

TOWN SPORTS INTERNATIONAL HOLDINGS INC

Form 10-Q

October 25, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended September 30, 2012

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the Transition period from to .

Commission File Number 000-52013

TOWN SPORTS INTERNATIONAL HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other Jurisdiction of
Incorporation or Organization)

20-0640002
(I.R.S. Employer
Identification Number)

5 Penn Plaza (4th Floor)

New York, New York 10001

Telephone: (212) 246-6700

(Address, zip code, and telephone number, including area code, of registrant's principal executive office.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 19, 2012, there were 23,631,630 shares of Common Stock of the registrant outstanding.

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For the Quarter Ended September 30, 2012

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September 30, 2012 and December 31, 2011

(All figures in thousands except share and per share data)

(Unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 42,108	\$ 47,880
Accounts receivable (less allowance for doubtful accounts of \$3,382 and \$2,440 as of September 30, 2012 and December 31, 2011, respectively)	7,161	5,857
Inventory	324	290
Deferred tax assets, net	24,140	20,218
Prepaid expenses and other current assets	11,379	10,672
Total current assets	85,112	84,917
Fixed assets, net	262,397	286,041
Goodwill	32,790	32,799
Deferred tax assets, net	8,827	19,782
Deferred membership costs	11,290	10,117
Other assets	14,553	15,886
Total assets	\$ 414,969	\$ 449,542
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 2,000	\$ 25,507
Accounts payable	5,250	9,180
Accrued expenses	24,800	26,575
Accrued interest	167	950
Deferred revenue	38,562	40,822
Total current liabilities	70,779	103,034
Long-term debt	249,072	263,487
Deferred lease liabilities	62,746	65,119
Deferred revenue	5,912	5,338
Other liabilities	10,655	12,210
Total liabilities	399,164	449,188
Contingencies (Note 11)		
Stockholders' equity:		
Common stock, \$.001 par value; issued and outstanding 23,631,630 and 23,040,881 shares at September 30, 2012 and December 31, 2011, respectively	23	23
Additional paid-in capital	(16,909)	(19,934)
Accumulated other comprehensive income	1,258	1,251
Retained earnings	31,433	19,014
Total stockholders' equity	15,805	354

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Total liabilities and stockholders' equity	\$ 414,969	\$ 449,542
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See notes to condensed consolidated financial statements.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Club operations	\$ 117,365	\$ 114,882	\$ 359,903	\$ 347,659
Fees and other	2,247	1,256	4,862	3,469
	119,612	116,138	364,765	351,128
Operating Expenses:				
Payroll and related	43,654	43,286	136,293	133,639
Club operating	46,270	45,496	136,012	132,983
General and administrative	5,641	6,139	17,709	19,655
Depreciation and amortization	12,148	12,642	37,427	38,829
Impairment of fixed assets	239		239	
	107,952	107,563	327,680	325,106
Operating income	11,660	8,575	37,085	26,022
Loss on extinguishment of debt	1,010		1,010	4,865
Interest expense	6,542	6,062	18,027	18,265
Interest income	(25)	(45)	(43)	(135)
Equity in the earnings of investees and rental income	(632)	(578)	(1,852)	(1,833)
Income before provision for corporate income taxes	4,765	3,136	19,943	4,860
Provision for corporate income taxes	1,613	1,194	7,524	1,795
Net income	\$ 3,152	\$ 1,942	\$ 12,419	\$ 3,065
Earnings per share:				
Basic	\$ 0.13	\$ 0.09	\$ 0.53	\$ 0.13
Diluted	\$ 0.13	\$ 0.08	\$ 0.52	\$ 0.13
Weighted average number of shares used in calculating earnings per share:				
Basic	23,581,631	22,834,206	23,331,877	22,782,124
Diluted	24,186,498	23,457,058	24,015,747	23,318,879

See notes to condensed consolidated financial statements.

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TOWN SPORTS INTERNATIONAL HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three and Nine Months Ended September 30, 2012 and 2011

(All figures in thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Statements of Comprehensive Income:				
Net income	\$ 3,152	\$ 1,942	\$ 12,419	\$ 3,065
Foreign currency translation adjustments, net of tax	22	(226)	55	318
Interest rate swap, net of tax	(13)	(976)	(48)	(976)
Comprehensive income	\$ 3,161	\$ 740	\$ 12,426	\$ 2,407

See notes to condensed consolidated financial statements.

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TOWN SPORTS INTERNATIONAL HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2012 and 2011

(All figures in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 12,419	\$ 3,065
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	37,427	38,829
Impairment of fixed assets	239	
Loss on extinguishment of debt	1,010	4,865
Call premium on redemption of Senior Discount Notes		(2,538)