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Life Time Fitness Announces First Quarter 2013 Financial Results

Revenue Grew 8.3%, Net Income Grew 9.5% and Diluted EPS was \$0.67

CHANHASSEN, Minn.--(BUSINESS WIRE)--Life Time Fitness, Inc. (NYSE: LTM), The Healthy Way of Life Company, today reported its financial results for the first quarter ended March 31, 2013.

First quarter 2013 revenue grew 8.3% to \$290.7 million from \$268.4 million during the same period last year. Net income for the quarter was \$28.1 million, or \$0.67 per diluted share, compared to net income of \$25.7 million, or \$0.62 per diluted share, for 1Q 2012.

"We delivered solid revenue, net income and earnings-per-share performance in the first quarter," said Bahram Akradi, chairman, president and chief executive officer. "Our focus continues to be delivering on our member experience and connectivity objectives, while building our Healthy Way of Life Company and brand. Today, our wide range of interest-driven programs and services, and certified professionals help our members establish personalized health objectives and plans that allow them to achieve real, sustainable results. This has created a differentiated and powerful business model for Life Time that we believe positions us for long-term growth and success."

In April, the Company opened its first center in Alabama, located in Vestavia Hills. Two additional centers are planned for opening in the second half of 2013, including Montvale, New Jersey and Reston, Virginia. These represent the Company's third and fourth centers in New Jersey and Virginia, respectively. In 2014, plans call for six new center openings, led by locations in Harrison, New York and Laguna Niguel, California during the first quarter.

Three Months Ended March 31, 2013, Financial Highlights:

Total revenue for the first quarter grew 8.3% to \$290.7 million from \$268.4 million in 1Q 2012.

(Period-over-period growth)	1Q 2013 (in millions	vs. except	1Q 2012 revenue p	er membership
	-	-	data)	
Membership dues	\$186.4	vs.	\$175.5	(up 6.2%)
In-center revenue	\$92.0	VS.	\$84.6	(up 8.7%)
Other revenue	\$9.0	VS.	\$4.4	(up 104.4%)
Average center revenue per Access membership	\$404	vs.	\$382	(up 5.9%)
Average in-center revenue per Access membership	\$134	VS.	\$124	(up 8.0%)
Same-center revenue (open 13 months or longer)	Up	3.5%		
Same-center revenue (open 37 months or longer)	Up	3.0%		

Total memberships grew 1.5% to 809,813 at March 31, 2013, from 797,640 at March 31, 2012.

- Access memberships grew 0.6% to 708,563 at March 31, 2013, from 704,467 at March 31, 2012.
- Non-Access memberships grew 8.7% to 101,250 at March 31, 2013, from 93,173 at March 31, 2012.
- Attrition in 1Q 2013 was 8.2% compared to 7.9% in the prior-year period. Attrition for the trailing 12-month period ended March 31, 2013, was 33.9% compared to trailing 12-month attrition of 31.7% at March 31, 2012. The year-over-year attrition increase was driven primarily by Non-Access membership terminations. The trailing 12-month attrition increase was driven primarily by Non-Access membership terminations and the Lifestyle Family Fitness acquisition.

Total operating expenses during 1Q 2013 were \$238.4 million compared to \$220.1 million for 1Q 2012.

• Income from operations margin was 18.0% for 1Q 2013 and 1Q 2012.

(Expense as a percent of total revenue) 1Q 2013 vs. 1Q 2012

Center operations	58.5%	vs. 59.9%
Advertising and marketing	3.8%	vs. 3.9%
General and administrative	5.2%	vs. 5.1%
Other operating	4.4%	vs. 3.0%
Depreciation and amortization	10.1%	vs. 10.1%

Net income for 1Q 2013 was \$28.1 million, or \$0.67 per diluted share, compared to net income of \$25.7 million, or \$0.62 per diluted share, for 1Q 2012.

EBITDA for 1Q 2013 was \$82.0 million compared to \$75.7 million in 1Q 2012.

• As a percentage of total revenue, EBITDA in 1Q 2013 was 28.2% in 1Q 2013 and 1Q 2012.

Cash flows from operating activities for 1Q 2013 totaled \$76.2 million compared to \$73.9 million in 1Q 2012.

Weighted average fully diluted shares for 1Q 2013 totaled 41.6 million compared to 41.7 million in 1Q 2012.

" "We delivered solid revenue, net income and earnings-pershare performance in the first quarter" "

Updated 2013 Business Outlook:

The following statements are based on the Company's current expectations for fiscal year 2013 and incorporate 2013 operating trends. These 2013 expectations are subject to the risks and uncertainties further described in the Company's forward-looking statements:

- **Revenue** is expected to be up 7-8%, or \$1.205-1.220 billion (updated from \$1.200-1.220 billion), driven primarily by price and mix optimization, square foot expansion, and growth in in-center and ancillary business revenue.
- Net income is expected to be up 8.5-11%, or \$121.0-124.0 million (updated from \$120.0-124.0 million), driven by revenue growth and cost efficiencies.
- Diluted earnings per common share is expected to be \$2.87-2.95 (updated from \$2.85-2.95).

As announced on April 18, 2013, the Company will hold a conference call today at 10:00 a.m. ET to discuss its first quarter 2013 results. Bahram Akradi, Michael Robinson, executive vice president and chief financial officer, and John Heller, senior director, investor relations & treasurer, will host the conference call. The conference call will be webcast and may be accessed via the Company's Investor Relations section of its website at lifetimefitness.com. A replay of the call will be available the same day via the Company's website beginning at approximately 2:00 p.m. ET.

Additionally, the Company will hold its Annual Meeting of Shareholders at 2:00 p.m. ET at its headquarters (2902 Corporate Place in Chanhassen, Minnesota). The meeting will be webcast and may be accessed live via the Company's investor relations section of its website at lifetimefitness.com. A replay of the webcast will be available beginning at approximately 5:00 p.m. ET today, and remain available for 30 days.

About Life Time Fitness, Inc.

As The Healthy Way of Life Company, Life Time Fitness (NYSE: LTM) helps organizations, communities and individuals achieve their total health objectives, athletic aspirations and fitness goals by engaging in their areas of interest - or discovering new passions - both inside and outside of Life Time's distinctive and large sports, professional fitness, family recreation and spa destinations, most of which operate 24 hours a day, seven days a week. The Company's Healthy Way of Life approach enables customers to achieve this by providing the best programs, people and places of uncompromising quality and value. As of April 25, 2013, the Company operated 106 centers under the LIFE TIME FITNESS® and LIFE TIME ATHLETIC® brands in the United States and Canada. Additional information about Life Time centers, programs and services is available at lifetimefitness.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can usually be identified by the use of terminology such as "anticipate," "believe," "continue," "could," "estimate," "evolve," "expect," "forecast," "intend," "looking ahead," "may," "opinion," "plan," "possible," "potential," "project," "should," "will" and similar words or expressions. Forward-looking statements are subject to certain risks and uncertainties that could cause the Company's actual results in the future to differ materially from its historical results and those presently anticipated or projected. Among these factors are attracting and retaining members, risks related to our debt levels and debt covenants, the ability to access our existing credit facility and obtain additional financing, strains on our business from continued and future growth, including potential acquisitions and other strategic initiatives, risks related to maintenance and security of our data, potential recognition of compensation expense related to performance-based stock grants, competition from other health and fitness centers, identifying and acquiring suitable sites for new centers, delays in opening new centers and other factors set forth in the risk factor section of the Company's annual report on Form 10-K filed with the Securities and Exchange Commission.

The Company cautions investors not to place undue reliance on any such forward-looking statements, which speak only as of the date on which such statements were made. The Company undertakes no obligation to update such statements to reflect events or circumstances arising after such date. All remarks made during the Company's preliminary financial results webcast will be current at the time of the webcast and the Company is under no obligation to update the recording.

LIFE TIME FITNESS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (In thousands)

	March 31, 2013	December 31, 2012
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,694	\$ 16,499
Accounts receivable, net	8,376	9,272
Center operating supplies and inventories	29,132	27,240
Prepaid expenses and other current assets	28,941	26,826
Deferred membership origination costs	11,596	11,664
Deferred income taxes	2,193	8,813
Total current assets	93,932	100,314
PROPERTY AND EQUIPMENT, net	1,898,070	1,858,666
RESTRICTED CASH	2,362	2,087
DEFERRED MEMBERSHIP ORIGINATION COSTS	6,286	6,820

GOODWILL		39,762		37,176
OTHER ASSETS		66,354		67,111
TOTAL ASSETS	\$ 2	2,106,766	\$	2,072,174
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current maturities of long-term debt	\$	22,228	\$	12,603
Accounts payable		34,683		32,140
Construction accounts payable		34,898		25,208
Accrued expenses		66,305		63,333
Deferred revenue		41,810		34,753
Total current liabilities		199,924		168,037
LONG-TERM DEBT, net of current portion		676,631		691,867
DEFERRED RENT LIABILITY		23,120		22,490
DEFERRED INCOME TAXES		93,685		95,509
DEFERRED REVENUE		6,326		6,840
OTHER LIABILITIES		21,387		14,514
Total liabilities]	L,021,073		999,257
SHAREHOLDERS' EQUITY:				
Common stock		862		864
Additional paid-in capital		432,852		447,912
Retained earnings		657,043		628,942
Accumulated other comprehensive income		(5,064)		(4,801)
Total shareholders' equity	1	L,085,693		1,072,917
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2	2,106,766	\$	2,072,174
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LIFE TIME FITNESS, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (In thousands except per share data) (Unaudited)

	For	the Three [.] Maro		nths Ended 1,
		2013		2012
REVENUE:				
Membership dues	\$	186,374	\$	175,470
Enrollment fees		3,396		3,954
In-center revenue		91,971		84,616
Total center revenue		281,741		264,040
Other revenue		9,006		4,407
Total revenue		290,747		268,447
OPERATING EXPENSES:				
Center operations		169,962		160,715
Advertising and marketing		10,959		10,356
General and administrative		15,356		13,703
Other operating		12,834		8,391
Depreciation and amortization		29,262		26,960
Total operating expenses		238,373		220,125
Income from operations		52,374		48,322
OTHER INCOME (EXPENSE):				
Interest expense, net of interest income		(6,129)		(6,277)
Equity in earnings of affiliate		346		373
Total other income (expense)		(5,783)		(5,904)
INCOME BEFORE INCOME TAXES		46,591		42,418
PROVISION FOR INCOME TAXES		18,490		16,746
NET INCOME	\$	28,101	\$	25,672
BASIC EARNINGS PER COMMON SHARE	\$	0.68	\$	0.62
	<u> </u>		<u> </u>	
DILUTED EARNINGS PER COMMON SHARE	\$	0.67	\$	0.62
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC		41,295		41,174
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED		41,646		41,675

LIFE TIME FITNESS, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands) (Unaudited)

				Months Ended h 31,		
		2013		2012		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income	\$	28,101	\$	25,672		
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization		29,262		26,960		
Deferred income taxes		4,582		5,360		
Loss on disposal of property and equipment, net		(228)		(2)		
Amortization of deferred financing costs		505		503		
Share-based compensation		2,830		3,878		
Excess tax benefit related to share-based compensation		(4,657)		(8,118)		
Changes in operating assets and liabilities		16,645		19,789		
Other		(809)		(139)		
Net cash provided by operating activities		76,231		73,903		
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of property and equipment		(59,145)		(38,477)		
Acquisitions, net of cash acquired		_		(6,578)		
Proceeds from sale of property and equipment		555		363		
Proceeds from property insurance settlements		121		670		
Increase in other assets		(730)		(172)		
Increase in restricted cash		(275)		(177)		
Net cash used in investing activities		(59,474)		(44,371)		
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from long-term borrowings		75,000		_		
Repayments of long-term borrowings		(1,696)		(1,441)		
Repayments of revolving credit facility, net		(78,400)		(34,600)		
Increase in deferred financing costs		(465)		(10)		
Excess tax benefit related to share-based compensation		4,657		8,118		
Proceeds from stock option exercises		872		1,972		
Proceeds from employee stock purchase plan		414		388		
Stock purchased for employee stock purchase plan		(569)		(649)		
Repurchases of common stock		(19,349)		_		
Net cash used in financing activities		(19,536)		(26,222)		
Effect of exchange rates on cash and cash equivalents		(26)				
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(2,805)		3,310		
CASH AND CASH EQUIVALENTS – Beginning of period		16,499		7,487		
CASH AND CASH EQUIVALENTS – End of period	\$	13,694	\$	10,797		

Non-GAAP Financial Measures

This release and the related conference call disclose certain non-GAAP financial measures.

EBITDA. Earnings Before Interest, Income Taxes and Depreciation and Amortization (EBITDA) is a non-GAAP measure consisting of net income plus interest expense, net, provision for income taxes and depreciation and amortization. This term, as the Company defines it, may not be comparable to a similarly titled measure used by other companies and is not a measure of performance presented in accordance with GAAP. The Company uses EBITDA as a measure of operating performance. The funds depicted by EBITDA are not necessarily available for discretionary use if they are reserved for particular capital purposes, to maintain compliance with debt covenants, to service debt or to pay taxes. EBITDA should not be considered as a substitute for net income, net cash provided by operating activities or other income or cash flow data prepared in accordance with GAAP. Additional details related to EBITDA are provided in the Form 8-K that the Company filed with the Securities and Exchange Commission on the date of this press release. The following table provides a reconciliation of net income, the most directly comparable GAAP measure, to EBITDA:

RECONCILIATION OF NET INCOME TO EBITDA (In thousands) (Unaudited)

	For the Three Months Ended March 31,			
		2013	2012	
Net income	\$	28,101	\$	25,672
Interest expense, net		6,129		6,277
Provision for income taxes		18,490		16,746
Depreciation and amortization		29,262		26,960
EBITDA	\$	81,982	\$	75,655

Free Cash Flow. Free cash flow is a non-GAAP measure consisting of net cash provided by operating activities, less purchases of property and equipment, excluding acquisitions. This term, as the Company defines it, may not be comparable to a similarly titled

measure used by other companies and does not represent the total increase or decrease in the cash balance presented in accordance with GAAP. The Company uses free cash flow as a measure of cash generated after spending on property and equipment. Free cash flow should not be considered as a substitute for net cash provided by operating activities prepared in accordance with GAAP. Additional details related to free cash flow are provided in the Form 8-K that the Company filed with the Securities and Exchange Commission on the date of this press release. The following table provides a reconciliation of net cash provided by operating activities, the most directly comparable GAAP measure, to free cash flow:

RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW (In thousands) (Unaudited)

	F	or the Three Mare	Month ch 31,	ns Ended	
	2013		2012		
Net cash provided by operating activities	\$	76,231	\$	73,903	
Less: Purchases of property and equipment		(59,145)		(38,477)	
Free cash flow	\$	17,086	\$	35,426	

For further information: Life Time Fitness, Inc. John Heller, 952-229-7427 (Investors) ir@lifetimefitness.com Jason Thunstrom, 952-229-7435 (Media) pr@lifetimefitness.com