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SPORTS CLUB CO INC
Form 8-K
August 17, 2004

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): August 13, 2004

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

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(a) Financial Statements

Not Applicable

(b) Pro Forma Financial Information

Not Applicable

(c) Exhibits

99.1 Press Release Dated August 13, 2004

Item 9. Regulation FD Disclosure

On August 13, 2004, we announced the second quarter 2004 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: August 16, 2004

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
Chief Financial Officer

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

THE SPORTS CLUB COMPANY, INC. ANNOUNCES OPERATING RESULTS FOR THE SECOND QUARTER AND SIX MONTHS ENDED JUNE 30, 2004

LOS ANGELES, CA (August 13, 2004) - The Sports Club Company, Inc. (AMEX:SCY) today announced financial results for the second quarter and six months ended June 30, 2004.

Revenues for the quarter ended June 30, 2004 were \$37,732,000 compared to \$32,628,000 for the quarter ended June 30, 2003, an increase of \$5,104,000 or 15.6%. EBITDA(1) for the quarter ended June 30, 2004 increased to \$2,704,000, compared to \$1,920,000 for the quarter ended June 30, 2003, an increase of \$784,000 or 40.8%. The net loss attributable to common shareholders for the quarter ended June 30, 2004 was \$4,803,000 or \$0.26 per basic and diluted share, compared to a net loss attributable to common shareholders for the quarter ended June 30, 2003 of \$4,822,000 or \$0.26 per basic and diluted share. The weighted average number of basic and diluted shares outstanding for the quarter ended June 30, 2004 was 18,697,000 shares compared to 18,326,000 shares for the quarter ended June 30, 2003.

Revenues for the six months ended June 30, 2004 increased 14.7% to \$74,910,000, compared to \$65,289,000 for the six months ended June 30, 2003, an increase of \$9,621,000. EBITDA(1) for the first six months of 2004 decreased 14.3% to \$3,818,000, compared to \$4,457,000 for the first six months of 2003, a decrease of \$639,000. The decrease in EBITDA was the result of the write off of \$1.1 million in costs related to an abandoned "Going Private/Equity Investment" transaction and to the recording of a \$442,000 minority interest in the profits of Reebok Sports Club/NY. The net loss

attributable to common shareholders for the six months ended June 30, 2004 was \$11,098,000 or \$0.60 per basic and diluted share, compared to a net loss attributable to common shareholders for the six months ended June 30, 2003 of \$9,065,000 or \$0.50 per basic and diluted share. The weighted average number of basic and diluted shares outstanding for the six months ended June 30, 2004 was 18,631,000 shares compared to 18,244,000 shares for the six months ended June 30, 2003.

This press release contains forward-looking statements under the safe harbor 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 the income tax provision, net interest expense and depreciation/amortization to net loss. We have included EBITDA data because management believes that this measure is useful to an investor

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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. A reconciliation of cash flows from (used in) operating activities to net loss and EBITDA is provided in the tables accompanying this press release.

-Tables to Follow-

THE SPORTS CLUB COMPANY, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 December 31, 2003 and June 30, 2004
 (Amounts in thousands)
 (Unaudited)

ASSETS	December 31, 2003 ----
Current assets:	
Cash and cash equivalents.....	\$ 1,932
Accounts receivable, net of allowance for doubtful accounts.....	3,923
Other current assets.....	2,783

Total current assets.....	8,638
Property and equipment, net	155,173
Restricted cash.....	4,432
Goodwill.....	7,660
Other assets.....	8,056

	\$ 183,959 =====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:	
Current installments of notes payable and equipment financing loans.....	\$ 2,099
Accounts payable and accrued liabilities.....	16,177
Deferred revenues.....	18,292

Total current liabilities.....	36,568

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Notes payable and equipment financing loans, less current	
Installments.....	119,731
Other long-term liabilities.....	10,445

Total liabilities.....	166,744
Commitments and contingencies	
Redeemable preferred stock.....	11,761
Shareholders' equity:	
Common stock.....	211
Preferred stock.....	5,590
Additional paid-in capital.....	100,348
Accumulated deficit.....	(86,217)
Less: treasury stock, at cost.....	(14,478)

Net shareholders' equity.....	5,454

	\$ 183,959
	=====

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

	Three-months ended June 30,		Six-mo
	2003	2004	2003
	----	----	----
Revenues:			
Membership revenues.....	\$ 32,180	\$ 36,486	\$ 64,584
Reimbursed costs.....	448	1,246	705
	-----	-----	-----
Total revenue.....	32,628	37,732	65,289
Operating expenses:			
Direct.....	26,358	29,830	52,707
Reimbursed costs.....	448	1,246	705
General and administrative.....	1,996	2,206	3,969
Selling.....	1,233	1,267	2,600
Depreciation and amortization.....	2,969	3,168	5,929
Pre-opening expenses.....	636	--	776
Non-recurring items.....	--	--	--
	-----	-----	-----
Total operating expenses.....	33,640	37,717	66,686
	-----	-----	-----
Profit (loss) from operations....	(1,012)	15	(1,397)
Other income (expense):			
Net interest expense.....	(3,255)	(3,672)	(6,535)
Minority interests.....	(37)	(479)	(75)

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Loss before income taxes.....	(4,304)	(4,136)	(8,007)
Income tax provision (benefit).....	168	172	360
Net loss.....	(4,472)	(4,308)	(8,367)
Dividends on preferred stock.....	350	495	698
Net loss attributable to common shareholders.....	\$ (4,822)	\$ (4,803)	\$ (9,065)
Net loss per share: Basic and diluted.....	\$ (0.26)	\$ (0.26)	\$ (0.50)
Weighted average shares outstanding: Basic and diluted.....	18,326	18,697	18,244

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 June 30,		
	2003	2004	
Net loss	\$ (4,472)	\$ (4,308)	\$
Net interest expense	3,255	3,672	
Income tax provision (benefit)	168	172	
Depreciation and amortization	2,969	3,168	
EBITDA	\$ 1,920	\$ 2,704	\$
Interest payment	(175)	(383)	
Changes in working capital items and other	(1,520)	311	
Net cash provided by (used in) operating activities	\$ 225	\$ 2,632	\$