

GNC HOLDINGS, INC.  
Form 424B1  
March 14, 2012

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[INDEX TO CONSOLIDATED FINANCIAL STATEMENTS TABLE OF CONTENTS](#)

[Table of Contents](#)

Filed pursuant to Rule 424(b)(1)  
Registration No. 333-179838

**PROSPECTUS**

17,000,000 Shares

**GNC Holdings, Inc.**

**Class A Common Stock**

This is a public offering of the shares of Class A common stock of GNC Holdings, Inc. The shares of Class A common stock are being sold by the selling stockholders named in this prospectus, some of whom are our affiliates. We will not receive any proceeds from the sale of the shares of Class A common stock sold in this offering.

Our Class A common stock is listed on the New York Stock Exchange (the "NYSE") under the symbol "GNC". On March 13, 2012, the last sale price of our Class A common stock on the NYSE was \$33.95 per share.

*Investing in our Class A common stock involves risk. See "Risk Factors" beginning on page 14 of this prospectus.*

	<b>Per Share</b>	<b>Total</b>
Public offering price	\$ 33.50000	\$ 569,500,000
Underwriting discounts and commissions	\$ 1.25625	\$ 21,356,250
Proceeds, before expenses, to the selling stockholders	\$ 32.24375	\$ 548,143,750

The selling stockholders have granted the underwriters a 30-day option to purchase up to 2,550,000 additional shares of Class A common stock at the offering price, less the underwriting discount. We will not receive any proceeds from the exercise of the underwriters' option to purchase additional shares.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

Delivery of the shares of Class A common stock will be made on or about March 19, 2012.

**J.P. Morgan**  
**Deutsche Bank Securities**

**Goldman, Sachs & Co.**  
**Morgan Stanley**

**Barclays Capital  
William Blair & Company**

**Credit Suisse  
BMO Capital Markets**

The date of this prospectus is March 13, 2012.

---

Table of Contents





Table of Contents

TABLE OF CONTENTS

	<b>Page</b>
<u>Prospectus Summary</u>	<u>1</u>
<u>Risk Factors</u>	<u>14</u>
<u>Special Note Regarding Forward-Looking Statements</u>	<u>35</u>
<u>Use of Proceeds</u>	<u>37</u>
<u>Dividend Policy</u>	<u>37</u>
<u>Price Range of Our Class A Common Stock</u>	<u>38</u>
<u>Capitalization</u>	<u>39</u>
<u>Selected Consolidated Financial Data</u>	<u>40</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>43</u>
<u>Business</u>	<u>63</u>
<u>Management</u>	<u>94</u>
<u>Executive Compensation</u>	<u>103</u>
<u>Principal and Selling Stockholders</u>	<u>129</u>
<u>Certain Relationships and Related Transactions</u>	<u>132</u>
<u>Description of Capital Stock</u>	<u>136</u>
<u>Description of Certain Debt</u>	<u>141</u>
<u>Shares Eligible for Future Sale</u>	<u>143</u>
<u>Material United States Federal Tax Consequences to Non-United States Stockholders</u>	<u>145</u>
<u>Underwriting</u>	<u>149</u>
<u>Legal Matters</u>	<u>154</u>
<u>Experts</u>	<u>154</u>
<u>Where You Can Find More Information</u>	<u>154</u>
<u>Index to Consolidated Financial Statements</u>	<u>F-1</u>

---

Table of Contents

**PROSPECTUS SUMMARY**

*This summary highlights the information contained in this prospectus. Because this is only a summary, it does not contain all of the information that may be important to you. For a more complete understanding of the information that you may consider important in making your investment decision, we encourage you to read this entire prospectus. Before making an investment decision, you should carefully consider the information under the heading "Risk Factors" and our consolidated financial statements and their notes in this prospectus. Unless the context requires otherwise, "we", "us", "our" and "GNC" refer to GNC Holdings, Inc. ("Holdings") and its subsidiaries and, for periods prior to March 16, 2007, our predecessor. See "Business Corporate History". References to "our stores" refer to our company-owned stores and our franchise stores. References to our "locations" refer to our stores and our "store-within-a-store" locations at Rite Aid.*

**Our Company**

Based on our worldwide network of more than 7,600 locations and our online channels, we believe we are the leading global specialty retailer of health and wellness products, including vitamins, minerals and herbal supplements ("VMHS") products, sports nutrition products and diet products. Our diversified, multi-channel business model derives revenue from product sales through company-owned domestic retail stores, domestic and international franchise activities, third-party contract manufacturing, e-commerce and corporate partnerships. We believe that the strength of our GNC brand, which is distinctively associated with health and wellness, combined with our stores and online channels, give us broad access to consumers and uniquely position us to benefit from the favorable trends driving growth in the nutritional supplements industry and the broader health and wellness sector. Our broad and deep product mix, which is focused on high-margin, premium, value-added nutritional products, is sold under our GNC proprietary brands, including Mega Men®, Ultra Mega®, GNC Total Lean, Pro Performance® and Pro Performance® AMP, and under nationally recognized third-party brands.

Based on the information we compiled from the public securities filings of our primary competitors, our network of domestic retail locations is approximately eleven times larger than the next largest U.S. specialty retailer of nutritional supplements and provides a leading platform for our vendors to distribute their products to their target consumers. Our close relationships with our vendor partners have enabled us to negotiate first-to-market opportunities. In addition, our in-house product development capabilities enable us to offer our customers proprietary merchandise that can only be purchased through our locations or through GNC.com. Since the nutritional supplement consumer often requires knowledgeable customer service, we also differentiate ourselves from mass and drug retailers with our well-trained sales associates who are aided by in-store technology. We believe that our expansive retail network, differentiated merchandise offering and quality customer service result in a unique shopping experience that is distinct from that of our competitors.

**Recent Transformation of GNC**

Beginning in 2006, we executed a series of strategic initiatives to enhance our existing business and growth profile. Specifically, we:

*Assembled a world-class management team.* We made key senior management upgrades to complement the existing leadership of GNC and to establish a foundation for growth and innovation.

*Adopted a comprehensive approach to brand building and the retail experience.* We modernized GNC's brand image, product packaging and media campaigns, and enhanced the in-store shopping experience for our customers.

Table of Contents

*Increased focus on proprietary product development and innovation to drive growth in retail sales.* We increased revenue contribution from proprietary product lines through a series of successful GNC-branded product launches (Vitapak®, Pro Performance® AMP and GNC Total Lean), as well as recent launches of preferred third-party product offerings.

*Restaged and expanded e-commerce business.* We executed an overall website redesign in September 2009 in an effort to increase traffic and conversion rates, while enhancing overall functionality of the site. We believe this redesign has positioned GNC.com to continue capturing market share within one of the fastest growing channels of distribution in the U.S. nutritional supplements industry.

*Invested capital to support future growth.* During 2008 and 2009, we upgraded our point-of-sale systems to improve retail business processes, customer data collection and associate training, and to enhance the customer experience. In 2008, we also invested in our Greenville, South Carolina manufacturing facility to add capacity with respect to our soft gelatin capsule production and vitamin production and enhanced our packaging capabilities.

*Launched partnership programs designed to leverage GNC's brand strength.* In 2010, we partnered with PetSmart to launch an exclusive line of GNC-branded pet supplements. During the first quarter of 2011, we began making wholesale sales of our proprietary products to Sam's Club, which increases the visibility of our branded product lines.

**Industry Overview**

We operate within the large and growing U.S. nutritional supplements industry. According to Nutrition Business Journal's Supplement Business Report 2011, our industry generated \$26.9 billion in sales in 2009 and \$28.1 billion in 2010, and is projected to grow at an average annual rate of approximately 3.7% through 2017. Our industry is highly fragmented, and we believe this fragmentation provides large operators, like us, the ability to compete more effectively due to scale advantages.

We expect several key demographic, healthcare and lifestyle trends to drive the continued growth of our industry. These trends include:

increasing awareness of nutritional supplements across major age and lifestyle segments of the U.S. population; and

increased focus on fitness and healthy living.

**Competitive Strengths**

We believe we are well-positioned to capitalize on favorable industry trends as a result of the following competitive strengths:

*Highly-valued and iconic brand.* According to a Beanstalk Marketing and LJS & Associates research study commissioned by us, we hold an 87% brand awareness rate with consumers, which we believe is significantly higher than our direct competitors. We believe our recently modernized brand image, communicated through enhanced advertising campaigns, in-store signage and product packaging, reinforces GNC's credibility as a leader in the industry.

*Attractive, loyal customer base.* Our large customer base includes approximately 4.9 million active Gold Card members in the United States and Canada who account for over 50% of company-owned retail sales.



Table of Contents

*Commanding market position in an attractive and growing industry.* Based on our broad global footprint of more than 7,600 locations in the United States and 53 international countries (including distribution centers where retail sales are made), and on GNC.com, we believe we are the leading global specialty retailer of health and wellness products within a fragmented industry.

*Unique product offerings and robust innovation capabilities.* Product innovation is critical to our growth, brand image superiority and competitive advantage. We have internal product development teams located in our corporate headquarters in Pittsburgh, Pennsylvania and our manufacturing facility in Greenville, South Carolina, which collaborate on the development and formulation of proprietary nutritional supplements with a focus on high growth categories. In 2011, we believe GNC branded products generated more than \$975 million of retail sales across company owned and domestic franchise stores, GNC.com and Rite-Aid store-within-a-store locations. In addition, our strong vendor relationships and large retail footprint ensure our retail stores frequently benefit from preferred distribution rights on certain new third-party products.

*Diversified business model.* Our multi-channel approach is unlike many other specialty retailers as we derive revenues across a number of distribution channels in multiple geographies, including retail sales from company-owned retail stores, retail sales from GNC.com, royalties, wholesale sales and fees from both domestic and international franchisees, revenue from third-party contract manufacturing and wholesale revenue and fees from our Rite Aid store-within-a-store locations, and wholesale revenues from Sam's Club and PetSmart. Our business is further diversified by our broad merchandise assortment.

*Vertically integrated operations that underpin our business strategy.* To support our company-owned and franchise store bases, we have developed sophisticated manufacturing, warehousing and distribution facilities. Our vertically integrated business model allows us to control the production and timing of new product introductions, control costs, maintain high standards of product quality, monitor delivery times, manage inventory levels and enhance profitability. Combined with our broad retail footprint, this model enables us to respond quickly to changes in consumer preferences and maintain a high pace of product innovation.

*Differentiated service model that fosters a "selling" culture and an exceptional customer experience.* We believe we distinguish ourselves from mass and drug retailers with our well-trained sales associates, who offer educated service and trusted advice. We believe that our expansive retail network, differentiated merchandise offering and high-quality customer service result in a unique shopping experience.

*World-class management team with a proven track record.* Our highly experienced and talented management team has a unique combination of leadership and experience across the retail industry.

As a result of our competitive strengths, we have maintained consistent revenue growth through the recent economic cycle. The fourth quarter of 2011 marked our 26th consecutive quarter of positive company-owned domestic same store sales growth. This consistent growth in company-owned retail sales, the positive operating leverage generated by our retail operations, cost containment initiatives, as well as growth in our other channels of distribution, have allowed us to expand our EBITDA margin by 730 basis points from 2005 to 2011.

Table of Contents

**Our Growth Strategy**

We plan to execute several strategies in the future to promote growth in revenue and operating income, and capture market share, including:

*Growing company-owned domestic retail earnings.* We believe growth in our domestic retail business will be supported by continued same store sales growth and positive operating leverage. The fourth quarter of 2011 marked our 26th consecutive quarter of positive company-owned domestic same store sales growth. We believe our continued positive same store sales growth will be supported by the forecasted industry growth, our marketing and brand building initiatives and future proprietary product introductions. Our existing store base and the supporting infrastructure enable us to convert a high percentage of our incremental sales volume into operating income, providing the opportunity to further expand our company-owned retail operating income margin.

*Growing company-owned domestic retail square footage.* For 2012, we expect to grow company-owned domestic retail square footage by approximately 3% to 4%. We believe that (i) the expansion of our store base will allow us to increase our market share and our appeal to a wider range of consumers as we enter new markets and grow within existing markets, and (ii) the U.S. market can support a significant number of additional GNC stores, including at least 4,500 total potential company-owned domestic and franchise stores (excluding Rite Aid store-within-a-store locations).

*Growing our international footprint.* Our international business has been a key driver of growth in recent years. We expect to continue capitalizing on international revenue growth opportunities through additions of franchise stores in existing markets, expansion into new high growth markets and the growth of product distribution in both existing and new markets. In 2011, we commenced wholesale operations in China through one of our subsidiaries and believe this market represents a significant growth opportunity.

*Expanding our e-commerce business.* We believe GNC.com is well-positioned to continue capturing market share online, which represents one of the fastest growing channels of distribution in the U.S. nutritional supplements industry. Additionally, in August 2011, we acquired S&G Properties, LLC d/b/a LuckyVitamin.com and What's the Big Deal?, Inc. d/b/a Gary's "World of Wellness" (collectively referred to as "LuckyVitamin.com"), a leading online retailer of health and wellness products, including a wide range of nationally branded nutritional supplements. We intend to continue to capitalize on the growth of GNC.com and our acquisition of LuckyVitamin.com, and we may explore opportunities to acquire additional web banners to expand our online market share.

*Further leveraging of the GNC brand.* As with our Rite Aid, Sam's Club and PetSmart partnerships, we believe we have the opportunity to create additional streams of revenue and grow our customer base by leveraging the GNC brand through corporate partnerships outside of our existing distribution channels.

**Recent Developments**

Domestic company-owned same store sales (including GNC.com internet sales, "Same Store Sales") is one of the primary drivers of our business and is thus indicative of our overall performance. Through January and February, 2012, preliminary results reflect that Same Store Sales increased by approximately 16% compared to the same period in the prior year due to continued strength in major product categories. This compares to an increase of approximately 6% in Same Store Sales for the first two months of fiscal 2011, and a 7.5% increase that we reported for the first quarter of fiscal 2011, compared to the same periods in the prior year. The first quarter of 2011 included a monthly Same Store Sales increase of 10.4% in March 2011 compared to March

Table of Contents

2010, which is notable because March 2011 marked the beginning of relatively higher Same Store Sales performance in 2011, which has continued in 2012.

The above information and expectations are based on preliminary data for only a portion of the first quarter, which has not been subjected to our normal quarter-end closing and review procedures. Because the preliminary information for this period is not for an entire fiscal period and will be subject to quarter-end closing procedures and/or adjustments, it should not be viewed as a substitute for full interim financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and reviewed by our auditors. This preliminary information could change materially and is not necessarily indicative of the results to be achieved for the quarter ending March 31, 2012, the remainder of fiscal year 2012 or any future period.

**The Sponsors**

As of February 28, 2012, Ares Corporate Opportunities Fund II, L.P. ("Ares") and Ontario Teachers' Pension Plan Board ("OTPP") collectively hold approximately 44.1% of our outstanding common stock. Ares and OTPP are collectively referred to in this prospectus as the "Sponsors". After giving effect to this offering and OTPP's conversion of 2,060,178 shares of Class B common stock into an equal number of shares of Class A common stock as described below, the Sponsors will collectively hold 30,247,482 shares of our Class A common stock, representing approximately 28.3% of our outstanding Class A common stock, and the Sponsors will have significant power to control our affairs and policies, including with respect to the election of directors (and through the election of directors the appointment of management), the entering into of mergers, sales of substantially all of our assets and other significant transactions. The Class A common stock and Class B common stock vote together as a single class on all matters and are substantially identical in all respects, including with respect to voting, dividends and conversion, except that the Class B common stock does not entitle its holder to vote for the election or removal of directors. In addition, a holder of Class B common stock may, at any time, elect to convert shares of Class B common stock into an equal number of shares of Class A common stock or, under certain circumstances, convert shares of Class A common stock into an equal number of shares of Class B common stock. After giving effect to this offering, there will be no shares of Class B common stock outstanding.

Immediately following the consummation of this offering, OTPP will convert 2,060,178 shares of Class B common stock into an equal number of shares of Class A common stock. As a result of such conversion and after giving effect to this offering, OTPP will hold 16,949,548 shares of our Class A common stock, representing approximately 15.9% of our outstanding Class A common stock. As a result of OTPP's conversion of Class B common stock into Class A common stock, there will be no shares of Class B common stock outstanding.

**Proceeds in Connection with this Offering**

The table below sets forth the proceeds that the Sponsors and our directors and executive officers expect to receive from the sale of our Class A common stock in connection with this offering, based on the offering price of \$33.50 per share, less the underwriting discount. The amounts below do not take into account amounts paid by the selling stockholders in connection with the exercise of stock options for shares of Class A common stock to be sold in this offering, or

Table of Contents

the sale of up to 2,550,000 additional shares of our Class A common stock that the underwriters have the option to purchase from the selling stockholders.

	<b>Proceeds from the sale of Class A common stock (in thousands)</b>
<b>Directors and Executive Officers:</b>	
Norman Axelrod(1)	\$ 2,705.3
Jeffrey P. Berger	
Andrew Claerhout	
Thomas Dowd	
Joseph Fortunato	1,612.2
Jeffrey Hennion	
Michael Hines	
David B. Kaplan	
Brian Klos	
Johann O. Koss	
Amy B. Lane	
Romeo Leemrijse	
Michael Locke	
Michael M. Nuzzo	
Guru Ramanathan	
Gerald J. Stubenhofer	
Richard J. Wallace	
<b>Sponsors:</b>	
Ares	237,677.4
OTPP	302,943.6

(1) Includes amounts that will be paid to AS Skip, LLC ("AS Skip"), of which Mr. Axelrod is the managing member.

**Risks Related to Our Business and Strategy**

Despite the competitive strengths described above, our ability to successfully operate our business is subject to numerous risks, including those that are generally associated with operating in the nutritional supplements industry. Any of the factors set forth under "Risk Factors" may limit our ability to successfully execute our business strategy. You should carefully consider all of the information set forth in this prospectus and, in particular, you should evaluate the specific factors set forth under "Risk Factors" in deciding whether to invest in our Class A common stock. Risks relating to our business and our ability to execute our business strategy include:

we may not effectively manage our growth;

we operate in a highly competitive industry and our failure to compete effectively could adversely affect our market share, revenues and growth prospects;

unfavorable publicity or consumer perception of our products could adversely affect our reputation and the demand for our products;

if the products we sell do not comply with new and existing regulatory and legislative requirements, we may be required to recall or remove these products from the market;



Table of Contents

if we do not introduce new products or make enhancements to meet the changing needs of our customers in a timely manner, some of our products could become obsolete;

our substantial debt could place us at a competitive disadvantage compared to our competitors that have less debt or that have greater capacity to service or refinance their debt;

we may not anticipate all of the challenges imposed by the expansion of our operations and, as a result, may not meet our targets for opening new stores, remodeling or relocating stores or expanding profitably; and

changes in our management team could adversely affect our business strategy and adversely impact our performance.

**Corporate Information**

We are a Delaware corporation. Our principal executive office is located at 300 Sixth Avenue, Pittsburgh, Pennsylvania 15222, and our telephone number is (412) 288-4600. We also maintain a website at GNC.com. The information contained on, or that can be accessed through, our website is not part of, and is not incorporated into, this prospectus. We own or have rights to trademarks or trade names that we use in conjunction with the operation of our business. Our service marks and trademarks include the GNC® name. Each trademark, trade name or service mark of any other company appearing in this prospectus belongs to its holder. Use or display by us of other parties' trademarks, trade names or service marks is not intended to and does not imply a relationship with, or endorsement or sponsorship by us of, the trademark, trade name or service mark owner.

---

We have not authorized anyone to provide any information or make any representations other than the information and representations in this prospectus or any free writing prospectus that we have authorized to be delivered to you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is not an offer to sell or a solicitation of an offer to buy shares in any jurisdiction where an offer or sale of shares would be unlawful. The information in this prospectus is complete and accurate only as of the date on the front cover regardless of the time of delivery of this prospectus or of any sale of shares of our Class A common stock.

---

**Market & Industry Information**

Throughout this prospectus, we use market data and industry forecasts and projections that were obtained from surveys and studies conducted by third parties, including the Nutrition Business Journal and Beanstalk Marketing and LJS & Associates, and from publicly available industry and general publications. Although we believe that the sources are reliable, and that the information contained in such surveys and studies conducted by third parties is accurate and reliable, we have not independently verified the information contained therein. We note that estimates, in particular as they relate to general expectations concerning our industry, involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" in this prospectus.

Table of Contents

**The Offering**

Class A common stock offered by the selling stockholders, some of whom are our affiliates 17,000,000 shares

Underwriters' option to purchase additional shares of Class A common stock from the selling stockholders in this offering 2,550,000 shares

Class A common stock outstanding after this offering 106,748,281 shares

Class B common stock outstanding after this offering 0 shares

Voting rights Each share of our Class A common stock entitles its holder to one vote per share on all matters to be voted upon by our stockholders. Each share of our Class B common stock entitles its holder to one vote per share on all matters to be voted upon by our stockholders, except with respect to the election or removal of directors, on which the holders of shares of our Class B common stock are not entitled to vote. Shortly after the consummation of this offering there will be no shares of Class B common stock outstanding. Under a stockholders agreement among the Sponsors and us (the "New Stockholders Agreement"), the Sponsors have the ability to nominate that number of directors (rounded up to the nearest whole number or, if such rounding would cause the Sponsors to have the right to elect a majority of our board of directors, rounded to the nearest whole number) that is the same percentage of the total number of directors comprising our board as the collective percentage of common stock owned by the Sponsors.

Conversion rights The shares of Class A common stock are convertible into shares of Class B common stock, in whole or in part, at any time and from time to time at the option of the holder so long as such holder holds Class B common stock, on the basis of one share of Class B common stock for each share of Class A common stock that it wishes to convert. The shares of Class B common stock are convertible into shares of Class A common stock, in whole or in part, at any time and from time to time at the option of the holder, on the basis of one share of Class A common stock for each share of Class B common stock that it wishes to convert.

Use of proceeds We will not receive any proceeds from this offering. See "Use of Proceeds" and "Principal and Selling Stockholders".

Table of Contents

Dividend policy	We currently intend to pay regular quarterly dividends; however, the declaration of such future dividends and the establishment of the per share amount, record dates and payment dates for such future dividends are subject to the final determination and approval of our board of directors and will depend on many factors, including our financial condition, future earnings and cash flows, legal requirements, taxes and any other factors that our board of directors deems relevant. See "Dividend Policy".
NYSE trading symbol	"GNC"
Risk factors	For a discussion of risks relating to our business and an investment in our Class A common stock, see "Risk Factors" beginning on page 14.

Except where we state otherwise, the outstanding Class A common stock information we present in this prospectus:

assumes that, immediately following the consummation of this offering, 2,060,178 shares of Class B common stock are converted into in an equal number of shares of Class A common stock;

assumes that, immediately prior to the consummation of this offering, 50,000 shares of Class A common stock are issued upon the exercise of stock options by certain selling stockholders for shares of Class A common stock to be sold in this offering;

excludes 4,989,183 shares of Class A common stock subject to outstanding stock options immediately following the consummation of this offering with a weighted average exercise price of \$13.55 per share; and

excludes 6,224,733 shares of Class A common stock available for future grant or issuance under our stock plans.

Unless we specifically state otherwise, the information in this prospectus does not take into account the sale of up to 2,550,000 shares of our Class A common stock that the underwriters have the option to purchase from the selling stockholders.



Table of Contents**Summary Consolidated Financial Data**

The summary consolidated financial data presented below as of December 31, 2011 and for the years ended December 31, 2011, 2010 and 2009 are derived from our audited consolidated financial statements and footnotes included elsewhere in this prospectus.

The following summary consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and footnotes included elsewhere in this prospectus.

	<b>Year Ended December 31, 2011</b>	<b>Year Ended December 31, 2010</b>	<b>Year Ended December 31, 2009</b>
<b>(Dollars in millions, except per share data and as noted)</b>			
<b>Statement of Income Data:</b>			
Total revenues	\$ 2,072.2	\$ 1,822.2	\$ 1,707.0
Gross profit	753.8	642.3	590.6
Operating income	282.5	212.4	181.0
Interest expense, net	74.9	65.4	69.9
Net income	132.3	96.6	69.5
<b>Earnings per share(1):</b>			
Basic	\$ 1.27	\$ 0.87	\$ 0.58
Diluted	\$ 1.24	\$ 0.85	\$ 0.58
<b>Other Data:</b>			
Net cash provided by operating activities	174.7	141.5	114.0
Net cash used in investing activities	(65.5)	(36.1)	(42.2)
Net cash used in financing activities	(173.6)	(1.5)	(26.4)
EBITDA(2)	329.3	259.4	227.7
Capital expenditures	43.8	32.5	28.7
<b>Number of Stores (at end of period):</b>			
Company-owned stores(3)	3,046	2,917	2,832
Franchise stores(3)	2,514	2,340	2,216
Store-within-a-store franchise locations(3)	2,125	2,003	1,869
<b>Same Store Sales Growth:(4)</b>			
Domestic company-owned, including web	10.1%	5.6%	2.8%
Domestic franchise	7.0%	2.9%	0.9%
Average revenue per company-owned domestic store (dollars in thousands)	\$ 469.7	\$ 438.2	\$ 422.4

Table of Contents

	<b>Year ended December 31, 2011</b>	
	<b>(Amounts in millions, except per share data)</b>	
<b>Income (Loss) Per Share Basic &amp; Diluted:</b>		
Net income	\$	132.3
Preferred stock dividends		(4.7)
Net income available to common stockholders	\$	127.6
<b>Earnings per share:</b>		
Basic	\$	1.27
Diluted	\$	1.24
<b>Weighted average common shares outstanding (in thousands):</b>		
Basic		100.3
Diluted		103.0

	<b>As of December 31, 2011</b>	
	<b>(Dollars in millions)</b>	
<b>Balance Sheet Data:</b>		
Cash and cash equivalents	\$	128.4
Working capital(5)		474.5
Total assets		2,429.6
Total current and non-current long-term debt		901.5
Total stockholders' equity		978.5

- (1) For the years ended December 31, 2011, 2010 and 2009, includes impact of dividends on shares of our Series A preferred stock, all of which were redeemed in connection with the initial public offering of our Class A common stock (the "IPO"), which was consummated on April 6, 2011.
- (2) We define EBITDA as net income before interest expense (net), income tax expense, depreciation and amortization. Management uses EBITDA as a tool to measure operating performance of the business. EBITDA is not a measurement of our financial performance in accordance with U.S. GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with U.S. GAAP, or as an alternative to U.S. GAAP cash flow from operating activities, as a measure of our profitability or liquidity.

Table of Contents

The following table reconciles EBITDA to net income as determined in accordance with U.S. GAAP for the periods indicated:

	<b>Year Ended December 31, 2011</b>	<b>Year Ended December 31, 2010</b>	<b>Year Ended December 31, 2009</b>
	(dollars in millions)		
Net income	\$ 132.3	\$ 96.6	\$ 69.5
Interest expense, net	74.9	65.4	69.9
Income tax expense	75.3	50.4	41.6
Depreciation and amortization	46.8	47.0	46.7
<b>EBITDA</b>	<b>\$ 329.3(a)</b>	<b>\$ 259.4(b)</b>	<b>\$ 227.7(c)</b>

- 
- (a) For the year ended December 31, 2011, EBITDA includes \$17.4 million of expenses, including \$13.5 million of expenses related to the IPO and the Fall Offering (as defined below), \$3.5 million of expenses related to executive severance and \$0.4 million of expenses related to payments to the Sponsors under the ACOF Management Services Agreement and Class B common stock, which payments ceased following the IPO.
- (b) For the year ended December 31, 2010, EBITDA includes the following expenses: \$4.0 million of expenses principally related to the exploration of strategic alternatives, and \$1.5 million of payments to the Sponsors under the ACOF Management Services Agreement and Class B common stock, which payments ceased following the IPO.
- (c) For the year ended December 31, 2009, EBITDA includes \$1.5 million related to payments to the Sponsors under the ACOF Management Services Agreement and Class B common stock, which payments ceased following the IPO.

Table of Contents

(3)

The following table summarizes our locations for the periods indicated:

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
<b>Company-Owned Stores</b>			
Beginning of period	2,917	2,832	2,774
Store openings	145	101	45
Franchise conversions(a)	30	24	53
Store closings(b)	(46)	(40)	(40)
End of period balance	3,046	2,917	2,832
<b>Franchise Stores</b>			
<b>Domestic</b>			
Beginning of period	903	909	954
Store openings(b)	63	42	31
Store closings(c)	(42)	(48)	(76)
End of period balance	924	903	909
<b>International</b>			
Beginning of period	1,437	1,307	1,190
Store openings	195	232	187
Store closings	(42)	(102)	(70)
End of period balance	1,590	1,437	1,307
<b>Store-within-a-Store (Rite Aid)</b>			
Beginning of period	2,003	1,869	1,712
Store openings	127	150	177
Store closings	(5)	(16)	(20)
End of period balance	2,125	2,003	1,869
<b>Total stores</b>	<b>7,685</b>	<b>7,260</b>	<b>6,917</b>

(a) Stores that were acquired from franchisees and subsequently converted into company-owned stores.

(b) Includes corporate store locations acquired by franchisees.

(c) Includes franchise stores closed and acquired by us.

(4) Same store sales growth reflects the percentage change in same store sales in the period presented compared to the prior year period. Same store sales are calculated on a daily basis for each store and exclude the net sales of a store for any period if the store was not open during the same period of the prior year. Beginning in the first quarter of 2006, we also included our internet sales, as generated through GNC.com and www.drugstore.com, in our company-owned domestic same store sales calculation. When a store's square footage has been changed as a result of reconfiguration or relocation in the same mall or shopping center, the store continues to be treated as a same store. If, during the period presented, a store was closed, relocated to a different mall or shopping center, or converted to a franchise store or a company-owned store, sales from that store up to and including the closing day or the day

## Edgar Filing: GNC HOLDINGS, INC. - Form 424B1

immediately preceding the relocation or conversion are included as same store sales as long as the store was open during the same period of the prior year. We exclude from the calculation sales during the period presented that occurred on or after the date of relocation to a different mall or shopping center or the date of a conversion.

(5)

Working capital represents current assets less current liabilities.

Table of Contents

**RISK FACTORS**

*You should carefully consider the risks described below and all other information contained in this prospectus before making an investment decision. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of our Class A common stock could decline, and you may lose part or all of your investment.*

**Risks Relating to Our Business and Industry**

*We may not effectively manage our growth, which could materially harm our business.*

We expect that our business will continue to grow, which may place a significant strain on our management, personnel, systems and resources. We must continue to improve our operational and financial systems and managerial controls and procedures, and we will need to continue to expand, train and manage our technology and workforce. We must also maintain close coordination among our technology, compliance, accounting, finance, marketing and sales organizations. We cannot assure you that we will manage our growth effectively. If we fail to do so, our business could be materially harmed.

Our continued growth will require an increased investment by us in technology, facilities, personnel and financial and management systems and controls. It also will require expansion of our procedures for monitoring and assuring our compliance with applicable regulations, and we will need to integrate, train and manage a growing employee base. The expansion of our existing businesses, any expansion into new businesses and the resulting growth of our employee base will increase our need for internal audit and monitoring processes that are more extensive and broader in scope than those we have historically required. We may not be successful in identifying or implementing all of the processes that are necessary. Further, unless our growth results in an increase in our revenues that is proportionate to the increase in our costs associated with this growth, our operating margins and profitability will be adversely affected.

*We operate in a highly competitive industry. Our failure to compete effectively could adversely affect our market share, revenues and growth prospects.*

The U.S. nutritional supplements retail industry is large and highly fragmented. Participants include specialty retailers, supermarkets, drugstores, mass merchants, multi-level marketing organizations, on-line merchants, mail-order companies and a variety of other smaller participants. We believe that the market is also highly sensitive to the introduction of new products, which may rapidly capture a significant share of the market. In the United States, we also compete for sales with heavily advertised national brands manufactured by large pharmaceutical and food companies, as well as other retailers. In addition, as some products become more mainstream, we experience increased price competition for those products as more participants enter the market. Our international competitors include large international pharmacy chains, major international supermarket chains and other large U.S.-based companies with international operations. Our wholesale and manufacturing operations compete with other wholesalers and manufacturers of third-party nutritional supplements. We may not be able to compete effectively and our attempts to do so may require us to reduce our prices, which may result in lower margins. Failure to effectively compete could adversely affect our market share, revenues and growth prospects.

Table of Contents

***Unfavorable publicity or consumer perception of our products, the ingredients they contain and any similar products distributed by other companies could cause fluctuations in our operating results and could have a material adverse effect on our reputation, the demand for our products and our ability to generate revenues and the market price of our Class A common stock.***

We are highly dependent upon consumer perception of the safety and quality of our products and the ingredients they contain, as well as similar products distributed by other companies. Consumer perception of products and the ingredients they contain can be significantly influenced by scientific research or findings, national media attention and other publicity about product use. A product may be received favorably, resulting in high sales associated with that product that may not be sustainable as consumer preferences change. Future scientific research or publicity could be unfavorable to our industry or any of our particular products or the ingredients they contain and may not be consistent with earlier favorable research or publicity. A future research report or publicity that is perceived by our consumers as less favorable or that questions earlier research or publicity could have a material adverse effect on our ability to generate revenues. For example, sales of our products containing ephedra were initially strong, but subsequently decreased as a result of negative publicity and an ultimate ban of such products by the Food and Drug Administration (the "FDA"). As such, period-to-period comparisons of our results should not be relied upon as a measure of our future performance. Adverse publicity in the form of published scientific research or otherwise, whether or not accurate, that associates consumption of our products or the ingredients they contain or any other similar products distributed by other companies with illness or other adverse effects, that questions the benefits of our or similar products, or that claims that such products are ineffective could have a material adverse effect on our reputation, the demand for our products, our ability to generate revenues and the market price of our Class A common stock.

***Our failure to appropriately respond to changing consumer preferences and demand for new products could significantly harm our customer relationships and product sales.***

Our business is particularly subject to changing consumer trends and preferences. Our continued success depends in part on our ability to anticipate and respond to these changes, and we may not be able to respond in a timely or commercially appropriate manner to these changes. If we are unable to do so, our customer relationships and product sales could be harmed significantly.

Furthermore, the nutritional supplements industry is characterized by rapid and frequent changes in demand for products and new product introductions. Our failure to accurately predict these trends could negatively impact consumer opinion of our stores as a source for the latest products. This could harm our customer relationships and cause losses to our market share. The success of our new product offerings depends upon a number of factors, including our ability to: accurately anticipate customer needs; innovate and develop new products; successfully commercialize new products in a timely manner; price our products competitively; manufacture and deliver our products in sufficient volumes and in a timely manner; and differentiate our product offerings from those of our competitors.

If we do not introduce new products or make enhancements to meet the changing needs of our customers in a timely manner, some of our products could become obsolete, which could have a material adverse effect on our revenues and operating results.

Table of Contents

***Our substantial debt could adversely affect our results of operations and financial condition and otherwise adversely impact our operating income and growth prospects.***

As of December 31, 2011, our total consolidated long-term debt (including current portion) was approximately \$901.5 million, and we had an additional \$72.0 million available under the Revolving Credit Facility (as defined in this prospectus) after giving effect to \$8.0 million utilized to secure letters of credit.

All of the debt under the Senior Credit Facility (as defined in this prospectus) bears interest at variable rates. Our unhedged debt is subject to additional interest expense if these rates increase significantly, which could also reduce our ability to borrow additional funds.

Our substantial debt could have material consequences on our financial condition. For example, it could:

increase our vulnerability to general adverse economic and industry conditions;

require us to use all or a large portion of our cash flow from operations to pay principal and interest on our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other business activities;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

restrict us from making strategic acquisitions or exploiting business opportunities;

place us at a competitive disadvantage compared to our competitors that have less debt; and

limit our ability to borrow additional funds or pay cash dividends.

For additional information regarding the interest rates and maturity dates of our existing debt, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources".

We may be able to incur additional debt in the future, including collateralized debt. Although the Senior Credit Facility contains restrictions on the incurrence of additional debt, these restrictions are subject to a number of qualifications and exceptions. If additional debt is added to our current level of debt, the risks described above would increase.

***Our ability to continue to access credit on the terms previously obtained for the funding of our operations and capital projects may be limited due to changes in credit markets.***

In recent periods, the credit markets and the financial services industry have experienced disruption characterized by the bankruptcy, failure, collapse or sale of various financial institutions, increased volatility in securities prices, diminished liquidity and credit availability and intervention from the United States and other governments. Continued concerns about the systemic impact of potential long-term or widespread downturn, energy costs, geopolitical issues, the availability and cost of credit, the global commercial and residential real estate markets and related mortgage markets and reduced consumer confidence have contributed to increased market volatility. The cost and availability of credit has been and may continue to be adversely affected by these conditions. We cannot be certain that funding for our capital needs will be available from our existing financial institutions and the credit markets if needed, and if available, to the extent required and on acceptable terms. The Revolving Credit Facility matures in March 2016. If we cannot renew or refinance this facility upon its maturity or, more generally, obtain funding when needed, in each case on acceptable terms, we may be unable to continue our current rate of growth and store expansion, which may have an adverse effect on our revenues and results of operations.



Table of Contents

***We require a significant amount of cash to service our debt. Our ability to generate cash depends on many factors beyond our control and, as a result, we may not be able to make payments on our debt obligations.***

We may be unable to generate sufficient cash flow from operations or to obtain future borrowings under our credit facilities or otherwise in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. In addition, because we conduct our operations through our operating subsidiaries, we depend on those entities for dividends and other payments to generate the funds necessary to meet our financial obligations, including payments on our debt. Under certain circumstances, legal and contractual restrictions, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. If we do not have sufficient liquidity, we may need to refinance or restructure all or a portion of our debt on or before maturity, sell assets or borrow more money, which we may not be able to do on terms satisfactory to us or at all. In addition, any refinancing could be at higher interest rates and may require us to comply with more onerous covenants which could further restrict our business operations.

If we are unable to meet our obligations with respect to our debt, we could be forced to restructure or refinance our debt, seek equity financing or sell assets. A default on any of our debt obligations could trigger certain acceleration clauses and cause those and our other obligations to become immediately due and payable. Upon an acceleration of any of our debt, we may not be able to make payments under our other outstanding debt.

***Restrictions in the agreements governing our existing and future indebtedness may prevent us from taking actions that we believe would be in the best interest of our business.***

The agreements governing our existing indebtedness contain and the agreements governing our future indebtedness will likely contain customary restrictions on us or our subsidiaries, including covenants that restrict us or our subsidiaries, as the case may be, from:

incurring additional indebtedness and issuing preferred stock;

granting liens on our assets;

making investments;

consolidating or merging with, or acquiring, another business;

selling or otherwise disposing of our assets;

paying dividends and making other distributions to our stockholders;

entering into transactions with our affiliates; and

incurring capital expenditures in excess of limitations set within the agreement.

The Revolving Credit Facility also requires that, to the extent borrowings thereunder (including outstanding letters of credit) exceed \$25 million, we meet a senior secured debt ratio of consolidated senior secured debt to consolidated earnings before interest, taxes, depreciation and amortization, or EBITDA. See "Description of Certain Debt – Senior Credit Facility" for additional information. If we fail to satisfy such ratio, then we will be restricted from drawing the remaining \$55 million of available borrowings under the Revolving Credit Facility, which may impair our liquidity.

Our ability to comply with these covenants and other provisions of the Senior Credit Facility may be affected by changes in our operating and financial performance, changes in general business and economic conditions, adverse regulatory developments or other events beyond our



Table of Contents

control. The breach of any of these covenants could result in a default under our debt, which could cause those and other obligations to become immediately due and payable. In addition, these restrictions may prevent us from taking actions that we believe would be in the best interest of our business and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted.

***We depend on the services of key executives and changes in our management team could affect our business strategy and adversely impact our performance and results of operations.***

Our senior executives are important to our success because they have been instrumental in setting our strategic direction, operating our business, identifying, recruiting and training key personnel, identifying opportunities and arranging necessary financing. Losing the services of any of these individuals could adversely affect our business until a suitable replacement is hired. We believe that our senior executives could not be replaced quickly with executives of equal experience and capabilities. We do not maintain key person life insurance policies on any of our executives.

***If our risk management methods are not effective, our business, reputation and financial results may be adversely affected.***

We have methods to identify, monitor and manage our risks; however, these methods may not be fully effective. Some of our risk management methods may depend upon evaluation of information regarding markets, customers or other matters that are publicly available or otherwise accessible by us. That information may not in all cases be accurate, complete, up-to-date or properly evaluated. If our methods are not fully effective or we are not successful in monitoring or evaluating the risks to which we are or may be exposed, our business, reputation, financial condition and operating results could be materially and adversely affected. In addition, our insurance policies may not provide adequate coverage.

***Compliance with new and existing governmental regulations could increase our costs significantly and adversely affect our results of operations.***

The processing, formulation, safety, manufacturing, packaging, labeling, advertising and distribution of our products are subject to federal laws and regulation by one or more federal agencies, including the FDA, the Federal Trade Commission (the "FTC"), the Consumer Product Safety Commission (the "CPSC"), the United States Department of Agriculture (the "USDA") and the Environmental Protection Agency (the "EPA"). These activities are also regulated by various state, local and international laws and agencies of the states and localities in which our products are sold. Government regulations may prevent or delay the introduction, or require the reformulation, of our products, which could result in lost revenues and increased costs to us. For instance, the FDA regulates, among other things, the composition, safety, manufacture, labeling and marketing of dietary supplements (including vitamins, minerals, herbs, and other dietary ingredients for human use). The FDA may not accept the evidence of safety for any new dietary ingredient that we may wish to market, may determine that a particular dietary supplement or ingredient presents an unacceptable health risk based on the required submission of serious adverse events or other information, and may determine that a particular claim or statement of nutritional value that we use to support the marketing of a dietary supplement is an impermissible drug claim, is not substantiated, or is an unauthorized version of a "health claim". See "Business Government Regulation Product Regulation" for additional information. Any of these actions could prevent us from marketing particular dietary supplement products or making certain claims or statements with respect to those products. The FDA could also require us to remove a particular product from the market. Any future recall or removal would result in additional costs to us, including lost revenues from any products that we are required to remove from the market, any of which could be material.

Table of Contents

Any product recalls or removals could also lead to an increased risk of litigation and liability, substantial costs, and reduced growth prospects.

Additional or more stringent laws and regulations of dietary supplements and other products have been considered from time to time. These developments could require reformulation of some products to meet new standards, recalls or discontinuance of some products not able to be reformulated, additional record-keeping requirements, increased documentation of the properties of some products, additional or different labeling, additional scientific substantiation, or other new requirements. Any of these developments could increase our costs significantly.

For example, the Dietary Supplement Labeling Act of 2011, which was introduced in July 2011 (S1310), would amend the Federal Food, Drug, and Cosmetic Act (the "FDC Act") to, among other things, (i) require dietary supplement manufacturers to register the dietary supplements that they manufacture with the FDA (and provide a list of the ingredients in and copies of the labels and labeling of the supplements), (ii) mandate the FDA and the Institute of Medicine to identify dietary ingredients that cause potentially serious adverse effects, (iii) require warning statements for dietary supplements containing potentially unsafe ingredients and (iv) require that FDA define the term "conventional food". If the bill is reintroduced and enacted, it could restrict the number of dietary supplements available for sale, increase our costs, liabilities and potential penalties associated with manufacturing and selling dietary supplements, and reduce our growth prospects.

In addition, regulators' evolving interpretation of existing laws could have similar effects. For example, in July 2011, the FDA issued draft guidance explaining its interpretation of the requirement for the notification of certain new dietary ingredients. Although FDA guidance is not mandatory, and companies are free to use an alternative approach if the approach satisfies the requirements of applicable laws and regulations, FDA guidance is a strong indication of the FDA's "current thinking" on the topic discussed in the guidance, including its position on enforcement. At this time, it is difficult to determine whether the draft guidance, if finalized, would have a material impact on our operations. However, if the FDA were to enforce the applicable statutes and regulations in accordance with the draft guidance as written, such enforcement could require us to incur additional expenses, which could be significant and have a material adverse effect on our business in several ways, including, but not limited to, enjoining the manufacturing of our products until the FDA determines that we are in compliance and can resume manufacturing, increasing our liability and reducing our growth prospects.

***Our failure to comply with FTC regulations and existing consent decrees imposed on us by the FTC could result in substantial monetary penalties and could adversely affect our operating results.***

The FTC exercises jurisdiction over the advertising of dietary supplements and has instituted numerous enforcement actions against dietary supplement companies, including us, for failure to have adequate substantiation for claims made in advertising or for the use of false or misleading advertising claims. As a result of these enforcement actions, we are currently subject to three consent decrees that limit our ability to make certain claims with respect to our products and required us in the past to pay civil penalties and other amounts in the aggregate amount of \$3.0 million. See "Business Government Regulation Product Regulation" for more information. Failure by us or our franchisees to comply with the consent decrees and applicable regulations could occur from time to time. Violations of these orders could result in substantial monetary penalties, which could have a material adverse effect on our financial condition or results of operations.

Table of Contents

***We may incur material product liability claims, which could increase our costs and adversely affect our reputation, revenues, and operating income.***

As a retailer, distributor and manufacturer of products designed for human consumption, we are subject to product liability claims if the use of our products is alleged to have resulted in injury. Our products consist of vitamins, minerals, herbs and other ingredients that are classified as foods or dietary supplements and are not subject to pre-market regulatory approval in the United States. Our products could contain contaminated substances, and some of our products contain ingredients that do not have long histories of human consumption. Previously unknown adverse reactions resulting from human consumption of these ingredients could occur.

In addition, third-party manufacturers produce many of the products we sell. As a distributor of products manufactured by third parties, we may also be liable for various product liability claims for products we do not manufacture. Although our purchase agreements with our third-party vendors typically require the vendor to indemnify us to the extent of any such claims, any such indemnification is limited by its terms. Moreover, as a practical matter, any such indemnification is dependent on the creditworthiness of the indemnifying party and its insurer, and the absence of significant defenses by the insurers. We may be unable to obtain full recovery from the insurer or any indemnifying third party in respect of any claims against us in connection with products manufactured by such third party.

We have been and may be subject to various product liability claims, including, among others, that our products include inadequate instructions for use or inadequate warnings concerning possible side effects and interactions with other substances. For example, as of December 31, 2011, there were 75 pending lawsuits related to Hydroxycut in which GNC had been named, including 69 individual, largely personal injury claims and six putative class action cases. See "Business Legal Proceedings".

Even with adequate insurance and indemnification, product liability claims could significantly damage our reputation and consumer confidence in our products. Our litigation expenses could increase as well, which also could have a material adverse effect on our results of operations even if a product liability claim is unsuccessful or is not fully pursued.

***We may experience product recalls, which could reduce our sales and margin and adversely affect our results of operations.***

We may be subject to product recalls, withdrawals or seizures if any of the products we formulate, manufacture or sell are believed to cause injury or illness or if we are alleged to have violated governmental regulations in the manufacturing, labeling, promotion, sale or distribution of such products. For example, in May 2009, the FDA warned consumers to stop using Hydroxycut diet products, which are produced by Iovate Health Sciences, Inc. ("Iovate") and were sold in our stores. Iovate issued a voluntary recall, with which we fully complied. Sales of the recalled Hydroxycut products amounted to approximately \$57.8 million, or 4.7% of our retail sales in 2008, and \$18.8 million, or 4.2% of our retail sales in the first four months of 2009. We provided refunds or gift cards to consumers who returned these products to our stores. In the second quarter of 2009, we experienced a reduction in sales and margin due to this recall as a result of accepting returns of products from customers and a loss of sales as a replacement product was not available. Through December 31, 2011, we estimate that we have refunded approximately \$3.5 million to our retail customers and approximately \$1.6 million to our wholesale customers for Hydroxycut product returns. Our results of operations may continue to be affected by the Hydroxycut recall. Any additional recall, withdrawal or seizure of any of the products we formulate, manufacture or sell would require significant management attention, would likely result in substantial and unexpected expenditures and could materially and adversely affect our business, financial condition or results of

Table of Contents

operations. Furthermore, a recall, withdrawal or seizure of any of our products could materially and adversely affect consumer confidence in our brands and decrease demand for our products and the market price of the Class A common stock.

As is common in our industry, we rely on our third-party vendors to ensure that the products they manufacture and sell to us comply with all applicable regulatory and legislative requirements. In general, we seek representations and warranties, indemnification and/or insurance from our vendors. However, even with adequate insurance and indemnification, any claims of non-compliance could significantly damage our reputation and consumer confidence in our products, and materially and adversely affect the market price of the Class A common stock. In addition, the failure of such products to comply with applicable regulatory and legislative requirements could prevent us from marketing the products or require us to recall or remove such products from the market, which in certain cases could materially and adversely affect our business, financial condition and results of operation. For example, we sell products manufactured by third parties that contain derivatives from geranium, known as 1,3-dimethylpentylamine/dimethylamylamine/1,3-dimethylamylamine ("DMAA"). Although we have received representations from our third-party vendors that these products comply with applicable regulatory and legislative requirements, recent media articles have suggested that DMAA may not comply with the Dietary Supplement Health and Education Act of 1994 ("DSHEA"). In December 2011, the U.S. military asked us to temporarily remove products containing DMAA from our stores on its bases pending the outcome of a precautionary review. That review is still pending. If it is determined that DMAA does not comply with applicable regulatory and legislative requirements, we could be required to recall or remove from the market all products containing DMAA and we could become subject to lawsuits related to any alleged non-compliance, any of which could materially and adversely affect our business, financial condition and results of operations. In the past, we have attempted to offset any losses related to recalls and removals with reformulated or alternative products; however, there can be no assurance that we would be able to offset all or any portion of such losses related to any future removal or recall.

***Our operations are subject to environmental and health and safety laws and regulations that may increase our cost of operations or expose us to environmental liabilities.***

Our operations are subject to environmental and health and safety laws and regulations, and some of our operations require environmental permits and controls to prevent and limit pollution of the environment. We could incur significant costs as a result of violations of, or liabilities under, environmental laws and regulations, or to maintain compliance with such environmental laws, regulations or permit requirements. For example, in March 2008, the South Carolina Department of Health and Environmental Control ("DHEC") requested that we investigate contamination associated with historical activities at one of our South Carolina facilities. These investigations have identified chlorinated solvent impacts in soils and groundwater that extend offsite from our facility. We are continuing these investigations in order to understand the extent of these impacts and develop appropriate remedial measures for DHEC approval. At this stage of the investigation, however, it is not possible to accurately estimate the timing and extent of any remedial action that may be required, the ultimate cost of remediation or the amount of our potential liability.

In addition to the foregoing, we are subject to numerous federal, state, local and foreign environmental and health and safety laws and regulations governing our operations, including the handling, transportation and disposal of our non-hazardous and hazardous substances and wastes, as well as emissions and discharges from its operations into the environment, including discharges to air, surface water and groundwater. Failure to comply with such laws and regulations could result in costs for remedial actions, penalties or the imposition of other liabilities. New laws, changes in existing laws or the interpretation thereof, or the development of new facts or changes in their

Table of Contents

processes could also cause us to incur additional capital and operating expenditures to maintain compliance with environmental laws and regulations and environmental permits. We also are subject to laws and regulations that impose liability and cleanup responsibility for releases of hazardous substances into the environment without regard to fault or knowledge about the condition or action causing the liability. Under certain of these laws and regulations, such liabilities can be imposed for cleanup of previously owned or operated properties, or for properties to which substances or wastes that were sent in connection with current or former operations at its facilities. The presence of contamination from such substances or wastes could also adversely affect our ability to sell or lease our properties, or to use them as collateral for financing.

***We are not insured for a significant portion of our claims exposure, which could materially and adversely affect our operating income and profitability.***

We have procured insurance independently for the following areas: (1) general liability; (2) product liability; (3) directors and officers liability; (4) property insurance; (5) workers' compensation insurance; and (6) various other areas. In addition, although we believe that we will continue to be able to obtain insurance in these areas in the future, because of increased selectivity by insurance providers, we may only be able to obtain such insurance at increased rates and/or with reduced coverage levels. Furthermore, we are self-insured for other areas, including: (1) medical benefits; (2) physical damage to our tractors, trailers and fleet vehicles for field personnel use; and (3) physical damages that may occur at company-owned stores. We are not insured for some property and casualty risks due to the frequency and severity of a loss, the cost of insurance and the overall risk analysis. In addition, we carry product liability insurance coverage that requires us to pay deductibles/retentions with primary and excess liability coverage above the deductible/retention amount. Because of our deductibles and self-insured retention amounts, we have significant exposure to fluctuations in the number and severity of claims. We currently maintain product liability insurance with a retention of \$3.0 million per claim with an aggregate cap on retained loss of \$10.0 million. We could raise our deductibles/retentions, which would increase our already significant exposure to expense from claims. If any claim exceeds our coverage, we would bear the excess expense, in addition to our other self-insured amounts. If the frequency or severity of claims or our expenses increase, our operating income and profitability could be materially and adversely affected. See "Business Legal Proceedings".

***Because we rely on our manufacturing operations to produce a significant amount of the products we sell, disruptions in our manufacturing system or losses of manufacturing certifications could adversely affect our sales and customer relationships.***

Our manufacturing operations produced approximately 33% and 35% of the products we sold for the years ended December 31, 2011 and 2010, respectively. Other than powders and liquids, nearly all of our proprietary products are produced in our manufacturing facility located in Greenville, South Carolina. In 2011, no one vendor supplied more than 10% of our raw materials. In the event any of our third-party suppliers or vendors becomes unable or unwilling to continue to provide raw materials in the required volumes and quality levels or in a timely manner, we would be required to identify and obtain acceptable replacement supply sources. If we are unable to identify and obtain alternative supply sources, our business could be adversely affected. Any significant disruption in our operations at our Greenville, South Carolina facility for any reason, including regulatory requirements, an FDA determination that the facility is not in compliance with the current Good Manufacturing Practice ("cGMP") regulations, the loss of certifications, power interruptions, fires, hurricanes, war or other force of nature, could disrupt our supply of products, adversely affecting our sales and customer relationships.

Table of Contents

***An increase in the price and shortage of supply of key raw materials could adversely affect our business.***

Our products are composed of certain key raw materials. If the prices of these raw materials were to increase significantly, it could result in a significant increase to us in the prices our contract manufacturers and third-party manufacturers charge us for our GNC-branded products and third-party products. Raw material prices may increase in the future and we may not be able to pass on such increases to our customers. A significant increase in the price of raw materials that cannot be passed on to customers could have a material adverse effect on our results of operations and financial condition. In addition, if we no longer are able to obtain products from one or more of our suppliers on terms reasonable to us or at all, our revenues could suffer. Events such as the threat of political or social unrest, or the perceived threat thereof, may also have a significant impact on raw material prices and transportation costs for our products. In addition, the interruption in supply of certain key raw materials essential to the manufacturing of our products may have an adverse impact on our suppliers' ability to provide us with the necessary products needed to maintain our customer relationships and an adequate level of sales.

***A significant disruption to our distribution network or to the timely receipt of inventory could adversely impact sales or increase our transportation costs, which would decrease our profits.***

We rely on our ability to replenish depleted inventory in our stores through deliveries to our distribution centers from vendors and then from the distribution centers or direct ship vendors to our stores by various means of transportation, including shipments by sea and truck. Unexpected delays in those deliveries or increases in transportation costs (including through increased fuel costs) could significantly decrease our ability to make sales and earn profits. In addition, labor shortages in the transportation industry or long-term disruptions to the national and international transportation infrastructure that lead to delays or interruptions of deliveries could negatively affect our business.

***If we fail to protect our brand name, competitors may adopt trade names that dilute the value of our brand name, and prosecuting or defending infringement claims could cause us to incur significant expenses or prevent us from manufacturing, selling or using some aspect of our products, which could adversely affect our revenues and market share.***

We have invested significant resources to promote our GNC brand name in order to obtain the public recognition that we have today. Because of the differences in foreign trademark laws concerning proprietary rights, our trademarks may not receive the same degree of protection in foreign countries as they do in the United States. Also, we may not always be able to successfully enforce our trademarks against competitors or against challenges by others. For example, third parties are challenging our "GNC Live Well" trademark in foreign jurisdictions. Our failure to successfully protect our trademarks could diminish the value and effectiveness of our past and future marketing efforts and could cause customer confusion. This could in turn adversely affect our revenues, profitability and the market price of our Class A common stock.

We are currently and may in the future be subject to intellectual property litigation and infringement claims, which could cause us to incur significant expenses or prevent us from manufacturing, selling or using some aspect of our products. Claims of intellectual property infringement also may require us to enter into costly royalty or license agreements. However, we may be unable to obtain royalty or license agreements on terms acceptable to us or at all. Claims that our technology or products infringe on intellectual property rights could be costly and would divert the attention of management and key personnel, which in turn could adversely affect our revenues and profitability.



Table of Contents

***A substantial amount of our revenue is generated from our franchisees, and our revenues could decrease significantly if our franchisees do not conduct their operations profitably or if we fail to attract new franchisees.***

As of December 31, 2011 and 2010, approximately 33% and 32%, respectively, of our retail locations were operated by franchisees. Our franchise operations generated approximately 16.1% of our revenues for each of the years ended December 31, 2011 and 2010. Our revenues from franchise stores depend on the franchisees' ability to operate their stores profitably and adhere to our franchise standards. In the twelve months ended December 31, 2011, 63 domestic franchise stores were opened and 42 were closed. The closing of franchise stores or the failure of franchisees to comply with our policies could adversely affect our reputation and could reduce the amount of our franchise revenues. These factors could have a material adverse effect on our revenues and operating income.

If we are unable to attract new franchisees or to convince existing franchisees to open additional stores, any growth in royalties from franchise stores will depend solely upon increases in revenues at existing franchise stores. In addition, our ability to open additional franchise locations is limited by the territorial restrictions in our existing franchise agreements as well as our ability to identify additional markets in the United States and other countries. If we are unable to open additional franchise locations, we will have to sustain additional growth internally by attracting new and repeat customers to our existing locations.

***Franchisee support of our marketing and advertising programs is critical to our success.***

The support of our franchisees is critical for the success of our marketing programs and other strategic initiatives we seek to undertake, and the successful execution of these initiatives will depend on our ability to maintain alignment with our franchisees. While we can mandate certain strategic initiatives through enforcement of our franchise agreements, we need the active support of our franchisees if the implementation of these initiatives is to be successful. In addition, our efforts to build alignment with franchisees may result in a delay in the implementation of our marketing and advertising programs and other key initiatives. Although we believe that our current relationships with our franchisees are generally good, there can be no assurance that our franchisees will continue to support our marketing programs and strategic initiatives. The failure of our franchisees to support our marketing programs and strategic initiatives could adversely affect our ability to implement our business strategy and could materially harm our business, results of operations and financial condition.

***Our franchisees are independent operators and we have limited influence over their operations.***

Our revenues substantially depend upon our franchisees' sales volumes, profitability and financial viability. However, our franchisees are independent operators and we cannot control many factors that impact the profitability of their stores. Pursuant to the franchise agreements, we can, among other things, mandate signage, equipment and hours of operation, establish operating procedures and approve suppliers, distributors and products. However, the quality of franchise store operations may be diminished by any number of factors beyond our control. Consequently, franchisees may not successfully operate stores in a manner consistent with our standards and requirements or standards set by federal, state and local governmental laws and regulations. In addition, franchisees may not hire and train qualified managers and other personnel. While we ultimately can take action to terminate franchisees that do not comply with the standards contained in our franchise agreements, any delay in identifying and addressing problems could harm our image and reputation, and our franchise revenues and results of operations could decline.

Table of Contents

***Franchise regulations could limit our ability to terminate or replace underperforming franchises, which could adversely impact franchise revenues.***

Our franchise activities are subject to federal, state and international laws regulating the offer and sale of franchises and the governance of our franchise relationships. These laws impose registration, extensive disclosure requirements and bonding requirements on the offer and sale of franchises. In some jurisdictions, the laws relating to the governance of our franchise relationship impose fair dealing standards during the term of the franchise relationship and limitations on our ability to terminate or refuse to renew a franchise. We may, therefore, be required to retain an under-performing franchise and may be unable to replace the franchisee, which could adversely impact franchise revenues. In addition, we cannot predict the nature and effect of any future legislation or regulation on our franchise operations.

***We have limited influence over the decision of franchisees to invest in other businesses or incur excessive indebtedness.***

Our franchisees are independent operators and, therefore, we have limited influence over their ability to invest in other businesses or incur excessive indebtedness. In some cases, these franchisees have used the cash generated by their stores to expand their other businesses or to subsidize losses incurred by such businesses. Additionally, as independent operators, franchisees do not require our consent to incur indebtedness. Consequently, our franchisees have in the past, and may in the future, experience financial distress as a result of over leveraging. To the extent that our franchisees use the cash from their stores to subsidize their other businesses or experience financial distress, due to over-leverage or otherwise, it could negatively affect (1) our operating results as a result of delayed or reduced payments of royalties, advertising fund contributions and rents for properties we lease to them, (2) our future revenue, earnings and cash flow growth and (3) our financial condition. In addition, lenders that are adversely affected by franchisees who default on their indebtedness may be less likely to provide current or prospective franchisees necessary financing on favorable terms or at all.

***If we cannot open new company-owned stores on schedule and profitably, our planned future growth will be impeded, which would adversely affect sales and profitability.***

Our growth is dependent on both increases in sales in existing stores and the ability to open profitable new stores. Increases in sales in existing stores are dependent on factors such as competition, store operations and other factors discussed in these Risk Factors. Our ability to timely open new stores and to expand into additional market areas depends in part on the following factors: the availability of attractive store locations; the absence of occupancy delays; the ability to negotiate acceptable lease terms; the ability to identify customer demand in different geographic areas; the hiring, training and retention of competent sales personnel; the effective management of inventory to meet the needs of new and existing stores on a timely basis; general economic conditions; and the availability of sufficient funds for expansion. Many of these factors are beyond our control. Delays or failures in opening new stores, achieving lower than expected sales in new stores or drawing a greater than expected proportion of sales in new stores from our existing stores, could materially adversely affect our growth and profitability. In addition, we may not anticipate all of the challenges imposed by the expansion of our operations and, as a result, may not meet our targets for opening new stores, remodeling or relocating stores or expanding profitably.

Some of our new stores may be located in areas where we have little or no meaningful experience or brand recognition. Those markets may have different competitive conditions, market conditions, consumer tastes and discretionary spending patterns than our existing markets, which may cause our new stores to be less successful than stores in our existing markets. Alternatively,

Table of Contents

many of our new stores will be located in areas where we have existing stores. Although we have experience in these markets, increasing the number of locations in these markets may result in inadvertent over-saturation of markets and temporarily or permanently divert customers and sales from our existing stores, thereby adversely affecting our overall financial performance.

***Our operating results and financial condition could be adversely affected by the financial and operational performance of Rite Aid.***

As of December 31, 2011, Rite Aid operated 2,125 GNC franchise store-within-a-store locations and has committed to open additional franchise store-within-a-store locations. Revenue from sales to Rite Aid (including license fee revenue for new store openings) represented approximately 2.9% of total revenue for the year ended December 31, 2011. Any liquidity and operational issues that Rite Aid may experience could impair its ability to fulfill its obligations and commitments to us, which would adversely affect our operating results and financial condition.

***Economic, political and other risks associated with our international operations could adversely affect our revenues and international growth prospects.***

As of December 31, 2011, we had 167 company-owned Canadian stores and 1,590 international franchise stores in 53 international countries (including distribution centers where retail sales are made). We derived 10.9% and 11.1% of our revenues for the years ended December 31, 2011 and 2010, respectively, from our international operations. As part of our business strategy, we intend to expand our international franchise presence. Our international operations are subject to a number of risks inherent to operating in foreign countries, and any expansion of our international operations will increase the effects of these risks. These risks include, among others:

political and economic instability of foreign markets;

foreign governments' restrictive trade policies;

inconsistent product regulation or sudden policy changes by foreign agencies or governments;

the imposition of, or increase in, duties, taxes, government royalties or non-tariff trade barriers;

difficulty in collecting international accounts receivable and potentially longer payment cycles;

difficulty of enforcing contractual obligations of foreign franchisees;

increased costs in maintaining international franchise and marketing efforts;

problems entering international markets with different cultural bases and consumer preferences;

compliance with laws and regulations applicable to international operations, such as the Foreign Corrupt Practices Act and regulations promulgated by the Office of Foreign Asset Control;

fluctuations in foreign currency exchange rates; and

operating in new, developing or other markets in which there are significant uncertainties regarding the interpretation, application and enforceability of laws and regulations relating to contract and intellectual property rights.

Any of these risks could have a material adverse effect on our international operations and our growth strategy.

Table of Contents

***We may be unable to successfully expand our operations into new international markets.***

If the opportunity arises, we may expand our operations into new and high-growth international markets. However, there is no assurance that we will expand our operations in such markets in our desired time frame. To expand our operations into new international markets, we may enter into business combination transactions, make acquisitions or enter into strategic partnerships, joint ventures or alliances, any of which may be material. We may enter into these transactions to acquire other businesses or products to expand our products or take advantage of new developments and potential changes in the industry. Our lack of experience operating in new international markets and our lack of familiarity with local economic, political and regulatory systems could prevent us from achieving the results that we expect on our anticipated timeframe or at all. If we are unsuccessful in expanding into new or high-growth international markets, it could adversely affect our operating results and financial condition.

***Our network and communications systems are dependent on third-party providers and are vulnerable to system interruption and damage, which could limit our ability to operate our business and could have a material adverse effect on our business, financial condition or results of operations.***

Our systems and operations and those of our third-party Internet service providers are vulnerable to damage or interruption from fire, flood, earthquakes, power loss, server failure, telecommunications and Internet service failure, acts of war or terrorism, computer viruses and denial-of-service attacks, physical or electronic breaches, sabotage, human error and similar events. Any of these events could lead to system interruptions, processing and order fulfillment delays and loss of critical data for us, our suppliers or our Internet service providers, and could prevent us from processing customer purchases. Any significant interruption in the availability or functionality of our website or our customer processing, distribution or communications systems, for any reason, could seriously harm our business, financial condition and operating results. The occurrence of any of these factors could have a material adverse effect on our business, financial condition or results of operations.

Because we are dependent on third-party service providers for the implementation and maintenance of certain aspects of our systems and operations and because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely manner, if at all. As we rely on our third-party service providers, computer and communications systems and the Internet to conduct our business, any system disruptions could have a material adverse effect on our business, financial condition or results of operations.

***We must successfully maintain and/or upgrade our information technology systems, and our failure to do so could have a material adverse effect on our business, financial condition or results of operations.***

We rely on various information technology systems to manage our operations. Over the last several years we have implemented, and we continue to implement, modifications and upgrades to such systems, including changes to legacy systems, replacing legacy systems with successor systems with new functionality, and acquiring new systems with new functionality. These types of activities subject us to inherent costs and risks associated with replacing and changing these systems, including impairment of our ability to fulfill customer orders, potential disruption of our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time and other risks and costs of delays or difficulties in transitioning to or integrating new systems into our current systems. These implementations, modifications and upgrades may not result in productivity improvements at a level that outweighs the costs of

Table of Contents

implementation, or at all. In addition, the difficulties with implementing new technology systems may cause disruptions in our business operations and have a material adverse effect on our business, financial condition or results of operations.

***Privacy protection is increasingly demanding, and the introduction of electronic payment exposes us to increased risk of privacy and/or security breaches as well as other risks.***

The protection of customer, employee, vendor, franchisee and other business data is critical to us. Federal, state, provincial and international laws and regulations govern the collection, retention, sharing and security of data that we receive from and about our employees, customers, vendors and franchisees. The regulatory environment surrounding information security and privacy has been increasingly demanding in recent years, and may see the imposition of new and additional requirements. Compliance with these requirements may result in cost increases due to necessary systems changes and the development of new processes to meet these requirements by us and our franchisees. In addition, customers and franchisees have a high expectation that we will adequately protect their personal information. If we or our service provider fail to comply with these laws and regulations or experience a significant breach of customer, employee, vendor, franchisee or other company data, our reputation could be damaged and result in an increase in service charges, suspension of service, lost sales, fines or lawsuits.

The use of credit payment systems makes us more susceptible to a risk of loss in connection with these issues, particularly with respect to an external security breach of customer information that we or third parties (including those with whom we have strategic alliances) under arrangements with us control. In the event of a security breach, theft, leakage, accidental release or other illegal activity with respect to employee, customer, vendor, franchisee third party, with whom we have strategic alliances or other company data, we could become subject to various claims, including those arising out of thefts and fraudulent transactions, and may also result in the suspension of credit card services. This could harm our reputation as well as divert management attention and expose us to potentially unreserved claims and litigation. Any loss in connection with these types of claims could be substantial. In addition, if our electronic payment systems are damaged or cease to function properly, we may have to make significant investments to fix or replace them, and we may suffer interruptions in our operations in the interim. In addition, we are reliant on these systems, not only to protect the security of the information stored, but also to appropriately track and record data. Any failures or inadequacies in these systems could expose us to significant unreserved losses, which could materially and adversely affect our earnings and the market price of our Class A common stock. Our brand reputation would likely be damaged as well.

***Complying with recently enacted healthcare reform legislation could increase our costs and have a material adverse effect on our business, financial condition or results of operations.***

Recently enacted healthcare reform legislation could significantly increase our costs and have a material adverse effect on our business, financial condition and results of operations by requiring us either to provide health insurance coverage to our employees or to pay certain penalties for electing not to provide such coverage. Because these new requirements are broad, complex, subject to certain phase-in rules and may be challenged by legal actions in the coming months and years, it is difficult to predict the ultimate impact that this legislation will have on our business and operating costs. We cannot assure you that this legislation or any alternative version that may ultimately be implemented will not materially increase our operating costs. This legislation could also adversely affect our employee relations and ability to compete for new employees if our response to this legislation is considered less favorable than the responses or health benefits offered by employers with whom we compete for talent.

Table of Contents

***General economic conditions, including a prolonged weakness in the economy, may affect consumer purchases, which could adversely affect our sales and the sales of our business partners.***

Our results, and those of our business partners to whom we sell, are dependent on a number of factors impacting consumer spending, including general economic and business conditions; consumer confidence; wages and employment levels; the housing market; consumer debt levels; availability of consumer credit; credit and interest rates; fuel and energy costs; energy shortages; taxes; general political conditions, both domestic and abroad; and the level of customer traffic within department stores, malls and other shopping and selling environments. Consumer product purchases, including purchases of our products, may decline during recessionary periods. A prolonged downturn or an uncertain outlook in the economy may materially adversely affect our business, revenues and profits and the market price of our Class A common stock.

***Natural disasters (whether or not caused by climate change), unusually adverse weather conditions, pandemic outbreaks, terrorist acts and global political events could cause permanent or temporary distribution center or store closures, impair our ability to purchase, receive or replenish inventory, or cause customer traffic to decline, all of which could result in lost sales and otherwise adversely affect our financial performance.***

The occurrence of one or more natural disasters, such as hurricanes, fires, floods and earthquakes (whether or not caused by climate change), unusually adverse weather conditions, pandemic outbreaks, terrorist acts or disruptive global political events, such as civil unrest in countries in which our suppliers are located, or similar disruptions could adversely affect our operations and financial performance. To the extent these events result in the closure of one or more of our distribution centers, a significant number of stores, a manufacturing facility or our corporate headquarters, or impact one or more of our key suppliers, our operations and financial performance could be materially adversely affected through an inability to make deliveries to our stores and through lost sales. In addition, these events could result in increases in fuel (or other energy) prices or a fuel shortage, delays in opening new stores, the temporary lack of an adequate work force in a market, the temporary or long-term disruption in the supply of products from some local and overseas suppliers, the temporary disruption in the transport of goods from overseas, delay in the delivery of goods to our distribution centers or stores, the temporary reduction in the availability of products in our stores and disruption to our information systems. These events also could have indirect consequences, such as increases in the cost of insurance, if they were to result in significant loss of property or other insurable damage.

***Our holding company structure makes us dependent on our subsidiaries for our cash flow and subordinates the rights of our stockholders to the rights of creditors of our subsidiaries in the event of an insolvency or liquidation of any of our subsidiaries.***

Holdings is a holding company and, accordingly, substantially all of its operations are conducted through its subsidiaries. Holdings' subsidiaries are separate and distinct legal entities. As a result, Holdings' cash flow depends upon the earnings of its subsidiaries. In addition, Holdings depends on the distribution of earnings, loans or other payments by its subsidiaries. Holdings' subsidiaries have no obligation to provide it with funds for its payment obligations. If there is an insolvency, liquidation or other reorganization of any of Holdings' subsidiaries, Holdings' stockholders will have no right to proceed against their assets. Creditors of those subsidiaries will be entitled to payment in full from the sale or other disposal of the assets of those subsidiaries before Holdings, as a stockholder, would be entitled to receive any distribution from that sale or disposal.

Table of Contents

**Risks Relating to an Investment in Our Class A Common Stock**

*Our principal stockholders may take actions that conflict with your interests. This control may have the effect of delaying or preventing changes of control or changes in management or limiting the ability of other stockholders to approve transactions they deem to be in their best interest.*

Even after giving effect to this offering and OTPP's conversion of 2,060,178 shares of Class B common stock into an equal number of shares of Class A common stock, the Sponsors will beneficially own approximately 28.3% of our Class A common stock. As a result, our Sponsors will have significant power to control our affairs and policies including with respect to the election of directors (and through the election of directors the appointment of management), the entering into of mergers, sales of substantially all of our assets and other extraordinary transactions. Under the New Stockholders Agreement, the Sponsors have the right to nominate to Holdings' board of directors, subject to their election by our stockholders and certain other exceptions, that number of directors (rounded up to the nearest whole number or, if such rounding would cause the Sponsors to have the right to elect a majority of our board of directors, rounded to the nearest whole number) that is the same percentage of the total number of directors comprising our board as the collective percentage of common stock owned by the Sponsors. Under the New Stockholders Agreement, each Sponsor also agreed to vote in favor of the other Sponsor's nominees. Because our board of directors is divided into three staggered classes, the Sponsors may be able to influence or control our affairs and policies even after they cease to own a majority of our outstanding Class A common stock during the period in which the Sponsors' nominees finish their terms as members of our board, but in any event no longer than would be permitted under applicable law and the NYSE listing requirements. The directors nominated by the Sponsors have the authority to cause us, subject to the terms of our debt, to issue additional stock, implement stock repurchase programs, declare dividends, pay advisory fees and make other decisions, and they may have an interest in our doing so. The New Stockholders Agreement also provides that, so long as the Sponsors collectively own more than one-third of our then outstanding common stock, certain significant corporate actions will require the approval of at least one of the Sponsors.

The interests of the Sponsors could conflict in material respects with those of our public stockholders'. For example, the Sponsors could cause us to make acquisitions that increase the amount of our indebtedness or sell revenue-generating assets. Moreover, the Sponsors are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. The Sponsors may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. Furthermore, due to the concentration of voting power among the Sponsors, they could influence or prevent a change of control or other business combination or any other transaction that requires the approval of stockholders, regardless of whether or not other stockholders believe that such transaction is in their best interests. In addition, our governance documents do not contain any provisions applicable to deadlocks among the members of our board, and as a result we may be precluded from taking advantage of opportunities due to disagreements among the Sponsors and their respective board designees. So long as the Sponsors continue to own a significant amount of the outstanding shares of our common stock, they will continue to be able to strongly influence or effectively control our decisions. See "Certain Relationships and Related Transactions – Stockholders Agreements".



Table of Contents

***Our amended and restated certificate of incorporation and our amended and restated bylaws, as amended, contain anti-takeover protections, which may discourage or prevent a takeover of our company, even if an acquisition would be beneficial to our stockholders.***

Provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as amended, as well as provisions of the Delaware General Corporation Law (the "DGCL"), could delay or make it more difficult to remove incumbent directors or for a third party to acquire us, even if a takeover would benefit our stockholders. These provisions include:

a classified board of directors;

the sole power of a majority of the board of directors to fix the number of directors;

limitations on the removal of directors upon the Sponsors holding less than a majority of our outstanding common stock;

the sole power of the board of directors or the Sponsors, in the case of a vacancy of a Sponsor board designee, to fill any vacancy on the board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;

the ability of our board of directors to designate one or more series of preferred stock and issue shares of preferred stock without stockholder approval;

the inability of stockholders to act by written consent if the Sponsors own less than 50% of our outstanding common stock; and

the inability of stockholders to call special meetings.

Our issuance of shares of preferred stock could delay or prevent a change of control of our company. Our board of directors has the authority to cause us to issue, without any further vote or action by our stockholders, up to 60,000,000 shares of preferred stock, par value \$0.001 per share, in one or more series, to designate the number of shares constituting any series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. The issuance of shares of preferred stock may have the effect of delaying, deferring or preventing a change in control of our company without further action by our stockholders, even where stockholders are offered a premium for their shares.

In addition, the issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of our other classes of voting stock either by diluting the voting power of our other classes of voting stock if they vote together as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote even if the action were approved by the holders of our other classes of voting stock. We currently do not anticipate issuing any shares of preferred stock for the foreseeable future.

Our incorporation under Delaware law, the ability of our board of directors to create and issue a new series of preferred stock or a stockholder rights plan and certain other provisions that are contained in our amended and restated certificate of incorporation and amended and restated bylaws could impede a merger, takeover or other business combination involving us or the replacement of our management or discourage a potential investor from making a tender offer for our common stock, which, under certain circumstances, could reduce the market value of our common stock. See "Description of Capital Stock".

Table of Contents

***Our issuance of preferred stock could adversely affect the market value of our Class A common stock.***

The issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our Class A common stock by making an investment in the Class A common stock less attractive. For example, a conversion feature could cause the trading price of our Class A common stock to decline to the conversion price of the preferred stock. We currently do not anticipate issuing any shares of preferred stock for the foreseeable future.

***The price of our Class A common stock may fluctuate substantially.***

The market price of our Class A common stock is likely to be highly volatile and may fluctuate substantially due to many factors, including:

actual or anticipated fluctuations in our results of operations;

variance in our financial performance from the expectations of market analysts;

conditions and trends in the markets we serve;

announcements of significant new products by us or our competitors;

unfavorable publicity or consumer perception of our products or the ingredients they contain or any similar products distributed by other companies;

changes in our pricing policies or the pricing policies of our competitors;

legislation or regulatory policies, practices or actions, or product recalls;

the commencement or outcome of litigation;

our sale of common stock or other securities in the future, or sales of our common stock by the Sponsors;

changes in market valuation or earnings of our competitors;

the trading volume of our Class A common stock;

changes in the estimation of the future size and growth rate of our markets; and

general economic conditions.

In addition, the stock market in general, the NYSE and the market for health and nutritional supplements companies in particular have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. If any of these factors causes us to fail to meet the expectations of securities analysts or investors, or if adverse conditions prevail or are perceived to prevail with respect to our business, the price of our Class A common stock would likely drop

significantly.

*Future sales of our Class A common stock could cause the market price for our Class A common stock to decline.*

Upon consummation of this offering, there will be 106,748,281 shares of our Class A common stock outstanding. All shares of Class A common stock sold in this offering will be freely transferable without restriction or further registration under the Securities Act of 1933, as amended (the "Securities Act"). Of the 106,748,281 shares of Class A common stock outstanding, 30,308,185 shares will be restricted securities held by our affiliates within the meaning of Rule 144 under the Securities Act ("Rule 144"), but will be eligible for resale subject to applicable volume, manner of

Table of Contents

sale, holding period and other limitations prescribed in Rule 144. We cannot predict the effect, if any, that market sales of shares of our Class A common stock or the availability of shares of our Class A common stock for sale will have on the market price of our Class A common stock prevailing from time to time. Sales of substantial amounts of shares of our Class A common stock in the public market, or the perception that those sales will occur, could cause the market price of our Class A common stock to decline. After giving effect to this offering and OTPP's conversion of 2,060,178 shares of our Class B common stock into an equal number of shares of our Class A common stock, the Sponsors will collectively hold 30,247,482 shares of our Class A common stock, all of which constitute "restricted securities" under the Securities Act. Provided the holders comply with the applicable volume limits and other conditions prescribed in Rule 144, all of such restricted securities are currently freely tradable.

Additionally, as of the consummation of this offering, approximately 4,989,183 shares of our Class A common stock will be issuable upon exercise of stock options that vest and are exercisable at various dates through March 2021, with an average weighted exercise price of \$13.55 per share. Of such options, 1,923,397 are currently exercisable. In addition, 142,028 shares of our Class A common stock have been granted as restricted stock pursuant to the terms of the GNC Holdings, Inc. 2011 Stock and Incentive Plan (the "2011 Stock Plan") that vest at various dates through December 2016. All of such shares will be outstanding as of the consummation of this offering. On April 18, 2011, we filed a registration statement on Form S-8 under the Securities Act covering shares of our Class A common stock reserved for issuance under our equity incentive plans. Accordingly, shares of our Class A common stock registered under such registration statement are available for sale in the open market upon exercise by the holders, subject to vesting restrictions, Rule 144 limitations applicable to our affiliates and the contractual lock-up provisions described below.

We and certain of our stockholders, directors and officers have agreed to a "lock-up", pursuant to which neither we nor they will sell any shares without the prior consent of the representatives of the underwriters for 90 days after the date of this prospectus, subject to certain exceptions and extensions under certain circumstances. Following the expiration of the applicable lock-up period, all these shares of our Class A common stock will be eligible for future sale, subject to the applicable volume, manner of sale, holding period and other limitations of Rule 144. Certain of our executive officers who are subject to such lock-up agreements may transfer an aggregate of up to 584,430 shares of our Class A common stock pursuant to 10b5-1 plans adopted by such officers prior to the consummation of this offering. In addition, the Sponsors have certain demand and "piggy-back" registration rights with respect to the Class A common stock that they will retain following this offering. See "Shares Eligible for Future Sale" for a discussion of the shares of Class A common stock that may be sold into the public market in the future, including Class A common stock held by the Sponsors.

***If you purchase shares of our Class A common stock in this offering, you will not be a record holder for the purposes of our 2012 annual meeting of stockholders and, if this offering closes after March 15, 2012, you will not be a record holder for purposes of the cash dividend declared by our board of directors.***

The record date for the purposes of our 2012 annual meeting of stockholders is February 23, 2012. As a result, if you purchase shares of our Class A common stock in this offering, you will not be a record holder for such purposes and will not be entitled to attend or vote on any proposals presented at our 2012 annual meeting of stockholders.

The record date for purposes of the cash dividend declared by our board of directors on February 15, 2012 is March 15, 2012. As a result, if this offering closes after March 15, 2012, you will not be a record holder for such purposes and will not be entitled to receive such dividend.

Table of Contents

***If securities or industry analysts cease to cover us or adversely change their recommendations regarding our Class A common stock, then our stock price and trading volume could decline.***

The trading market for our Class A common stock is influenced by the research and reports that industry or securities analysts publish about us, our industry and our market. If one or more analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. If one or more analysts who elect to cover us adversely change their recommendation regarding our unrestricted Class A common stock, our stock price could decline.

***Following the consummation of the Fall Offering, we no longer qualified as a "controlled company" within the meaning of the NYSE rules and, as a result, we must comply with the NYSE corporate governance requirements within the applicable phase-in period.***

In the fourth quarter of 2011, we completed a secondary offering pursuant to which certain of our stockholders sold 23.0 million shares of Class A common stock (the "Fall Offering") at a price of \$24.75 per share. Immediately following the consummation of the Fall Offering, we no longer qualified as a "controlled company" within the meaning of the NYSE rules and, as a result, are no longer exempt from complying with certain of the NYSE corporate governance requirements. We currently comply with all applicable corporate governance requirements, which permit us to have a nominating and corporate governance committee (the "Nominating Committee") that does not consist entirely of independent directors until one year from the consummation of the Fall Offering. Accordingly, during this phase-in period, or so long as the Nominating Committee does not consist entirely of independent directors, our stockholders will not have the same protections afforded to stockholders of companies that have entirely independent nominating committees. Additionally, if we are delayed in complying, or do not comply, with such NYSE corporate governance requirements during this phase-in period, we may be subject to enforcement actions by the NYSE.

Table of Contents

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus includes forward-looking statements within the meaning of federal securities laws. Forward-looking statements include statements that may relate to our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs and other information that is not historical information. Many of these statements appear, in particular, under the headings "Prospectus Summary", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business". Forward-looking statements can often be identified by the use of terminology such as "subject to", "believe", "anticipate", "plan", "expect", "intend", "estimate", "project", "may", "will", "should", "would", "could", "can", the negatives thereof, variations thereon and similar expressions, or by discussions of strategy.

All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and beliefs, but they are inherently uncertain. We may not realize our expectations, and our beliefs may not prove correct. Actual results could differ materially from those described or implied by such forward-looking statements. The following uncertainties and factors, among others (including those set forth under "Risk Factors"), could affect future performance and cause actual results to differ materially from those matters expressed in or implied by forward-looking statements:

significant competition in our industry;

unfavorable publicity or consumer perception of our products;

increases in the cost of borrowings and limitations on availability of additional debt or equity capital;

our debt levels and restrictions in our debt agreements;

the incurrence of material product liability and product recall costs;

loss or retirement of key members of management;

costs of compliance and our failure to comply with new and existing governmental regulations including, but not limited to, tax regulations;

costs of litigation and the failure to successfully defend lawsuits and other claims against us;

the failure of our franchisees to conduct their operations profitably and limitations on our ability to terminate or replace under-performing franchisees;

economic, political and other risks associated with our international operations;

our failure to keep pace with the demands of our customers for new products and services;

disruptions in our manufacturing system or losses of manufacturing certifications;

disruptions in our distribution network;

the lack of long-term experience with human consumption of ingredients in some of our products;

increases in the frequency and severity of insurance claims, particularly claims for which we are self-insured;

the failure to adequately protect or enforce our intellectual property rights against competitors;

Table of Contents

changes in raw material costs and pricing of our products;

failure to successfully execute our growth strategy, including any delays in our planned future growth, any inability to expand our franchise operations or attract new franchisees, or any inability to expand our company-owned retail operations;

changes in applicable laws relating to our franchise operations;

damage or interruption to our information systems;

the impact of current economic conditions on our business;

natural disasters, unusually adverse weather conditions, pandemic outbreaks, boycotts and geo-political events; and

our failure to maintain effective internal controls.

Consequently, forward-looking statements should be regarded solely as our current plans, estimates and beliefs. You should not place undue reliance on forward-looking statements. We cannot guarantee future results, events, levels of activity, performance or achievements. We do not undertake and specifically decline any obligation to update, republish or revise forward-looking statements to reflect future events or circumstances or to reflect the occurrences of unanticipated events.



Table of Contents

**USE OF PROCEEDS**

The selling stockholders are selling all of the shares of Class A common stock being sold in this offering, including any shares sold upon the exercise of the underwriters' option to purchase additional shares of Class A common stock. See "Principal and Selling Stockholders". Accordingly, we will not receive any proceeds from the sale of shares of Class A common stock by the selling stockholders in this offering. Any proceeds received by us in connection with the exercise of options by certain of the selling stockholders to purchase shares of our Class A common stock to be sold in this offering will be used to pay transaction expenses incurred by us in connection with this offering, estimated at \$0.7 million and for general corporate purposes.

**DIVIDEND POLICY**

On February 15, 2012, our board of directors authorized and declared a cash dividend for the first quarter of 2012 of \$0.11 per share of common stock, payable on or about March 30, 2012 to stockholders of record as of the close of business on March 15, 2012. If this offering closes after March 15, 2012, you will not be a record holder for purposes of such dividend. We currently intend to pay regular quarterly dividends; however, the declaration of such future dividends and the establishment of the per share amount, record dates and payment dates for such future dividends are subject to the final determination and approval of our board of directors and will depend on many factors, including our financial condition, future earnings and cash flows, legal requirements, taxes and any other factors that our board of directors deems relevant.

Table of Contents

**PRICE RANGE OF OUR CLASS A COMMON STOCK**

Our Class A common stock has been listed for trading on the NYSE under the symbol "GNC" since it began trading on April 1, 2011. The IPO was priced at \$16.00 per share on March 31, 2011.

The following table sets forth, for the periods indicated below, the high and low sales prices per share of our Class A common stock as reported on the NYSE since April 1, 2011:

<b>2011</b>	<b>High</b>	<b>Low</b>
Second Quarter (beginning April 1, 2011)	\$ 22.43	\$ 16.08
Third Quarter	\$ 26.48	\$ 19.72
Fourth Quarter	\$ 29.50	\$ 19.52

<b>2012</b>		
First Quarter (through March 13, 2012)	\$ 34.71	\$ 25.60

On March 13, 2012, the closing price per share of our Class A common stock on the NYSE was \$33.95. As of February 28, 2012, there were 59 stockholders of record, including 47 holders of restricted stock, of our Class A common stock.

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization as of December 31, 2011.

The table below should be read in conjunction with "Selected Consolidated Financial Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of Capital Stock", "Description of Certain Debt" and our consolidated financial statements and their notes included elsewhere in this prospectus.

	<b>As of December 31, 2011 (In millions, except share data)</b>
Cash and cash equivalents	\$ 128.4
Long-term debt (including current maturities):	
Senior Credit Facility(1)	897.4
Mortgage and capital leases	4.1
<b>Total long-term debt</b>	<b>901.5</b>
Stockholders' equity:	
Common stock, \$0.001 par value(2):	
Class A, 105,988,399 shares issued, 102,984,260 shares outstanding and 3,004,139 shares held in treasury, 300,000,000 shares authorized	0.1
Class B, 2,060,178 shares issued and outstanding, 30,000,000 shares authorized(3)	
Paid-in-capital	741.9
Retained earnings	298.8
Treasury stock, at cost	(65.0)
Accumulated other comprehensive income	2.7
<b>Total stockholders' equity</b>	<b>978.5</b>
<b>Total capitalization</b>	<b>\$ 2,008.4</b>

- 
- (1) The Senior Credit Facility consists of the Term Loan Facility (as defined in this prospectus) and the Revolving Credit Facility, which is undrawn.
- (2) With respect to our Class A and Class B common stock, we are authorized to issue 300,000,000 shares collectively at December 31, 2011.
- (3) Immediately following the consummation of this offering, all of the shares of Class B common stock will convert into an equal number of shares of Class A common stock.

Table of Contents

**SELECTED CONSOLIDATED FINANCIAL DATA**

The selected consolidated financial data presented below as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 are derived from our audited consolidated financial statements and footnotes included elsewhere in this prospectus. The selected consolidated financial data presented below as of December 31, 2009, 2008 and 2007, for the year ended December 31, 2008 and for the periods from March 16, 2007 to December 31, 2007 (the "2007 Successor Period" and, collectively with the years ended December 31, 2011, 2010, 2009 and 2008, the "Successor Periods") and from January 1, 2007 to March 15, 2007 are derived from our audited consolidated financial statements and footnotes, which are not included in this prospectus. The selected consolidated financial data for the period January 1, 2007 to March 15, 2007 represent the period during which GNC Parent Corporation was owned by an investment fund managed by Apollo Management V, L.P. ("Apollo").

Together with our wholly owned subsidiary GNC Acquisition Inc., we entered into the Agreement and Plan of Merger (the "Merger Agreement") with GNC Parent Corporation on February 8, 2007. Pursuant to the Merger Agreement and on March 16, 2007, GNC Acquisition Inc. was merged with and into GNC Parent Corporation, with GNC Parent Corporation as the surviving corporation and our wholly owned subsidiary (the "Merger"). As a result of the Merger, the consolidated statement of operations for the Successor Periods includes the following: interest and amortization expense resulting from the issuance of, or associated with, the Senior Floating Rate Toggle Notes due 2014 (the "Senior Notes"), the 10.75% Senior Subordinated Notes due 2015 (the "Senior Subordinated Notes"), and the Old Senior Credit Facility, and amortization of intangible assets related to the Merger. Further, as a result of purchase accounting, the fair values of our assets on the date of the Merger became their new cost basis.

Table of Contents

You should read the following financial information together with the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and their related notes included elsewhere in this prospectus.

	Successor				Predecessor	
	Year	Year	Year	Year	March 16-	January 1-
	Ended	Ended	Ended	Ended	December 31,	March 15,
	December	December	December	December	December 31,	March 15,
	2011	2010	2009	2008	2007	2007

(Dollars in millions, except share data)

**Statement of Operations Data:**

## Revenue:

Retail	\$ 1,518.5	\$ 1,344.4	\$ 1,256.3	\$ 1,219.3	\$ 909.3	\$ 259.3
Franchising	334.8	293.6	264.2	258.0	193.9	47.2
Manufacturing/Wholesale	218.9	184.2	186.5	179.4	119.8	23.3

Total revenue	\$ 2,072.2	\$ 1,822.2	\$ 1,707.0	\$ 1,656.7	\$ 1,223.0	\$ 329.8
---------------	------------	------------	------------	------------	------------	----------

Cost of sales, including costs of warehousing and distribution, and occupancy	1,318.4	1,179.9	1,116.4	1,082.6	814.2	212.2
---	---------	---------	---------	---------	-------	-------

Gross profit	753.8	642.3	590.6	574.1	408.8	117.6
Compensation and related benefits	291.3	273.8	263.0	249.8	195.8	64.3
Advertising and promotion	52.9	51.7	50.0	55.1	35.0	20.5
Other selling, general, and administrative	113.5	100.7	96.7	98.9	71.5	17.6
Other (income) expense	0.1	(0.3)	(0.1)	0.7	(0.4)	(0.2)
Transaction and strategic alternative related costs	13.5	4.0				34.6

Operating income (loss)	282.5	212.4	181.0	169.6	106.9	(19.2)
Interest expense, net	74.9	65.4	69.9	83.0	75.5	72.8

Income (loss) before income taxes	207.6	147.0	111.1	86.6	31.4	(92.0)
Income tax expense (benefit)	75.3	50.4	41.6	32.0	12.6	(21.6)

Net income (loss)	132.3	\$ 96.6	\$ 69.5	\$ 54.6	\$ 18.8	\$ (70.4)
-------------------	-------	---------	---------	---------	---------	-----------

## Weighted average shares outstanding:

Basic	100,261	87,339	87,421	87,761	87,784	50,607
Diluted	103,010	88,917	87,859	87,787	87,784	50,607

## Net income (loss) per share(1):

Basic	\$ 1.27	\$ 0.87	\$ 0.58	\$ 0.43	\$ 0.08	\$ (1.39)
Diluted	\$ 1.24	\$ 0.85	\$ 0.58	\$ 0.43	\$ 0.08	\$ (1.39)

**Balance Sheet Data (at end of period):**

Cash and cash equivalents	\$ 128.4	\$ 193.9	\$ 89.9	\$ 44.3	\$ 28.9	
Working capital(2)	474.5	484.5	397.0	306.8	258.1	
Total assets	2,429.6	2,425.1	2,318.1	2,293.8	2,239.6	
Total current and non-current long-term	901.5	1,058.5	1,059.8	1,084.7	1,087.0	

debt							
Preferred stock		218.4	197.7	179.3	162.2		
Total stockholders' equity	978.5	619.5	534.2	474.5	446.4		
<b>Statement of Cash Flows:</b>							
Net cash provided by (used in) operating activities	\$ 174.7	\$ 141.5	\$ 114.0	\$ 77.4	\$ 92.0	\$ (67.5)	
Net cash used in investing activities	(65.5)	(36.1)	(42.2)	(60.4)	(1,672.2)	(6.2)	
Net cash (used in) provided by financing activities	(173.6)	(1.5)	(26.4)	(1.4)	1,598.7	58.7	
<b>Other Data:</b>							
EBITDA(3)	\$ 329.3	\$ 259.4	\$ 227.7	\$ 212.1	\$ 136.9	\$ (11.8)	
Capital expenditures	43.8	32.5	28.7	48.7	28.9	5.7	

- (1) Includes impact of dividends on shares of our Series A preferred stock, all of which were redeemed in connection with the IPO.
- (2) Working capital represents current assets less current liabilities.

Table of Contents

(3)

We define EBITDA as net income before interest expense (net), income tax expense, depreciation and amortization. Management uses EBITDA as a tool to measure operating performance of the business. EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with U.S. GAAP, or as an alternative to U.S. GAAP cash flow from operating activities, as a measure of our profitability or liquidity.

The following table reconciles EBITDA to net income (loss) as determined in accordance with U.S. GAAP for the periods indicated:

	Year		Successor		Predecessor	
	Year	Year	Year	Year	Year	Year
	Ended	Ended	Ended	Ended	Ended	Ended
	December 31	December 31	December 31	December 31	December 31	January 1-
	2011	2010	2009	2008	March 16-	March 15,
					2007	2007
	(dollars in millions)					
Net income (loss)	\$ 132.3	\$ 96.6	\$ 69.5	\$ 54.6	\$ 18.8	\$ (70.4)
Interest expense, net	74.9	65.4	69.9	83.0	75.5	72.8
Income tax expense (benefit)	75.3	50.4	41.6	32.0	12.6	(21.6)
Depreciation and amortization	46.8	47.0	46.7	42.5	30.0	7.4
<b>EBITDA</b>	<b>\$ 329.3(a)</b>	<b>\$ 259.4(b)</b>	<b>\$ 227.7(c)</b>	<b>\$ 212.1(c)</b>	<b>\$ 136.9(c)</b>	<b>\$ (11.8)(d)</b>

(a)

For the year ended December 31, 2011, EBITDA includes \$17.4 million of expenses, including \$13.5 million of expenses related to the IPO and the Fall Offering, \$3.5 million of expenses related to executive severance and \$0.4 million of expenses related to payments to the Sponsors under the ACOF Management Services Agreement and Class B common stock, which payments ceased following the IPO.

(b)

For the year ended December 31, 2010, EBITDA includes the following expenses: \$4.0 million of expenses principally related to the exploration of strategic alternatives, and \$1.5 million of payments to the Sponsors under the ACOF Management Services Agreement and Class B common stock, which payments ceased following the IPO.

(c)

For each of the years ended December 31, 2009 and 2008, and the 2007 Successor Period, EBITDA includes \$1.5 million, \$1.5 million and \$1.2 million, respectively, related to payments to the Sponsors under the ACOF Management Services Agreement and Class B common stock, which payments ceased following the IPO.

(d)

For the period January 1, 2007 to March 15, 2007, EBITDA includes \$34.6 million of Merger related costs and \$0.4 million related to payments to our prior sponsors for management fees.

(5)

Capital expenditures for the year ended December 31, 2008 include approximately \$10.1 million incurred in conjunction with our store register upgrade program.



Table of Contents

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion in conjunction with "Selected Consolidated Financial Data" and our audited consolidated financial statements and the related notes thereto. The discussion in this section contains forward-looking statements that involve risks and uncertainties. See "Risk Factors" included elsewhere in this prospectus for a discussion of important factors that could cause actual results to differ materially from those described or implied by the forward-looking statements contained herein. We urge you to review the information set forth in "Special Note Regarding Forward-Looking Statements" and "Risk Factors" included elsewhere in this prospectus.

**Business Overview**

We are a global specialty retailer of nutritional supplements, which include VMHS, sports nutrition products, diet products and other wellness products. We derive our revenues principally from product sales through our company-owned stores and online through GNC.com and LuckyVitamin.com, domestic and international franchise activities and sales of products manufactured in our facilities to third parties. We sell products through a worldwide network of more than 7,600 locations operating under the GNC brand name.

**Executive Overview**

In 2011, we continued to focus on achieving our five principal corporate goals: growing company-owned domestic retail earnings, growing company-owned domestic retail square footage, growing our international footprint, expanding our e-commerce business and further leveraging of the GNC brand. These goals are designed to drive both short-term and long-term financial results. The following are some of the results in 2011 from these efforts:

Our company-owned domestic same store sales increased by 10.1%, which includes a 37.3% increase from our GNC.com business.

We increased our company-owned domestic store count by 131 net new stores, or 4.8%.

Our retail segment sales increased by 13.0%, and operating income increased by 33.9%.

Total franchising revenue grew 14.0%, and operating income increased by 18.6%.

Domestic franchising revenue grew 11.5%, and we added 21 net new franchise stores.

International franchise revenue grew by 16.6%, as we added 153 net new franchise stores.

We began making wholesale sales in China through multiple retailers and other distribution channels.

We acquired LuckyVitamin.com in August 2011. LuckyVitamin.com generated \$14.5 million of revenue in 2011 following the date of its acquisition.

We increased our sales in our wholesale/manufacturing segment by 18.8% through our new wholesale distribution channels, including Sam's Club and PetSmart, and increased third-party sales.

Consistent with our focus on communicating our core "Live Well" theme in both magazine and print, we expanded our marketing campaign to include a "best in class" theme. The campaign's branding images reflect our core customer – youthful, athletic, aspirational and goal oriented.

Table of Contents

We generated 13.7% of total revenue growth which drove a 33.0% increase in total operating income. However, excluding certain expenses associated with the IPO, the Fall Offering, executive severance and other strategic alternative costs, total operating income increased by 37.6% in 2011 compared to 2010.

On March 4, 2011, General Nutrition Centers, Inc. ("Centers") entered into a \$1.2 billion term loan facility with a term of seven years (the "Term Loan Facility") and an \$80.0 million revolving credit facility with a term of five years (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Senior Credit Facility"). Centers used a portion of the proceeds from the Term Loan Facility to refinance its former indebtedness, including all outstanding indebtedness under its former senior credit facility, consisting of a \$675.0 million term loan facility (the "Old Term Loan Facility") and a \$60.0 million senior revolving credit facility (the "Old Revolving Credit Facility" and, together with the Old Term Loan Facility, the "Old Senior Credit Facility"), the Senior Notes and the Senior Subordinated Notes, and to pay related fees and expenses (collectively, the "Refinancing"). As of the date hereof, the Revolving Credit Facility remains undrawn. After giving effect to the Refinancing and based on the current LIBOR, we expect to incur approximately \$42 million of interest expense per year.

On April 6, 2011, we completed the IPO. We used the net proceeds from the IPO, together with cash on hand (including additional funds from the Refinancing), to redeem all of our outstanding Series A preferred stock, repay \$300.0 million of outstanding borrowings under the Term Loan Facility and pay Sponsor-related obligations of approximately \$11.1 million. During the fourth quarter of 2011, we completed the Fall Offering pursuant to which certain of our stockholders sold 23.0 million shares of Class A common stock.

***Revenues and Operating Performance from our Segments***

We measure our operating performance primarily through revenues and operating income from our three segments, Retail, Franchise and Manufacturing/Wholesale, and through the management of unallocated costs from our warehousing, distribution and corporate segments, as follows:

*Retail:* We generate retail revenues by sales at our company-owned stores and online through GNC.com and LuckyVitamin.com. Although we believe that our retail and franchise businesses are not seasonal in nature, historically we have experienced, and expect to continue to experience, a variation in our net sales and operating results from quarter to quarter, with the first half of the year being stronger than the second half of the year. According to Nutrition Business Journal's Supplement Business Report 2011, our industry is expected to grow at an annual average rate of approximately 3.7% through 2017. As a leader in our industry, we expect our organic retail revenue to grow faster than the projected industry growth as a result of our disproportionate market share, scale economies in purchasing and advertising, strong brand awareness and vertical integration.

*Franchise:* We generate franchise revenues primarily from:

- (1) product sales to our franchisees;
- (2) royalties on franchise retail sales; and
- (3) franchise fees, which we charge for initial franchise awards, renewals and transfers of franchises.

Although we do not anticipate the number of our domestic franchise stores to grow substantially, we expect to achieve domestic franchise store revenue growth consistent with projected industry growth of approximately 3.7% through 2017, which we expect to generate from

Table of Contents

royalties on franchise retail sales and product sales to our existing franchisees. As a result of our efforts to expand our international presence and provisions in our international franchising agreements requiring franchisees to open additional stores, we have increased our international store base in recent periods and expect to continue to increase the number of our international franchise stores over the next five years. We believe this will result in additional franchise fees associated with new store openings and increased revenues from product sales to, and royalties from, new franchisees. As our existing international franchisees continue to open additional stores, we also anticipate that franchise revenue from international operations will be driven by increased product sales to, and royalties from, our franchisees. Since our international franchisees pay royalties to us in U.S. dollars, any strengthening of the U.S. dollar relative to our franchisees' local currency may offset some of the growth in royalty revenue.

*Manufacturing/Wholesale:* We generate manufacturing/wholesale revenues through sales of manufactured products to third parties, generally for third-party private label brands, the sale of our proprietary and third-party products to and through Rite Aid and www.drugstore.com and the sale of our proprietary products to and through PetSmart and Sam's Club. We also record license fee revenue from the opening of franchise store-within-a-store locations within Rite Aid stores. Our revenues generated by our manufacturing and wholesale operations are subject to our available manufacturing capacity.

A significant portion of our business infrastructure is comprised of fixed operating costs. Our vertically-integrated distribution network and manufacturing capacity can support higher sales volume without significant incremental costs. We therefore expect our operating expenses to grow at a lesser rate than our revenues, resulting in positive operating leverage.

The following trends and uncertainties in our industry could affect our operating performance as follows:

broader consumer awareness of health and wellness issues and rising healthcare costs may increase the use of the products we offer and positively affect our operating performance;

interest in, and demand for, condition-specific products based on scientific research may positively affect our operating performance if we can timely develop and offer such condition-specific products;

the effects of favorable and unfavorable publicity on consumer demand with respect to the products we offer or the ingredients they contain or any similar products distributed by other companies may have similarly favorable or unfavorable effects on our operating performance;

a lack of long-term experience with human consumption of ingredients in some of our products could create uncertainties with respect to the health risks, if any, related to the consumption of such ingredients and negatively affect our operating performance;

increased costs associated with complying with new and existing governmental regulation and product recalls may negatively affect our operating performance; and

a decline in disposable income available to consumers may lead to a reduction in consumer spending and negatively affect our operating performance.

**Basis of Presentation**

The accompanying consolidated financial statements and footnotes have been prepared by us in accordance with accounting principles generally accepted in the United States and with the instructions to Regulation S-K and Regulation S-X. Our normal reporting period is based on a calendar year.

Table of Contents

**Results of Operations**

The following information presented as of December 31, 2011, 2010 and 2009 and for the years then ended was derived from our audited consolidated financial statements and accompanying notes which are included elsewhere in this prospectus.

As discussed in Note 16, "Segments", to our audited consolidated financial statements, we evaluate segment operating results based on several indicators. The primary key performance indicators are revenues and operating income or loss for each segment. Revenues and operating income or loss, as evaluated by management, exclude certain items that are managed at the consolidated level, such as warehousing and transportation costs, impairments and other corporate costs. The following discussion compares the revenues and the operating income by segment, as well as those items excluded from the segment totals.

Same store sales growth reflects the percentage change in same store sales in the period presented compared to the prior year period. Same store sales are calculated on a daily basis for each store and exclude the net sales of a store for any period if the store was not open during the same period of the prior year. We also include internet sales, as generated through GNC.com, LuckyVitamin.com and www.drugstore.com, in our company-owned domestic same store sales calculation. When a store's square footage has been changed as a result of reconfiguration or relocation in the same mall or shopping center, the store continues to be treated as a same store. If, during the period presented, a store was closed, relocated to a different mall or shopping center, or converted to a franchise store or a company-owned store, sales from that store up to and including the closing day or the day immediately preceding the relocation or conversion are included as same store sales as long as the store was open during the same period of the prior

Table of Contents

year. We exclude from the calculation sales during the period presented that occurred on or after the date of relocation to a different mall or shopping center or the date of a conversion.

	Year Ended December 31, 2011		Year Ended December 31, 2010		Year Ended December 31, 2009	
	(Dollars in millions)					
<b>Statement of operations data:</b>						
Revenue:						
Retail	\$ 1,518.5	73.3%	\$ 1,344.4	73.8%	\$ 1,256.3	73.6%
Franchising	334.8	16.1%	293.6	16.1%	264.2	15.5%
Manufacturing/Wholesale	218.9	10.6%	184.2	10.1%	186.5	10.9%
Total net revenue	\$ 2,072.2	100.0%	\$ 1,822.2	100.0%	\$ 1,707.0	100.0%
<b>Operating expenses:</b>						
Cost of sales, including costs of warehousing and distribution, and occupancy	1,318.4	63.6%	1,179.9	64.8%	1,116.4	65.4%
Compensation and related benefits	291.3	14.1%	273.8	15.0%	263.0	15.4%
Advertising and promotion	52.9	2.5%	51.7	2.8%	50.0	2.9%
Other selling, general, and administrative	105.5	5.1%	92.9	5.1%	86.9	5.1%
Amortization expense	8.0	0.4%	7.8	0.4%	9.8	0.6%
Foreign currency (gain) loss	0.1	0.0%	(0.3)	0.0%	(0.1)	0.0%
Transaction and strategic alternative related costs	13.5	0.7%	4.0	0.2%		0.0%
<b>Total operating expenses</b>	<b>1,789.7</b>	<b>86.4%</b>	<b>1,609.8</b>	<b>88.3%</b>	<b>1,526.0</b>	<b>89.4%</b>
<b>Operating income:</b>						
Retail	243.5	11.8%	181.9	10.0%	153.1	9.0%
Franchising	111.3	5.4%	93.8	5.1%	80.8	4.7%
Manufacturing/Wholesale	82.2	4.0%	69.4	3.8%	73.5	4.3%
Unallocated corporate and other costs:						
Warehousing and distribution costs	(60.6)	-3.0%	(55.0)	-3.0%	(53.6)	-3.1%
Corporate costs	(80.4)	-3.9%	(73.7)	-4.0%	(72.8)	-4.3%
Transaction related costs	(13.5)	-0.7%	4.0	-0.2%		0.0%
Subtotal unallocated corporate and other costs, net	(154.5)	-7.6%	(132.7)	-7.3%	(126.4)	-7.4%
Total operating income (loss)	282.5	13.6%	212.4	11.7%	181.0	10.6%
Interest expense, net	74.9		65.4		69.9	
Income before income taxes	207.6		147.0		111.1	
Income tax expense	75.3		50.4		41.6	
Net income	\$ 132.3		\$ 96.6		\$ 69.5	

**Note:** The numbers in the above table have been rounded. All calculations related to the Results of Operations for the year-over-year comparisons below were derived from unrounded data and could occasionally differ immaterially if you were to use the table above for these calculations.

*Comparison of the Years Ended December 31, 2011 and 2010*

*Revenues*

Our consolidated net revenues increased \$250.0 million, or 13.7%, to \$2,072.2 million for the year ended December 31, 2011 compared to \$1,822.2 million in 2010. The increase was the result of increased sales in each of our segments.

*Retail.* Revenues in our Retail segment increased \$174.1 million, or 13.0%, to \$1,518.5 million for the year ended December 31, 2011 compared to \$1,344.4 million in 2010. Domestic retail revenue increased \$156.2 million, representing a \$125.5 million, or 10.1%, increase in our same store sales and a \$30.7 million increase in our non-same store sales. The increase in domestic retail revenues was primarily due to sales increases in the sports nutrition and vitamin product categories, and also included an increase in sales from GNC.com of \$22.1 million, or 37.3%, to

Table of Contents

\$81.1 million in 2011 compared to \$59.0 million for 2010. Sales from LuckyVitamin.com contributed \$14.5 million to the increase in revenue. Canadian same store and non same store sales were flat in local currency for 2011 compared to 2010, but increased by \$3.4 million in U.S. dollars. Our company-owned store base increased by 131 domestic stores to 2,879 at December 31, 2011 compared to 2,748 at December 31, 2010, due to new store openings and franchise store acquisitions. Our Canadian store base decreased by 2 stores, with 167 stores at December 31, 2011 compared to 169 stores at December 31, 2010.

*Franchise.* Revenues in our Franchise segment increased \$41.2 million, or 14.0%, to \$334.8 million for the year ended December 31, 2011 compared to \$293.6 million in 2010. Domestic franchise revenues increased \$21.5 million to \$207.3 million for the year ended December 31, 2011 compared to \$185.9 million in 2010, primarily due to higher wholesale revenues, royalties and fees. Our domestic franchise same store sales for the year ended December 31, 2011 increased by 7.0% from 2010. There were 924 domestic franchise stores at December 31, 2011 compared to 903 stores at December 31, 2010. International franchise revenue increased by \$17.8 million, to \$125.5 million for the year ended December 31, 2011 from \$107.6 million in 2010, primarily as a result of increases in product sales, royalties and fees. Our international franchise store base increased by 153 stores to 1,590 at December 31, 2011 compared to 1,437 at December 31, 2010.

*Manufacturing/Wholesale.* Revenues in our Manufacturing/Wholesale segment, which includes third-party sales from our manufacturing facilities in South Carolina, as well as wholesale sales to Rite Aid, PetSmart, Sam's Club and www.drugstore.com, increased by \$34.7 million, or 18.8%, to \$218.9 million for the year ended December 31, 2011 compared to \$184.2 million in 2010. Third party contract manufacturing sales from our South Carolina manufacturing plant increased by \$13.4 million, or 12.8%, to \$118.2 for the year ended December 31, 2011 compared to 2010.

*Cost of Sales*

Cost of sales, which includes product costs, costs of warehousing and distribution and occupancy costs, increased \$138.5 million, or 11.7%, to \$1,318.4 million for the year ended December 31, 2011 compared to \$1,179.9 million in 2010. Cost of sales, as a percentage of net revenue, was 63.6% and 64.8% for the year ended December 31, 2011 and 2010, respectively. The increase in cost of sales was primarily due to higher sales volumes and store counts.

*Selling, General and Administrative ("SG&A") Expenses*

SG&A expenses, including compensation and related benefits, advertising and promotion expense, other SG&A expenses, amortization expense and transaction and strategic alternative related costs, increased \$41.0 million, or 9.5%, to \$471.2 million, for the year ended December 31, 2011 compared to \$430.2 million in 2010. These expenses, as a percentage of net revenue, were 22.7% for the year ended December 31, 2011 compared to 23.6% in 2010.

*Compensation and related benefits.* Compensation and related benefits increased \$17.5 million, or 6.4%, to \$291.3 million for the year December 31, 2011 compared to \$273.8 million in 2010. The increase was due primarily to our increased store base and sales volume, and executive severance of \$3.5 million.

*Advertising and promotion.* Advertising and promotion expenses increased \$1.2 million, or 2.4%, to \$52.9 million for the year ended December 31, 2011 compared to \$51.7 million in 2010. The increase in advertising and promotion expense was primarily the result of an increase in in-store marketing.

*Other SG&A.* Other SG&A expenses, including amortization expense, increased \$12.8 million, or 12.9%, to \$113.5 million for the year ended December 31, 2011 compared to \$100.7 million in



Table of Contents

2010. This increase was due to increases in credit card fees, third-party sales commissions, bad debt expense, legal expenses, settlement expenses and other SG&A expenses.

*Transaction and strategic alternative related costs.* For the year ended December 31, 2011, we incurred \$13.5 million of expenses principally related to the IPO and the Fall Offering. These primarily consisted of a payment of \$11.1 million for the termination of Sponsor-related obligations and other costs of \$2.4 million. In 2010, we incurred \$4.0 million of expenses principally related to the exploration of strategic alternatives.

*Foreign Currency (Gain) Loss*

Foreign currency (gain) loss for the years ended December 31, 2011 and 2010 resulted primarily from accounts payable activity with our Canadian subsidiary.

*Operating Income*

As a result of the foregoing, consolidated operating income increased \$70.1 million, or 33.0%, to \$282.5 million for the year ended December 31, 2011 compared to \$212.4 million in 2010. Operating income, as a percentage of net revenue, was 13.6% and 11.7% for the years ended December 31, 2011 and 2010, respectively. Excluding transaction related expenses and executive severance expense, operating income was \$299.5 million, or 14.5% of revenue, for the year ended December 31, 2011.

*Retail.* Operating income increased \$61.6 million, or 33.9%, to \$243.5 million for the year ended December 31, 2011 compared to \$181.9 million in 2010. The increase was due to higher margin on increased sales, partially offset by increases in wages and other selling expenses.

*Franchise.* Operating income increased \$17.5 million, or 18.6%, to \$111.3 million for the year ended December 31, 2011 compared to \$93.8 million in 2010. The increase was due to increased wholesale product sales and royalty income.

*Manufacturing/Wholesale.* Operating income increased \$12.8 million, or 18.4%, to \$82.2 million for the year ended December 31, 2011 compared to \$69.4 million in 2010. This was primarily due to higher revenue from third party manufacturing contracts and contributions from new wholesale customers.

*Warehousing and distribution costs.* Unallocated warehousing and distribution costs increased \$5.6 million, or 10.1%, to \$60.6 million for the year ended December 31, 2011 compared to \$55.0 million in 2010. This increase was primarily due to higher fuel costs and increased wages to support higher sales volumes.

*Corporate costs.* Corporate overhead costs increased \$6.7 million, or 9.1%, to \$80.4 million for the year ended December 31, 2011 compared to \$73.7 million in 2010. This increase was due to increases in executive severance expense of \$3.5 million and other SG&A expenses.

*Transaction and strategic alternative related costs.* Transaction and strategic alternative related costs were \$13.5 million for the year ended December 31, 2011. These primarily consisted of a payment of \$11.1 million for termination of Sponsor-related obligations and other costs of \$2.4 million. In 2010, we incurred \$4.0 million of expenses principally related to the exploration of strategic alternatives.

*Interest Expense*

Interest expense increased \$9.5 million, or 14.6%, to \$74.9 million for the year ended December 31, 2011 compared to \$65.4 million in 2010. This increase included \$23.2 million related

Table of Contents

to the Refinancing: \$5.8 million related to the termination of interest rate swaps, \$13.4 million of deferred financing fees related to former indebtedness, \$1.6 million in original issue discount related to the Senior Subordinated Notes and \$2.4 million related to the defeasance of the Senior Notes and Senior Subordinated Notes. Additionally, we recognized \$4.9 million of original issue discount and deferred financing fees expense related to the \$300.0 million pay down of debt in connection with the IPO. The increase was partially offset by a decrease in overall interest rates and outstanding indebtedness.

*Income Tax Expense*

We recognized \$75.3 million (or 36.3% of pre-tax income) of income tax expense for the year ended December 31, 2011 compared to \$50.4 million (or 34.3% of pre-tax income) in 2010. The 2011 income tax expense includes \$2.3 million, or 1.5% of pretax income, related to non-deductible costs. Income tax expense for the years ended December 31, 2011 and 2010 was reduced by valuation allowance adjustments of \$1.5 million and \$3.1 million, respectively. These valuation allowance adjustments reflected a change in circumstances that caused a change in judgment about the realizability of certain deferred tax assets related to state net operating losses. Also, for 2011, income tax expense was favorably impacted by \$2.6 million related to non-recurring tax credits.

*Net Income*

As a result of the foregoing, consolidated net income increased \$35.7 million, or 37.0%, to \$132.3 million for the year ended December 31, 2011 compared to \$96.6 million in 2010. Net income for the year ended December 31, 2011 includes \$31.2 million of transaction related expense, net of tax effect, related to the Refinancing, the IPO, the Fall Offering and executive severance. For the year ended December 31, 2011, excluding transaction related expenses related to the Refinancing, the IPO, the Fall Offering, and executive severance, net income, net of tax effect, was \$163.5 million.

***Comparison of the Years Ended December 31, 2010 and 2009****Revenues*

Our consolidated net revenues increased \$115.2 million, or 6.7%, to \$1,822.2 million for the year ended December 31, 2010 compared to \$1,707.0 million in 2009. The increase was the result of increased sales in our Retail and Franchise segments, partially offset by a decline in our Manufacturing/Wholesale segment.

*Retail.* Revenues in our Retail segment increased \$88.1 million, or 7.0%, to \$1,344.4 million for the year ended December 31, 2010 compared to \$1,256.3 million in 2009. Domestic retail revenue increased \$64.8 million as a result of an increase in our same store sales and \$17.1 million in our non-same store sales. The same store sales increase includes GNC.com revenue, which increased \$12.2 million, or 26.2%, to \$59.0 million, compared to \$46.8 million in 2009. Sales increases occurred primarily in the vitamin and sports nutrition categories. Our company-owned domestic same store sales, including our internet sales, improved by 5.6% in 2010 compared to 2009. Canadian retail revenue increased by \$6.1 million in U.S. dollars. In local currency, Canadian retail revenue declined by CAD \$3.3 million. This decline was primarily a result of a CAD \$5.6 million, or 5.7%, decline in company-owned same store sales, partially offset by an increase of CAD \$2.3 million in non-same store sales. Our company-owned store base increased by 83 domestic stores to 2,748 compared to 2,665 at December 31, 2009, primarily due to new store openings and franchise store acquisitions, and by two Canadian stores to 169 at December 31, 2010 compared to 167 at December 31, 2009.

Table of Contents

*Franchise.* Revenues in our Franchise segment increased \$29.4 million, or 11.1%, to \$293.6 million for the year ended December 31, 2010 compared to \$264.2 million in 2009. Domestic franchise revenue increased by \$7.2 million, or 4.0%, to \$185.9 million in 2010, compared to \$178.7 million in 2009, primarily due to higher wholesale revenues and fees. There were 903 stores at December 31, 2010 compared to 909 stores at December 31, 2009. International franchise revenue increased by \$22.2 million, or 25.8%, to \$107.6 million in 2010, compared to \$85.5 million in 2009, primarily the result of increases in product sales and royalties. Our international franchise store base increased by 130 stores to 1,437 at December 31, 2010 compared to 1,307 at December 31, 2009.

*Manufacturing/Wholesale.* Revenues in our Manufacturing/Wholesale segment, which includes third-party sales from our manufacturing facility in South Carolina, as well as wholesale sales to Rite Aid, www.drugstore.com and PetSmart, decreased \$2.3 million, or 1.2%, to \$184.2 million for the year ended December 31, 2010 compared to \$186.5 million in 2009. Third-party sales decreased in the South Carolina manufacturing plant by \$15.3 million due primarily to our transition from low margin commodity products to higher margin, specialty product contracts and other revenue decreased by \$1.1 million. This was partially offset by an increase in wholesale revenue of \$14.1 million.

*Cost of Sales*

Cost of sales, which includes product costs, costs of warehousing and distribution and occupancy costs, increased \$63.5 million, or 5.7%, to \$1,179.9 million for the year ended December 31, 2010 compared to \$1,116.4 million in 2009. Cost of sales, as a percentage of net revenue, was 64.8% for the year ended December 31, 2010 compared to 65.4% for the year ended December 31, 2009. Cost of sales increased primarily due to higher sales volumes, higher lease related costs as a result of operating 85 more stores at December 31, 2010 than 2009, and higher fulfillment costs related to increased web sales.

*SG&A Expenses*

Our consolidated SG&A expenses, including compensation and related benefits, advertising and promotion expense, other SG&A expenses and amortization expense, increased \$20.5 million, or 5.1%, to \$430.2 million, for the year ended December 31, 2010 compared to \$409.7 million in 2009. These expenses, as a percentage of net revenue, were 23.6% for the year ended December 31, 2010 compared to 24.0% for the year ended December 31, 2009.

*Compensation and related benefits.* Compensation and related benefits increased \$10.8 million, or 4.1%, to \$273.8 million for the year ended December 31, 2010 compared to \$263.0 million in 2009. The increase was due primarily to support our increased store base and sales volume.

*Advertising and promotion.* Advertising and promotion expenses increased \$1.7 million, or 3.4%, to \$51.7 million in 2010 compared to \$50.0 million in 2009. Advertising expense increased primarily as a result of increases in media and production costs of \$1.4 million, in store signage costs of \$1.3 million and other advertising costs of \$0.9 million, partially offset by decreases in print advertising costs of \$1.9 million.

*Other SG&A.* Other SG&A expenses, including amortization expense, increased \$4.0 million, or 4.1%, to \$100.7 million for the year ended December 31, 2010 compared to \$96.7 million for the year ended December 31, 2009. Increases in other SG&A expenses included telecom expenses, commissions, credit card fees and other expense. These were partially offset by decreases in amortization and depreciation expenses and bad debt expense.

Table of Contents

*Transaction and strategic alternative related costs.* In addition to the above, we incurred \$4.0 million of expenses principally related to the exploration of strategic alternatives.

*Foreign Currency (Loss) Gain*

Foreign currency (loss) gain for the years ended December 31, 2010 and 2009 resulted primarily from accounts payable activity with our Canadian subsidiary.

*Operating Income*

As a result of the foregoing, consolidated operating income increased \$31.4 million, or 17.3%, to \$212.4 million for the year ended December 31, 2010 compared to \$181.0 million in 2009. Operating income, as a percentage of net revenue, was 11.7% and 10.6% for the years ended December 31, 2010 and 2009, respectively.

*Retail.* Operating income increased \$28.8 million, or 18.8%, to \$181.9 million for the year ended December 31, 2010 compared to \$153.1 million in 2009. The increase was primarily the result of higher dollar margins on increased sales volumes offset by increases in occupancy costs, compensation costs and other SG&A expenses.

*Franchise.* Operating income increased \$13.0 million, or 16.1%, to \$93.8 million for the year ended December 31, 2010 compared to \$80.8 million in 2009. This increase was due to increases in royalty income, franchise fees, higher dollar margins on increased product sales to franchisees and reductions in bad debt expenses and amortization expense.

*Manufacturing/Wholesale.* Operating income decreased \$4.1 million, or 5.6%, to \$69.4 million for the year ended December 31, 2010 compared to \$73.5 million in 2009. This decrease was primarily the result of lower dollar margins on decreased sales volumes from our South Carolina manufacturing facility.

*Warehousing and Distribution Costs.* Unallocated warehousing and distribution costs increased \$1.4 million, or 2.6%, to \$55.0 million for the year ended December 31, 2010 compared to \$53.6 million in 2009. The increase in costs was primarily due to increases in distribution wages and fuel costs.

*Corporate Costs.* Corporate overhead costs increased \$4.9 million, or 6.7%, to \$77.7 million for the year ended December 31, 2010 compared to \$72.8 million in 2009. This increase was due to increases in compensation expenses, incentives and health insurance costs offset by decreases in other SG&A expenses.

*Transaction and strategic alternative related costs.* Transaction and strategic alternative related costs were \$4.0 million of expenses principally related to the exploration of strategic alternatives for the year ended December 31, 2010.

*Interest Expense*

Interest expense decreased \$4.5 million, or 6.4%, to \$65.4 million for the year ended December 31, 2010 compared to \$69.9 million in 2009. This decrease was primarily attributable to decreases in interest rates on the variable portion of our debt in 2010 compared to 2009.

*Income Tax Expense*

We recognized \$50.4 million of income tax expense (or 34.3% of pre-tax income) during the year ended December 31, 2010 compared to \$41.6 million (or 37.4% of pre-tax income) in 2009. In 2010, we recorded a valuation allowance adjustment of \$3.1 million, which reduced income tax

Table of Contents

expense. This valuation allowance adjustment reflected a change in circumstances that caused a change in judgment about the realizability of certain deferred tax assets related to state net operating losses. As a result of being able to fully utilize our remaining federal net operating losses in 2009, we were able to realize additional federal income tax benefits in 2010 related to certain federal tax credits and incentives.

*Net Income*

As a result of the foregoing, consolidated net income increased \$27.1 million to \$96.6 million for the year ended December 31, 2010 compared to \$69.5 million in 2009.

**Liquidity and Capital Resources**

At December 31, 2011, we had \$128.4 million in cash and cash equivalents and \$474.5 million in working capital, compared with \$193.9 million in cash and cash equivalents and \$484.5 million in working capital at December 31, 2010. The \$10.0 million decrease in our working capital was primarily due to a decrease in cash related to our repurchase of an aggregate of \$61.6 million in shares of Class A common stock under a share repurchase program and repayment of indebtedness in connection with the IPO.

At December 31, 2010, we had \$193.9 million in cash and cash equivalents and \$484.5 million in working capital, compared to \$89.9 million in cash and cash equivalents and \$397.0 million in working capital at December 31, 2009. The \$87.5 million increase in our working capital was primarily due to the increase in cash resulting from the increase in our net income.

We expect to fund our operations through internally generated cash and, if necessary, from borrowings under the Revolving Credit Facility. At December 31, 2011, we had \$72.0 million available under the Revolving Credit Facility, after giving effect to \$8.0 million utilized to secure letters of credit.

In January 2012 we completed our share repurchase program, whereby we repurchased a total of 2.4 million shares of Class A common stock for an aggregate purchase price of approximately \$67.5 million. In February 2012, our board of directors authorized a new share repurchase program pursuant to which we may purchase up to 1.0 million shares of Class A common stock over the forthcoming year.

We expect that our primary uses of cash in the near future will be for capital expenditures, working capital requirements, repurchase of additional shares of Class A common stock under repurchase programs and funding any quarterly dividends to stockholders that are approved by our board of directors.

We currently anticipate that cash generated from operations, together with amounts available under the Revolving Credit Facility, will be sufficient for the term of the Revolving Credit Facility, which matures on March 15, 2016, to meet our operating expenses and capital expenditures as they become due. Due to the repayment of \$300.0 million of indebtedness under the Term Loan Facility in 2011 with a portion of the proceeds from the IPO, no payments are due under the Term Loan Facility until 2018. Our ability to make scheduled payments of principal on, to pay interest on or to refinance our debt and to satisfy our other debt obligations will depend on our future operating performance, which will be affected by general economic, financial and other factors beyond our control. We are currently in compliance with our debt covenant reporting and compliance obligations under the Senior Credit Facility.

Table of Contents

***Cash Provided by Operating Activities***

Cash provided by operating activities was \$174.7 million, \$141.5 million and \$114.0 million during the years ended December 31, 2011, 2010 and 2009, respectively. The increases from each of 2009 to 2010 to 2011 was primarily due to an increase in net income. Net income increased \$35.8 million in 2011 compared to 2010. Net income increased \$27.0 million in 2010 compared to 2009.

For the year ended December 31, 2011, inventory increased \$56.9 million compared to 2010 as a result of increases in our finished goods. Accounts payable increased \$23.2 million due to the increase in inventory and timing of payments. Accounts receivable increased \$13.2 million, primarily due to increased sales to franchisees. Accrued liabilities increased by \$12.3 million, primarily due to increased deferred revenue.

In 2010, inventory increased \$26.3 million compared to 2009 as a result of increases in our finished goods. Accounts receivable increased \$9.6 million, primarily due to increased sales to franchisees. Accrued liabilities increased by \$9.9 million, primarily due to increased deferred revenue.

***Cash Used in Investing Activities***

We used cash from investing activities of \$65.5 million, \$36.1 million and \$42.2 million for the years ended December 31, 2011, 2010 and 2009, respectively. Capital expenditures, which were primarily for improvements to our retail stores and our South Carolina manufacturing facility, were \$43.8 million, \$32.5 million and \$28.7 million for the years ended December 31, 2011, 2010 and 2009, respectively. Also in 2011, we spent \$19.8 million related to the acquisition of LuckyVitamin.com.

Our capital expenditures typically consist of new stores, certain periodic updates in our company-owned stores and ongoing upgrades and improvements to our manufacturing facilities and information technology systems.

In each of 2012 and 2013, we expect our capital expenditures to be approximately \$50 million, which includes costs associated with growing our domestic square footage. We anticipate funding our 2012 capital requirements with cash flows from operations and, if necessary, borrowings under the Revolving Credit Facility.

***Cash Used in Financing Activities***

For the year ended December 31, 2011, we used cash of \$173.6 million, primarily due to repayment of indebtedness in connection with each of the Refinancing and the IPO. We borrowed \$1,196.2 million under the Senior Credit Facility, repaid \$1,056.0 million of indebtedness and paid \$17.3 million in fees in connection with the Refinancing. We received net proceeds from the IPO of \$237.3 million and used those proceeds, together with cash on hand, to redeem all of our outstanding Series A Preferred Stock and repay \$300.0 million of indebtedness under the Senior Credit Facility. Additionally, we repurchased an aggregate of \$61.6 million in shares of Class A common stock under a share repurchase program. Also, we received \$51.0 million of proceeds from exercised options, including the associated tax benefit.

For the years ended December 31, 2010 and 2009, we used cash of \$1.7 million and \$25.3 million, respectively, for payments on long-term debt.

The following is a summary of our debt:

*Senior Credit Facility.* On March 4, 2011, Centers entered into the Senior Credit Facility, consisting of the Term Loan Facility and the Revolving Credit Facility. For a summary of the Senior

Table of Contents

Credit Facility, see "Description of Certain Debt – Senior Credit Facility". As of December 31, 2011, we believe that we are in compliance with all covenants under the Senior Credit Facility. As of December 31, 2011, \$8.0 million of the Revolving Credit Facility was pledged to secure letters of credit. The Senior Credit Facility permits us to prepay a portion or all of the outstanding balance without incurring penalties (except London Interbank Offering ("LIBO") Rate breakage costs). GNC Corporation, our indirect wholly owned subsidiary ("GNC Corporation"), and Centers' existing and future domestic subsidiaries have guaranteed Centers' obligations under the Senior Credit Facility. In addition, the Senior Credit Facility is collateralized by first priority pledges (subject to permitted liens) of Centers' equity interests and the equity interests of Centers' domestic subsidiaries.

All borrowings under the Term Loan Facility and, initially, borrowings under the Revolving Credit Facility, bear interest, at our option, at a rate per annum equal to (A) the sum of (i) the greatest of (a) the prime rate (as publicly announced by JPMorgan Chase Bank, N.A. as its prime rate in effect), (b) the federal funds effective rate plus 0.50%, (c) one month adjusted LIBOR plus 1.0% and (d) 2.25% plus (ii) the applicable margin of 2.0% or (B) the sum of (i) the greater of (a) adjusted LIBOR or (b) 1.25% plus (ii) the applicable margin of 3.0%. Borrowings under the Revolving Credit Facility shall have an applicable margin of 1.75% for ABR Loans and 2.75% for Eurodollar Loans provided our consolidated net senior secured leverage ratio is not greater than 3.25 to 1.00 and no event of default exists. In addition to paying interest on outstanding principal under the Senior Credit Facility, we are required to pay a commitment fee to the lenders under the Revolving Credit Facility in respect of unutilized revolving loan commitments at a rate of 0.50% per annum, as well as letter of credit fees of 3.0% to lenders and 0.25% to the issuing bank.

In connection with the Refinancing, Centers used a portion of the net proceeds from the Term Loan Facility to refinance its former indebtedness, including all outstanding indebtedness under the Old Senior Credit Facility, the Senior Notes and the Senior Subordinated Notes.

*Old Senior Credit Facility.* The Old Senior Credit Facility consisted of the Old Term Loan Facility and the Old Revolving Credit Facility. As of December 31, 2010, \$8.8 million was pledged to secure letters of credit. The Old Senior Credit Facility permitted us to prepay a portion or all of the outstanding balance without incurring penalties (except LIBOR breakage costs). GNC Corporation, our indirect wholly owned subsidiary, and Centers' then existing indirect domestic subsidiaries guaranteed Centers' obligations under the Old Senior Credit Facility. In addition, the Old Senior Credit Facility was collateralized by first priority pledges (subject to permitted liens) of Centers' equity interests and the equity interests of Centers' domestic subsidiaries.

All borrowings under the Old Senior Credit Facility bore interest, at our option, at a rate per annum equal to (i) the higher of (x) the prime rate (as publicly announced by JPMorgan Chase Bank, N.A. as its prime rate in effect) and (y) the federal funds effective rate, plus 0.50% per annum plus, at December 31, 2010, in each case, applicable margins of 1.25% per annum for the Old Term Loan Facility and 1.0% per annum for the Old Revolving Credit Facility or (ii) adjusted LIBOR plus 2.25% per annum for the Old Term Loan Facility and 2.0% per annum for the Old Revolving Credit Facility. In addition to paying interest on outstanding principal under the Old Senior Credit Facility, we were required to pay a commitment fee to the lenders under the Old Revolving Credit Facility in respect of unutilized revolving loan commitments at a rate of 0.50% per annum.

*Senior Notes.* In connection with the Merger, Centers completed a private offering of \$300.0 million of its Senior Notes. Interest on the Senior Notes was payable semi-annually in arrears on March 15 and September 15 of each year. Interest on the Senior Notes accrued at a variable rate and was 5.8% at December 31, 2010. The Senior Notes were Centers' senior non-collateralized obligations and were effectively subordinated to all of Centers' existing collateralized debt, including the Old Senior Credit Facility, to the extent of the assets securing such debt, ranked equally with all of Centers' existing non-collateralized senior debt and ranked senior to

Table of Contents

all Centers' existing senior subordinated debt, including the Senior Subordinated Notes. The Senior Notes were guaranteed on a senior non-collateralized basis by each of Centers' then existing domestic subsidiaries (as defined in the Senior Notes indenture).

*Senior Subordinated Notes.* In connection with the Merger, Centers completed a private offering of \$110.0 million of Centers' Senior Subordinated Notes. The Senior Subordinated Notes were Centers' senior subordinated non-collateralized obligations and were subordinated to all its existing senior debt, including the Old Senior Credit Facility and the Senior Notes, and ranked equally with all of Centers' existing senior subordinated debt and ranked senior to all Centers' existing subordinated debt. The Senior Subordinated Notes were guaranteed on a senior subordinated non-collateralized basis by each of Centers' then existing domestic subsidiaries (as defined in the Senior Subordinated Notes indenture). Interest on the Senior Subordinated Notes accrued at the rate of 10.75% per year from March 16, 2007 and was payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2007.

**Contractual Obligations**

The following table summarizes our future minimum non-cancelable contractual obligations at December 31, 2011:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
	(dollars in millions)				
Long-term debt obligations(1)	\$ 904.2	\$ 1.6	\$ 2.6	\$	\$ 900.0
Scheduled interest payments(2)	242.2	39.8	79.0	78.3	45.1
Operating lease obligations(3)	468.5	117.7	172.8	104.3	73.7
Purchase commitments(4)(5)	3.5	1.7	1.4	0.4	
	\$ 1,618.4	\$ 160.8	\$ 255.8	\$ 183.0	\$ 1,018.8

- (1) These balances consist of the following debt obligations: (a) \$900.0 million of outstanding borrowings under the Senior Credit Facility based on a variable interest rate; and (b) \$4.2 million for mortgage with a fixed interest rate. Repayment of the Senior Credit Facility represents the balance remaining after a \$300.0 million payment in April 2011 and does not take into account any unscheduled payments that may occur due at future cash positions.
- (2) The interest that will accrue on the long-term obligations includes variable rate payments, which are estimated using the associated LIBOR index as of December 31, 2011. Interest under the Senior Credit Facility currently accrues based on one month LIBOR.
- (3) These balances consist of the following operating leases: (a) \$456.4 million for company owned retail stores; (b) \$74.4 million for franchise retail stores, which is offset by \$74.4 million of sublease income from franchisees; and (c) \$12.1 million relating to various leases for warehouses, vehicles, and various equipment at our facilities. Operating lease obligations exclude insurance, taxes, maintenance, percentage rent and other costs. These amounts are subject to fluctuation from year to year. For each of the years ended December 31, 2011, 2010 and 2009, these amounts collectively represented approximately 36% of the aggregate costs associated with our company owned retail store operating leases.
- (4) These balances consist of \$3.5 million of advertising agreements.
- (5) Excludes cash settlements with taxing authorities for unrecognized tax benefits and rent escalation liabilities because we are unable to reliably estimate the timing of such payments.



Table of Contents

In addition to the contractual obligations set forth in the table above, we have entered into employment agreements with certain of our executives that provide for compensation and certain other benefits. Under certain circumstances, including a change in control, some of these agreements provide for severance or other payments, if those circumstances occur during the term of the employment agreement.

**Off Balance Sheet Arrangements**

As of December 31, 2011 and 2010, we had no relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off balance sheet arrangements, or other contractually narrow or limited purposes. We are, therefore, not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

**Effect of Inflation**

Inflation generally affects us by increasing costs of raw materials, labor and equipment. We do not believe that inflation had any material effect on our results of operations in the periods presented in our audited consolidated financial statements.

**Critical Accounting Estimates**

You should review the significant accounting policies described in the notes to our audited consolidated financial statements under the heading "Basis of Presentation and Summary of Significant Accounting Policies" included elsewhere in this prospectus.

*Use of Estimates*

Certain amounts in our audited consolidated financial statements require management to use estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Our accounting policies are described in the notes to our consolidated financial statements under the heading "Basis of Presentation and Summary of Significant Accounting Policies" included elsewhere in this prospectus. Our critical accounting policies and estimates are described in this section. An accounting estimate is considered critical if:

the estimate requires management to make assumptions about matters that were uncertain at the time the estimate was made;

different estimates reasonably could have been used; or

changes in the estimate that would have a material impact on our financial condition or our results of operations are likely to occur from period to period.

Management believes that the accounting estimates used are appropriate and the resulting balances are reasonable. However, actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

**Revenue Recognition**

We operate primarily as a retailer, through company-owned stores, franchise stores, our websites, and to a lesser extent, as a manufacturer and wholesaler. We apply the provisions of the standard on revenue recognition, which requires the following:

Persuasive evidence of an arrangement exists.

Table of Contents

Delivery has occurred or services have been rendered.

The price is fixed or determinable.

Collectability is reasonably assured.

We recognize revenues in our Retail segment at the moment a sale to a customer is recorded. Gross revenues are reduced by actual customer returns and a provision for estimated future customer returns, which is based on management's estimates after a review of historical customer returns. These estimates are based on historical sales return data, applied to current period sales subject to returns provisions per our company policy. Our customer returns allowance was \$3.8 million and \$3.4 million at December 31, 2011 and 2010, respectively. The impact of customer returns on revenue was immaterial for each of the years ended December 31, 2011, 2010 and 2009. We recognize revenues on product sales to franchisees and other third parties when the risk of loss, title and insurable risks have transferred to the franchisee or third party. We recognize revenues from franchise fees at the time a franchise store opens or at the time of franchise renewal or transfer, as applicable. Franchise royalties are earned based on a percentage of the franchisees' sales and recognized in the period in which the franchisees' sales occur.

***Accounts Receivable and Allowance for Doubtful Accounts***

The majority of our retail revenues are received as cash or cash equivalents. The majority of our franchise revenues are billed to the franchisees with varying terms for payment. We offer financing to qualified domestic franchisees with the initial purchase of a franchise location. The notes are demand notes, payable monthly over periods of five to seven years. We generate a significant portion of our revenue from ongoing product sales to franchisees and third-party customers. An allowance for doubtful accounts is established based on the financial condition of our franchisees' and other third-party customers', the current status of trade receivables and any historical write-off experience. We maintain both specific and general reserves for doubtful accounts. General reserves are based upon our historical bad debt experience, overall review of our aging of accounts receivable balances, general economic conditions of our industry or the geographical regions and regulatory environments of our third-party customers and franchisees. Management's estimates of the franchisees' financial health include forecasts of the customers' and franchisees' future operating results and the collectability of receivables from them. While we believe that our business operations and communication with customers and franchisees allows us to make reasonable estimates of their financial health, actual results could differ from those predicted by management, and actual bad debt expense could differ from forecasted results. Our allowance for doubtful accounts was \$2.3 million and \$1.6 million at December 31, 2011 and 2010, respectively. Changes in the allowance from period to period are primarily a result of the composition of customers and their financial health. Bad debt expense was immaterial for each of the years ended December 31, 2011, 2010 and 2009.

***Inventories***

Where necessary, we adjust the carrying value of our inventory to estimated net realizable value. These estimates require us to make approximations about the future demand for our products in order to categorize the status of such inventory items as slow moving, obsolete or in excess of need. These future estimates are subject to the ongoing accuracy of management's forecasts of market conditions, industry trends and competition. While we make estimates of future demand based on historical experience, current expectations and assumptions that we believe are reasonable, if actual demand or market conditions differ from these expectations and assumptions, actual results could differ from our estimates. We are also subject to volatile changes in specific product demand as a result of unfavorable publicity, government regulation and rapid changes in

Table of Contents

demand for new and improved products or services. Our inventory reduction for obsolescence and shrinkage was \$11.4 million and \$11.0 million at December 31, 2011 and 2010, respectively. This represented 2.6% and 2.8% of our gross inventory value at each period, respectively. The change from period to period was primarily the result of inventory fluctuations and management of inventory movement throughout our system. The impact on cost of goods sold as a result of these allowances was immaterial for each of the years ended December 31, 2011, 2010 and 2009.

***Impairment of Long-Lived Assets***

Long-lived assets, including fixed assets and intangible assets with finite useful lives, are evaluated periodically by us for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. If the sum of the undiscounted future cash flows is less than the carrying value, we recognize an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset. These estimates of cash flow require significant management judgment and certain assumptions about future volume, revenue and expense growth rates and asset disposal values. While we make estimates based on historical experience, current expectations and assumptions that we believe are reasonable, if actual results, including future cash flows, differ from our estimates, our estimates may differ from actual impairment recognized. There has been no material impairment recorded in the years ended December 31, 2011, 2010 or 2009.

***Goodwill and Indefinite Lived Intangible Assets***

We annually assess, in the fourth quarter of each fiscal year, the qualitative factors related to goodwill to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. To the extent that we determine it more likely than not that the fair value of our reporting units is less than carrying value, we will perform the two-step impairment test as required.

For intangible assets with indefinite lives, principally our brand name, management performs an annual test for impairment in the fourth quarter of each fiscal year. The impairment test for indefinite-lived intangible assets involves comparing the fair value of the assets with their carrying value, with any excess of carrying value over fair value being recorded as an impairment charge. We use the relief from royalty method to estimate the fair value of our brand name which requires assumptions as to the revenue growth rates, royalty rates and appropriate discount rates.

We conduct impairment testing annually at the beginning of the fourth quarter of each fiscal year. In the event of declining financial results and market conditions, we could be required to recognize impairments to our goodwill and intangible assets. The most recent goodwill assessment was performed at October 1, 2011, and we concluded that goodwill was not impaired. There was also no impairment of goodwill during 2011, 2010 or 2009. See Note 5, "Goodwill, Brands, and Other Intangible Assets, Net", to our audited consolidated financial statements included elsewhere in this prospectus. We do not currently expect to incur additional impairment charges in the foreseeable future; however, the risks relating to our business, as described above under "Risk Factors", could have a negative effect on our business and operating results which could affect the valuation of our goodwill and intangibles.

***Self-Insurance***

We have procured insurance for such areas as: (1) general liability; (2) product liability; (3) directors and officers liability; and (4) property insurance. We are self-insured for such areas as: (1) medical benefits; (2) workers' compensation coverage in the State of New York with a stop loss of \$250,000; (3) physical damage to our tractors, trailers and fleet vehicles for field personnel use;

Table of Contents

and (4) physical damages that may occur at the corporate store locations. We are not insured for certain property and casualty risks due to the frequency and severity of a loss, the cost of insurance and the overall risk analysis. Our associated liability for this self-insurance was not significant as of December 31, 2011 and 2010.

We carry product liability insurance with a retention of \$3.0 million per claim with an aggregate cap on retained losses of \$10.0 million. We carry general liability insurance with retention of \$110,000 per claim with an aggregate cap on retained losses of \$600,000. The majority of our workers' compensation and auto insurance are in a deductible/retrospective plan. We reimburse the insurance company for the workers' compensation and auto liability claims, subject to a \$250,000 and \$100,000 loss limit per claim, respectively.

As part of the medical benefits program, we contract with national service providers to provide benefits to our employees for all medical, dental, vision and prescription drug services. We then reimburse these service providers as claims are processed from our employees. We maintain a specific stop loss provision of \$250,000 per incident with a maximum limit up to \$2.0 million per participant, per benefit year, respectively. We have no additional liability once a participant exceeds the \$2.0 million ceiling. We utilize a review of historical claims, including the timing of claims reported versus payment of claims, to estimate future liabilities related to our medical benefit program. While we make these estimates based on historical experience, current expectations and assumptions that we believe are reasonable, actual results could differ from our estimates. Our liability for medical claims is included as a component of accrued benefits as described in Note 7, "Deferred Revenue and Other Current Liabilities", to our audited consolidated financial statements included elsewhere in this prospectus, and was \$1.9 million as of December 31, 2011 and 2010.

*Leases*

We have various operating leases for company-owned and franchise store locations and equipment. Store leases generally include amounts relating to base rental, percent rent and other charges such as common area maintenance fees and real estate taxes. Periodically, we receive varying amounts of reimbursements from landlords to compensate us for costs incurred in the construction of stores. We amortize these reimbursements as an offset to rent expense over the life of the related lease. We determine the period used for the straight-line rent expense for leases with option periods and conform it to the term used for amortizing improvements.

*Income Taxes*

We compute our annual tax rate based on the statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we earn income. Significant judgment is required in determining our annual tax rate and in evaluating uncertainty in our tax positions. We recognize a benefit for tax positions that we believe will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that we believe has more than a 50% probability of being realized upon settlement. We regularly monitor our tax positions and adjust the amount of recognized tax benefit based on our evaluation of information that has become available since the end of our last financial reporting period. The annual tax rate includes the impact of these changes in recognized tax benefits. The difference between the amount of benefit taken or expected to be taken in a tax return and the amount of benefit recognized for financial reporting represents unrecognized tax benefits. These unrecognized tax benefits are presented in the balance sheet principally within accrued income taxes.

We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. When assessing the need for valuation allowances, we consider future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in

Table of Contents

circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, we would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income. As of December 31, 2011, we have a valuation allowance of \$2.9 million principally related to certain state net operating loss carryforwards.

**Recently Issued Accounting Pronouncements**

In September 2011, the Financial Accounting Standards Board issued updated guidance on the periodic testing of goodwill for impairment. This guidance will allow companies to assess qualitative factors to determine if it is more likely than not that goodwill will be impaired and whether it is necessary to perform the two-step goodwill impairment test required under current accounting standards. This new guidance is effective for us for our fiscal years beginning after December 15, 2011, with early adoption permitted. Effective in the fourth quarter of 2011, we adopted this guidance, and the adoption had no effect on our audited consolidated financial statements.

**Quantitative and Qualitative Disclosures About Market Risk**

Market risk represents the risk of changes in the value of market risk sensitive instruments caused by fluctuations in interest rates, foreign exchange rates and commodity prices. Changes in these factors could cause fluctuations in the results of our operations and cash flows. In the ordinary course of business, we are primarily exposed to foreign currency and interest rate risks. We do not use derivative financial instruments in connection with these commodity market risks.

***Interest Rate Market Risk***

All of Centers' long-term debt is subject to changing interest rates. Although changes in interest rates do not impact our operating income, the changes could affect the fair value of such debt and related interest payments. Based on our variable rate debt balance as of December 31, 2011, a 1% change in interest rates would have no impact on interest expense due to an interest rate floor that exists under the Senior Credit Facility.

***Foreign Currency Exchange Rate Market Risk***

We are subject to the risk of foreign currency exchange rate changes in the conversion from local currencies to the U.S. dollar of the reported financial position and operating results of our non-U.S. based subsidiaries. We are also subject to foreign currency exchange rate changes for purchases of goods and services that are denominated in currencies other than the U.S. dollar. The primary currency to which we are exposed to fluctuations is the Canadian Dollar. The fair value of our net foreign investments and our foreign denominated payables would not be materially affected by a 10% adverse change in foreign currency exchange rates for the periods presented.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting based on the

Table of Contents

framework and criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management has concluded that, as of December 31, 2011, our internal control over financial reporting was effective based on that framework.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2011, as stated in their report, which is included within this prospectus.

Table of Contents

**BUSINESS**

**Our Company**

Based on our worldwide network of more than 7,600 locations and our online channels, we believe we are the leading global specialty retailer of health and wellness products, including VMHS products, sports nutrition products and diet products. Our diversified, multi-channel business model derives revenue from product sales through company-owned domestic retail stores, domestic and international franchise activities, third-party contract manufacturing, e-commerce and corporate partnerships. We believe that the strength of our GNC brand, which is distinctively associated with health and wellness, combined with our stores and online channels, give us broad access to consumers and uniquely position us to benefit from the favorable trends driving growth in the nutritional supplements industry and the broader health and wellness sector. Our broad and deep product mix, which is focused on high-margin, premium, value-added nutritional products, is sold under our GNC proprietary brands, including Mega Men®, Ultra Mega®, GNC Total Lean, Pro Performance® and Pro Performance® AMP, and under nationally recognized third-party brands.

Based on the information we compiled from the public securities filings of our primary competitors, our network of domestic retail locations is approximately eleven times larger than the next largest U.S. specialty retailer of nutritional supplements and provides a leading platform for our vendors to distribute their products to their target consumers. Our close relationships with our vendor partners have enabled us to negotiate first-to-market opportunities. In addition, our in-house product development capabilities enable us to offer our customers proprietary merchandise that can only be purchased through our locations or through GNC.com. Since the nutritional supplement consumer often requires knowledgeable customer service, we also differentiate ourselves from mass and drug retailers with our well-trained sales associates who are aided by in-store technology. We believe that our expansive retail network, differentiated merchandise offering and quality customer service result in a unique shopping experience that is distinct from that of our competitors'.

We have grown our consolidated revenues from \$1,317.7 million in 2005 to \$2,072.2 million in 2011, representing a compound annual growth rate ("CAGR") of 7.8%. We have achieved company-owned domestic retail same store sales growth for 26 consecutive quarters. EBITDA has grown from \$113.2 million in 2005 to \$329.3 million in 2011, representing a CAGR of 19.5%. EBITDA as a percentage of revenue has increased 730 basis points from 8.6% in 2005 to 15.9% in 2011. For a reconciliation of EBITDA to net income see "Selected Consolidated Financial Data".

**Corporate History**

Our business was founded in 1935 by David Shakarian who opened our first health food store in Pittsburgh, Pennsylvania. Since that time, the number of stores has continued to grow, and we began producing our own vitamin and mineral supplements as well as foods, beverages and cosmetics.

Together with our wholly owned subsidiary GNC Acquisition Inc., we entered into the Merger Agreement with GNC Parent Corporation on February 8, 2007. On March 16, 2007, the Merger was consummated. As a result of the Merger, we became the sole equity holder of GNC Parent LLC and the indirect parent company of GNC Corporation and Centers.

On April 6, 2011, we completed the IPO pursuant to which 25.875 million shares of Class A common stock were sold at a price of \$16.00 per share. Holdings issued and sold 16 million shares and certain of Holdings' stockholders sold 9.875 million shares in the IPO. We used the net proceeds from the IPO, together with cash on hand (including additional funds from the Refinancing), to redeem all of our outstanding Series A preferred stock, repay \$300.0 million of

Table of Contents

outstanding borrowings under the Term Loan Facility and pay Sponsor-related obligations of approximately \$11.1 million.

In connection with the IPO, Ares and OTPP entered into the New Stockholders Agreement. Under the New Stockholders Agreement, the Sponsors have the right to nominate to our board of directors, subject to their election by our stockholders, and certain exceptions, that number of directors (rounded up to the nearest whole number or, if such rounding would cause the Sponsors to have the right to elect a majority of our board of directors, rounded to the nearest whole number) that is the same percentage of the total number of directors comprising our board as the collective percentage of common stock owned by the Sponsors. Under the New Stockholders Agreement, each Sponsor has agreed to vote all of the shares of Class A common stock held by it in favor of the other Sponsor's nominees. The New Stockholders Agreement also provides that, so long as the Sponsors collectively own more than one-third of our outstanding common stock, certain significant corporate actions require the approval of at least one of the Sponsors. For additional information, see "Certain Relationships and Related Transactions – Director Independence" and " Stockholders Agreements".

As of February 28, 2012, Ares and OTPP, each of which is a selling stockholder in this offering, held 20,669,203 shares and 24,284,790 shares, respectively, of our Class A common stock, representing approximately 19.8% and 23.2%, respectively, of our outstanding Class A common stock, and OTPP held 2,060,178 shares of our Class B common stock, representing 100% of our outstanding Class B common stock. After giving effect to this offering and OTPP's conversion of 2,060,178 shares of Class B common stock into an equal number of shares of Class A common stock, Ares and OTPP will hold 13,297,934 shares and 16,949,548 shares, respectively, of our Class A common stock, representing approximately 12.5% and 15.9%, respectively, of our outstanding Class A common stock, and there will be no shares of Class B common stock outstanding. If the underwriters fully exercise their option to purchase additional shares, Ares and OTPP will hold 12,192,244 shares and 15,540,235 shares, respectively, of our Class A common stock, representing approximately 11.4% and 14.6%, respectively, of our outstanding Class A common stock. See "Principal and Selling Stockholders".

During the fourth quarter of 2011, we completed the Fall Offering pursuant to which certain of Holdings' stockholders sold 23.0 million shares of Class A common stock at a price of \$24.75 per share.

Holdings is a holding company and all of its operations are conducted through its operating subsidiaries.



Table of Contents

**Corporate Structure**

The following diagram depicts our corporate structure, including our operating subsidiaries.

---

(1)

Material operating divisions of General Nutrition Corporation include company-owned stores, domestic and international franchising (other than Canada), distribution, e-commerce, manufacturing and construction.

(2)

General Nutrition Centres Company directly operates our stores in Canada and our Canadian franchising.

**Recent Transformation of GNC**

Beginning in 2006, we executed a series of strategic initiatives to enhance our existing business and growth profile. Specifically, we:

*Assembled a world-class management team.* We made key senior management upgrades to complement the existing leadership of GNC and to establish a foundation for growth and innovation.

## Edgar Filing: GNC HOLDINGS, INC. - Form 424B1

*Adopted a comprehensive approach to brand building and the retail experience.* We modernized GNC's brand image, product packaging and media campaigns, and enhanced the in-store shopping experience for our customers.

*Increased focus on proprietary product development and innovation to drive growth in retail sales.* We increased revenue contribution from proprietary product lines through a series of successful GNC-branded product launches (Vitapak®, Pro Performance® AMP and GNC Total Lean), as well as recent launches of preferred third-party product offerings.

Table of Contents

*Restaged and expanded e-commerce business.* We executed an overall website redesign in September 2009 in an effort to increase traffic and conversion rates, while enhancing overall functionality of the site. We believe this redesign has positioned GNC.com to continue capturing market share within one of the fastest growing channels of distribution in the U.S. nutritional supplements industry.

*Invested capital to support future growth.* During 2008 and 2009, we upgraded our point-of-sale systems to improve retail business processes, customer data collection and associate training, and to enhance the customer experience. In 2008, we also invested in our Greenville, South Carolina manufacturing facility to add capacity with respect to our soft gelatin capsule production and vitamin production and enhanced our packaging capabilities.

*Launched partnership programs designed to leverage GNC's brand strength.* In 2010, we partnered with PetSmart to launch an exclusive line of GNC-branded pet supplements. During the first quarter of 2011, we began making wholesale sales of our proprietary products to Sam's Club, which increases visibility of our branded product lines.

**Industry Overview**

We operate within the large and growing U.S. nutritional supplements industry. According to Nutrition Business Journal's Supplement Business Report 2011, our industry generated \$26.9 billion in sales in 2009 and \$28.1 billion in 2010, and is projected to grow at an average annual rate of approximately 3.7% through 2017. Our industry is highly fragmented, and we believe this fragmentation provides large operators, like us, the ability to compete more effectively due to scale advantages. We generate a significant portion of our sales revenue from strong performing sports nutrition and VMHS products.

According to Nutrition Business Journal, sports nutrition products represented approximately 11.5% of the total U.S. nutritional supplements industry in 2010, and the category is expected to grow at a 5.8% CAGR from 2010 to 2017, representing the fastest growing product category in the nutritional supplements industry. By way of comparison, sports nutrition products, grouped in a manner consistent with Nutrition Business Journal's data, generated approximately 44% of our company-owned retail sales for 2011.

According to Nutrition Business Journal, VMHS products represented approximately 60.1% of the total U.S. nutritional supplements industry in 2010, and the category is expected to grow at approximately a 3.1% CAGR from 2010 to 2017. By way of comparison, VMHS products, grouped in a manner consistent with Nutrition Business Journal's data, generated approximately 39% of our company-owned retail sales for 2011.

We expect several key demographic, healthcare and lifestyle trends to drive the continued growth of our industry. These trends include:

*Increasing awareness of nutritional supplements across major age and lifestyle segments of the U.S. population.* We believe that, primarily as a result of increased media coverage, awareness of the benefits of nutritional supplements is growing among active, younger populations, providing the foundation for our future customer base. In addition, the average age of the U.S. population is increasing and data from the United States Census Bureau indicates that the number of Americans age 65 or older is expected to increase by approximately 34% from 2000 to 2015. We believe that these consumers are likely to increasingly use nutritional supplements, particularly VMHS products, and generally have higher levels of disposable income to pursue healthier lifestyles.

Table of Contents

*Increased focus on fitness and healthy living.* We believe that consumers are trying to lead more active lifestyles and becoming increasingly focused on healthy living, nutrition and supplementation. According to the Nutrition Business Journal's 2011 Supplement Business Report, 19% of the United States adult population were regular or heavy users of vitamins in 2010, up from 15% in 2008. We believe that growth in our industry will continue to be driven by consumers who increasingly embrace health and wellness as an important part of their lifestyles.

Participants in our industry include specialty retailers, supermarkets, drugstores, mass merchants, multi-level marketing organizations, online retailers, mail-order companies and a variety of other smaller participants. The nutritional supplements sold through these channels are divided into four major product categories: VMHS; sports nutrition products; diet products; and other wellness products. Most supermarkets, drugstores and mass merchants have narrow nutritional supplement product offerings limited primarily to simple vitamins and herbs, with less knowledgeable sales associates than specialty retailers. We believe that the market share of supermarkets, drugstores and mass merchants over the last five years has remained relatively constant.

**Competitive Strengths**

We believe we are well-positioned to capitalize on favorable industry trends as a result of the following competitive strengths:

*Highly-valued and iconic brand.* According to a Beanstalk Marketing and LJS & Associates research study commissioned by us, we hold an 87% brand awareness rate with consumers, which we believe is significantly higher than our direct competitors. We believe our broad portfolio of proprietary products, which are available in our locations or on GNC.com, advances GNC's brand presence and our general reputation as a leading retailer of health and wellness products. We recently modernized the GNC brand in an effort to further advance its positioning. We have launched enhanced advertising campaigns, in-store signage and product packaging with a focus on engaging our customers, building the brand and reinforcing GNC's credibility with consumers.

*Attractive, loyal customer base.* Our large customer base includes approximately 4.9 million active Gold Card members in the United States and Canada who account for over 50% of company-owned retail sales and spend on average two times more than other GNC customers. We believe that our customer base is attractive as our shoppers tend to be gender balanced, relatively young, well-educated and affluent. We believe that our efforts to provide a comprehensive shopping experience have been effective. Based on our Gold Card Program data, customers ages 19 to 29 years old represented approximately 25.0% of our sales in 2011, which is an increase of 6.6% from 18.4% in 2006. Recent surveys, commissioned by us, reflect a high satisfaction rate among our shoppers with respect to selection, product innovation, quality and overall experience.

*Commanding market position in an attractive and growing industry.* Based on our broad global footprint of more than 7,600 locations in the United States and 53 international countries (including distribution centers where retail sales are made), and on GNC.com, we believe we are the leading global specialty retailer of health and wellness products within a fragmented industry. With a presence in all 50 states and the District of Columbia, our domestic retail network is approximately eleven times larger than the next largest U.S. specialty retailer of nutritional supplements, based on the information we compiled from the public securities filings of our primary competitors. We believe our multi-channel business model will enable us to take advantage of international expansion opportunities through

Table of Contents

franchising activities, direct or joint venture investment opportunities and alternative distribution opportunities.

*Unique product offerings and robust innovation capabilities.* Product innovation is critical to our growth, brand image superiority and competitive advantage. Our proprietary brands represented approximately 56% of company-owned retail revenue in 2011. We have internal product development teams located in our corporate headquarters in Pittsburgh, Pennsylvania and our manufacturing facility in Greenville, South Carolina, which collaborate on the development and formulation of proprietary nutritional supplements with a focus on high growth categories. We seek to maintain the pace of GNC's proprietary product innovation to stay ahead of our competitors and provide consumers with unique reasons to shop at our stores. Our in-house product development teams and vertically integrated infrastructure enable us to quickly take a concept for a new product from the idea stage, to product development, to testing and trials and ultimately to the shelf to be sold to our customers. In 2011, we believe GNC-branded products generated more than \$975 million of retail sales across company-owned and domestic franchise stores, GNC.com and Rite Aid store-within-a-store locations.

Over the last three years, we have launched a series of new products that have increased the revenue contribution from GNC's proprietary product lines. We extended our line of proprietary pocket-sized pack of nutritional supplements called Vitapak®, more than doubling the existing stock keeping unit ("SKU") count by including lines of customized, condition-specific formulas. In addition, we launched Pro Performance® AMP, a premium line of sports nutrition products targeted at a broad-based, fast-growing fitness consumer segment.

Our strong vendor relationships and large retail footprint ensure our retail stores frequently benefit from preferred distribution rights on certain new third-party products making our stores a destination for consumers seeking these products. We believe we are considered the retailer of choice by many vendors in the health and wellness industry to launch their new products due to our knowledgeable store associates and broad customer base.

*Diversified business model.* Our multi-channel approach is unlike many other specialty retailers as we derive revenues across a number of distribution channels in multiple geographies, including retail sales from company-owned retail stores (including 136 stores on U.S. military bases), retail sales from GNC.com, royalties, wholesale sales and fees from both domestic and international franchisees, revenue from third-party contract manufacturing, wholesale revenue and fees from our Rite Aid store-within-a-store locations, and wholesale revenues from Sam's Club and PetSmart. Our business is further diversified by our broad merchandise assortment. Our retail stores generally offer over 1,800 SKUs across multiple product categories. Our diverse sources of revenue help provide stability to our earnings and provide management numerous avenues through which they can pursue growth opportunities.

*Vertically integrated operations that underpin our business strategy.* To support our company-owned and franchise store bases, we have developed sophisticated manufacturing, warehousing and distribution facilities. These consist of a manufacturing facility in Greenville, South Carolina, distribution facilities in Leetsdale, Pennsylvania, Anderson, South Carolina, and Phoenix, Arizona, and a transportation fleet of over 100 delivery trucks and trailers. Our vertically integrated business model allows us to control the production and timing of new product introductions, control costs, maintain high standards of product quality, monitor delivery times, manage inventory levels and enhance profitability. We also are able to react to trends in the industry and produce at a low cost a variety of

Table of Contents

products with different quantities, sizes and packaging configurations while maintaining strict levels of quality control. In addition, our vertically integrated business model, combined with our broad retail footprint, enables us to respond quickly to changes in consumer preferences and maintain a high pace of product innovation. We are also able to leverage our manufacturing capabilities and third-party contract manufacturing business to absorb fixed costs at our manufacturing facilities, which enables us to maintain high margins on proprietary lines sold at GNC locations.

*Differentiated service model that fosters a "selling" culture and an exceptional customer experience.* We believe we distinguish ourselves from mass and drug retailers with our well-trained sales associates, who offer educated service and trusted advice. We invest considerable capital and human resources in providing comprehensive associate training. Our comprehensive training program, GNC University, goes beyond basic selling and customer service skills to include training for each of our product categories, new product launches and third-party products. Our upgraded point-of-sale system functions as a means to communicate product and corporate news, and to provide access to training modules, leading to a more knowledgeable workforce and greater customer satisfaction. We believe that our expansive retail network, differentiated merchandise offering and high-quality customer service result in a unique shopping experience.

*World-class management team with a proven track record.* Our highly experienced and talented management team has a unique combination of leadership and experience across the retail industry. Our team has successfully executed on key growth initiatives while effectively managing the business in a difficult economic environment.

As a result of our competitive strengths, we have maintained consistent revenue growth through the recent economic cycle. The fourth quarter of 2011 marked our 26th consecutive quarter of positive company-owned domestic same store sales growth. The strength and stability of our core business has resulted in part from industry growth in our key product categories, VMHS and sports nutrition, and from our efforts to increase market share across multiple distribution channels and geographies.

Our consistent growth in company-owned retail sales, the positive operating leverage generated by our retail operations, cost containment initiatives, as well as growth in our other channels of distribution, have allowed us to expand our EBITDA margin. EBITDA as a percentage of revenue has increased 730 basis points from 8.6% in 2005 to 15.9% in 2011. For a reconciliation of EBITDA to net income see "Selected Consolidated Financial Data".

We expect that our existing store base and established distribution network will continue to be effectively leveraged to support higher sales volumes. We also believe the strength of our brand and our vertical integration will allow us to continue earning attractive product margins, particularly on proprietary products. GNC's franchise model enables us to maintain a global retail footprint, while minimizing the amount of required capital investment. Furthermore, our revenue mix from franchisee operations includes wholesale product sales, royalties and fees, which we believe represent recurring, high-margin streams of income.

**Our Growth Strategy**

We plan to execute several strategies in the future to promote growth in revenue and operating income, and capture market share, including:

*Growing company-owned domestic retail earnings.* We believe growth in our domestic retail business will be supported by continued same store sales growth and positive operating leverage. The fourth quarter of 2011 marked our 26th consecutive quarter of positive

Table of Contents

company-owned domestic same store sales growth. We believe our continued positive same store sales growth will be supported by the forecasted industry growth, our marketing and brand building initiatives and future proprietary product introductions. Our existing store base and the supporting infrastructure enable us to convert a high percentage of our incremental sales volume into operating income, providing the opportunity to further expand our company-owned retail operating income margin.

*Growing company-owned domestic retail square footage.* For 2012, we expect to grow company-owned domestic retail square footage by approximately 3% to 4%. We believe that (i) the expansion of our store base will allow us to increase our market share and our appeal to a wider range of consumers as we enter new markets and grow within existing markets, and (ii) the U.S. market can support a significant number of additional GNC stores, including at least 4,500 total potential company-owned domestic and franchise stores (excluding Rite Aid store-within-a-store locations).

*Growing our international footprint.* Our international business has been a key driver of growth in recent years. We expect to continue capitalizing on international revenue growth opportunities through additions of franchise stores in existing markets, expansion into new high growth markets and the growth of product distribution in both existing and new markets. In 2011, we commenced wholesale operations in China through one of our subsidiaries and believe this market represents a significant growth opportunity. See "Risk Factors – Risks Relating to Our Business and Industry" included elsewhere in this prospectus.

*Expanding our e-commerce business.* We believe GNC.com is well-positioned to continue capturing market share online, which represents one of the fastest growing channels of distribution in the U.S. nutritional supplements industry. In September 2009, we re-launched GNC.com, after making a significant investment in the development of the site, with the objective of increasing traffic, conversion rates and functionality. Our site redesign has allowed for an enhanced online customer experience, driving traffic through better natural search, easier navigation and expanded content, and *Internet Retailer* magazine selected GNC.com for its 2010 annual list of Hot 100 online retail sites. In August 2011, we acquired LuckyVitamin.com, a leading online retailer of health and wellness products, including a wide range of nationally branded nutritional supplements. We intend to continue to capitalize on the growth of GNC.com and may explore opportunities to acquire additional web banners to expand our online market share, as with our acquisition of LuckyVitamin.com.

*Further leveraging of the GNC brand.* As with our Rite Aid, Sam's Club and PetSmart partnerships, we believe we have the opportunity to create additional streams of revenue and grow our customer base by leveraging the GNC brand outside of our existing distribution channels. Consistent with this strategy, in September 2010, PetSmart introduced a line of GNC-branded pet supplements exclusively at PetSmart stores. Under this arrangement, GNC-branded products replaced all PetSmart branded pet-supplement products. For a modest investment, this partnership positions GNC to benefit from the growth trends in the pet-care industry, while expanding the number of consumers who purchase GNC-branded products. We also began making wholesale sales of our proprietary products to Sam's Club during the first quarter of 2011.

Table of Contents

**Business Overview**

The following charts illustrate the percentage of our net revenue generated by our three segments and the percentage of our net U.S. retail nutritional supplements revenue generated by our product categories for the year ended December 31, 2011:

**Revenue by Segment**

**US Retail Revenue by Product\***

---

\*

includes domestic retail and GNC.com

In 2011, we did not have a material concentration of sales from any single product or product line.

***Retail Locations***

As of December 31, 2011, there were 7,685 GNC store locations globally, including:

3,046 company-owned stores in the United States across all 50 states and the District of Columbia, and in Canada and Puerto Rico;



Edgar Filing: GNC HOLDINGS, INC. - Form 424B1

924 domestic franchise stores;

1,590 international franchise stores in 53 international countries (including distribution centers where retail sales are made);  
and

2,125 GNC franchise "store-within-a-store" locations under our strategic alliance with Rite Aid Corporation ("Rite Aid").

Table of Contents

Most of our U.S. company-owned and franchise stores are between 1,000 and 2,000 square feet and are located primarily in shopping malls and strip shopping centers. Based on the information we compiled from the public securities filings of our primary competitors, we have approximately eleven times the domestic store base of our nearest U.S. specialty retail competitor.

**Website**

Our website, GNC.com, which we re-launched in 2009, has become an increasingly significant part of our business. Some of the products offered on our website may not be available at our retail locations, enabling us to broaden the assortment of products available to our customers. In addition, in August 2011, we acquired LuckyVitamin.com, an online retailer of health and wellness products. The ability to purchase our products through the internet also offers a convenient method for repeat customers to evaluate and purchase new and existing products. This additional sales channel has also enabled us to market and sell our products in regions where we have limited or no retail operations. Internet purchases are fulfilled and shipped directly from our distribution centers to our consumers using a third party courier service. To date, we believe that most of the sales generated by our website are incremental to the revenues from our retail locations.

**Franchise Activities**

We generate income from franchise activities primarily through product sales to franchisees, royalties on franchise retail sales and franchise fees. To assist our franchisees in the successful operation of their stores and to protect our brand image, we offer a number of services to franchisees including training, site selection, construction assistance and accounting services. We believe that our franchise program enhances our brand awareness and market presence and will enable us to continue to expand our store base internationally with limited capital expenditures. Over the last several years, we realigned our domestic franchise system with our corporate strategies and re-acquired or closed unprofitable or non-compliant franchise stores in order to improve the financial performance of the franchise system.

**Franchise Store-Within-a-Store Locations**

To increase brand awareness and promote access to customers who may not frequent specialty nutrition stores, we entered into a strategic alliance in December 1998 with Rite Aid to open our GNC franchise store-within-a-store locations. Through this strategic alliance, we generate revenues from fees paid by Rite Aid for new store-within-a-store openings, sales to Rite Aid of our products at wholesale prices, the manufacturing of Rite Aid private label products and retail sales of certain consigned inventory. In 2007, we extended our alliance with Rite Aid through 2014 with a five-year option. At December 31, 2011, Rite Aid had opened 975 of an additional 1,125 stores that Rite Aid committed to open by December 31, 2014.

**Marketing**

We market our proprietary brands of nutritional products through an integrated marketing program that includes internet, print and radio media, storefront graphics, direct mailings to members of our Gold Card loyalty program and point of purchase promotional materials.

**Manufacturing and Distribution**

With our sophisticated manufacturing and distribution facilities supporting our retail stores, we are a vertically integrated producer and supplier of high-quality nutritional supplements. By controlling the production and distribution of our proprietary products, we can control product quality, monitor delivery times and maintain appropriate inventory levels. In addition, our broad retail

Table of Contents

footprint provides a captive network for the introduction of new proprietary products. Our partnership with PetSmart and Sam's Club will enable us to leverage our existing manufacturing and distribution capabilities and enable us to extend the GNC brand and gain exposure to new customers.

**Products**

We offer a wide range of high-quality nutritional supplements sold under our GNC proprietary brand names, including Mega Men®, Ultra Mega®, GNC Total Lean, Pro Performance® and Pro Performance® AMP, and under nationally recognized third-party brand names. We report our sales in four major nutritional supplement categories: VMHS, sports nutrition, diet, and other wellness. In addition, our retail sales offer an extensive mix of brands, including over 1,800 SKUs across multiple categories and products. Through our online channels, GNC.com and LuckyVitamin.com, we offer additional SKUs to online customers. This variety is designed to provide our customers with a vast selection of products to fit their specific needs and to generate a high number of transactions with purchases from multiple product categories. Sales of our proprietary brands at our company-owned stores represented approximately 56% our net retail product revenues for the years ended 2011, 2010 and 2009. We have arrangements with our vendors to provide third-party products on an as needed basis. We are not dependent on any one vendor for a material amount of our third-party products.

Consumers may purchase a GNC Gold Card in any U.S. GNC store or at GNC.com for \$15.00. A Gold Card allows a consumer to save 20% on all store and online purchases on the day the card is purchased and during the first seven days of every month for a year. Gold Card members also receive personalized mailings and e-mails with product news, nutritional information and exclusive offers.

Products are delivered to our retail stores through our distribution centers located in Leetsdale, Pennsylvania, Anderson, South Carolina, and Phoenix, Arizona. Our distribution centers support our company-owned stores as well as franchise stores and Rite Aid locations. Our distribution fleet delivers our finished goods and third-party products through our distribution centers to our company-owned and domestic franchise stores on a weekly or biweekly basis depending on the sales volume of the store. LuckyVitamin.com is supported by a new, separate distribution center in Leetsdale, Pennsylvania that began operating in December 2011. Each of our distribution centers has a quality control department that monitors products received from our vendors to ensure they meet our quality standards.

Based on data collected from our point of sales systems in our GNC stores and from GNC.com, below is a comparison of our company-owned domestic retail product sales by major product category, and the percentages of our company-owned domestic retail product sales for the years shown:

	2011		December 31, 2010		2009				
	(dollars in millions)								
<b>U.S Retail Product Categories:</b>									
VMHS	\$	542.6	38.7%	\$	496.1	39.9%	\$	496.4	42.7%
Sports Nutrition Products		621.8	44.3%		531.3	42.7%		443.4	38.2%
Diet Products		139.6	9.9%		122.3	9.8%		128.0	11.0%
Other Wellness Products		99.7	7.1%		93.5	7.6%		94.3	8.1%
Total U.S. Retail revenues	\$	1,403.7	100.0%	\$	1,243.2	100.0%	\$	1,162.1	100.0%

Table of Contents

The data above represents the revenue reported for the domestic portion of our retail segment and excludes additional revenue, primarily wholesale sales revenue to our military commissary locations and revenues from LuckyVitamin.com, which is not on our point of sales system, and certain revenue adjustments that are recorded to ensure conformity with U.S. GAAP, including deferral of our Gold Card revenue to match the twelve month discount period of the card and a reserve for customer returns. These excluded amounts were \$16.7 million for 2011 (including \$14.5 million related to LuckyVitamin.com), \$6.5 million for 2010 and \$5.7 million for 2009. These items are recurring in nature, and we expect to record similar adjustments in the future.

*VMHS*

We sell vitamins and minerals in single vitamin and multi-vitamin form and in different potency levels. Our vitamin and mineral products are available in liquid, tablets, soft gelatin, hard-shell capsules and powder forms, and are available in traditional bottle packaging form or in customized daily packet form ("Vitapak®"). Many of our special vitamin and mineral formulations, such as Mega Men®, Ultra Mega® and Triple Strength Fish Oil are available at GNC locations and on GNC.com. In addition to our selection of VMHS products with unique formulations, we also offer the full range of standard "alphabet" vitamins. We sell herbal supplements in various solid dosage and soft gelatin capsules, tea and liquid forms. We have consolidated our traditional herbal offerings under a single umbrella brand, Herbal Plus®. In addition to the Herbal Plus® line, we offer a full line of whole food-based supplements and herb and natural remedy products.

We also offer a variety of specialty products in our GNC and Preventive Nutrition® product lines. These products emphasize third-party research and literature regarding the positive benefits from certain ingredients. These offerings include products designed to provide nutritional support to specific areas of the body, such as joints, the heart and blood vessels and the digestive system. Overall GNC-branded proprietary products constituted approximately 82% of our VMHS sales in 2011.

*Sports Nutrition Products*

Sports nutrition products are designed to be taken in conjunction with an exercise and fitness regimen. We typically offer a broad selection of sports nutrition products, such as protein and weight gain powders, sports drinks, sports bars and high potency vitamin formulations, including GNC brands such as Pro Performance®, Pro Performance® AMP and Beyond Raw® and popular third-party products. Our GNC-branded proprietary products, including Pro Performance® branded products, represented approximately 37% of our sports nutrition product sales in 2011, and are available only at our locations, select wholesale partner locations and on GNC.com. With a broad array of products and our vast retail footprint, we believe we are recognized as one of the leading retailers of sports nutrition products.

*Diet Products*

Our wide variety of diet products consist of various formulas designed to supplement the diet and exercise plans of weight conscious consumers. We typically offer a variety of diet products, including pills, meal replacements, shakes, diet bars, energy tablets and cleansing products. Our retail stores offer our proprietary and third-party brand products suitable for different diet and weight management approaches, including products designed to increase thermogenesis (a change in the body's metabolic rate measured in terms of calories) and metabolism.

The diet category is cyclical with new products generating short-term sales growth before generally declining over time, making sales trends within this category less predictable than in our other product categories. We derive the majority of our diet sales from third-party products. Our

Table of Contents

GNC proprietary line, Total Lean , is more focused on meal replacement and represents a more stable line of business. Over time, we have reduced our exposure to the diet category. In 2011, company-owned retail sales from diet products accounted for approximately 10% of sales, down significantly from 27% of sales in 2001. Overall, we estimate that GNC-branded proprietary products constituted approximately 31% of our diet product sales in 2011.

*Other Wellness Products*

Other wellness products represent a comprehensive category that consists of sales of our Gold Card preferred membership and sales of other nonsupplement products, including cosmetics, food items, health management products, books, DVDs and equipment.

*Product Development*

We believe that introduction of innovative, high quality, clinically proven, superior performing products is a key driver of our business. Customers widely credit us as being a leader in offering premium health products and rate the availability of a wide variety of products as one of our biggest strengths. We identify shifting consumer trends through market research and through interactions with our customers and leading industry vendors to assist in the development, manufacturing and marketing of our new products. Our dedicated innovation team independently drives the development of proprietary products by collaborating with vendors to provide raw materials, clinical and product development for proprietary GNC-branded products. Average development time for products is four to seven months, or six to 18 months when development involves clinical trials. In 2012, we expect to accelerate the introduction of certain products previously scheduled for 2013. We also work with our vendors to ensure a steady flow of third-party products with preferred distribution rights are made available to us for a limited period of time. In 2011, we targeted our product development efforts on specialty vitamins, women's nutrition, sports nutrition and condition specific products, resulting in the introduction of the GNC Total Lean , Sport Vitapaks and Beyond Raw®. In 2011, we estimate that GNC-branded products generated more than \$975 million of retail sales across company-owned retail, domestic franchise locations, GNC.com and Rite Aid store-within-a-store locations.

*Research and Development*

We have an internal research and development group that performs scientific research on potential new products and enhancements to existing products, in part to assist our product development team in creating new products, and in part to support claims that may be made as to the purpose and function of the product. See Note 2, "Basis of Presentation and Summary of Significant Accounting Policies", to our audited consolidated financial statements included elsewhere in this prospectus.

**Segments**

We generate revenues from our three segments, Retail, Franchise and Manufacturing/Wholesale. The following chart outlines our segments and the historical contribution to our consolidated revenues by those segments, after intercompany eliminations. For a description of operating income (loss) by segment, our total assets by segment, total revenues by geographic

Table of Contents

area and total assets by geographic area, see Note 16, "Segments", to our audited consolidated financial statements included elsewhere in this prospectus.

	Year ended December 31,					
	2011		2010		2009	
	(dollars in millions)					
Retail	\$ 1,518.5	73.3%	\$ 1,344.4	73.8%	\$ 1,256.3	73.6%
Franchise	334.8	16.1%	293.5	16.1%	264.2	15.5%
Manufacturing/Wholesale (Third Party)	218.9	10.6%	184.3	10.1%	186.5	10.9%
Total	\$ 2,072.2	100.0%	\$ 1,822.2	100.0%	\$ 1,707.0	100.0%

Although we believe that our retail and franchise businesses are not seasonal in nature, historically we have experienced, and expect to continue to experience, a variation in our net sales and operating results from quarter to quarter.

**Retail**

Our Retail segment generates revenues primarily from sales of products to customers at our company-owned stores in the United States, Canada and Puerto Rico, and through our websites, GNC.com and LuckyVitamin.com.

*Locations*

As of December 31, 2011, we operated 3,046 company-owned stores across all 50 states and in the District of Columbia and in Canada and Puerto Rico. Most of our U.S. company-owned stores are between 1,000 and 2,000 square feet and are located primarily in shopping malls and strip shopping centers. Traditional shopping mall and strip shopping center locations generate a large percentage of our total retail sales. With the exception of our downtown stores, virtually all of our company-owned stores follow one of two consistent formats, one for mall locations and one for strip shopping center locations.

We periodically redesign our store graphics to better identify with our GNC customers and provide product information to allow these customers to make educated decisions regarding product purchases and usage. Our product labeling is consistent within our product lines and the stores are designed to present a unified approach to packaging with emphasis on added information for the customer. As an ongoing practice, we continue to reset and upgrade all of our company-owned stores to maintain a more modern and customer-friendly layout, while promoting our GNC Live Well® theme.

**Franchise**

Our Franchise segment is comprised of our domestic and international franchise operations and generates revenues from franchise activities primarily through product sales to franchisees, royalties on franchise retail sales and franchise fees.

As a means of enhancing our operating performance and building our store base, we began opening franchise locations in 1988. As of December 31, 2011, there were 2,514 franchise stores operating, including 924 stores in the United States and 1,590 international franchise stores operating in 53 international countries (including distribution centers where retail sales are made). Our franchise stores in the United States are typically between 1,000 and 2,000 square feet and approximately 90% are located in strip mall centers. The international franchise stores are typically smaller and, depending upon the country and cultural preferences, are located in mall, strip center, street or store-within-a-store locations. In addition, some international franchisees sell on the

Table of Contents

internet in their respective countries. Typically, our international stores have a store format and signage similar to our U.S. franchise stores. We believe that our franchise program enhances our brand awareness and market presence and will enable us to continue to expand our store base internationally with limited capital expenditures. We believe we have good relationships with our franchisees, as evidenced by our domestic franchisee renewal rate of 92% between 2006 and 2011. We do not rely heavily on any single franchise operator in the United States, since the largest franchisee owns and/or operates 12 store locations.

All of our franchise stores in the United States offer both our proprietary products and third-party products, with a product selection similar to that of our company-owned stores. Our international franchise stores are offered a more limited product selection than our franchise stores in the United States with the product selection heavily weighted toward proprietary products.

*Franchises in the United States*

Revenues from our franchisees in the United States accounted for approximately 62% of our total franchise revenues for the year ended December 31, 2011. New franchisees in the United States are generally required to pay an initial fee of \$40,000 for a franchise license. Existing GNC franchise operators may purchase an additional franchise license for a \$30,000 fee. We typically offer limited financing to qualified franchisees in the United States for terms of up to five years. Once a store begins operations, franchisees are required to pay us a continuing royalty of 6% of sales and contribute 3% of sales to a national advertising fund. Our standard franchise agreements for the United States are effective for an initial ten-year period with two five-year renewal options. At the end of the initial term and each of the renewal periods, the renewal fee is generally 33% of the franchisee fee that is then in effect. The franchisee renewal option is generally at our election. Franchisees must meet certain conditions to exercise the franchisee renewal option. Our franchisees in the United States receive limited geographical exclusivity and are required to utilize the standard GNC store format.

Generally, we enter into a five-year lease with one five-year renewal option with landlords for our franchise locations in the United States. This allows us to secure locations at more cost-effective rates, which we sublease to our franchisees at cost. Franchisees must meet certain minimum standards and duties prescribed by our franchise operations manual and we conduct periodic field visit reports to ensure our minimum standards are maintained. If a franchisee does not meet specified performance and appearance criteria, we are permitted to terminate the franchise agreement. In these situations, we may take possession of the location, inventory and equipment, and operate the store as a company-owned store or re-franchise the location. In 2011, we terminated four franchise agreements, all of which were converted into company-owned stores. The offering and sale of our franchises in the United States are regulated by the FTC and various state authorities. See " Government Regulation Franchise Regulation".

*International Franchises*

Revenues from our international franchisees accounted for approximately 38% of our total franchise revenues for the year ended December 31, 2011. In 2011, new international franchisees were required to pay an initial fee of approximately \$25,000 for a franchise license for each full size store and continuing royalty fees that vary depending on the country and the store type. Our international franchise program has enabled us to expand into international markets with limited capital expenditures. We expanded our international presence from 858 international franchise locations at the end of 2005 to 1,590 international locations (including distribution centers where retail sales are made) as of December 31, 2011. We typically generate less revenue from franchises outside the United States due to lower international royalty rates and the franchisees purchasing a smaller percentage of products from us compared to our domestic franchisees.

Table of Contents

We enter into development agreements with international franchisees for either full-size stores, store-within-a-store locations, wholesale distribution center operations or internet distribution rights. The development agreement grants the franchisee the right to develop a specific number of stores in a territory, often the entire country. The franchisee then enters into a franchise agreement for each location. The full-size store franchise agreement has an initial ten-year term with two five-year renewal options. At the end of the initial term and renewal periods, the franchisee typically has the option to renew the agreement at 33% of the franchise fee that is then in effect. Franchise agreements for international store-within-a-store locations have an initial term of five years, with two five-year renewal options. At the end of the initial term and each of the renewal periods, the franchisee has the option to renew the agreement for up to a maximum of 50% of the franchise fee that is then in effect. Our international franchisees often receive exclusive franchising rights to the entire country franchise, excluding U.S. military bases. Our international franchisees must meet minimum standards and duties similar to our U.S. franchisees. Our international franchise agreements and international operations may be regulated by various country, local and international laws. See " Government Regulation Franchise Regulation".

***Manufacturing/Wholesale***

Our Manufacturing/Wholesale segment is comprised of our manufacturing operations in South Carolina and our wholesale sales business. This segment supplies our Retail and Franchise segments as well as various third parties with finished products. Our Manufacturing/Wholesale segment generates revenues through sales of manufactured products to third parties, and the sale of our proprietary and third-party brand products to Rite Aid, PetSmart, Sam's Club and www.drugstore.com. Our wholesale operations are supported primarily by our Anderson, South Carolina distribution center.

*Manufacturing*

Our sophisticated manufacturing and warehousing facilities provide finished products to our Retail and Franchise segments and enable us to control the production and distribution of our proprietary products, better control costs, protect product quality, monitor delivery times and maintain appropriate inventory levels. Our unique combination of in-house development of products, vertically integrated infrastructure and innovation capabilities support our business strategy and enable the rapid development of proprietary products.

We operate two main manufacturing facilities in the United States: one in Greenville, South Carolina and one in Anderson, South Carolina. We utilize our plants primarily for the production of proprietary products. Our manufacturing operations are designed to ensure low-cost production of a variety of products of different quantities, sizes and packaging configurations while maintaining strict levels of quality control. Our manufacturing procedures are designed to promote consistency and quality in our finished goods. We conduct sample testing on raw materials and finished products, including weight, purity and micro-bacterial testing. Our manufacturing facilities also service our wholesale operations, including the manufacture and supply of our proprietary and third-party brand products to Rite Aid, Sam's Club, PetSmart and www.drugstore.com. We use our available capacity at these facilities to produce products for sale to third-party customers.

The principal raw materials used in the manufacturing process are natural and synthetic vitamins, herbs, minerals and gelatin. We maintain multiple sources for the majority of our raw materials, with the remaining being single-sourced due to the uniqueness of the material. In 2011, no one vendor supplied more than 10% of our raw materials. Our distribution fleet delivers raw materials and components to our manufacturing facilities and also delivers our finished goods and third-party products to our distribution centers.



Table of Contents

*Wholesale*

*Franchise Store-Within-a-Store Locations* To increase brand awareness and promote access to customers who may not frequent specialty nutrition stores, we entered into a strategic alliance with Rite Aid in December 1998 to open GNC franchise store-within-a-store locations. As of December 31, 2011, we had 2,125 Rite Aid store-within-a-store locations. Through this strategic alliance, we generate revenues from sales to Rite Aid of our products at wholesale prices, the manufacture of Rite Aid private label products, retail sales of certain consigned inventory and license fees. We are Rite Aid's sole supplier for the PharmAssure® vitamin brand and a number of Rite Aid private label supplements. In May 2007, we extended our alliance with Rite Aid through 2014 with a five year option. At December 31, 2011, Rite Aid had opened 975 of an additional 1,125 stores that Rite Aid has committed to open by December 31, 2014.

**Employees**

As of December 31, 2011, we had approximately 5,800 full-time and 8,000 part-time employees, of whom approximately 11,000 were employed in the domestic portion of our Retail segment, 40 were employed in our Franchise segment, 1,550 were employed in our Manufacturing/Wholesale segment, 525 were employed in corporate support functions, 750 were employed in Canada and 75 were employed at LuckyVitamin.com. None of our employees belongs to a union or is a party to any collective bargaining or similar agreement. We consider our relationship with our employees to be good.

**Competition**

The U.S. nutritional supplements retail industry is a large, highly fragmented and growing industry, with no single industry participant accounting for a majority of total industry retail sales. Competition is based on price, quality and assortment of products, customer service, marketing support and availability of new products. In addition, the market is highly sensitive to the introduction of new products.

We compete with both publicly and privately owned companies, which are highly fragmented in terms of geographical market coverage and product categories. We also compete with other specialty retailers, supermarkets, drugstores, mass merchants, multi-level marketing organizations, mail-order companies, other internet sites and a variety of other smaller participants. We believe that the market is highly sensitive to the introduction of new products. In the United States, many of our competitors have national brands that are heavily advertised and are manufactured by large pharmaceutical and food companies and other retailers. Most supermarkets, drugstores and mass merchants have narrow product offerings limited primarily to simple vitamins, herbs and popular third-party diet products. Our international competitors also include large international pharmacy chains and major international supermarket chains, as well as other large U.S. based companies with international operations. Our wholesale and manufacturing operations compete with other wholesalers and manufacturers of third-party nutritional supplements.

**Trademarks and Other Intellectual Property**

We believe trademark protection is particularly important to the maintenance of the recognized brand names under which we market our products. We own or have rights to material trademarks or trade names that we use in conjunction with the sale of our products, including the GNC brand name. We also rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position. We protect our intellectual property rights through a variety of methods, including trademark, patent and trade secret laws, as well as confidentiality agreements and proprietary information agreements with vendors, employees,

Table of Contents

consultants and others who have access to our proprietary information. Protection of our intellectual property often affords us the opportunity to enhance our position in the marketplace by precluding our competitors from using or otherwise exploiting our technology and brands. We are also a party to several intellectual property license agreements relating to certain of our products. The duration of our trademark registrations is generally 10, 15 or 20 years, depending on the country in which the marks are registered, and the registrations can be renewed by us. The scope and duration of our intellectual property protection varies throughout the world by jurisdiction and by individual product.

**Properties**

As of December 31, 2011, there were 7,685 GNC store locations globally (including distribution centers where retail sales are made). In our Retail segment, all but one of our company owned stores are located on leased premises that typically range in size from 1,000 to 2,000 square feet. In our Franchise segment, primarily all of our franchise stores in the United States and Canada are located on premises we lease and then sublease to our respective franchisees. All of our franchise stores in the remaining international markets are owned or leased directly by our franchisees. No single store is material to our operations.

Table of Contents

As of December 31, 2011, our company-owned and franchise stores in the United States and Canada (excluding store-within-a-store locations) and our other international franchise stores consisted of:

<b>United States and Canada</b>	<b>Company- Owned Retail</b>	<b>Franchise</b>	<b>International</b>	<b>Franchise*</b>
Alabama	35	12	Afghanistan	1
Alaska	9	4	Aruba	1
Arizona	56	5	Australia	40
Arkansas	21	4	Azerbaijan	1
California	253	127	Bahamas	3
Colorado	66	9	Bahrain	3
Connecticut	40	4	Bolivia	12
Delaware	16	3	Brazil	1
District of Columbia	5	1	Brunei	2
Florida	235	93	Bulgaria	1
Georgia	97	45	Cayman Islands	2
Hawaii	22	0	Chile	136