

LIFE TIME FITNESS INC

Form S-1/A

May 21, 2004

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As filed with the Securities and Exchange Commission on May 20, 2004

Registration No. 333-113764

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

Form S-1

REGISTRATION STATEMENT

Under The Securities Act of 1933

LIFE TIME FITNESS, Inc.

(Exact name of Registrant as specified in its charter)

Minnesota
*(State or other jurisdiction of
incorporation or organization)*

7997
*(Primary Standard Industrial
Classification Code Number)*

41-1689746
*(I.R.S. Employer
Identification No.)*

6442 City West Parkway

**Eden Prairie, Minnesota 55344
(952) 947-0000**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Bahram Akradi

**Chairman of the Board of Directors,
President and Chief Executive Officer**

LIFE TIME FITNESS, Inc.

**6442 City West Parkway
Eden Prairie, Minnesota 55344
(952) 947-0000**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement becomes effective.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box:

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 20, 2004

Shares

Life Time Fitness, Inc.

Common Stock

We are selling _____ shares of our common stock and the selling shareholders are selling _____ shares of our common stock. We will not receive any of the proceeds from the shares of our common stock sold by the selling shareholders.

Prior to this firm commitment offering, there has been no public market for our common stock. The initial public offering price of our common stock is expected to be between \$ _____ and \$ _____ per share. We will apply to list our common stock on the New York Stock Exchange under the symbol LTM.

The underwriters have an option to purchase a maximum of _____ additional shares to cover over-allotments of shares of our common stock.

Investing in our common stock involves risks. See Risk Factors on page 9.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Life Time Fitness	Proceeds to the Selling Shareholders
Per Share	\$ _____	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____	\$ _____

Delivery of the shares of our common stock will be made on or about _____, 2004.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston

Merrill Lynch & Co.

Banc of America Securities LLC

UBS Investment Bank

Piper Jaffray

William Blair & Company

The date of this prospectus is _____, 2004.

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You should rely only on the information contained in this document. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Dealer Prospectus Delivery Obligation

Until _____, 2004, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

(i)

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PROSPECTUS SUMMARY

The items in the following summary are described in more detail later in this prospectus. This summary provides an overview of selected information and does not contain all the information you should consider. Therefore, you should also read the more detailed information set out in this prospectus, including the financial statements.

We are one of the nation's fastest growing operators of large sports, athletic, fitness and family recreation centers based on revenue. As of April 30, 2004, we operated 33 centers primarily in suburban locations across eight states under the LIFE TIME FITNESS® brand. In addition to traditional health club offerings, most of our centers include an expansive selection of premium amenities and services, such as indoor swimming pools, basketball and racquet courts, child care centers and spas, in a resort-like setting. We believe our distinctive centers provide a unique experience at a compelling value for our members, resulting in a high number of memberships per center.

Over the past 12 years, as we have opened new centers, we have refined the size and design of our centers. Of our 33 centers, we consider 24 to be of our large format design, and of these 24 centers, we consider 12 to be of our current model design. Although the size and design of our centers may vary, our business strategy and operating processes remain consistent across all of our centers. Each of our current model centers targets 11,500 memberships by offering approximately 105,000 square feet of health, fitness and family recreation programs and services. Most of the centers that we have opened since 2000 conform to our current model center, and each of these centers has delivered growth in membership levels, revenue and profitability across a range of geographic markets.

Throughout our history, we have consistently increased our revenue by opening new centers, increasing the number of memberships per existing center and focusing on the sale of additional products and services in our centers. For each of the fiscal years from 2000 to 2003, we experienced annual revenue growth of 74%, 45%, 43% and 32%, respectively, with revenue of \$256.9 million in 2003; annual EBITDA growth of 92%, 54%, 35% and 63%, respectively, with EBITDA of \$80.0 million in 2003; and annual net income growth of 55%, 7%, 86% and 178%, respectively, with net income of \$20.6 million in 2003.

Our Competitive Strengths

We offer comprehensive and convenient programs and services.

Our large format centers offer sports, athletic, fitness and family recreation programs and services and are conveniently located in high traffic suburban areas. Unlike traditional health clubs, these centers typically offer large indoor and outdoor family recreation pools, climbing walls and basketball and racquet courts, in addition to approximately 400 pieces of cardiovascular and resistance training equipment and an extensive offering of health and fitness classes, as well as child-care, spa and dining services. We design and operate our large format centers to accommodate a large and active membership base by providing access to the centers 24 hours a day, seven days a week.

We offer a value proposition that encourages membership loyalty.

The variety of amenities and services we offer exceeds most other health and fitness center alternatives. Our monthly membership dues typically range from \$40 to \$60 per month for an individual membership and from \$80 to \$130 per month for a couple or family membership. Our value proposition and customer-focused approach create loyalty among our members, resulting in an attrition rate that was 6.3% better than the industry average in 2001 and 5.7% better than the industry average in 2002.

We have an established and profitable economic model.

Our economic model is based on attracting a large membership base within a short time period, as well as retaining those members and maintaining tight expense control. We expect the typical membership

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base at our large format centers to increase from approximately 35% of targeted membership capacity at the end of the first month of operations to over 90% of targeted membership capacity by the end of the third year of operations. Average targeted membership capacity for all of our large format centers is approximately 10,500, and 11,500 for our large format centers that are current model centers. Average revenue at our 15 large format centers that were opened in 2001 or earlier exceeded \$10.7 million for the year ended December 31, 2003. At these centers during the same period, EBITDA averaged 40% of revenue, including corporate, general and administrative expense of approximately 9% of revenue, and net income averaged approximately 15% of revenue. Our investment for a large format center has averaged approximately \$17.8 million, and for a current model center has averaged approximately \$23.5 million.

We believe we have a disciplined and sophisticated site selection and development process.

We believe we have developed a disciplined and sophisticated process to identify specific sites for future centers. This multi-step process is based upon demographic, psychographic and competitive criteria generated from profiles of already successful centers. As a result of our strict adherence to this process, we have never closed a center, and our large format centers produced, on average, EBITDA in excess of 21% of revenue and net income of less than 1% of revenue during their first year of operation.

We have a committed and experienced senior management team.

Our senior management team has extensive and diverse professional experience. This team is led by our Chief Executive Officer and founder, Bahram Akradi, who has worked in the health and fitness industry for over 20 years, our Chief Operating Officer, Michael Gerend, and our Chief Financial Officer, Michael Robinson. The talented senior management team brings experience from both inside and outside the health and fitness industry and has been instrumental in building and growing our company.

Our Growth Strategy

Drive membership growth.

New Centers. We opened four centers in 2003, and we plan to open six large format centers in 2004, five of which will be current model centers, and six current model centers in 2005 in both new and existing markets. We believe, based upon our data, that there is the potential for adding at least 225 additional current model centers throughout the U.S. in existing as well as new markets.

Existing Centers. Of our 33 centers, the nine that we opened in 2002 and 2003 averaged 65% of targeted membership capacity as of December 31, 2003. We expect the continuing ramp in memberships at these centers to contribute significantly to our growth in 2004 as these centers ramp toward our goal of 90% of targeted membership capacity by the end of their third year of operations. We also plan to continue to drive membership growth at other centers that are not yet at targeted capacity.

Increase revenue per membership.

From 1999 to 2003, we increased revenue per membership from \$659 to \$1,089. We believe the revenue from sales of our in-center products and services will grow at a faster rate than enrollment fees and membership dues. From 1999 to 2003, revenue from the sale of in-center products and services grew from \$10.6 million to \$54.2 million. We expect to continue to drive in-center revenue by increasing sales of our current in-center products and services and introducing new products and services, thereby increasing revenue per membership.

Leverage the LIFE TIME FITNESS brand into the broader health and wellness industry.

Our rapidly expanding membership base has allowed us to expand the LIFE TIME FITNESS brand into other wellness-related offerings. We plan to leverage the LIFE TIME FITNESS brand into other businesses in the broader health and wellness industry. We have developed and market a line of nutritional products, we circulate 500,000 copies of each issue of our magazine, *Experience Life*, and we attract an international field of participants to our annual LIFE TIME FITNESS triathlon.

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Risks Affecting Us

Our business is subject to numerous risks as discussed more fully in the section entitled "Risk Factors" immediately following this Prospectus Summary. In particular, if we are unable to identify and acquire suitable sites for new centers, are unable to attract and retain members or experience delays in opening new centers, we may not be able to achieve our business objectives. If our business continues to grow, the continued growth may place strains on our systems and our management team, which has never had direct responsibility for managing a publicly traded company. In addition, because of the capital-intensive nature of our business, we will need to incur additional indebtedness and, if we are not able to access additional capital, our ability to expand our business may be impaired.

Our principal executive offices are located at 6442 City West Parkway, Eden Prairie, Minnesota 55344, and our telephone number is (952) 947-0000. Our web site is located at www.lifetimefitness.com. The information contained on our web site is not a part of this prospectus.

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You should read the following summary consolidated financial data in conjunction with our consolidated financial statements and the related notes, our Selected Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

	For the Year Ended December 31,			Pro Forma December 31,	For the Three Months Ended March 31,		Pro Forma March 31,
	2001	2002	2003	2003(1)	2003	2004	2004(1)
(In thousands, except per share data)							
Statement of Operations Data:							
Revenue							
Center revenue							
Membership dues	\$ 94,652	\$ 132,124	\$ 171,596		\$ 39,919	\$ 49,179	
Enrollment fees	13,584	18,564	20,594		4,906	4,846	
In-center revenue(2)	25,191	38,270	54,237		12,931	16,919	
	<u>133,427</u>	<u>188,958</u>	<u>246,427</u>		<u>57,756</u>	<u>70,944</u>	
Other revenue	3,240	6,208	10,515		2,525	3,226	
	<u>136,667</u>	<u>195,166</u>	<u>256,942</u>		<u>60,281</u>	<u>74,170</u>	
Operating expenses							
Sports, fitness and family recreation center operations	74,025	102,343	131,825		30,705	39,053	
Advertising and marketing	6,350	11,722	11,045		2,690	3,680	
General and administrative	12,305	14,981	18,554		5,759	5,950	
Other operating	4,458	10,358	16,273		3,603	4,557	
Depreciation and amortization	17,280	20,801	25,264		5,833	6,947	
Impairment charge(3)		6,952					
	<u>114,418</u>	<u>167,157</u>	<u>202,961</u>		<u>48,590</u>	<u>60,187</u>	
Income from operations	22,249	28,009	53,981		11,691	13,983	
Interest expense, net	(12,035)	(14,950)	(19,132)		(4,563)	(4,612)	
Loss from extinguishment of debt(4)	(2,911)						
Equity in earnings (loss) of affiliate(5)	(301)	333	762		151	253	
	<u>7,002</u>	<u>13,392</u>	<u>35,611</u>		<u>7,279</u>	<u>9,624</u>	
Income before income taxes	7,002	13,392	35,611		7,279	9,624	
Provision for income taxes	3,019	5,971	15,006		3,067	3,977	
	<u>3,983</u>	<u>7,421</u>	<u>20,605</u>	<u>\$ 20,605</u>	<u>4,212</u>	<u>5,647</u>	<u>\$ 5,647</u>
Net income	3,983	7,421	20,605	\$ 20,605	4,212	5,647	\$ 5,647
Accretion of redeemable preferred stock	6,447	7,085	6,987		1,723	1,737	
	<u>\$ (2,464)</u>	<u>\$ 336</u>	<u>\$ 13,618</u>	<u>\$ 20,605</u>	<u>\$ 2,489</u>	<u>\$ 3,910</u>	<u>\$ 5,647</u>
Net income (loss) applicable to common shareholders	\$ (2,464)	\$ 336	\$ 13,618	\$ 20,605	\$ 2,489	\$ 3,910	\$ 5,647
Basic earnings (loss) per share	\$ (0.20)	\$ 0.02	\$ 0.85	\$ 0.72	\$ 0.16	\$ 0.24	\$ 0.20
Weighted average number of common and common equivalent shares outstanding basic	12,360	15,054	16,072	28,701	15,984	16,156	28,785
Diluted earnings (loss) per share	\$ (0.20)	\$ 0.02	\$ 0.72	\$ 0.68	\$ 0.15	\$ 0.19	\$ 0.18
Weighted average number of common and common equivalent shares outstanding diluted(6)	12,360	16,430	28,612	30,224	27,771	29,217	30,829

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	December 31,			March 31, 2004		
	2001	2002	2003	Actual	Pro Forma(1)	Pro Forma As Adjusted(7)
(In thousands)						
Balance Sheet Data:						
Cash and cash equivalents	\$ 2,208	\$ 8,860	\$ 18,446	\$ 2,307		
Working capital	(30,242)	(29,819)	(15,340)	(44,779)		
Total assets	346,815	419,024	453,346	453,880		
Total debt	176,727	231,320	233,232	219,111		
Total redeemable preferred stock	96,973	99,179	106,165	107,902	\$	
Total shareholders equity	13,014	18,547	32,792	36,811	\$ 144,713	