

The Biggest Loser:

Bearish Alert for \$WTW

Takeaways/Key Points

1. Shares of Weight Watchers International recently crashed below their 2018 lows, but the company's Purchase Intent (PI) Mentions suggest that the worst has yet to come.
 2. New Year's resolutions have caused WTW's Purchase Intent to follow a distinct seasonal pattern; the volume of mentions in January has historically set the tone for the rest of the year.
 3. Weight Watchers' PI Mentions in the first 2 weeks of 2019 were an **all-time low** for that timeframe, and they have shown no evidence of improvement since then.
 4. WTW releases their Q4 earnings next Tuesday afternoon. Although the stock price has fallen approximately \$40 in the past 6 months, it could easily drop lower if the current PI weakness translates to a disappointing revenue outlook for 2019.
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Potential Trade Ideas

Simple Option: Short the stock

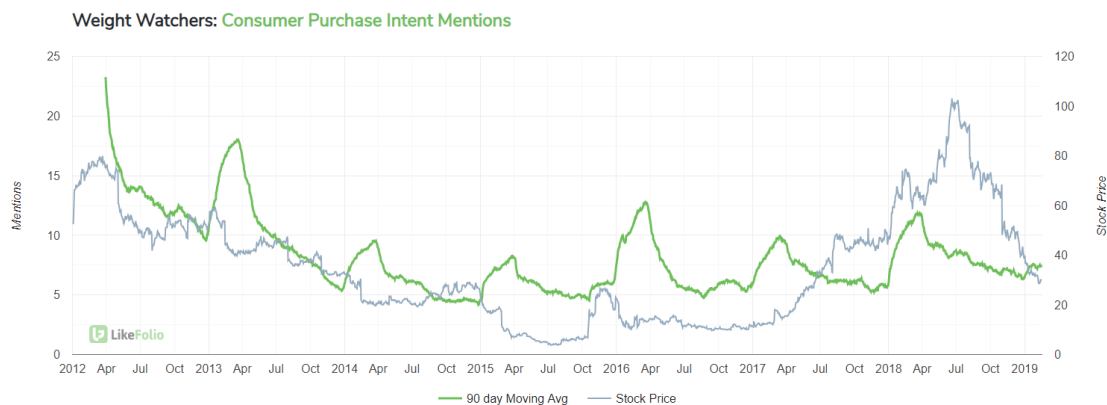
Option Spread: Buy the Jul. 19 30/25 Put Spread @ \$2.45 Debit. Max Loss, \$245 per contract. Max Gain \$255 per contract.

Aggressive: Purchase OTM Puts expiring later in 2019

WTW analysis:

Weight Watchers has already suffered an epic decline, losing 96% of their value between 2012 and 2015. Purchase Intent Mentions had diminished right alongside the stock price, but then [Oprah came to the rescue](#) in late 2015.

Consider the chart below, which plots the 90-day moving average of Weight Watchers' PI Mentions against the company's stock price.



[Open this view in Dashboard](#)

The unusually large spike following New Year's in 2016 came as a direct result of Oprah's involvement, which ultimately saved the company from fading into

complete obscurity. Unfortunately, WTW PI Mentions have begun to dwindle at an alarming rate. It remains to be seen whether this weight loss brand can maintain relevance going forward.

Despite showing robust PI volume in the first half of 2018 (which preceded the stock's incredible bull run by only a few months), mentions dwindled at an alarming rate throughout the rest of the year. The downtrend of WTW Purchase Intent Mentions between the 2018 peak and the start of 2019 represents the largest annual loss of consumer interest since before Oprah signed on as board member.

The current volume of PI Mentions in 2019 suggests that the brand has been failing to attract new customers; the [recent rebrand](#) certainly hasn't done them any favors on that front. The last time we witnessed such a notable Y/Y decrease in Q1 Purchase Intent, Weight Watchers lost an additional 40% of their valuation in the following year. If they continue to implode at the same breakneck pace, we expect to see WTW shares below \$20 within the year.

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