

GNC HOLDINGS, INC.
Form 10-Q
April 20, 2017
Table of Contents

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 March 31, 2017

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: 001-35113

GNC Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware 20-8536244
(State or other jurisdiction of (I.R.S. Employer
Incorporation or organization) Identification No.)

300 Sixth Avenue 15222
Pittsburgh, Pennsylvania (Zip Code)
(Address of principal executive offices)

Registrant's telephone number, including area code: (412) 288-4600

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

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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

As of April 14, 2017, there were 68,397,520 outstanding shares of Class A common stock, par value \$0.001 per share (the "common stock"), of GNC Holdings, Inc.

Table of Contents

TABLE OF CONTENTS

	PAGE
<u>PART I - FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Unaudited Consolidated Balance Sheets as of March 31, 2017 and December 31, 2016</u>	1
<u>Unaudited Consolidated Statements of Income for the three months ended March 31, 2017 and 2016</u>	2
<u>Unaudited Consolidated Statements of Comprehensive Income for the three months ended March 31, 2017 and 2016</u>	3
<u>Unaudited Consolidated Statements of Stockholders' (Deficit) Equity for the three months ended March 31, 2017 and 2016</u>	4
<u>Unaudited Consolidated Statements of Cash Flows for the three months ended March 31, 2017 and 2016</u>	5
<u>Unaudited Supplemental Cash Flow Information as of March 31, 2017 and 2016</u>	6
<u>Condensed Notes to Unaudited Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	25
<u>Item 4. Controls and Procedures</u>	25
<u>PART II - OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	25
<u>Item 1A. Risk Factors</u>	27
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
<u>Item 3. Defaults Upon Senior Securities</u>	28
<u>Item 4. Mine Safety Disclosures</u>	28
<u>Item 5. Other Information</u>	28
<u>Item 6. Exhibits</u>	29
<u>Signatures</u>	30

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

GNC HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(unaudited)

(in thousands)

	March 31, 2017	December 31, 2016
Current assets:		
Cash and cash equivalents	\$39,872	\$34,464
Receivables, net	123,344	129,178
Inventory (Note 3)	602,586	583,212
Prepaid and other current assets	36,695	39,400
Total current assets	802,497	786,254
Long-term assets:		
Goodwill	176,140	176,062
Brand name	720,000	720,000
Other intangible assets, net	109,312	111,229
Property, plant and equipment, net	226,204	232,292
Other long-term assets	28,466	30,005
Total long-term assets	1,260,122	1,269,588
Total assets	\$2,062,619	\$2,055,842
Current liabilities:		
Accounts payable	\$202,351	\$179,933
Current portion of long-term debt (Note 4)	12,562	12,562
Deferred revenue and other current liabilities	97,450	115,171
Total current liabilities	312,363	307,666
Long-term liabilities:		
Long-term debt (Note 4)	1,502,820	1,527,891
Deferred income taxes	260,280	259,203
Other long-term liabilities	56,378	56,129
Total long-term liabilities	1,819,478	1,843,223
Total liabilities	2,131,841	2,150,889
Contingencies (Note 6)		
Stockholders' deficit:		
Common stock	114	114
Additional paid-in capital	923,868	922,687
Retained earnings	740,290	716,198
Treasury stock, at cost	(1,725,349)	(1,725,349)
Accumulated other comprehensive loss	(8,145)	(8,697)
Total stockholders' deficit	(69,222)	(95,047)
Total liabilities and stockholders' deficit	\$2,062,619	\$2,055,842

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

Table of Contents

GNC HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Income

(unaudited)

(in thousands, except per share amounts)

	Three months ended	
	March 31,	
	2017	2016
Revenue	\$644,838	\$668,905
Cost of sales, including warehousing, distribution and occupancy	431,867	433,060
Gross profit	212,971	235,845
Selling, general, and administrative	160,581	143,072
Gains on refranchising	(154)	(1,015)
Other income, net	(1,009)	(277)
Operating income	53,553	94,065
Interest expense, net (Note 4)	15,894	14,443
Income before income taxes	37,659	79,622
Income tax expense (Note 9)	13,809	28,807
Net income	\$23,850	\$50,815
Earnings per share (Note 7):		
Basic	\$0.35	\$0.70
Diluted	\$0.35	\$0.69
Weighted average common shares outstanding (Note 7):		
Basic	68,246	73,078
Diluted	68,300	73,373
Dividends declared per share	\$—	\$0.20

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

Table of Contents

GNC HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(unaudited)
(in thousands)

Three
months
ended
March
31,
2017