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Conference Call Transcript

CLUB - Q3 2009 Town Sports International Holdings, Inc. Earnings Conference Call

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Sharon Zackfia

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Stifel Nicolaus - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Town Sports International Holdings, Incorporated third quarter 2009 earnings conference call. Please be aware that today's conference is being recorded.

And now, for opening remarks and introductions, I would like to turn the conference over to Mr. Dan Gallagher, Town Sports International. Please go ahead, sir.

Dan Gallagher - *Town Sports International Holdings, Inc. - CFO*

Thank you for joining us today. This is the Town Sports International Holdings earning conference call discussing 2009 third quarter results. I am Dan Gallagher, Chief Financial Officer of the Company.

I caution listeners that to the extent we make any forward-looking statements in this conference call they are made pursuant to the Safe Harbor Provision of the Private Securities Litigation Reform Act of 1995. These statements are subject to various risks and uncertainties, many of which are outside of our control, which may cause actual results to be materially different from any forecast we have made. These risks and uncertainties are described in our reports filed with the SEC.

We have issued a press release discussing our results for the quarter, which will also be filed with the SEC in the Form 8-K. In addition, for those of you who do not have access to this release and filing, we have made them available at our website, www.mysportsclubs.com.

This conference call is also being webcast and may be accessed via the Company's Investor Relations Section of our website. Also, a replay and transcript of the call will be made available via the Company's website following the call.

I'll now turn this call over to Alex Alimanestianu, the President and Chief Executive Officer of Town Sports International, for a discussion on the operations of the Company, and then I will give further detailed discussion later on in the call about financials. Alex?

Alex Alimanestianu - *Town Sports International Holdings, Inc. - President and CEO*

Thank you, Dan, and good afternoon, everyone.

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Our third quarter results basically reflect where we thought our business would be for the quarter and also where it would be at this point of the cycle as we looked at 2009 at the start of the year. We knew that maintaining membership levels would be a struggle as consumers continue to trim back personal expenses and defer new spending. We knew that membership attrition would trend higher and that we would have to work harder than ever to attract new members, and we knew that personal training revenue, which is more discretionary, would likely slip.

What we didn't know at the start of 2009 was whether the important underlying trends in the business would be worse or better by the end of the year. Some of these trends are quantifiable and apparent in our quarterly results and some are only evident to our Management Team.

And while the business certainly does not have a tailwind right now and our year-over-year total membership decline will hurt our future results, we do believe that some key drivers of the business are starting to show improvement.

On the new membership sales front, August and September results were better than July, and the third quarter felt better to us than the second quarter. And one reason where employment has actually improved, Washington, D.C., I would categorize sales as relatively strong in the third quarter, marked by double-digit new member sales gains versus the prior year. Hopefully, Washington's improving economy and employment trend will be migrating north in the near future.

The rebound in profitability at the big Wall Street banks is certainly a positive development for the New York Metro economy, so we at Town Sports are pretty big fans of Wall Street bonuses. I'm sure we're in a minority on that.

During the third quarter we were also pleased to have further strengthened our Senior Management Team with the hiring of Russ Findlay in the critical new position of Vice President of Sales and Marketing. Russ brings with him 18 years of experience at Pepsi and Unilever in Senior Sales and Marketing roles, including his most recent role as Director of Marketing for Soft Drink Innovation at Pepsi.

His top priorities for Town Sports, in addition to driving revenue, will be to redesign our go-to-market strategy and thereby optimize productivity and costs in the Sales organization and to further refine and strengthen our market and brand positioning.

As a reminder, the hiring of Marty Annese as Chief Operating Officer in 2008 was a critical building block for our organization, which has enabled us to raise significantly the quality and consistency of club operations and the member experience overall.

As evidence, we have scored above 90% on Secret Shopper reports for the past six months and have just recorded another high in September. I fully expect that new leadership in Sales and Marketing will likewise pay healthy dividends.

Now, looking at some metrics in the quarter, total membership at the end of the third quarter was 494,000. This was a sequential decline of 9,000 members but a marked improvement versus the second quarter's decline of 15,000 members. The third quarter ending membership was also a 4.8% decline from a year ago.

While our most recent trends in membership sales are improving at the margin, it takes a full year for membership declines or advances to flow-through our earnings model. We will have far more clarity around membership growth trends after we see results for the month of January, which as most of you know is our most important sales month of the year.

Same club revenue was down 7%, and the biggest contributor to the decline was a decrease in membership, followed by a decrease in ancillary revenue, both of which are directly impacted by economic conditions and, therefore, more difficult for us to control. While personal training was down 9% in the quarter, this result was slightly better than the second quarter, and we see this business starting to stabilize.

Attrition for the third quarter was 4.2% but closer to 4.1% when adjusted for club closures. The third quarter is typically the peak quarter for attrition, and a sequential increase of 50 basis points from the second to third quarters is very consistent with our recent trends. We expect attrition in the fourth quarter to be relatively consistent with a year ago, which would be an improvement from the first nine months of the year.

We ended the quarter with approximately 63,000 corporate members, an increase of 19.8% over Q3 2008. We also sold approximately 4.5% of our new memberships in the quarter online through a program we launched in December of last year.

If you go to our website at mysportsclub.com, you will see that last week we re-launched our site to make it far easier to use and search and richer in content. And we certainly expect that the refreshed site will help drive new member signups, personal training, and sports club for kids programs.

We continue to push hard on the areas that we can control. For instance, based on our member feedback and our Mystery Shopper scores we know that our member experience efforts are having a strong impact on member satisfaction and the quality of club operations. Our net delighted score, for which we compare customer feedback that is positive versus negative, was again net positive in the third quarter, so we continue to see a higher percentage of positive feedback.

As you can also see from our third quarter results, Dan and Marty, along with all the Departments here, are doing a very good job managing down expenses. We continue to review our cost structure in search of operating efficiencies, and payroll and administrative costs were down in the third quarter of 2009 compared to the third quarter last year, both in dollars and slightly as a percentage of revenue.

Rent renegotiations are also progressing well, and we still expect to achieve cash savings in occupancy costs of roughly a million dollars this year, and at least that amount next year. In addition, we are taking advantage of the real estate market's weakness to extend club leases where it makes sense to do so, and continue to believe it's a good time to prune our portfolio by closing clubs that are not performing up to our financial expectations or strategically do not benefit our portfolio.

We closed one club in the third quarter in Cherry Hill, New Jersey, and now plan to close four additional clubs in the fourth quarter. For several of these fourth quarter closings we will be able to keep roughly half of the members onboard in nearby clubs. And in each case the impact to our bottom line should be slightly positive. For the year we opened four clubs, all in the first quarter, and are planning on closing a total of nine clubs.

So, overall, our results for the third quarter were again hurt by a weak consumer environment that has been impacting our membership base over the past year plus. And while we will not gain back all of these members overnight, we remain focused on keeping current members happy and helping them progress on their fitness journeys.

As we plan and execute improvements to our sales and marketing efforts, we are hoping for but certainly can't expect to be helped along by improving consumer confidence and a stronger job market. We would also like to see, but again can't count on, new government incentives for wellness and fitness programs to be included in healthcare legislation making its way through Washington right now.

Finally, as we look forward to next year we will reduce our capital expenditures for 2010 versus 2009. Our preliminary budget range for next year is \$36 million to \$44 million. To provide some guidance around those numbers, we have signed two leases for new clubs and currently expect to open one of these clubs next year.

Maintenance capital expenditure could increase slightly. As we extend critical club leases on favorable terms we may take on reasonable obligations to upgrade these facilities, and we expect to complete our new enterprise management IT system next year. In general, however, we expect to continue to play defense by holding down costs and expenditures until an economic rebound is well underway.

Now, I would like to turn the call back over to Dan Gallagher to provide more details regarding our financial performance. Dan?

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

Thank you, Alex.

I'll run through the details of the quarter and then discuss our outlook for the fourth quarter. For the third quarter our consolidated revenue was \$120.4 million, a decrease of 6% over the third quarter of 2008. Membership revenue was \$98.5 million as compared to \$104.5 million in the same period last year. And as of September 30th, 2009 we had 494,000 members or 4.8% fewer members when compared to September 30th, 2008. Sequentially we lost 9,000 members from June 30th, 2009 to September 30th, 2009.

Total ancillary club revenue totaled \$20.8 million, a decrease of 6.2%. Within ancillary revenue, personal training revenue declined 9% to \$13.5 million, while other ancillary revenue declined 0.5% to \$7.2 million.

Revenue at comparable clubs, those clubs opened over 12 months, decreased by 7% for the quarter. Within same club revenue the components were as follows -- price declined 1.3%, memberships declined 3.7%, and ancillary club revenue and fees and other revenue declined 2%, with a drop in personal training having the biggest impact on ancillary revenue and other revenue.

Total operating expenses increased 2.1% for the third quarter of 2009 when compared to the third quarter of 2008. We ended the quarter with a 0.8% increase in total club months under operation, from 486 at the end of the third quarter of 2008 to 490 in the current quarter. Also, total member usage was up 5.7%.

Overall, payroll and related expenses decreased by 3.4% to \$47.5 million in the third quarter. The decrease was in large part due to decreases in personal training payroll and decreases in membership sales commissions and bonuses related to fewer memberships sold.

Club operating expenses increased 2.7% to \$45.6 million. This increase is principally due to expenses at the eight clubs we opened subsequent to July 1st, 2008, and rented our new laundry facility in Elmsford, New York.

Total club square footage under operation has increased 1.2% to 4.13 million as of September 30th, 2009 from 4.25 million as of September 30th, 2008.

Within club operating expenses our advertising and marketing costs for the quarter totaled \$2.2 million compared to \$2.3 million in the third quarter of 2008. This puts our year-to-date advertising and marketing spend of \$6.4 million in line with the first nine months of 2008 of \$6.2 million.

General and administrative expenses totaled \$8.1 million for the quarter, a decrease of 6.8% versus the third quarter of 2008. The decline was in large part due to lower liability insurance claims reserve expenses. The remainder of the expense decrease was due to cost reduction efforts realized within various general and administrative expenses.

Depreciation and amortization expense totaled \$14.4 million for the quarter, an increase of 6.9% versus the third quarter of 2008. The increase in depreciation and amortization was primarily driven by the eight new clubs added after July 1st, 2008, as well as the new laundry facility and the new Corporate Office in Elmsford, New York.

We recorded fixed asset impairment charges of \$3.5 million in the third quarter as compared to a charge of \$0.8 million in the third quarter of 2008.

As a result of these items, operating margin for the third quarter of 2009 was 1.2%, compared to an operating margin of 9% in the third quarter of 2008. Excluding the affects of the impairment charges, operating margin was 4.1% versus 9.7% a year ago.

Interest expense was \$5.4 million for the quarter compared to \$5.8 million in the prior year's third quarter. We continue to benefit from a decrease in short-term interest rates charged on our outstanding term loans. Interest charge on our term loans averaged 2.1% this third quarter compared to 4.3% in the third quarter of last year.

Net loss was \$1.5 million or loss per share of \$0.07 for the third quarter compared to net income of \$3.8 million or earnings per diluted share of \$0.14 in the third quarter of last year. These third quarter 2009 results with the fixed asset impairment charges, net of taxes of \$2 million, offset by discrete tax benefits of \$200,000. In total these items reduced earnings per diluted share by a net per share amount of \$0.08. Our weighted average diluted share count for the third quarter of 2009 was 22.6 million shares, down from 26.5 million shares in the third quarter of 2008.

Cash flow from operations for the first nine months of 2009 totaled \$58.8 million compared to \$76.3 million for the comparable period in 2008. The decrease in cash flow from operations is primarily due to a decrease in earnings.

During this third quarter we made our first cash interest payment on our senior discount notes, totaling \$7.6 million. After considering the benefits of the lower interest rates on our term loans, total cash paid for interest increased \$4.6 million on the year-to-date basis when compared to prior year. Also, on a year-to-date basis cash paid for taxes net of any refunds received decreased \$16.4 million when compared to the prior year.

Capital expenditures totaled \$39.8 million year-to-date, and we expect capital expenditures for the full year of 2009 to approximate \$53 million. This full year amount includes approximately \$16.3 million of capital expenditures primarily related to clubs open in 2009 and the second half of 2008, \$23.4 million to continue to upgrade existing clubs, \$8.8 million to support and enhance our management information systems, and \$4.5 million for the completion of a new regional laundry facility and Corporate Office in our New York sports club market.

Total debt as of September 30th, 2009 was \$327.6 million, and our cash position was \$12 million, and net debt figure of \$315.6 million.

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Turning to our outlook, based on the current business environment, our recent performance, and the current trends in our marketplace, and subject to the risks and uncertainties in our forward-looking statements, our outlook for the fourth quarter includes the following -- revenue for the fourth quarter is expected to be between \$112.5 million and \$114.5 million versus \$122.9 million for the prior year.

The Company expects fourth quarter payroll costs to be slightly less than our third quarter 2009 amount, and depreciation and amortization expenses to be similar to the third quarter 2009 amount, although given our expected decreases in revenue they are expected to increase as a percentage of revenue. General and administrative expenses are expected to approximate first quarter 2009 levels.

The Company expects a net loss for the fourth quarter 2009 of between \$1.8 million and \$2.3 million, and a loss per share to be in the range of \$0.08 per share to \$0.10 per share, assuming a 50% effective tax rate and 22.6 million weighted average fully diluted shares outstanding.

We would now like to turn the call over to any questions anyone may have.

QUESTION AND ANSWER

Operator

Thank you. (Operator instructions.)

We'll take our first question from Sharon Zackfia with William Blair.

Sharon Zackfia - William Blair & Co. - Analyst

Hi, good afternoon.

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

Hi, Sharon.

Sharon Zackfia - William Blair & Co. - Analyst

I know both of you guys have been through some cycles, maybe not like we're going through right now, but you've been through a lot of these before. I guess I'm just kind of curious as to how long do you think we'll be continuing to see the year-over-year member losses? I mean is there - it sounded like there was some encouraging signs, and do you feel like once we lap this year there's a possibility for member growth again? Or is this going to have a pretty, pretty long tail?

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

I mean we're not, you know, we're not guiding beyond the fourth quarter here, Sharon, so it's hard. We do expect to end the year around 5% below where we started the year, and as we said we're seeing some encouraging signs on the new member signup front. We certainly improved our performance significantly in the third quarter versus the first two. We were -- so we were encouraged by that.

We were disappointed on the retention side, we didn't retain at the level that we expected to. Now, we did close some clubs and that has some impact, and we are expecting the fourth quarter to come, to be relatively close to where we were in the fourth quarter last year.

So it's a -- it's certainly a tougher recession than the one in '01. That was a nine-month recession, this is a 20 plus month recession. We did, and don't forget we hit close to 54% attrition, and right now we're trending, we're at about 45% on an annual basis, and we certainly hope we're at the high water mark on an LTM basis.

So that's the color I can give you. Dan, did you want to add anything to that?

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Dan Gallagher - Town Sports International Holdings, Inc. - CFO

No, I think that is about the color we can give, Sharon. January is one of our biggest months, and that'll be a teller for 2010 after we have that under our belt, but absent that it is very hard to give any color going out beyond the fourth quarter.

Sharon Zackfia - William Blair & Co. - Analyst

I guess maybe I'll just ask something different. I mean obviously New York is your biggest market. The Dow is better than it was earlier this year, and I think most of the downsizing on Wall Street has happened, hopefully. I mean are you starting to see any signs as you lapse what I fondly call Armageddon last year, of an improvement in the New York market yet?

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

We're certainly heartened, as I said in my prepared remarks, to see that the big banks are making money. Whether they're hiring or not at this point, I assume they are. I haven't seen the -- I haven't seen recent data on that. But with the bonuses and the profits that they're making that will certainly help the employment environment in the Metro area, which is, as you say, the heart, the biggest part of our network by far.

I'd say the picture is a little bit mixed in the New York area. The suburbs, some of the suburbs are weaker, and that's going to be related to employment I think primarily, where the suburbs that are hit the hardest by unemployment are going to be weaker. But Manhattan, itself, is I'd say the most resilient part of the market and that's the biggest part of our network.

Sharon Zackfia - William Blair & Co. - Analyst

Okay, I guess just lastly if I took a more gloomier kind of a -- more gloomier, that's how you can tell I've been up for 48 hours -- if I take a more gloomy kind of stance and assume that there's going to be continued membership losses, I mean what can you do with your cost structure to preserve profitability in 2010?

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

Dan, you want to take that?

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

Well, we're doing -- we already are doing all we can to preserve our profitability. And Alex mentioned a little earlier that includes pruning clubs that are marginally profitable. We're doing that this year, which should help next year a little bit. Our laundry facility is going to help 2010.

We are going to continue to work with the operations team. They've had three full quarters or more of improved levels of management in the field from a quality standpoint and a retention standpoint, and we're going to start using that to our advantage more than we have been in 2010 to generate some efficiencies with the hourly staff. But overall we have a very fixed cost structure here, and it is hard to cut costs in line with the revenue decreases we're seeing, and that's why we're seeing the margin pressure we're seeing.

Our team is also successfully getting rent reductions with our existing landlords, and that's helping us. On a cash basis we're paying less rent. That doesn't hit our bottom line as quickly because we have to straight line the leases again.

And on the G&A side we've certainly made some pretty good headway this year. We're right now \$2 million year-to-date less than last year, and we're going to continue to press on all facets of G&A in 2010.

Sharon Zackfia - William Blair & Co. - Analyst

Okay. Thank you.

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Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

Thanks.

Operator

(Operator instructions.)

And we'll go next to David Cohen with Midwood Capital.

David Cohen - Midwood Capital - Analyst

Hey, guys.

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

Hi, David.

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

Hi, David.

David Cohen - Midwood Capital - Analyst

A couple of quick questions. Do you guys have a data point for mature club revenue change for the quarter?

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

24 months?

David Cohen - Midwood Capital - Analyst

Yes.

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

That's down 9.1%.

David Cohen - Midwood Capital - Analyst

Okay, and what were club months of operation in total?

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

486 last year, 490 this year. And square footage is 4.25 million last year versus 4.31 million this year.

David Cohen - Midwood Capital - Analyst

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Okay, and then the -- in your Q4 outlook, given, Alex, I think you have provided in the past some commentary around club operating costs, what do those look like for the fourth quarter?

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

I don't have that in front of me, but I'm not expecting significant changes there.

David Cohen - Midwood Capital - Analyst

Okay, and any charges like you took in the third quarter, likely to take -- come in the fourth quarter, or you don't know that until you close the books?

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

Yes, we don't know that until we do any required tests that might come up, but I'm not expecting any but we have to go through those tests as they come up, so I don't know if that helps?

David Cohen - Midwood Capital - Analyst

But the guidance you gave assumes, starts with the assumption that there aren't any charges?

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

That's correct, the guidance assumes none.

David Cohen - Midwood Capital - Analyst

And then of the four remaining clubs to be closed this year, are those clubs at the club level, in the aggregate EBITDA positive, breakeven, EBITDA negative? Is this addition by subtraction if -- when you close these clubs?

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

Yes, it's a little bit of each. Some of them are slightly EBITDA positive. One was EBITDA negative. I think a good way to look at it is we closed nine clubs this year. One of them we opened a new club very close to it and the members were absorbed into the new club. The other eight, if you look at them in aggregate, we expect cash flow to be better in 2010 by about \$1.5 million. As you add up all those clubs and the affects of those '09 to '08, excluding any onetime rent charges we might incur. So but that helps put some of it in the order of magnitude. It's pruning, as Alex calls it.

David Cohen - Midwood Capital - Analyst

Okay, and then in terms of contributors to new member sales, and maybe you can just provide some color about the types of programs you ran, whether those were unusual programs or typical programs, and whether or not you're continuing those programs here into the fourth quarter?

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

We're -- I mean the answer is some of both. We've been running a gym switchers program for members of other gyms, and we'll continue to run that to, you know, maybe not every month but pretty regularly. The initiation fees, we are getting initiation fees this month. We did not charge one in September. And there's still, there continues to be pressure on that from a competitive market standpoint.

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David Cohen - Midwood Capital - Analyst

Okay.

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

We're not discounting dues, except that we did add a couples membership this month and then next month we're going to push that harder. And that we expect to -- that is helping us this month. Do we expect it to help us next month -- next in the future, as well. We did run some free months promotions in the summer, and those seem to help. Anything with the free next to it seems to attract attention from the consumer.

David Cohen - Midwood Capital - Analyst

Okay.

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

And we're being as promotional as we feel we need to be to be in the game. I don't, you know, you can't say when that promotional pressure is going to abate.

David Cohen - Midwood Capital - Analyst

Right. And my last question is in terms of your typical attempt to nudge up pricing in September, how -- what kind of an impact did -- what kind of success did you have doing that? I mean how big is the impact?

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

Yes, we only increased price on about 10% of the members, and we were being very cautious about the impact of price increases on attrition. And the feedback I've gotten or the data I've seen suggests that the price stuck and we didn't get a bump in attrition related to that.

David Cohen - Midwood Capital - Analyst

Okay.

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

I don't know if, Dan, you have any other color on that?

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

Yes, no, we made a conscious effort to increase very selective members this September, which is a deviation from what we did in the past. We used to realize 2% to 3% increases in the past, and we were less than 1% this year.

David Cohen - Midwood Capital - Analyst

Great, all right. Thanks, guys.

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

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Bye, David. Thanks.

Operator

(Operator instructions.)

And we'll go next to Tom Shaw with Stifel Nicolaus.

Tom Shaw - Stifel Nicolaus - Analyst

Hey, thanks, guys. The first question I guess is for Dan, when you start looking at next year, you talked about the one new club. Are there expectations that we should see further club closures similar to the plans in the fourth quarter?

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

I mean Alex and I are going to look at those opportunities as they come up, but overall our general sense is we will not have the number of club closures in '010 that we had this year. We will look at club closures as the opportunities arise, but I think the magnitude of club closures we had this year is certainly higher than what we expect to do next year. We don't have any plans, for instance, for 2010 right now. One or two may pop-up, and as we live 2010 we'll make our decisions, but I hope that answers your question.

Tom Shaw - Stifel Nicolaus - Analyst

No, that's helpful. Also, just looking at the website here, how do you see maybe the functionality of this changing or evolving over the next couple years versus what we're seeing now?

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

We certainly want to drive as much revenue generation through the website as possible. I mean it's just, a really effective, efficient way to sell. And whether it's memberships, a sports club for kids programs, or personal training, or corporate sales, we want to maximize the benefits we get from the website. In terms of cost of sale it clearly is a far more efficient way to generate revenue.

And we also want to use it on the retention side as a real community of members and clubs within clubs, and sorts of education and fitness knowledge, and workout tracking, so personal information around that. They can tie into wellness programs potentially and that everybody seems to be, all the corporations are certainly interested in right now. When you talk about prevention and wellness, the tracking piece is a critical piece, and we see the website as being, a certainly a facilitator of that tracking, those tracking systems.

So that gives you, you know, it's a big part of the future and we do feel that the refresh is a step in the right direction, but by no means are we done in terms of improving it, and so you'll see a lot of development there over time.

Tom Shaw - Stifel Nicolaus - Analyst

Okay, and maybe one last one? Just want to touch on a few other things you mentioned last quarter. And you talked about decreasing dues for one-year commits, that you're adding to your commit options, you were reducing some personal training fees I guess for a 30-minute type of session -- any color on if any of those programs were maybe more successful than others?

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

The 30-minute personal training sessions have been a big hit, both at expanding the market and maintaining the existing client base, you know, at the level that it has been for the recent past. So our general utilization of personal training has been relatively more stable than the revenue, and because people are training but training less frequently. The 30-minute session allows them to continue to train at a higher frequency, and then it brings in more price sensitive consumers.

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The two-year memberships have increased in sales since we added the 20 plus clubs in the summer, so that percentage is going up. It's a tough environment to sell two-year commitments, memberships, given the consumer uncertainty about employment and just general uncertainty about expenses. So I'd expect that to increase when the economy improves.

But I think we're in a constant state of evaluation on the pricing front, and we'll do -- we'll continue to do more and more review there as the consumer environment develops, and as we see what the consumer is responding to.

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

And, Alex, if I can add to that? On Tom's question about the structure of memberships sold, we are still very significantly selling one-year commits. That still represents 79% of our sales volume for the quarter, and the two-year commit was 8%, and our non-commits were 13%. So we're still seeing very much volume at the one-year commit level, but some members are opting for the two-year commit and a non-commit membership.

Tom Shaw - Stifel Nicolaus - Analyst

And, Dan, how do those -- do you have that handy, have the comparatives year-over-year?

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

I think it's actually fairly similar. The -- I think -- Tom, just give me one second here, Tom. So the two-year commit is actually very flat if not down a little bit from last year, and the non-commit is up a little bit directionally. The 13% is slightly higher than last year.

Tom Shaw - Stifel Nicolaus - Analyst

Okay, thanks, guys.

Alex Alimanestianu - Town Sports International Holdings, Inc. - President and CEO

Thanks, Tom.

Operator

(Operator instructions.)

And, Mr. Gallagher, there are no further questions at this point. I'll turn the conference back over to you for any closing or additional comments.

Dan Gallagher - Town Sports International Holdings, Inc. - CFO

Okay, I guess that wraps up our call. I want to thank everyone for joining us, and we look forward to reporting our fourth quarter results in February of 2010.

Operator

Ladies and gentlemen, that does conclude today's conference. We thank you for your participation. You may now disconnect.

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