

Edgar Filing: SPORTS CLUB CO INC - Form 8-K

SPORTS CLUB CO INC  
Form 8-K  
November 04, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): November 3, 2003

THE SPORTS CLUB COMPANY, INC.

-----  
(Exact Name of Registrant as Specified in Charter)

Delaware

-----  
(State or Other Jurisdiction of Incorporation)

1-13290

-----  
(Commission File Number)

95-4479735

-----  
(IRS Employer Identification Number)

11100 Santa Monica Boulevard, Suite 300  
Los Angeles, California 90025

-----  
(Address of Principal Executive Offices)

Registrant's telephone number, including area  
code: 310-479-5200

Not Applicable

-----  
(Former Name or Former Address, if Changed Since Last Report)

Index of Exhibits on Page 2

1

Item 7. Financial Statements and Exhibits

Edgar Filing: SPORTS CLUB CO INC - Form 8-K

(a) Financial Statements

Not Applicable

(b) Pro Forma Financial Information

Not Applicable

(c) Exhibits

99.1 Press Release Dated November 3, 2003

Item 9. Regulation FD Disclosure

On November 3, 2003, we announced the third quarter 2003 operating results. A copy of the press release is furnished to the United States Securities and Exchange Commission (the "Commission") with this current report on Form 8-K as an exhibit. The information in this current report is being furnished pursuant to Item 12 under Item 9 of Form 8-K as directed by the Commission in Release No. 34-47583.

2

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 3, 2003

THE SPORTS CLUB COMPANY, INC.

By: /s/ Timothy M. O'Brien

-----  
Timothy M. O'Brien  
Chief Financial Officer

3

EXHIBIT 99.1

NEWS RELEASE

For Immediate Release

CONTACT: Timothy O'Brien

## Edgar Filing: SPORTS CLUB CO INC - Form 8-K

Chief Financial Officer  
The Sports Club Company, Inc.  
(310) 479-5200

### THE SPORTS CLUB COMPANY, INC. ANNOUNCES OPERATING RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2003

LOS ANGELES, CA (November 3, 2003) - The Sports Club Company, Inc. (AMEX:SCY) today announced financial results for the third quarter and nine months ended September 30, 2003.

Revenues for the quarter ended September 30, 2003 were \$31,727,000 compared to \$30,195,000 for the quarter ended September 30, 2002, an increase of \$1,532,000 or 5.1%. EBITDA(1) for the quarter ended September 30, 2003 decreased 16.2 % to \$2,182,000, compared to \$2,603,000 for the quarter ended September 30, 2002, a decrease of \$421,000. The EBITDA decrease was the result of higher workers' compensation insurance and increased costs such as utilities, insurance, common area maintenance and property taxes related to Club facilities. The net loss attributable to common shareholders for the quarter ended September 30, 2003 was \$5,618,000 or \$0.31 per basic and diluted share, compared to a net loss attributable to common shareholders for the quarter ended September 30, 2002 of \$3,882,000 or \$0.21 per basic and diluted share. The 2003 loss includes \$901,000 of pre-opening expenses related to the development of The Sports Club/LA - Beverly Hills. The weighted average number of basic and diluted shares outstanding for the quarter ended September 30, 2003 was 18,370,000 shares compared to 18,096,000 shares for the quarter ended September 30, 2002.

4

Revenues for the nine months ended September 30, 2003 increased 6.9% to \$96,311,000, compared to \$90,109,000 for the nine months ended September 30, 2002, an increase of \$6,202,000. EBITDA(1) for the first nine months of 2003 increased 31.5% to \$7,415,000, compared to \$5,639,000 for the first nine months of 2002, an increase of \$1,776,000. The net loss attributable to common shareholders for the nine months ended September 30, 2003 was \$14,683,000 or \$0.80 per basic and diluted share, compared to a net loss attributable to common shareholders for the nine months ended September 30, 2002 of \$13,433,000 or \$0.74 per basic and diluted share. The 2003 loss includes \$1,677,000 of pre-opening expenses related to the development of The Sports Club/LA - Beverly Hills. The weighted average number of basic and diluted shares outstanding for the nine months ended September 30, 2003 was 18,286,000 shares compared to 18,073,000 shares for the nine months ended September 30, 2002.

The Sports Club Company will host a conference call on Tuesday, November 4, 2003 at 8:30 A.M. (PST). As part of this conference call, management will discuss operating results for the quarter and nine months ended September 30, 2003, the status of the Company's new developments and other corporate matters. Parties should dial (800) 240-6709 to participate. There will also be a replay available starting Tuesday, November 4, 2003, after 10:00 A.M. (PST), which can be accessed until Tuesday, November 18, 2003. The number for the replay is (800) 405-2236 with the pass code 557822#.

This press release contains forward-looking statements under the safe harbor

## Edgar Filing: SPORTS CLUB CO INC - Form 8-K

provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such statements include the words "will," "expects," "anticipates," "believes," "estimates," "intends," "plans" and similar expressions. Such forward-looking statements involve numerous known and unknown risks, uncertainties and other factors that could cause actual results to be materially different from those currently anticipated. Such factors are outlined in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

The Sports Club Company, based in Los Angeles, California currently operates nine luxury sports and fitness facilities nationwide under the brand name The Sports Club/LA.

-----

- (1) EBITDA is calculated by adding income tax provision (benefit), net interest expense, depreciation/amortization, pre-opening expenses and non-recurring items, to net loss. We have included EBITDA data because management believes that this measure is useful to an investor to evaluate our ability to service debt and to assess our earnings ability. However, these items should not be considered in isolation or as substitutes for net income, cash flows from (used in) operating activities or other statement of operations or cash flows data prepared in accordance with generally accepted accounting principles. These measures are not necessarily comparable to similarly titled measures employed by other companies. A reconciliation of net cash used in operating activities to net loss and EBITDA is provided in the tables accompanying this press release.

-Tables to Follow-

5

THE SPORTS CLUB COMPANY, INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 September 30, 2003 and December 31, 2002  
 (Amounts in thousands)  
 (Unaudited)

ASSETS	September 30, 2003 ----
Current assets:	
Cash and cash equivalents	\$ 2,507
Accounts receivable, net of allowance for doubtful accounts	3,434
Other current assets	2,194
	-----
Total current assets	8,135
Property and equipment, at cost, net of accumulated depreciation and amortization	156,246
Restricted cash	4,427
Costs in excess of net assets acquired, less applicable amortization	12,794
Other assets, at cost, net	8,368
	-----
	\$ 189,970
	=====

Edgar Filing: SPORTS CLUB CO INC - Form 8-K

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:	
Current installments of notes payable	\$ 2,297
Accounts payable and accrued liabilities	13,001
Deferred membership revenues	18,227
Notes payable, less current installments	120,169
Other long-term liabilities	9,286
	-----
Total liabilities	162,980
Commitments and contingencies	
Redeemable preferred stock	11,503
Shareholders' equity:	
Common stock	211
Preferred stock	5,000
Additional paid-in capital	101,185
Accumulated deficit	(76,343)
Less: treasury stock, at cost	(14,566)
	-----
Net shareholders' equity	15,487
	-----
	\$ 189,970
	=====

6

THE SPORTS CLUB COMPANY, INC.  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
(Amounts in thousands, except per share data)  
(Unaudited)

	Three-months ended September 30,		Nine-m Sept
	2003	2002	2003
	-----	-----	-----
Revenues	\$ 31,727	\$ 30,195	\$ 96,311
Operating expenses:			
Direct	26,491	24,524	79,198
General and administrative	1,950	1,944	5,919
Selling	1,066	1,086	3,666
Depreciation and amortization	2,991	2,937	8,920
Pre-opening expenses	901	--	1,677

Edgar Filing: SPORTS CLUB CO INC - Form 8-K

Total operating expenses	33,399	30,491	99,380
Loss from operations	(1,672)	(296)	(3,069)
Other income (expense):			
Net interest expense	(3,502)	(3,305)	(10,037)
Minority interests	(38)	(38)	(113)
Non-recurring gain	--	97	--
Loss before income taxes	(5,212)	(3,542)	(13,219)
Income tax provision (benefit)	55	76	415
Net loss	(5,267)	(3,618)	(13,634)
Dividends on preferred stock	351	264	1,049
Net loss attributable to common shareholders	\$ (5,618)	\$ (3,882)	\$ (14,683)
Net loss per share:			
Basic	\$ (0.31)	\$ (0.21)	\$ (0.80)
Diluted	\$ (0.31)	\$ (0.21)	\$ (0.80)
Weighted average shares outstanding:			
Basic	18,370	18,096	18,286
Diluted	18,370	18,096	18,286

7

THE SPORTS CLUB COMPANY, INC.  
RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES  
TO NET LOSS AND EBITDA  
(Amounts in thousands)  
(Unaudited)

	Three-months ended September 30,	
	2003	2002
Net loss	\$ (5,267)	\$ (3,618)
Net interest expense	3,502	3,305

Edgar Filing: SPORTS CLUB CO INC - Form 8-K

Income tax provision (benefit)	55	76	
Depreciation and amortization	2,991	2,937	
Non-recurring gain	--	(97)	
Pre-opening expenses	901	--	
	-----	-----	-----
EBITDA	\$ 2,182	\$ 2,603	\$
Interest payment	(6,120)	(5,810)	
Changes in working capital items and other	2,387	232	
	-----	-----	-----
Net cash provided by (used in) operating activities	\$ (1,551)	\$ (2,975)	\$
	=====	=====	=====