	51.8	3,797.5	4,007.9
% Change Q1 2024 vs. Q1 2023								
(3.3 %)	(91.9 %)	(14.6 %)	(3.7 %)	(92.0 %)	(14.9 %)	1.7 %	7.1 %	(0.4 %)

(in millions except percentages and as noted)

	First Nine Months of Fiscal 2023									
	Digital Subscription Revenues					Workshops + Digital Fees				
	GAAP	Constant Currency	Digital Paid Weeks	Incoming Digital Subscribers	EOP Digital Subscribers	GAAP	Constant Currency	Workshops + Digital Paid Weeks	Incoming Workshops + Digital Subscribers	EOP Workshops + Digital Subscribers
				(in thousands)					(in thousands)	
North America	$ 285.7	$ 286.5	81.4	1,802.5	2,112.2	$ 138.6	$ 139.0	21.9	534.5	518.1
International	152.0	151.7	45.5	1,033.1	1,171.7	32.8	33.1	7.1	176.0	174.5
Total	$ 437.6	$ 438.2	126.9	2,835.6	3,283.8	$ 171.5	$ 172.1	29.0	710.5	692.6
	% Change First Nine Months of Fiscal 2023 vs. First Nine Months of Fiscal 2022									
North America	(16.6 %)	(16.3 %)	(7.2 %)	(17.6 %)	10.7 %	(10.9 %)	(10.7 %)	(3.6 %)	(2.5 %)	(6.7 %)
International	(15.2 %)	(15.3 %)	(9.6 %)	(17.6 %)	3.0 %	(19.9 %)	(19.2 %)	(5.6 %)	(1.9 %)	(9.2 %)
Total	(16.1 %)	(16.0 %)	(8.1 %)	(17.6 %)	7.8 %	(12.8 %)	(12.4 %)	(4.1 %)	(2.3 %)	(7.3 %)

Note: Totals may not sum due to rounding.

Q1 2024									
Digital Subscription Revenues					Workshops + Digital Subscription Revenues				
GAAP	Constant Currency	Digital Paid Weeks	Incoming Digital Subscribers	EOP Digital Subscribers	GAAP	Constant Currency	Workshops + Digital Paid Weeks	Incoming Workshops + Digital Subscribers	EOP Workshops + Digital Subscribers
			(in thousands)					(in thousands)	
$ 137.6	$ 137.0	42.3	3,079.4	3,277.1	$ 47.7	$ 47.5	8.4	651.5	640.0
% Change Q1 2024 vs. Q1 2023									
(7.8 %)	(8.2 %)	3.7 %	8.6 %	0.7 %	(22.7 %)	(23.0 %)	(17.0 %)	(8.3 %)	(16.7 %)

(in millions except as noted)

	First Nine Months of Fiscal 2023				
	Clinical Subscription Revenues				
	GAAP		Clinical Paid Weeks	EOP Clinical Subscribers	
				(in thousands)	
North America	$	17.6	0.9	45.4	
International		—	—	—	
Total	$	17.6	0.9	45.4	

Q1 2024				
Clinical Subscription Revenues				
GAAP		Clinical Paid Weeks	Incoming Clinical Subscribers	EOP Clinical Subscribers
			(in thousands)	
$	18.8	1.1	66.6	90.8

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North America Operating Performance

The decrease in North America revenues for the first nine months quarter of fiscal 2023 2024 versus the prior year period was driven by a decrease in Subscription Other Revenues and, to a lesser extent, a decrease in product sales and other. Subscription Revenues. The decrease in Subscription Other Revenues for the first nine months quarter of fiscal 2023 versus the prior year period was driven primarily by a decrease in Digital Subscription Revenues and, to a lesser extent, a decrease in Workshops + Digital Fees. Digital Subscription Revenues and Workshops + Digital Fees were both negatively impacted by the lower number of respective Incoming Subscribers at the beginning of fiscal 2023 versus the beginning of fiscal 2022. Subscription Revenues for the first nine months of fiscal 2023 benefited from Clinical Subscription Revenues following our acquisition of Sequence. The decrease in North America Total Paid Weeks for the first nine months of fiscal 2023 2024 versus the prior year period was driven primarily by the lower number discontinuation of Total Incoming Subscribers our consumer products business at the beginning end of fiscal 2023 versus the beginning of fiscal 2022. 2023.

The decrease in North America product sales and other Subscription Revenues for the first nine months quarter of fiscal 2023 2024 versus the prior year period was driven primarily by both a decline in consumer product sales as we continued the wind down of our consumer products business.

International Performance

The decrease in International revenues for Workshops + Digital Subscription Revenues and a decrease in Digital Subscription Revenues due to a higher mix of subscribers within their initial, lower-priced, commitment periods and the continued mix shift from our Workshops + Digital business to our Digital business. Workshops + Digital Subscription Revenues and Digital Subscription Revenues were also negatively impacted by the recruitment decline during the first nine months quarter of fiscal 2024 as compared to the prior year period. In addition, the lower number of Incoming Workshops + Digital Subscribers at the beginning of the first quarter of fiscal 2024 versus the beginning of the first quarter of fiscal 2023 versus contributed to the prior year period was driven by a decrease in Workshops + Digital Subscription Revenues and, to a lesser extent, by a decrease in product sales and other. The decrease in the quarter. Subscription Revenues for the first nine months quarter of fiscal 2023 2024 benefited from Clinical Subscription Revenues following our acquisition of Sequence during the second quarter of fiscal 2023.

The increase in Total Paid Weeks for the first quarter of fiscal 2024 versus the prior year period was driven primarily by a decrease our new Clinical business that we acquired in Digital Subscription Revenues and, to a lesser extent, a decrease in Workshops + Digital Fees. Digital Subscription Revenues and Workshops + Digital Fees were both negatively impacted by the lower number of respective Incoming Subscribers at the beginning second quarter of fiscal 2023 versus the beginning of fiscal 2022. The decrease in International Total Paid Weeks for the first nine months of fiscal 2023 versus the prior year period was driven primarily by the lower number of Total Incoming Subscribers at the beginning of fiscal 2023 versus the beginning of fiscal 2022.

The decrease in International product sales and other for the first nine months of fiscal 2023 versus the prior year period was driven primarily by a decline in consumer product sales as we continued the wind down of our consumer products business. 2023.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows provided by operating activities have historically supplied us with our primary source of liquidity. We have used 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. Upon the completion of our previously announced acquisition of Weekend Health, Inc., doing business as Sequence ("Sequence") (the "Acquisition"), in the second quarter of fiscal 2023, we had a net cash outlay of $40.3 million on April 10, 2023 with respect to the payment of the purchase price and certain transaction costs. For additional details on the purchase price consideration for the Acquisition and related terms, including with respect to the first anniversary payment, see Note 5 "Acquisitions" in the notes to the consolidated financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q under Note 5 "Acquisitions" in the Notes to the Consolidated Financial Statements. This. These cash outlay has outlays have reduced the liquidity available to us in the future. See "Item 1A. "Risk Factors—Risks Related to Our Acquisition of Weekend Health, Inc. (d/b/a Sequence)—The Acquisition may not achieve its intended results." of this Quarterly Report on Form 10-Q and "Risk Factors—Risks Related to Our Liquidity—We may not be able to generate sufficient cash to service all of our debt and satisfy our other liquidity requirements." contained in of our Annual Report on Form 10-K for fiscal 2022 2023 for additional details. We currently believe that cash generated by operations, our cash on hand of approximately $107.5 million $66.6 million at September 30, 2023 March 30, 2024, our availability under our Revolving Credit Facility (as defined and described below) at September 30, 2023 March 30, 2024 and our continued cost focus will provide us with sufficient liquidity to meet our obligations for the short- and long-term. In addition, if necessary, we have the flexibility to delay investments or reduce marketing spend.

We continue to proactively manage our liquidity so we can maintain flexibility to fund investments in our business, honor our long-term debt obligations, and respond to evolving business and consumer conditions. To increase our flexibility and reduce our cash interest payments, we refinanced our then-existing credit facilities and then-existing senior notes in April 2021. See "—Long-Term Debt" for additional details on this refinancing. Additionally, we instituted a number of measures throughout our operations to mitigate expenses and reduce costs as well as ensure liquidity. For example, we instituted restructuring plans in recent fiscal years which have resulted in aggregate cash outlays of approximately $35.1 million $8.8 million in the first nine months quarter of fiscal 2023 2024 and are expected to result in an additional $7.1 million $12.9 million for the remainder of fiscal 2023. 2024. For additional details, see Note 15 "Restructuring" in the notes to the consolidated financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q under Note 16 "Restructuring" in the Notes to the Consolidated Financial Statements. 10-Q. The evolving nature, and uncertain economic impact, of the current demand environment may impact our liquidity going forward. To the extent that we do not successfully manage our costs, our liquidity and financial results, as well as our ability to fully access our Revolving Credit Facility, may be adversely affected.

Pursuant to their respective terms, our interest rate swaps in effect as of the end of the first quarter of fiscal 2024 terminated on March 31, 2024. Given then-current market conditions, management determined to not enter into any new swap arrangement during such quarter. Management continues to evaluate its exposure to interest rates and, from time to time, may opportunistically hedge any interest rate exposure by entering into new swap arrangements.

As market conditions warrant, we may, from time to time, seek to purchase our outstanding debt securities or loans, including the Senior Secured Notes and borrowings under the Credit Facilities (each as defined below). Such transactions could be privately negotiated or open market transactions, pursuant to tender offers or otherwise. Subject to any applicable limitations contained in the agreements governing, or terms of, our indebtedness, any such purchases made by us may be funded by the use of cash on our balance sheet, the incurrence of new secured or unsecured debt, the issuance of our equity or the sale of assets. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may equate to a substantial amount of a particular class or series of debt, which may reduce the trading liquidity of such class or series.

Balance Sheet Working Capital

The following table sets forth certain relevant measures of our balance sheet working capital deficit, excluding cash and cash equivalents at:

	September 30, 2023	December 31, 2022	Increase/(Decrease)	March 30, 2024	December 30, 2023	Increase/(Decrease)
		(in millions)			(in millions)	

Total current assets	$ 218.8	$ 281.3	$ (62.5)	$ 117.0	$ 179.5	$ (62.5)
Total current liabilities	193.9	196.6	(2.6)	249.0	205.5	43.6
Working capital surplus	24.8	84.8	59.9			
Working capital deficit				(132.1)	(26.0)	106.1
Cash and cash equivalents	107.5	178.3	(70.8)	66.6	109.4	(42.8)
Working capital deficit, excluding cash and cash equivalents	$ (82.7)	$ (93.6)	$ (10.9)	$ (198.7)	$ (135.4)	$ 63.3

Note: Totals may not sum due to rounding.

The following table sets forth a summary of the primary factors contributing to the $10.9 million decrease $63.3 million increase in our working capital deficit, excluding cash and cash equivalents:

	September 30, 2023	December 31, 2022	Increase/ (Decrease)	Impact to Working Capital Deficit	March 30, 2024	December 30, 2023	Increase/ (Decrease)	Impact to Working Capital Deficit
	(in millions)				(in millions)			
Prepaid income taxes	$ 53.9	$ 19.4	$ 34.4	$ (34.4)				
Operational liabilities and other, net of assets					$ 93.9	$ 113.7	$ (19.8)	$ (19.8)
Portion of operating lease liabilities due within one year	$ 9.8	$ 18.0	$ (8.2)	$ (8.2)	$ 9.7	$ 9.6	$ 0.0	$ 0.0
Income taxes payable	$ 1.0	$ 1.6	$ (0.7)	$ (0.7)				
Deferred revenue	$ 32.4	$ 32.2	$ 0.3	$ 0.3	$ 36.0	$ 34.0	$ 2.0	$ 2.0
Derivative receivable	$ 7.3	$ 11.7	$ (4.5)	$ 4.5	$ —	$ 3.6	$ (3.6)	$ 3.6
Accrued interest	$ 11.0	$ 5.3	$ 5.7	$ 5.7	$ 11.2	$ 5.3	$ 5.9	$ 5.9
Operational liabilities and other, net of assets	$ 89.7	$ 67.8	$ 21.9	$ 21.9				

Prepaid income taxes	$ 14.3	$ 25.4	$ (11.1)	$ 11.1
Income taxes payable	$ 62.1	$ 1.6	$ 60.5	$ 60.5
Working capital deficit change, excluding cash and cash equivalents	$ (10.9)			$ 63.3

Note: Totals may not sum due to rounding.

The increase in prepaid income taxes was driven primarily by the impact of an income tax benefit due to the negative annual effective tax rate, which resulted from the valuation allowance recorded to reflect the uncertainty of the realization of certain U.S. deferred tax assets and the timing of tax payments. The decrease in portion of operating lease liabilities due within one year was primarily due to operating lease terminations resulting from the continued rationalization of our real estate portfolio. The increase in operational liabilities and other, net of assets, which includes accrued salaries and wages, was driven primarily by an increase a decrease in accrued liabilities related due to our acquisition of Sequence in regard to cash to be paid on April 10, 2024, lower inventory as we continued the wind down of our consumer products business, and a decrease in receivables, partially offset by the timing of our annual bonus payment payments. The increase in accrued interest was primarily due to the timing of payments. The decrease in prepaid income taxes and employee termination benefit payments.

the increase in income taxes payable was primarily due to the outsized impact of a significant, largely non-cash, income tax expense resulting from the valuation allowance recorded to reflect the uncertainty of the realization of U.S. deferred tax assets. A decrease in income taxes payable is expected to largely reverse this impact in the third and fourth quarters of fiscal 2024.

Cash Flows

The following table sets forth a summary of our cash flows for the nine three months ended:

	September 30, 2023	October 1, 2022	March 30, 2024	April 1, 2023
	(in millions)		(in millions)	
Net cash (used for) provided by operating activities	$ (1.2)	$ 80.5		
Net cash used for operating activities			$ (36.0)	$ (26.7)
Net cash used for investing activities	$ (66.7)	$ (33.7)	$ (4.8)	$ (10.3)
Net cash used for financing activities	$ (1.9)	$ (2.1)	$ (0.6)	$ (0.7)

Operating Activities

Cash flows used for operating activities of $1.2 million $36.0 million for the first nine three months of fiscal 2023 2024 reflected a change an increase of $81.7 million $9.3 million from $80.5 million $26.7 million of cash flows provided by used for operating activities for the first nine three months of fiscal 2022. 2023. This change increase in cash flows from used for operating activities was primarily attributable to an increase in net loss and a decrease in non-cash add-back adjustments and an increase in cash used for provided by operating assets and liabilities, partially offset by a decrease an increase in net loss, non-cash add-back adjustments driven by the franchise rights acquired impairments, in the first nine three months of fiscal 2023 2024 as compared to the prior year period.

Investing Activities

Net cash used for investing activities totaled $66.7 million $4.8 million for the first nine three months of fiscal 2023, an increase 2024, a decrease of $33.0 million $5.5 million as compared to the first nine three months of fiscal 2022. 2023. This increase decrease was primarily attributable to an increase a decrease in cash paid for acquisitions, net of cash acquired, capitalized software and website development expenditures in the first nine three months of fiscal 2023 2024 as compared to the prior year period.

Financing Activities

Net cash used for financing activities totaled $1.9 million $0.6 million for the first nine three months of fiscal 2023, 2024, a decrease of $0.2 million $0.1 million as compared to the first nine three months of fiscal 2022. 2023. This decrease was primarily attributable to an increase in proceeds from stock options exercised and a decrease in taxes paid related to the net share settlement of equity awards partially offset by an increase in cash paid for acquisitions, in the first nine three months of fiscal 2023 2024 as compared to the prior year period.

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 September 30, 2023 March 30, 2024:

Long-Term Debt
At September 30, 2023 March 30, 2024
(in millions)

	September 30, 2023	March 30, 2024
Term Loan Facility due April 13, 2028	$ 945.0	$ 945.0
Senior Secured Notes due April 15, 2029	500.0	500.0
Total	1,445.0	1,445.0
Less: Current portion	—	—
Unamortized deferred financing costs	9.2	8.3
Unamortized debt discount	10.3	9.2
Total long-term debt	$ 1,425.4	$ 1,427.5

Note: Totals may not sum due to rounding.

On April 13, 2021, we (1) repaid In the second quarter of fiscal 2021, in full approximately $1.2 billion in aggregate principal amount connection with our refinancing of senior secured tranche B term loans due in 2024 under our then-existing credit facilities, and (2) redeemed all of the $300.0 million in aggregate principal amount of our then-outstanding 8.625% Senior Notes due in 2025 (the "Discharged Senior Notes"). On April 13, 2021, our then-existing credit facilities included a senior secured revolving credit facility (which included borrowing capacity available for letters of credit) due in 2022 with $175.0 million in an aggregate principal amount of commitments. There were no outstanding borrowings under such revolving credit facility on that date. We funded such repayment of loans and redemption of notes with cash on hand as well as with proceeds received from we incurred approximately $1,000.0 million in an aggregate principal amount of borrowings under our new credit facilities (as amended from time to time, the "Credit Facilities") and proceeds received from the issuance of issued $500.0 million in aggregate principal amount of 4.500% Senior Secured Notes due 2029 (the "Senior Secured Notes"), each as described below. These transactions are collectively referred to herein as the "April 2021 debt refinancing". During the second quarter of fiscal 2021, we incurred fees of $37.9 million (which included $12.9 million of a prepayment penalty on the Discharged Senior Notes and $5.0 million of a debt discount on our Term Loan Facility (as defined below)) in connection with our April 2021 debt refinancing. In addition, we recorded a loss on early extinguishment of debt of $29.2 million in connection thereto. This early extinguishment of debt charge was comprised of $12.9 million of a prepayment penalty on the Discharged Senior Notes, $9.0 million of financing fees paid in connection with our April 2021 debt refinancing and the write-off of $7.2 million of pre-existing deferred financing fees and debt discount. further detail below.

Credit Facilities

The Credit Facilities were issued under a credit agreement, dated April 13, 2021 (as amended from time to time, the "Credit Agreement"), among the Company, as borrower, the lenders party thereto, and Bank of America, N.A. ("Bank of America"), as administrative agent and an issuing bank. The Credit Facilities consist of (1) $1,000.0 million in aggregate principal amount of senior secured tranche B term loans due in 2028 (the "Term Loan Facility") and (2) $175.0 million in an aggregate principal amount of commitments under a senior secured revolving credit facility (which includes borrowing capacity available for letters of credit) due in 2026 (the "Revolving Credit Facility").

In December 2021, we made voluntary prepayments at par in an aggregate amount of $52.5 million in respect of our outstanding term loans under the Term Loan Facility. As a result of these prepayments, we wrote off a debt discount and deferred financing fees of $1.2 million in the aggregate in the fourth quarter of fiscal 2021.

As of September 30, 2023 March 30, 2024, we had $945.0 million in an aggregate principal amount of loans outstanding under our Credit Facilities, with $173.9 million $173.8 million of availability and $1.1 million $1.2 million in issued but undrawn letters of credit outstanding under the Revolving Credit Facility subject to its terms and conditions as discussed below. There were no outstanding borrowings under the Revolving Credit Facility as of September 30, 2023 March 30, 2024.

All obligations under the Credit Agreement are guaranteed by, subject to certain exceptions, each of our 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 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 r 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 cer exceptions.

The Credit Facilities require the Company us to prepay outstanding term loans, subject to certain exceptions, with:

- 50% (which percentage will be reduced to 25% and 0% if the Company attains we attain certain first lien secured net leverag ratios) of the Company's our annual excess cash flow;
- 100% of the net cash proceeds of certain non-ordinary course asset sales by the Company and its our restricted subsidiaries (including casualty and condemnation events, subject to de minimis thresholds), and subject to the right to reinvest 100% of such proceeds, subject to certain qualifications; and
- 100% of the net proceeds of any issuance or incurrence of debt by the Company or any of its our restricted subsidiaries, oth than certain debt permitted under the Credit Agreement.

The foregoing mandatory prepayments will be used to reduce the installments of principal on the Term Loan Facility. We may voluntarily repay outstanding loans under the Credit Facilities at any time without penalty, except for customary “breakage” costs with respect to Term SOFR loans under the Credit Facilities.

In June 2023, in connection with the planned phase-out of LIBOR, we amended our Credit Facilities to replace LIBOR with Term SOFR as the benchmark rate under the Credit Agreement, which will be calculated to include a credit spread adjustment of 0.11448%, 0.26161%, 0.42826%, or 0.71513% for 1, 3, 6, or 12 months period, respectively, in addition to the Term SOFR Screen Rate (as defined in the Credit Agreement) and the margin (which was not amended).

Borrowings under the 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 Federal Funds Effective Rate as determined by the Federal Reserve Bank of New York, (b) the prime rate of Bank of America and (c) the Term SOFR 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 1.50% or (2) an applicable margin plus a Term SOFR rate determined by reference to the cost of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that Term SOFR is not lower than a floor of 0.50%. Borrowings under the 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 Federal Funds Effective Rate as determined by the Federal Reserve Bank of New York, (b) the prime rate of Bank of America and (c) the Term SOFR 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 1.00% or (2) a Term SOFR rate determined by reference to the cost of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided such rate is not lower than a floor of zero. As of September 30, 2023 March 30, 2024, the applicable margins for the Term SOFR rate borrowings under the Term Loan Facility and the Revolving Credit Facility were 3.50% and 2.75%, respectively.

On a quarterly basis, we pay a commitment fee to the lenders under the Revolving Credit Facility in respect of unutilized commitments thereunder, which commitment fee fluctuates depending upon our Consolidated First Lien Leverage Ratio (as defined in the Credit Agreement).

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. As of September 30, 2023 March 30, 2024, we were in compliance with the covenants under the Credit Agreement that were in effect on such date.

The availability of certain baskets and the ability to enter into certain transactions are also subject to compliance with certain financial ratios. In addition, if the aggregate principal amount of extensions of credit outstanding under the Revolving Credit Facility as of any fiscal quarter end exceeds 35% of the amount of the aggregate commitments under the Revolving Credit Facility in effect on such date, we must be in compliance with a Consolidated First Lien Leverage Ratio of 5.50:1.00 for the period ending after the first fiscal quarter of 2023 through and including the first fiscal quarter of 2024, with a step down to 5.25:1.00 for the period ending after the first fiscal quarter of 2024 through and including the first fiscal quarter of 2025, and an additional step down to 5.00:1.00, for the period following the first fiscal quarter of 2025. As of September 30, 2023 March 30, 2024, our actual Consolidated First Lien Leverage Ratio was 8.64: 8.87:1.00 and there were no borrowings under our Revolving Credit Facility and total letters of credit issued were $1.1 million $1.2 million. We were not in compliance with the Consolidated First Lien Leverage Ratio as of September 30, 2023 March 30, 2024, and as a result, we are limited to borrowing no more than 35%, or $61.3 million, of the amount of the aggregate commitments under the Revolving Credit Facility as of each fiscal quarter end until we comply with the applicable ratio.

Senior Secured Notes

The Senior Secured Notes were issued pursuant to an Indenture, dated as of April 13, 2021 (as amended, supplemented or modified from time to time, the “Indenture”), among the Company, the guarantors named therein and The Bank of New York Mellon, as trustee and notes collateral agent. The Indenture contains customary terms, events of default and covenants 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. As of September 30, 2023 March 30, 2024, we were in compliance with the covenants under the Indenture that were in effect on such date.

The Senior Secured Notes accrue interest at a rate per annum equal to 4.500% and will mature on April 15, 2029. Interest on the Senior Secured Notes is payable semi-annually on April 15 and October 15 of each year, beginning on October 15, 2021. year. On or after April 15, 2024, we may on any one or more occasions redeem some or all of the Senior Secured Notes at a purchase price equal to 102.250% of the principal amount of the Senior Secured Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, such optional redemption price decreasing to 101.125% on or after April 15, 2025 and to 100.000% on or after April 15, 2026. Prior to April 15, 2024, we may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Secured Notes with an amount not to exceed the net proceeds of certain equity offerings at 104.500% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the redemption date. Prior to April 15, 2024, we may redeem some or all of the Senior Secured Notes at a make-whole price plus accrued and unpaid interest, if any, to, but not including, the redemption date. In addition, during any twelve-month period ending prior to April 15, 2024, we may redeem up to 10% of the aggregate principal amount of the Senior Secured Notes at a purchase price equal to 103.000% of the principal amount of the Senior Secured Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. If a change of control occurs, we must offer to purchase for cash the Senior Secured Notes at a purchase price equal to 101% of the principal amount of the Senior Secured 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, we must offer to purchase for cash the Senior Secured Notes at a purchase price equal to 100% of the principal amount of the Senior Secured Notes, plus accrued and unpaid interest, if any, to, but not including, the purchase date.

The Senior Secured Notes are guaranteed on a senior secured basis by our subsidiaries that guarantee the Credit Facilities. The Senior Secured Notes and the note guarantees are secured by a first-priority lien on all the collateral that secures the Credit Facilities, subject to a shared lien of equal priority with the Company's our and each guarantor's obligations under the Credit Facilities and subject to certain thresholds, exceptions and permitted liens.

Outstanding Debt

At September 30, 2023 March 30, 2024, we had $1,445.0 million outstanding under the Credit Facilities and the Senior Secured Notes, consisting of borrowings under the Term Loan Facility of $945.0 million, $0.0 drawn down on the Revolving Credit Facility and $500.0 million in aggregate principal amount of Senior Secured Notes issued and outstanding.

At September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, our debt consisted of both fixed and variable-rate instruments. Interest rate swaps were entered into to hedge a portion of the cash flow exposure associated with our variable-rate borrowings. Further information regarding our interest rate swaps can be found in Note 11 "Derivative Instruments and Hedging" in the notes to the consolidated financial statements contained 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. 10-Q. 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 swaps then in effect, was approximately 7.48% 7.78% and 5.45% 7.64% per annum at September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, respectively, based on interest rates on these 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 swaps then in effect, was approximately 6.44% 6.59% and 5.50% 6.53% per annum at September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, respectively, based on interest rates on these dates.

The following schedule sets forth our year-by-year debt obligations at September 30, 2023 March 30, 2024:

Total Debt Obligation

(Including Current Portion)

At September 30, 2023 March 30, 2024

(in millions)

Remainder of fiscal 2023	$	—		
Fiscal 2024		—		
Remainder of fiscal 2024			$	—

Fiscal 2025	—	—
Fiscal 2026	—	—
Fiscal 2027	10.0	10.0
Fiscal 2028	935.0	935.0
Fiscal 2029		500.0
Thereafter	500.0	—
Total	$ 1,445.0	$ 1,445.0

Note: Totals may not sum due to rounding.

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 September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, the cumulative balance of changes in the fair value of derivative instruments, net of taxes, was a gain of $5.5 million $0.0 million and a gain of $9.9 million $8.4 million, respectively. At September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, the cumulative balance of the effects of foreign currency translations, net of taxes, was a loss of $17.5 million $16.9 million and a loss of $21.2 million $16.1 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 Credit Agreement governing the Credit Facilities and the Indenture governing the Senior Secured 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, the addition of $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. The repurchase program currently has no expiration date. During the nine three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, we repurchased no did not repurchase any shares of our common stock 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, stock-based compensation, franchise rights acquired and goodwill impairments, net restructuring charges, and certain non-recurring transaction costs in connection with the acquisition of Sequence. Acquisition, and franchise rights acquired and goodwill impairments.

The table below sets forth the reconciliations for EBITDAS and Adjusted EBITDAS, each a non-GAAP financial measure, to net income (loss), loss, the most comparable GAAP financial measure, for the three and nine months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, and EBITDAS and Adjusted EBITDAS to net loss for the trailing twelve months ended September 30, 2023 March 30, 2024:

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(in millions)

	Three Months Ended		Nine Months Ended			Three Months Ended		
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	Trailing Twelve Months	March 30, 2024	April 1, 2023	Trailing Twelve Months
Net income (loss)	$ 43.7	$ (206.0)	$ (24.1)	$ (221.1)	$ (59.9)			
Net loss						$ (347.9)	$ (118.7)	$ (341.5)
Interest	24.5	20.9	71.4	58.8	93.7	24.7	22.8	97.8
Taxes	(38.4)	(70.7)	(18.9)	(73.2)	(55.6)	55.4	67.6	26.5
Depreciation and amortization	13.4	10.5	35.6	31.9	46.0	10.4	10.3	45.8
Stock-based compensation	3.2	3.4	9.0	10.4	11.5	2.4	2.7	11.0
EBITDAS	$ 46.4	$ (242.0)	$ 73.0	$ (193.2)	$ 35.8	$ (254.9)	$ (15.3)	$ (160.4)

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Franchise rights acquired and goodwill impairments	—	312.7	—	339.2	57.6	258.0	—	261.6
2023 plan restructuring charges	6.2	—	30.6	—	44.2	5.5	22.6	36.6
2022 plan restructuring charges	(0.2)	3.6	0.6	22.7	5.2	0.2	0.0	1.3
2021 plan restructuring charges	—	0.1	0.1	(0.2)	(0.1)	—	(0.0)	0.1
2020 plan restructuring charges	—	—	(0.0)	(0.1)	(0.6)	—	(0.0)	(0.0)
Acquisition transaction costs	—	—	8.6 (2)	—	8.6	—	3.7	4.9 (1)
Adjusted EBITDAS (1)	$ 52.4	$ 74.4	$ 112.9	$ 168.3	$ 150.6			
Adjusted EBITDAS (2)						$ 8.8	$ 11.1	$ 144.1

Note: Totals may not sum due to rounding.

(1) Includes stock-based compensation expense attributable to post-combination vesting of $3.9 million.

(2) The “Adjusted EBITDAS” measure is a non-GAAP financial measure that (i) adjusts the consolidated statements of operations for the three months ended September 30, 2023 March 30, 2024 to exclude the impact of the $258.0 million of franchise rights acquired impairments, and the net impact of the $6.2 million $5.5 million of 2023 plan restructuring charges and the reversal of$0.2 million $0.2 million of 2022 plan restructuring charges; (ii) adjusts the consolidated statements of operations for the three months ended October 1, 2022 to exclude the impact of the $312.7 million of franchise rights acquired impairments and the net impact of the $3.6 million of 2022 plan restructuring charges and the $0.1 million of 2021 plan restructuring charges; (iii) adjusts the consolidated statements of operations for the nine months ended September 30, 2023 April 1, 2023 to exclude the net impact of the $30.6 million $22.6 million of 2023 plan restructuring charges, the $0.6 million 40 thousand of 2022 plan restructuring charges, the $0.1 million reversal of $7 thousand of 2021 plan restructuring charges and the reversal of $21 $5 thousand of 2020 plan restructuring charges, and the impact of $8.6 million $3.7 million of acquisition transaction costs; (iv)

adjusts the consolidated statements of operations for the nine months ended October 1, 2022 to exclude the impact of the $339.2 million of franchise rights acquired and goodwill impairments and the net impact of the $22.7 million of 2022 plan restructuring charges, the reversal of $0.2 million of 2021 plan restructuring charges and the reversal of $0.1 million of 2020 plan restructuring charges; and (v) (iii) adjusts EBITDAS for the trailing twelve months ended September 30, 2023 March 30, 2024 to exclude the impact of the $57.6 million $261.6 million of franchise rights acquired and goodwill impairments, the net impact of the $44.2 million $36.6 million of 2023 plan restructuring charges, the $5.2 1.3 million of 2022 plan restructuring charges, the reversal of $0.1 million of 2021 plan restructuring charges and the reversal of $0.6 million $16 thousand of 2020 plan restructuring charges, and the impact of $8.6 million $4.9 million of acquisition transaction costs (which includes $3.7 million recast for the three months ended April 1, 2023). costs. See "Non-GAAP Financial Measures" above for an explanation of our use of non-GAAP financial measures.

(2) Includes stock-based compensation expense attributable to post-combination vesting of $3.9 million.

Reducing leverage is a capital structure priority for the Company. As of September 30, 2023 March 30, 2024, our total debt less unamortized deferred financing costs and unamortized debt discount/net loss ratio was (23.8) (4.2)x. As of September 30, 2023 March 30, 2024, our net debt/Adjusted EBITDAS ratio was 8.8x. 9.4x.

The table below sets forth the reconciliation for net debt, a non-GAAP financial measure, to total debt, the most comparable GAAP financial measure, for the nine three months ended:

(in millions)

	September 30, 2023	March 30, 2024
Total debt	$ 1,445.0	$ 1,445.0
Less: Unamortized deferred financing costs	9.2	8.3
Less: Unamortized debt discount	10.3	9.2
Less: Cash on hand	107.5	66.6
Net debt	$ 1,317.9	$ 1,360.9

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, Adjusted 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 arrangements 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 principal business is seasonal due to the importance of the winter season to our overall member recruitment environment. Historically, we experience our highest level of recruitment during the first quarter of the year, which is supported with the highest concentration of advertising spending. Therefore, our number of End of Period Subscribers in the first quarter of the year has been typically higher than the number in other quarters of the year, historically reflecting a decline over the course of the year.

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 corporate website at corporate.ww.com as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Moreover, we We also make available at that site the Section 16 reports filed electronically by our officers, directors and 10 percent shareholders.

We use our corporate website at corporate.ww.com and certain social media channels such as our Instagram account (Instagram.com/weightwatchers), corporate Facebook page (www.facebook.com/WW) weightwatchers), X (formerly Twitter) account (@ww_us) and LinkedIn page (www.linkedin.com/company/weightwatchers), Instagram account (Instagram.com/WW) and X account (@ww_us) 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, SEC 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

During As of March 30, 2024, the second quarter of fiscal 2023, in connection with the previously announced planned phase-out of LIBOR, we amended our Credit Facilities to replace LIBOR with Term SOFR as the benchmark rate under the Credit Agreement and modified our interest rate swap agreements to transition from LIBOR-indexed to Term SOFR-indexed periodic swap payments to align with interest payments in connection with our Term SOFR-indexed debt. Other than this transition during the second quarter of fiscal 2023, there have been no material changes during the period covered by this Quarterly Report on Form 10-Q to the information disclosed market risk disclosures appearing in “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” of our Annual Report on Form 10-K for fiscal 2022.

At the end of the third quarter of fiscal 2023 borrowings under the Credit Facilities bore interest at Term SOFR plus an applicable margin of 3.50%. For the Term Loan Facility, the minimum interest rate for Term SOFR applicable to such facility pursuant to the terms of the Credit Agreement was set at 0.50%, referred to herein as the Term SOFR Floor. In addition, as of September 30, 2023, our interest rate swaps in effect had an aggregate notional amount of $500.0 million. Accordingly, as of September 30, 2023, based on the amount of variable rate debt outstanding and the then-current Term SOFR rate, after giving consideration to the impact of the interest rate swaps and the Term SOFR Floor, a hypothetical 90 basis point increase in interest rates would have increased annual interest expense by approximately $4.0 million and a hypothetical 90 basis point decrease in interest rates would have decreased annual interest expense by approximately $4.0 million not materially changed from December 30, 2023. This increase and decrease would have been driven primarily by the interest rate applicable to our Term Loan Facility.

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 SEC'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 September 30, 2023 March 30, 2024, the end of the third first quarter of fiscal 2023. 2024. 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 third first quarter of fiscal 2023, 2024, the design and operation of our disclosure controls and procedures were effective at the reasonable assurance level.

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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.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information called for by this item is incorporated herein by reference to Note 10 "Legal" of the Notes to the Consolidated Financial Statements.

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 2022, as updated by the risk factors detailed in our Quarterly Report on Form 10-Q for the quarter ended April 1, 2023 which are reproduced below.

Risks Related to Our Acquisition of Weekend Health, Inc. (d/b/a Sequence)

The Acquisition may not achieve its intended results.

On April 10, 2023, we completed our previously announced acquisition of Weekend Health, Inc., doing business as Sequence (the "Acquisition"), with the expectation that the Acquisition would result in various benefits, including, among other things, revenue synergies with our existing business and operating efficiencies. Achieving the anticipated benefits of the Acquisition is subject to a number of uncertainties, including whether our business and the Sequence business are integrated in an efficient and effective manner. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues generated by the combined company and diversion of management's attention and energy away from ongoing business concerns, any of which could have a material adverse effect on our business, financial results and prospects.

Additional risks relating to integration of Sequence into our business, include, among others, the following:

- our inability to successfully integrate Sequence in a manner that permits us to achieve the full revenue and other benefits anticipated to result from the Acquisition;
- our ability to compete effectively in the telehealth industry;
- disruption to our and Sequence's business and operations and relationships with service providers, customers, employees a other partners;
- negative effects on our core business from the changes and potential disruption that may follow the Acquisition;
- diversion of significant resources from our core business;
- our inability to retain the service of key management and other personnel of Sequence;
- increased regulatory oversight of our business;
- potential limitations placed on our business by regulatory authorities;
- our inability to successfully integrate Sequence into our internal control over financial reporting, which could compromise the integrity of our financial reporting; and
- greater than anticipated costs related to the integration of Sequence's business and operations into ours.

These potential difficulties, some of which are outside of our control, could adversely affect our ability to achieve the anticipated benefits of the Acquisition. In addition, the market price of our common stock may decline if our assumptions regarding the anticipated benefits of the Acquisition are not accurate or we do not achieve the anticipated benefits of the Acquisition as rapidly or to the extent anticipated by financial or industry analysts or at all.

The Acquisition may not be accretive, and may be dilutive, to our earnings per share, which may negatively affect the market price of shares of our common stock.

We expect the Acquisition will initially be dilutive to our earnings per share, largely driven by the costs associated with the Acquisition itself. In the long term, the Acquisition may be less accretive than expected, or may be dilutive, to our earnings per share. Estimates of our earnings per share in the future are based on assumptions that may materially change. In addition, future events and conditions could decrease or delay the accretion that is currently projected or could result in dilution, including adverse changes in market conditions, additional transaction and integration-related costs and other factors such as the failure to realize some or all of the anticipated benefits of the Acquisition. Any dilution of, decrease in or delay of any accretion to, our earnings per share could cause the price of shares of our common stock to decline or grow at a reduced rate.

We have limited experience in the telehealth industry, which may hinder our ability to achieve the anticipated benefits of the Acquisition.

Due to the fact that the healthcare industry is highly regulated, we are required to adhere to new laws and regulations, including those related to telehealth, pharmacy, the corporate practice of medicine, health and consumer privacy, false claims, and the prescribing, distributing, and marketing of pharmaceutical products. We have limited experience operating a telehealth business and expect to rely in large part on the existing management of Sequence to continue to manage the Sequence business. The management teams will work together to comply with applicable laws and regulations and stay abreast of the frequent legislative and regulatory changes specific to telehealth.

In addition, the telehealth industry has incumbent and established competitors with substantial market share and new competitors will likely enter the market in the future. These companies may have greater financial, marketing and other resources than we have and may have existing cost and operational advantages that we lack. Our limited experience in this industry could negatively affect our ability to appeal to potential customers in the market, including our existing customers, develop expertise and new technologies, attract talent, manage risks, and compete with larger and more experienced competitors.

If we fail to retain the existing management of Sequence, or we fail to successfully compete in the telehealth industry, our ability to realize the anticipated benefits of the Acquisition may be adversely affected.

Notwithstanding the due diligence investigation that we performed in connection with our entry into the Merger Agreement, Sequence may have liabilities, losses, or other exposures for which we do not have adequate insurance coverage, indemnification, or other protection.

While we performed due diligence on Sequence prior to our entry into the Merger Agreement, we are dependent on the accuracy and completeness of statements and disclosures made or actions taken by Sequence and its representatives during due diligence and during our evaluation of the results of such due diligence. We did not control Sequence and may be unaware of certain activities of Sequence before the completion of the Acquisition, including intellectual property and other litigation claims or disputes, information security vulnerabilities, violations of laws, policies, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities.

Following the consummation of the Acquisition, the liabilities of Sequence, including contingent liabilities, were consolidated with the Company's. If Sequence's liabilities are greater than expected, or if Sequence has obligations of which we are not aware, our business could be materially and adversely affected. We do not have indemnification rights from the prior owners of Sequence and instead rely on a limited amount of representation and warranty insurance. Such insurance is subject to exclusions, policy limits and certain other customary terms and conditions. Sequence may also have other unknown liabilities. If we are responsible for liabilities not covered by insurance, we could suffer severe consequences that could have a material adverse effect on our financial condition and results of operations.

Our reputation could be impaired due to actions taken by our franchisees, licensees, suppliers and other partners.

We believe that our brands, including their widespread recognition and strong reputation and goodwill in the market, are one of our most valuable assets and they provide us with a competitive advantage. Our franchisees operate their businesses under our brands. We license our trademarks to third parties for the manufacture and sale in retail stores by such parties of a variety of goods, including food products, and also co-brand or endorse third-party branded consumer services and products. We also sell through a variety of channels, including online through our e-commerce platforms, at our studios, and through our trusted partners, food and non-food products manufactured by third-party suppliers. In addition, we integrate our services and products with those of other third parties, including through bundled and joint offerings, and integrate data from trusted third-party partners into our offerings. Our third-party partnerships also extend to event sponsorships and co-promotions. Our franchisees, licensees, suppliers and other partners are independent third parties with their own financial objectives, third-party relationships and brand associations. Actions taken by them, including violations of generally accepted ethical business practices or breaches of law, regulations or contractual obligations, such as not following our program or not maintaining our quality and safety standards, could harm our reputation. Also, our products and services, or the third-party products or services with which we integrate our own services and products, may be subject to product recalls, brand confusion, litigation, regulatory action or other deficiencies, as the case may be, which could harm our brands. Any negative publicity associated with these actions or these third parties would adversely affect our reputation and may result in decreased recruitment, Digital product subscriptions, workshop attendance and product sales and, as a result, lower revenues and profits.

As a result of the consummation of the Acquisition, we are now associated with and may in the future become associated with professional corporations, professional associations or equivalent entities, which are legal entities organized under state laws that employ or contract with healthcare professionals in one or more states to provide telehealth services (collectively, “PCs”). We and the PCs may suffer losses or reputational harm from medical malpractice liability, professional liability or other claims against the healthcare professionals employed by, or contracting with, us or the PCs (the “Affiliated Professionals”). We and/or the PCs may be unable to obtain or maintain adequate insurance against these claims. Healthcare professionals providing telehealth services have become subject to a number of lawsuits alleging malpractice and some of these lawsuits may involve large claims and significant defense costs. It is possible that these claims could also be asserted against us and potential litigation may include us as an additional defendant. Any suits against us, the PCs or the Affiliated Professionals, if successful, could result in substantial damage awards to the claimants that may exceed the limits of any applicable insurance coverage. Although we do not control the practice of telehealth by the PCs and the Affiliated Professionals, it could be asserted that we should be held liable for malpractice of a healthcare professional employed by a PC.

In addition, we and the PCs could incur reputational harm or negative publicity in relation to a material malpractice or care-related event involving an Affiliated Professional. Malpractice lawsuits and claims can also lead to increased scrutiny by state regulators. In addition, some plaintiffs have asserted allegations of corporate practice of medicine in connection with malpractice lawsuits. There can be no assurance, however, that a future claim or claims will not be successful. Malpractice insurance, moreover, can be expensive and varies from state to state and there can be no assurance that malpractice insurance will be available to us or the PCs or the Affiliated Professionals at an acceptable cost.

Successful malpractice claims asserted against us or the PCs or the Affiliated Professionals could have a material adverse effect on our business, financial condition and results of operations. Additionally, our inability to obtain adequate insurance may also have a material adverse effect on our business and financial results.

Additionally, a number of laws and regulations govern the business of advertising, promotion, dispensing, and marketing services and products, including generic and branded pharmaceuticals. These regulatory regimes are overseen by governmental bodies, principally the U.S. Food and Drug Administration (the “FDA”), the U.S. Department of Health and Human Services (the “HHS”), the U.S. Federal Trade Commission (the “FTC”), and several state and local government agencies in the United States. Failure to comply with the laws and regulations of these governmental agencies may result in legal or other enforcement actions, including orders to cease non-compliant activities. We depend on pharmacies, laboratories and other contractors to provide certain products and services for members. These third parties may be subject to inspections and audits by federal, state or local health authorities, health insurers, and pharmacy benefit managers. If these third parties do not maintain appropriate licenses or comply with legal and regulatory requirements or are subject to enforcement actions, our business may be adversely affected.

Any inquiry into the safety, efficacy or regulatory status of the products prescribed by the Affiliated Professionals and any related interruption in the marketing and sale of these products could damage our reputation and image in the marketplace. For example, the use of such products may cause adverse events or other undesirable side effects, which could cause regulatory authorities to issue warnings about the products or could lead to recalls, withdrawals of approvals for such products or other regulatory or other enforcement actions. The FDA has also issued warning letters to companies alleging improper claims regarding their pharmaceutical products. If the FDA or any other regulatory authorities determine that we have made inappropriate drug claims, we could receive a warning or untitled letter, be required to modify our claims or take other actions to satisfy the FDA or any other regulatory authorities. There can be no assurance that we will not be subject to state, federal or foreign government actions or class action lawsuits, which could harm our business, financial condition and results of operations.

We, the PCs and the Affiliated Professionals are subject to extensive and complex healthcare laws and regulations. If we, the PCs or the Affiliated Professionals fail to comply with existing or new laws or regulations that apply to us, we or they could suffer civil or criminal penalties or be subject to other enforcement actions.

The healthcare industry and services provided via telehealth are highly regulated. Following the consummation of the Acquisition, various aspects of our operations are subject to federal, state or local laws, rules and regulations, any of which may change from time to time. Regulatory oversight includes, but is not limited to, considerations of corporate practice of medicine, licensure and scope of practice limitations for physicians and other healthcare professionals, establishment of a physician-patient relationship, prohibitions on fraud, waste and abuse, including laws prohibiting the submission of false claims, anti-kickback and all-payor fraud laws, restrictions on referrals and self-referrals, advertising and promotional restrictions, privacy protections, including patient information, and complex prior authorization and other requirements. Federal and state laws permit private parties to bring “qui tam” or whistleblower lawsuits on behalf of the federal government against companies for violations of fraud and abuse laws.

Although we and the PCs strive to comply with all applicable laws and regulations, our operations and the operations of the PCs may not be in compliance with certain laws or regulations as they may be interpreted by governmental, judicial, law enforcement or regulatory authorities or their agents. Failure to comply with laws and regulations may subject us, the PCs or the Affiliated Professionals to civil or criminal penalties, licensing or other sanctions, that limit our ability to operate our business or their ability to provide telehealth services. See “Risk Factors—Risks Related to Our Acquisition of Weekend Health, Inc. (d/b/a Sequence)—We may be subject to extensive fraud, waste, and abuse laws that may give rise to federal and state audits and investigations, including actions for false and other improper claims.”

Changes to laws and regulations pose additional risks. The failure to comply with such changes to laws and regulations may subject us, the PCs and/or the Affiliated Professionals to civil or criminal penalties or other sanctions that will limit our ability to operate our business or the ability of the PCs and the Affiliated Professionals to provide telehealth services. Changes to laws or regulations might have the effect of imposing additional costs or rendering invalid or illegal, in whole or in part, certain aspects of the expected agreements between us, the PCs and healthcare professionals. Any or all of the issues above could adversely affect our ability to attract new members or retain existing members, or subject us to governmental or third-party lawsuits, investigations, regulatory fines or other actions or liability, resulting in a material adverse effect to our business, financial condition, cash flows and results of operation.

The healthcare laws and regulations to which we are subject are constantly evolving and may change significantly in the future.

The laws and regulations applicable to our business, to telehealth services, and to the healthcare industry generally are constantly evolving. While we believe that Sequence has structured its agreements and operations in material compliance with applicable healthcare laws and regulations, there can be no assurance that we will be able to successfully address changes in the current regulatory environment. Some of the healthcare laws and regulations that are applicable to us are subject to limited or evolving interpretations, and a review of our business or operations by a governmental, judicial, law enforcement or regulatory authority might result in a determination that could have a material adverse effect on us. Furthermore, the healthcare laws and regulations applicable to us may be amended or interpreted in a manner that could have a material adverse effect on our business.

Recent and frequent legislative and regulatory changes specific to telehealth may present us with additional requirements and compliance costs, with potential operational impacts in certain jurisdictions. Our business could be adversely affected by challenges to our business model or by state actions restricting the ability of the PCs and the Affiliated Professionals to provide products and services via telehealth in certain states.

Healthcare professionals who provide professional services to a patient via telehealth must, in most instances, hold a valid license to practice or provide treatment in the state in which the patient is located. Certain states require healthcare professionals providing telehealth services to be physically located in the same state as the patient. State law applicable to telehealth, particularly licensure requirements, has been relaxed in many jurisdictions as a result of the COVID-19 pandemic. It is unclear which, if any, of these changes will remain in place permanently. If regulations change to restrict healthcare professionals from delivering care through telehealth modalities or such healthcare professionals fail to comply with telehealth laws, the PCs and the Affiliated Professionals could be subject to civil or criminal penalties, and our financial condition and results of operations may be adversely affected.

Federal and state laws and regulations specific to telehealth vary and may set forth informed consent, modality, medical records, licensing, follow-up care, and other requirements. The ability of the PCs and the Affiliated Professionals to conduct business via telehealth is dependent, in part, upon that particular state's treatment of remote healthcare and that state medical or other board's regulation of the practice of medicine and telehealth services, each of which is subject to changing political, regulatory, and other influences. Where new laws and regulations apply to telehealth services, we may incur costs to monitor, evaluate, and modify operational processes for compliance. All such activities may increase our costs and could, in certain circumstances, impact the ability of the PCs and the Affiliated Professionals to make telehealth available in a particular state. Additionally, patients may be reluctant to accept services delivered via telehealth or may not find it preferable to traditional treatment. It is possible that the laws, rules, and regulations governing the practice of telehealth in one or more states may change or be interpreted in a manner unfavorable to our business. If adverse laws or regulations are adopted, if patients prove unwilling to adopt the telehealth services offered by the PCs and the Affiliated Professionals as rapidly or in the numbers that we anticipate, or if any claims challenging the provision of services via telehealth are successful, and we were unable to adapt our business model accordingly, our operations in such states would be disrupted, which could have a material adverse effect on our business, financial condition, cash flows and results of operations.

We may also be subject to changes in laws, regulations, and enforcement trends governing the marketing of pharmaceutical products. Such products are subject to regulation by the FDA, FTC, and other governmental agencies, and over time, the regulatory landscape for pharmaceutical products approved for weight management may become more complex with increasingly strict requirements. To the extent federal or other requirements regarding safety, prescribing, and claims change in the future, such changes could result in increased costs, recalls, increased cancelations of member subscriptions, decreased interest from potential members or other adverse impacts or additional risks.

We may be subject to extensive fraud, waste, and abuse laws that may give rise to federal and state audits and investigations, including actions for false and other improper claims.

The U.S. healthcare industry is heavily regulated and closely scrutinized by federal, state and local governments. Comprehensive statutes and regulations govern our contractual relationships and arrangements with healthcare professionals and vendors, our marketing activities, and other aspects of our operations and the operations of the PCs and vendors. Such laws include, without limitation, federal and state anti-kickback, fraud and abuse, and false claims laws, and may authorize the imposition of criminal, civil and administrative penalties for submitting false or fraudulent claims for reimbursement to federal and state healthcare programs.

The federal anti-kickback statute (the “Anti-Kickback Statute”) makes it a criminal offense to knowingly and willingly offer, pay, solicit or receive any remuneration to induce or reward referrals of items or services reimbursable by federal healthcare programs. The Anti-Kickback Statute defines “remuneration” to include the transfer of anything of value, in cash or in kind and directly or indirectly. The statute has been interpreted to cover any arrangement where at least one purpose of the arrangement is to obtain remuneration for the referral of services or to induce the purchase, lease, order, recommendation or arrangement of items or services reimbursable under a federal healthcare program. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. Many states have similar anti-kickback and consumer protection laws, and in some cases these laws have expanded to apply to commercial insurers. If any governmental, judicial, law enforcement or regulatory authority determines that we are not in compliance with any such laws, any such authority could bring an action against us and/or our supported offices for violations of such laws, which could have a material adverse effect on our business.

The Federal Civil False Claims Act (the “FCA”) prohibits the knowing submission of any false or fraudulent claim for payment to the federal government or to its agents or contractors or any recipient if the federal government provides any payment for the claim. The FCA also prohibits knowingly presenting, or causing to be presented, false claims to government health care programs, including Medicare, Medicaid, TRICARE, and the Federal Employees Health Benefits Program. It also prohibits the use of any false record or statement material to a claim made in order to have a false or fraudulent claim paid in whole or in part by the federal government. It further prohibits the knowing concealment or improper avoidance of an obligation to pay money or property to the federal government. The FCA requires no proof of specific intent to defraud to create liability. In addition, a violation of the Anti-Kickback Statute can result in liability under the FCA. Actions under the FCA may be brought by the Attorney General, the United States Department of Justice (the “DOJ”), the United States Attorney Offices, or as a qui tam action by a private individual in the name of the government. These private parties, often referred to as relators, are entitled to share in any amounts recovered by the government through trial or settlement. These “qui tam” cases are sealed by the court at the time of filing. The only parties privy to the information contained in the complaint are the relator, the federal government and the presiding court. It is possible that “qui tam” lawsuits will be filed against us and that we will be unaware of such filings. Violations of the FCA can result in significant monetary penalties. The federal government continues to use the FCA, and the accompanying threat of significant liability, in its investigations and prosecutions of telehealth companies and healthcare professionals that provide telehealth services. The government has obtained multi-million and multi-billion dollar settlements under the FCA in addition to individual criminal convictions under applicable criminal statutes. Given the significant size of actual and potential settlements, it is expected that the federal government will continue to devote substantial resources to investigating telehealth companies and healthcare professionals that provide telehealth services for compliance with the FCA and other applicable fraud and abuse laws. Collateral consequences of a violation of the FCA include administrative penalties and the imposition of settlement, monitoring, integrity or other agreements. Many states have similar FCA laws to which we may be subject. A determination that we have violated these laws could have a material adverse effect on our business.

The Health Insurance Portability and Accountability Act (“HIPAA”) also created new federal criminal statutes that prohibit among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

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In addition, federal healthcare laws prohibit the offer or transfer to a federal healthcare program beneficiary, of any remuneration, including free services, and waivers of beneficiary cost sharing that the offeror knows or should know is likely to influence the beneficiary's selection of a particular provider, practitioner or supplier of federal healthcare program items or services unless there has been a good faith determination of the beneficiary's financial need. Violations may result in the imposition of civil monetary penalties. Moreover, the routine waivers of copayments and deductibles offered to patients covered by commercial payors may also implicate applicable state laws related to, among other things, unlawful schemes to defraud, insurance fraud, excessive fees for services, tortious interference with patient contracts and statutory or common law fraud. If arrangements are found to be inconsistent with applicable federal and state fraud, waste and abuse, state advertising, insurance or other applicable laws, we may be required to restructure or discontinue certain programs, or be subject to other significant penalties, enforcement actions or investigations, which could have a material adverse effect on our business.

To enforce compliance with the federal laws such as the FCA, the Office of the Inspector General of the HHS (the "OIG") and the DOJ recently have increased their scrutiny of interactions between healthcare companies and healthcare professionals, which has resulted in investigations, prosecutions, convictions and settlements in the healthcare industry. Dealing with investigations can be time and resource consuming and can divert management's attention from the business. Any such future investigation or settlement could increase our costs or otherwise have an adverse effect on our business.

Additionally, federal and state government agencies, as well as commercial payors, have increased their auditing and administrative, civil and criminal enforcement efforts as part of an effort to identify and to stem healthcare fraud and abuse. These audits and investigations relate to a wide variety of topics, including but not limited to the following: ordering and referral practices, technical compliance with coverage and payment rules, the offering of prohibited remuneration, patient privacy and data security rules and financial reporting. In addition, the OIG and the DOJ have, from time to time, undertaken national enforcement initiatives that focus on specific practices or other suspected areas of abuse. For example, the OIG announced a special fraud alert informing healthcare professionals that they should exercise caution when entering into arrangements with certain telemedicine companies. Federal and state governments also are authorized to impose criminal, civil and administrative penalties on any person or entity that files a false claim for payment for items or services reimbursed under a federal or state healthcare program. While the criminal statutes are generally reserved for instances of fraudulent intent, the federal government is applying its enforcement powers in an ever-expanding range of circumstances. If we or any of the PCs are found to be in violation of federal or state laws or regulations, we and they could be forced to discontinue the violative practice and may be subject to actions, fines and criminal penalties, which could have a material adverse effect on our business.

Similar to federal and state governmental agencies, commercial payors have increased their auditing and recovery efforts. Claims filed with private insurers can lead to criminal and civil penalties, including, but not limited to, penalties relating to violations of federal mail and wire fraud statutes, as well as penalties under the healthcare fraud provisions of HIPAA. 2023.

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

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

From time to time, our directors and officers may engage in open-market transactions with respect to their Company equity holdings for diversification or other personal reasons. All such transactions by directors and officers must comply with the Company's Amended and Restated Securities Trading Policy, which requires that such transactions be in accordance with applicable U.S. federal securities laws that prohibit trading while in possession of material nonpublic information. Rule 10b5-1 under the Exchange Act provides an affirmative defense that enables directors and officers to prearrange transactions in the Company's securities in a manner that avoids concerns about initiating transactions while in possession of material nonpublic information.

No The following table describes the contracts, instructions or written plans for the purchase or sale of Company securities were adopted or terminated by our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) during the quarter ended September 30, 2023 March 30, 2024, that are or were, as the case may be, intended to satisfy the affirmative defense conditions of Rule 10b5-1(c). No "non-Rule 10b5–1 trading arrangements" (as defined by Item 408(c) of Regulation S-K) or other Rule 10b5-1 trading arrangements were entered into or terminated, nor were any such arrangements modified, by our directors or officers during such period.

Name and Title	Action and Type of Plan	Date of Action	Scheduled Expiration of Plan(1)	Aggregate Number of Securities to be Sold or Purchased
Oprah Winfrey Director	Termination of Rule 10b5-1 Plan(2)	2/28/2024	3/10/2025	• Sell 925,780 shares • Exercise 2,687,063 stock options and sell underlying shares • Gift 157,968 shares(3)

(1) The plan duration was until the date listed in this column or such earlier date upon the completion of all trades under the plan or the occurrence of such other termination events as specified in the plan.

(2) This Rule 10b5-1 Plan was originally adopted on May 11, 2023.

(3) Reflects shares that were proposed to be transferred by Ms. Winfrey as a gift to The Oprah Winfrey Charitable Foundation (the "Foundation") and sold by the Foundation.

ITEM 6. EXHIBITS

Exhibit Number	Description
**Exhibit 2.1	Agreement and Plan of Merger, dated as of March 4, 2023, by and among WW International, Inc., Well Holdings, Inc., Weekend Health, Inc. ("Weekend Health") and Fortis Advisors LLC, solely in its capacity as the Equityholders' Representative (as defined therein) for Weekend Health (filed as Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 1, 2023, as filed on May 4, 2023 (File No. 001-16769), and incorporated by reference).
*Exhibit 31.1	Rule 13a-14(a) Certification by Sima Sistani, Chief Executive Officer.
*Exhibit 31.2	Rule 13a-14(a) Certification by Heather Stark, 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	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*EX-101.SCH	Inline XBRL Taxonomy Extension Schema Document
*EX-101.CAL	Inline XBRL Taxonomy Extension Calculation With Embedded Linkbase Document
*EX-101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
*EX-101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
*EX-101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document Documents.
*Exhibit 104	The cover page from WW International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 30, 2024, formatted in Inline XBRL (included within the Exhibit 101 attachments).

* Filed herewith.

** Previously filed.

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.

WW INTERNATIONAL, INC.

Date: November 2, 2023 May 2, 2024	By: /s/ Sima Sistani
	Sima Sistani
	Chief Executive Officer and Director
	(Principal Executive Officer)
Date: November 2, 2023 May 2, 2024	By: /s/ Heather Stark
	Heather Stark
	Chief Financial Officer
	(Principal Financial Officer)

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EXHIBIT 31.1

CERTIFICATION

I, Sima Sistani, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of WW 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 neces to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect 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 materi 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 (a 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 unde 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 designe 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 conclusio about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based o such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registr most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, o 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 whi are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial informatior and

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

Date: November 2, 2023 May 2, 2024

Signature: /s/ Sima Sistani

Sima Sistani

Chief Executive Officer and Director

(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Heather Stark, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of WW 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 neces to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect

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 materi 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 (a 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 unde 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 designe 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 conclusio about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based o such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registr most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, o 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 whi are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial informatior and

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

Date: November 2, 2023 May 2, 2024

Signature: /s/ Heather Stark

Heather Stark

Chief Financial Officer

(Principal Financial Officer)

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 WW International, Inc. (the “Company”) for the quarterly period ended September 30, 2023 March 30, 2024, 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; an
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Company.

Date: November 2, 2023 May 2, 2024

Signature: /s/ Sima Sistani

Sima Sistani

Chief Executive Officer and Director

(Principal Executive Officer)

Signature: /s/ Heather Stark

Heather Stark

Chief Financial Officer

(Principal Financial Officer)

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