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## Town Sports International Holdings, Inc. Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### **Operator**

Thank you. (Operator instructions) And we'll take our first question from Paul Lejuez with Credit Suisse.

#### **Tracy Kogan – Credit Suisse**

Thanks; it's Tracy Kogan filling in for Paul. I had a couple of questions. First, if you could give us some sense of performance by month in terms of both attrition and the comps. And did this stabilize by the end of the quarter, or did it actually deteriorate? And then I was hoping you could give us a sense of what you're seeing as far as attrition for customers that have signed up for these month-to-month membership versus those coming off of one-year agreements. Thank you.

#### **Alex Alimanestianu**

Tracy, this is Alex; I'll start off and Dan will jump in. The – on the attrition side, we are seeing some general stabilization from the third quarter last year, when the attrition spiked up a little bit to the fourth quarter to the first quarter this year and into April as well. So we're not happy with the level of attrition, but we feel that it has stabilized. Still more volatile and higher than we like it to be and that it has been historically.

In terms of the sales levels for new member signups, those are also, I'd say, stabilizing, although at levels that we're not delighted about.

But – and then the other component that you didn't mention, but we certainly did mention, is the personal training component. And that, obviously is turned down in the first quarter.

#### **Tracy Kogan – Credit Suisse**

Did that deteriorate as the quarter progressed? So was it worse in March?

#### **Alex Alimanestianu**

No, no, I'd say – I'll say there is nothing in a month-by-month that it jumped out at us in that regard. Dan, do you have—?

#### **Dan Gallagher**

I guess I can just add a little bit to the second question about the commit to non-commit. In 2008, we were very much still selling commit memberships and over 95% of our memberships were a commit membership base. So we don't have a lot of differentiators to compare the 4% or 5% that signed up on the month to month of how are they canceling given that the vast majority have been joining under commits.

Now, in the first quarter of '09, we sold a little bit more non-commit members, but still the vast majority was commit membership structures. I'd say – I don't have the exact numbers in front of me, but it's definitely less than 20% of our members joining under non-commit in the first quarter. But we will start to monitor that as we are offering the non-commit membership again, which we really haven't done in a large way over the last three years.

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