UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark one)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 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 Incorporation or organization)	(I.R.S. Employer Identification No.)

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

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. [X] 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).
[X] 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:

Large accelerated filer [X]	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
[X] No

As of October 20, 2017, there were 69,002,867 outstanding shares of Class A common stock, par value $0.001 per share (the “common stock”), of GNC Holdings, Inc.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

GNC HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(unaudited)
(in thousands)

	September 30, 2017	December 31, 2016
Current assets:		
Cash and cash equivalents	$40,118	$34,464
Receivables, net	133,111	129,178
Inventory (Note 3)	534,427	583,212
Prepaid and other current assets	41,683	39,400
Total current assets	749,339	786,254
Long-term assets:		
Goodwill (Note 4)	165,231	176,062
Brand name	720,000	720,000
Other intangible assets, net (Note 4)	101,485	111,229
Property, plant and equipment, net (Note 4)	207,578	232,292
Other long-term assets	25,398	30,005
Total long-term assets	1,219,692	1,269,588
Total assets	$1,969,031	$2,055,842
Current liabilities:		
Accounts payable	$152,513	$179,933
Revolving credit facility (Note 5)	48,000	—
Current portion of term loan facility (Note 5)	—	12,562
Deferred revenue and other current liabilities	107,176	115,171
Total current liabilities	307,689	307,666
Long-term liabilities:		
Long-term debt (Note 5)	1,381,906	1,527,891
Deferred income taxes (Note 11)	248,538	259,203
Other long-term liabilities	55,607	56,129
Total long-term liabilities	1,686,051	1,843,223
Total liabilities	1,993,740	2,150,889
Contingencies (Note 7)		
Stockholders' deficit:		
Common stock	115	114
Additional paid-in capital	928,460	922,687
Retained earnings	777,457	716,198
Treasury stock, at cost	(1,725,349)	(1,725,349)
Accumulated other comprehensive loss	(5,392)	(8,697)
Total stockholders' deficit	(24,709)	(95,047)
Total liabilities and stockholders' deficit	$1,969,031	$2,055,842

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

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GNC HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Income
(unaudited)
(in thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue	$609,469	$627,964	$1,895,301	$1,970,087
Cost of sales, including warehousing, distribution and occupancy	412,663	412,556	1,272,801	1,280,136
Gross profit	196,806	215,408	622,500	689,951
Selling, general, and administrative	150,961	148,392	465,575	430,448
Gains on refranchising	(230)	(383)	(384)	(18,283)
Long-lived asset impairments (Note 4)	3,861	3,045	23,217	3,045
Other loss (income), net (Note 4)	1,769	(539)	274	(441)
Operating income	40,445	64,893	133,818	275,182
Interest expense, net (Note 5)	16,339	15,360	48,300	45,078
Income before income taxes	24,106	49,533	85,518	230,104
Income tax expense (Note 11)	2,643	17,179	24,544	82,907
Net income	$21,463	$32,354	$60,974	$147,197
Earnings per share (Note 8):				
Basic	$0.31	$0.47	$0.89	$2.11
Diluted	$0.31	$0.47	$0.89	$2.10
Weighted average common shares outstanding (Note 8):				
Basic	68,354	68,190	68,296	69,808
Diluted	68,569	68,315	68,411	69,939
Dividends declared per share	$—	$0.20	$—	$0.60

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net income	$21,463	$32,354	$60,974	$147,197
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	1,705	(592)	3,305	2,263
Comprehensive income	$23,168	$31,762	$64,279	$149,460

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

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GNC HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' (Deficit) Equity
(unaudited)
(in thousands)

	Common Stock Class A		Treasury Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' (Deficit) Equity
	Shares	Dollars					
Balance at December 31, 2016	68,399	$ 114	$ (1,725,349)	$ 922,687	$ 716,198	$ (8,697)	$ (95,047)
Comprehensive income	—	—	—	—	60,974	3,305	64,279
Dividend forfeitures on restricted stock	—	—	—	—	285	—	285
Restricted stock awards	636	1	—	—	—	—	1
Minimum tax withholding requirements	(32)	—	—	(252)	—	—	(252)
Stock-based compensation	—	—	—	6,025	—	—	6,025
Balance at September 30, 2017	69,003	$ 115	$ (1,725,349)	$ 928,460	$ 777,457	$ (5,392)	$ (24,709)
Balance at December 31, 2015	76,276	$ 114	$ (1,496,180)	$ 916,128	$ 1,058,148	$ (9,649)	$ 468,561
Comprehensive income	—	—	—	—	147,197	2,263	149,460
Purchase of treasury stock	(7,926)	—	(229,169)	—	—	—	(229,169)
Dividends declared	—	—	—	—	(41,939)	—	(41,939)
Exercise of stock options	23	—	—	343	—	—	343
Restricted stock awards	72	—	—	—	—	—	—
Minimum tax withholding requirements	(47)	—	—	(1,126)	—	—	(1,126)
Net excess tax benefits from stock-based compensation	—	—	—	(742)	—	—	(742)
Stock-based compensation	—	—	—	7,191	—	—	7,191
Balance at September 30, 2016	68,398	$ 114	$ (1,725,349)	$ 921,794	$ 1,163,406	$ (7,386)	$ 352,579

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

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GNC HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

	Nine months ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net income	$60,974	$147,197
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	43,688	43,547
Amortization of debt costs	9,893	9,419
Stock-based compensation	6,025	7,191
Long-lived asset impairments	23,217	3,045
Gains on refranchising	(384)	(18,283)
Changes in assets and liabilities:		
Decrease in receivables	1,204	3,519
Decrease (Increase) in inventory	43,468	(71,760)
(Increase) in prepaid and other current assets	(2,502)	(5,342)
(Decrease) Increase in accounts payable	(19,732)	35,700
(Decrease) Increase in deferred revenue and accrued liabilities	(18,769)	13,515
Other operating activities	2,486	1,999
Net cash provided by operating activities	149,568	169,747
Cash flows from investing activities:		
Capital expenditures	(26,210)	(35,368)
Refranchising proceeds	3,410	30,306
Store acquisition costs	(1,930)	(1,918)
Net cash used in investing activities	(24,730)	(6,980)
Cash flows from financing activities:		
Borrowings under revolving credit facility	177,500	197,000
Payments on revolving credit facility	(256,500)	(103,000)
Payments on term loan facility	(40,853)	(3,412)
Debt issuance costs	—	(1,712)
Proceeds from exercise of stock options	—	343
Gross excess tax benefit from stock-based compensation	—	162
Minimum tax withholding requirements	(252)	(1,126)
Cash paid for treasury stock	—	(229,169)
Dividends paid to shareholders	—	(41,613)
Net cash used in financing activities	(120,105)	(182,527)
Effect of exchange rate changes on cash and cash equivalents	921	501
Net increase (decrease) in cash and cash equivalents	5,654	(19,259)
Beginning balance, cash and cash equivalents	34,464	56,462
Ending balance, cash and cash equivalents	$40,118	$37,203

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

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GNC HOLDINGS, INC. AND SUBSIDIARIES
Supplemental Cash Flow Information
(unaudited)
(in thousands)

	As of September 30,	
	2017	2016
Non-cash investing activities:		
Accrued capital expenditures	$2,141	$3,432
Receivable related to sale of Lucky Vitamin	7,117	—

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

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GNC HOLDINGS, INC. AND SUBSIDIARIES
Condensed Notes to the Unaudited Consolidated Financial Statements

NOTE 1. NATURE OF BUSINESS

GNC Holdings, Inc., a Delaware corporation ("Holdings," and collectively with its subsidiaries and, unless the context requires otherwise, its and their respective predecessors, the "Company"), is a global specialty retailer of health, wellness and performance products, including protein, performance supplements, weight management supplements, vitamins, herbs and greens, wellness supplements, health and beauty, food and drink and other general merchandise. The Company is vertically integrated as its operations consist of purchasing raw materials, formulating and manufacturing products and selling the finished products through its three reportable segments, U.S. and Canada, International, and Manufacturing / Wholesale. Corporate retail store operations are located in the United States, Canada, Puerto Rico, China and Ireland. In addition, the Company offers products on the internet through GNC.com, third-party websites and LuckyVitamin.com, the assets of which were sold on September 30, 2017 (see Note 4, "Goodwill and Other Long-Lived Assets" for more information). Franchise locations exist in the United States and approximately 50 other countries. The Company operates its primary manufacturing facility in South Carolina and distribution centers in Arizona, Indiana, Pennsylvania and South Carolina. The Company manufactures approximately half of its branded products and merchandises various third-party products. Additionally, the Company licenses the use of its trademarks and trade names.

The processing, formulation, packaging, labeling and advertising of the Company's products are subject to regulation by various federal agencies, including the Food and Drug Administration, the Federal Trade Commission, the Consumer Product Safety Commission, the United States Department of Agriculture and the Environmental Protection Agency. These activities are also regulated by various agencies of the states and localities in which the Company's products are sold.

NOTE 2. BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements, which have been prepared in accordance with the applicable rules of the Securities and Exchange Commission, include all adjustments (consisting of a normal and recurring nature) that management considers necessary to fairly state the Company's results of operations, financial position and cash flows. The December 31, 2016 Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). These interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes included in the Company's audited financial statements in its Annual Report on Form 10-K for the year ended December 31, 2016 ("2016 10-K"). Interim results are not necessarily indicative of the results that may be expected for the remainder of the year ending December 31, 2017.

Recently Adopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2017-04, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the new guidance, an entity will recognize an impairment charge for the amount by which the carrying value exceeds the fair value. This standard is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has adopted this ASU in the second quarter of 2017. Refer to Note 4, "Goodwill and Other Long-Lived Assets" for a description of the goodwill impairment recorded within the Company's Lucky Vitamin reporting unit in the second quarter of 2017.

In March 2016, the FASB issued ASU 2016-09, which includes multiple provisions intended to simplify various aspects of accounting and reporting for share-based payments. The difference between the deduction for tax purposes and the compensation cost of a share-based payment award results in either an excess tax benefit or deficiency. Formerly, these excess tax benefits were recognized in additional paid-in capital and tax deficiencies (to the extent there were previous tax benefits) were recognized as an offset to accumulated excess tax benefits. If no previous tax benefit existed, the deficiencies were recognized in the income statement as an increase to income tax expense. The changes require all excess tax benefits and tax deficiencies related to share-based payments be recognized as income

tax expense or benefit in the income statement. Gross excess tax benefits in the cash flow statement have also changed from the prior presentation as a financing activity to being classified as an operating activity. Lastly, excess tax benefits are no longer included in the assumed proceeds of the diluted EPS calculation, which results in stock-based awards

being more dilutive. This standard is effective prospectively for annual reporting periods, and interim periods therein, beginning after December 15, 2016. The Company has adopted this ASU in the first quarter of 2017, which did not have a material impact to the Consolidated Financial Statements.

In November 2015, the FASB issued ASU 2015-17, which requires an entity to classify deferred tax assets and liabilities as noncurrent on the balance sheet. This standard is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2016. The Company has adopted this ASU during the first quarter of fiscal 2017, with retrospective application. The Company reclassified $12.9 million of current deferred income tax assets formerly presented within total current assets as a $12.8 million reduction to deferred income taxes presented within total long-term liabilities and a $0.1 million increase to other long-term assets at December 31, 2016 on the Consolidated Balance Sheet to conform to the current year presentation.

In July 2015, the FASB issued ASU 2015-11, which requires an entity that determines the cost of inventory by methods other than last-in, first-out and the retail inventory method to measure inventory at the lower of cost and net realizable value. This standard is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2016. Accordingly, the Company has adopted this ASU in the first quarter of 2017, which did not have a material effect on the Company's Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

In May 2017, the FASB issued ASU 2017-09, which amends the scope of modification accounting for share-based payment arrangements. This standard states that an entity should account for the effects of a modification unless all of the following are met: 1) The fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification; 2) The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and 3) The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The standard is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The Company does not expect the impact of the new standard to have a material impact to the Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, which addresses changes to the classification of certain cash receipts and cash payments within the statement of cash flows in order to address diversity in practice. In November 2016, the FASB issued ASU 2016-18, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash and restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Both standards are effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. The Company does not expect the impact of these new standards to have a material impact to the Consolidated Statement of Cash Flows.

In February 2016, the FASB issued ASU 2016-02, which requires lessees to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments for all leases with a term greater than 12 months. This standard is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2018 and is required to be applied using a modified retrospective approach for all leases existing at, or entered into after, the beginning of the earliest comparative period presented. The Company has a significant number of leases, and as a result, expects this guidance to have a material impact on its Consolidated Balance Sheet, the impact of which is currently being evaluated.

Revenue Recognition Update

In May 2014, the FASB issued ASU 2014-09, which updates revenue recognition guidance relating to contracts with customers. This standard states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard is in effect for annual reporting periods, and interim periods

therein, beginning after December 15, 2017. The standard may be applied retrospectively to each prior period presented (full retrospective method) or retrospectively with the cumulative effect recognized as of the date of adoption (modified retrospective method). The Company currently expects to apply the full retrospective method upon adoption.

The Company does not believe the standard will impact its recognition of point-of-sale revenue in company-owned stores, most wholesale sales, royalties and sublease revenue, together which account for approximately 90%

of the Company's revenue. While the Company continues to assess the potential impact of the new standard, management believes the following revenue transactions will be impacted. The new standard is not expected to have any impact on the timing or classification of the Company's cash flows as reported in the Consolidated Statement of Cash Flows.

Franchise fees. The Company's current accounting policy for franchise fees and license fees received for new store openings and renewals is to recognize these fees when earned per the contract terms, which is when a new store opens or at the start of a new term. In accordance with the new guidance, these fees will be deferred and recognized over the applicable license term as the Company satisfies the performance obligation of granting the customer access to the rights of the Company's intellectual property. This change will impact all of the Company's reportable segments. In addition, franchise fees received as part of a sale of a company-owned store to a franchisee will be recorded as described above as part of revenue and will no longer be presented as part of gains on refranchising. The Company does not anticipate the impact of this change to be material to the Company's Consolidated Statement of Income. The Company expects to have a larger deferred revenue amount on the Consolidated Balance Sheet in future periods after adoption of the new standard as a result of this change.

Cooperative advertising and other franchise support fees. The Company currently classifies advertising and other franchise support fees received from domestic franchisees as a reduction to selling, general and administrative expense. In accordance with the new guidance, these fees will be required to be classified as revenue within the U.S. and Canada segment. The new standard is not expected to have an impact on the timing of recognition of this income or on the Company's Consolidated Balance Sheet.

Specialty manufacturing. The Company currently recognizes revenue for products manufactured and sold to customers at a point in time when risk of loss, title and insurable risks have transferred to the customer, net of estimated returns and allowances. Under the new standard, revenue is required to be recognized over time as manufacturing occurs if the customized goods have no alternative use to the manufacturer, and the manufacturer has an enforceable right to payment for performance completed to date. This change will impact contract manufacturing sales to third-parties recorded in the Manufacturing / Wholesale segment and to a lesser extent, a portion of sales recorded in the International segment to international franchisees for certain country specific product formulations produced by the Company. The Company does not anticipate the impact of this change will be material to the Company's Consolidated Statement of Income. The Company will record a reduction to inventory as applicable custom manufacturing services are completed with a corresponding contract asset including the applicable markup recorded within other current assets on the Consolidated Balance Sheet.

E-Commerce revenues. The Company currently records revenue to its e-commerce customers upon delivery. Under the new guidance, the Company expects to recognize revenue upon shipment based on meeting the transfer of control criteria. The Company expects to make a policy election to treat shipping and handling as costs to fulfill the contract, and as a result, any fees received from customers will be included in the transaction price allocated to the performance obligation of providing goods with a corresponding amount accrued within cost of sales for amounts paid to applicable carriers. The new standard is not expected to have a material impact on the timing of recognition of this income or on the Company's Consolidated Balance Sheet.

Loyalty. Effective with the launch of the One New GNC on December 29, 2016, the Company introduced a free points-based myGNC Rewards loyalty program system-wide in the U.S. The program enables customers to earn points based on their purchases. Points earned by members are valid for one year and may be redeemed for cash discounts on any product the Company sells in domestic company-owned or franchise locations. The Company defers the estimated stand-alone selling price of points related to this program as a reduction to revenue as points are earned by allocating a portion of the transaction price the customer pays to a loyalty program liability on the Consolidated Balance Sheet. The estimated selling price of points earned are based on the estimated value of product for which the points are expected to be redeemed, net of points not expected to be redeemed, based on historical redemption. When a customer redeems earned points, revenue is recognized with a corresponding reduction to the program liability. The Company is utilizing the new revenue recognition standard to account for this program, the difference of which is immaterial relative to the current standard.

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NOTE 3. INVENTORY

The net realizable value of inventory consisted of the following:

	September 30, 2017	December 31, 2016
	(in thousands)	
Finished product ready for sale (*)	$454,032	$509,209
Work-in-process, bulk product and raw materials (*)	73,757	67,275
Packaging supplies	6,638	6,728
Inventory	$534,427	$583,212

(*) The prior year December 31, 2016 balances have been revised for an $18.0 million correction in classification of certain amounts between finished product ready for sale and work-in-process, bulk product and raw materials. The correction had no impact on total inventory.

NOTE 4. GOODWILL AND OTHER LONG-LIVED ASSETS

Lucky Vitamin

Second Quarter 2017 Impairment Charge

The Company’s long-term plan is focused on the strategic changes around the One New GNC, which was launched in December 2016. The focus of the One New GNC includes single-tier pricing and loyalty programs for the Company’s U.S. corporate and franchise stores as well as GNC.com. During the second quarter of 2017, in order for the Company to focus on the aforementioned strategic plan, the Company considered strategic alternatives for the Lucky Vitamin e-commerce business, which was considered a triggering event requiring an interim goodwill impairment review of the Lucky Vitamin reporting unit as of June 30, 2017. As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, the estimated fair value for the Lucky Vitamin reporting unit exceeded its carrying value by less than 20% as of December 31, 2016.

The goodwill impairment test is performed by computing the fair value of the reporting unit and comparing it to the carrying value, including goodwill. If the carrying amount exceeds the fair value, an impairment charge is recorded for the difference. As described in Note 2, “Basis of Presentation,” the Company adopted ASU 2017-04 in the second quarter of 2017, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test.

The Company determined the fair value of the Lucky Vitamin reporting unit using a discounted cash flow method (income approach) and a guideline company method (market approach), each of which took into account the expectations regarding the potential strategic alternatives for the Lucky Vitamin business being explored in the second quarter of 2017. The key assumptions used under the income approach included, but were not limited to, the following:

- Future cash flow assumptions - The Company's projections for Lucky Vitamin were based on organic growth and were derived from historical experience and assumptions regarding future growth and profitability trends. The Company's analysis incorporated an assumed period of cash flows of 8 years with a terminal value.
- Discount rate - The discount rate was based on Lucky Vitamin’s estimated weighted average cost of capital ("WACC"). The components of WACC are the cost of equity and the cost of debt, each of which requires judgment by management to estimate. The Company developed its cost of equity estimate based on perceived risks and predictability of future cash flows. At June 30, 2017, the WACC used to estimate the fair value of the Lucky Vitamin reporting unit was 18.0%.

As a result of the review, the Company concluded that the carrying value of the Lucky Vitamin reporting unit exceeded its fair value, which resulted in a non-cash goodwill impairment charge of $11.5 million being recorded in the second quarter of 2017. There was no remaining goodwill balance on the Lucky Vitamin reporting unit after the

impact of this charge.

As a result of the impairment indicator described above, the Company also performed an impairment analysis with respect to its definite-long-lived assets on the Lucky Vitamin reporting unit, consisting of a trade name and property and equipment. The fair value of the trade name was determined using a relief from royalty method (income approach) and the fair value of the property and equipment was determined using an income approach. Based on the results of

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the analyses, the Company concluded that the carrying value of the Lucky Vitamin trade name and property and equipment exceed their fair values resulting in an impairment charge of $4.2 million and $3.7 million, respectively. All of the aforementioned non-cash charges totaling $19.4 million are recorded in long-lived asset impairments in the Consolidated Statement of Income within the U.S. and Canada segment and together with the asset impairment charges described below recorded in the current quarter resulted in total long-lived asset impairments of $23.2 million in the nine months ended September 30, 2017.

Asset Sale

The Company completed an asset sale of Lucky Vitamin on September 30, 2017, resulting in a loss of $1.7 million recorded within other loss, net on the Consolidated Statement of Income consisting of the net assets sold subtracted from the purchase price of $7.1 million and fees paid to a third-party. The proceeds were received in October 2017.

Other Long-Lived Asset Impairments

Management evaluated its property, plant and equipment and recorded $3.9 million in long-lived asset impairment charges in the quarter ended September 30, 2017 within the U.S. and Canada segment. This impairment related to certain of the Company's under-performing stores and the impact of Hurricane Maria on the Company's stores located in Puerto Rico. For individual under-performing stores, the impairment test was performed at the individual store level as this is the lowest level which identifiable cash flows are largely independent of other groups of assets and liabilities. Under-performing stores were generally defined as those with historical and expected future losses or stores that management intends on closing in the near term. If the undiscounted estimated cash flows were less than the carrying value of the asset group, an impairment charge was calculated by subtracting the estimated fair value of property and equipment from its carrying value. Fair value was estimated using a discounted cash flow method (income approach) utilizing the undiscounted cash flows computed in the first step of the test.

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Goodwill Roll-Forward