



## Weight Watchers

### *Packing on the Profit*

Weight Watchers has suffered nearly a 69% drop from 2020 highs due to the coronavirus and combination of “Stay-at-home” orders. With gyms being closed and people eating out of boredom, Q1 and Q2 sales are expected to decrease dramatically while people are essentially forced to stay indoors. However, Q3 and Q4 sales are expected to increase due to people getting out of the house and losing the “quarantine” weight.

Weight Watchers has experienced a similar scenario during the economic crash in 2008/2009 where shares dropped 68%, far below that of the S&P 500’s drop of 51%. Within less than a year of the bottom, shares rebounded 66% from \$17 a share to \$27.

### Hedge Funds

Smart money has been entering the company for the last 5 years with an increasing number of hedge funds entering positions in the company last quarter. There are now 37 hedge funds that have established a position in Weight Watchers, demonstrating a strong bullish outlook. Weight Watchers may have a better position in the market after the “cocoon” phase due to a potential heightened focus on health.

### Bringing the Coach to You

Weight Watchers is committed to continuing their services virtually with the integration of digital workshops. The software used is Zoom video conferencing, which is free to all users. Bringing workshops online has many benefits which include the privacy to not enable camera features on your device, no need to leave the comfort of your home for a complete workout, and the ability to communicate with coaches and a support team live at any time. Clients can check their progress and updated information on the Weight Watchers app available free for download on the Apple Store and Google Play.

### Analyst Recommendations

March 27, 2020 - 6 analysts recommend BUY, 6 HOLD, and 1 SELL.

Company	Mkt. Cap (Millions)	P/E FY1	EV/EBITDA FY1	% EBITDA Margin FY1
Weight Watchers	978.38	1.88x	12.0x	24.04%

April 5, 2020

Ticker: WW  
Price: \$14.19  
Rating: BUY

### Investment Rationale Summary

- Unhealthy eating and physical habits are likely to occur during the coronavirus cocoon phase
- People will want to regain a focus on health and look for guided plans & help
- Weight Watchers offers a digital subscription service which users can access through their website, leading to an increase in digital sales
- An increase in hedge fund positions demonstrates the company has high sentiment levels in the world of smart money
- Recently upgraded by Morgan Stanley with a PT of \$24

### Potential Downside Risks

- Extended coronavirus “Stay-at-home” orders past Q2 could deter future growth
- If Weight Watchers continues to take on debt, D/E will remain negative and could stunt future growth.

### Technical Analysis

- Strong support near \$12, set a doubling down position at \$12.50.
- Set stop loss at \$10.75

