IHRSA PROFILES OF SUCCESS

THE ANNUAL INDUSTRY DATA SURVEY OF THE HEALTH AND FITNESS INDUSTRY

- COMPREHENSIVE INDUSTRY OVERVIEW
- FINANCIAL PERFORMANCE BY CLUB TYPE
- INCOME STATEMENT AND BALANCE SHEET ANALYSIS
- DATA ON MEMBERSHIP PRICING, PROGRAMS, AND OTHER PROFIT CENTERS
- OPERATING BENCHMARKS: PAYROLL, MEMBER RETENTION, EBITDA, AND MUCH MORE!

IHRSA
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COMPILED IN 2015 BY THE INTERNATIONAL HEALTH, RACQUET & SPORTSCLUB ASSOCIATION AND INDUSTRY INSIGHTS, INC.

PROFILES OF SUCCESS:
THE ANNUAL INDUSTRY DATA SURVEY OF THE HEALTH AND FITNESS CLUB INDUSTRY

Compiled in 2015 by the International Health, Racquet & Sportsclub Association and Industry Insights, Inc.

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The International Health, Racquet & Sportsclub Association
is a non-profit trade association serving the commercial club industry. To order copies of this report or other *IHRSA* publications, visit ihrsa.org/store.

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In particular, the 124 club companies, representing 5,759 clubs, who contributed their time and effort in order to complete the 2015 Industry Data Survey.

ABOUT IHRSA

The International Health, Racquet & Sportsclub Association is the fitness industry's only global trade association. IHRSA represents more than 10,000 for profit health and fitness facilities and over 600 supplier companies in 75 countries.

IHRSA is the recognized leader in health club industry research. IHRSA's annual reports provide a comprehensive, country-specific overview of the key fitness industry markets worldwide as well as a detailed view of the overall global market. IHRSA also tracks U.S. industry trends on club performance, consumer behavior, and employee compensation practices. The IHRSA Research Portal (ihrsa.org/research) provides club operators with authoritative data and benchmarks against which to compare their company's operational metrics.

INTRODUCTION

IHRSA is pleased to present the 33rd edition of the annual Industry Data Survey (IDS) results and the accompanying publication, *Profiles of Success*. This report provides benchmarks and other operational and financial data for select leading clubs. Membership growth and profit centers are also analyzed in the following publication.

Over the past thirty years, the health club industry has proved to be a dynamic one. After withstanding a global economic downturn, which still prevails in parts of the world, leading club operators have continued to post improvements in performance indicators, while serving the health and activity needs of consumers. In 2014, the health club industry attracted 144 million members and generated nearly $84 billion revenues worldwide. In the U.S. and Canada, nearly 60 million members belong to 40,000 health clubs. Roughly 15 million members in 16 Latin American markets belong to one of 55,000 health clubs and studios, while the fitness industry in Europe serves nearly 48 million members at 51,000 fitness centers. According to *The IHRSA Asia-Pacific Health Club Report*, the Asia-Pacific region is home to 17 million members and 29,000 health clubs.

This year's IDS results show how IHRSA clubs have managed growth. Responding clubs reported improvements of 5% and 4% in revenue and membership, respectively. As this report will show, club performance results varied by segment. Clubs part of a chain reported greater revenue growth (+6.1%) than independent clubs (+3.6%). On the other hand, independent facilities posted a retention rate of 79%, while clubs part of a chain indicated a retention rate of 67%. Smaller clubs generated less revenue per individual member ($637.50) in comparison with larger clubs ($1,298.60).

To protect and promote further growth, IHRSA is highly active in state legislatures and Washington, D.C. on legislation affecting the industry. IHRSA maintains an extremely successful track record defeating legislation that would negatively impact health club operations in the 50 states. Major issues that IHRSA undertakes include protecting health clubs' ability to offer a range of membership contract options, defeating legislation that would hinder clubs' ability to find and hire qualified personal trainers, and opposing taxation of club dues and services.

IHRSA also seeks opportunities to make health club memberships more affordable through financial incentives, and to foster the next generation of health club members by supporting greater financial investments in physical education. In Congress, IHRSA advocates for the passage of the Personal Health Investment Today (PHIT) Act, which allows the use of flexible spending account dollars to pay for gym memberships, exercise equipment and youth sports league fees.

Momentum continues to build for #WhyGetActive, IHRSA's social media campaign to elevate the discussion around the many reasons to be active. #WhyGetActive is a platform for discussions around the importance and benefits of regular physical activity, with a focus on solutions health clubs provide. It is a vehicle for clubs to not only engage their members and build a sense of strong community, but to reach out to their surrounding communities to educate the public and recruit potential members.

IHRSA also plays a large role in encouraging business leaders to recognize physical activity as an important driver of employee health and business performance, by promoting the CEO Pledge, a campaign led by the National Coalition to Promote Physical Activity (NCPPA). At the time of publication, well over 300 CEOs had signed on, agreeing to prioritize regular physical activity and maintain a culture of wellness in their workplaces.

ABOUT THIS REPORT

This report is designed to allow participating clubs to easily compare their operations with their peers to determine strengths, weaknesses, and improvement opportunities.

This guide is based on research conducted by professional research firm Industry Insights, Inc. for the International Health, Racquet & Sportsclub Association (IHRSA). The data has been aggregated in the following categories so individuals can compare their own data to the results of their peers. These aggregations include:

- All Clubs
- By Club Type (Multipurpose vs. Fitness Only)
- By Club Management (Multi-club or chain vs. Independent)
- By Club Size

As an individual compares his or her information to the aggregated results, it is important to remember that the statistics published in this report should be regarded as guidelines rather than absolute standards. Because organizations will differ depending upon their location, size and other factors, any two organizations may be very successful and yet be very different. Thus, a deviation between anyone's figures and a number appearing on a table in this report is not necessarily good or bad; it is merely an indication that additional scrutiny may be warranted.

We are proud to present the enclosed insights into the health, racquet, and sportsclub industry and hope you will find this to be a useful guide. Thank you to all of those individuals who submitted data for this study.

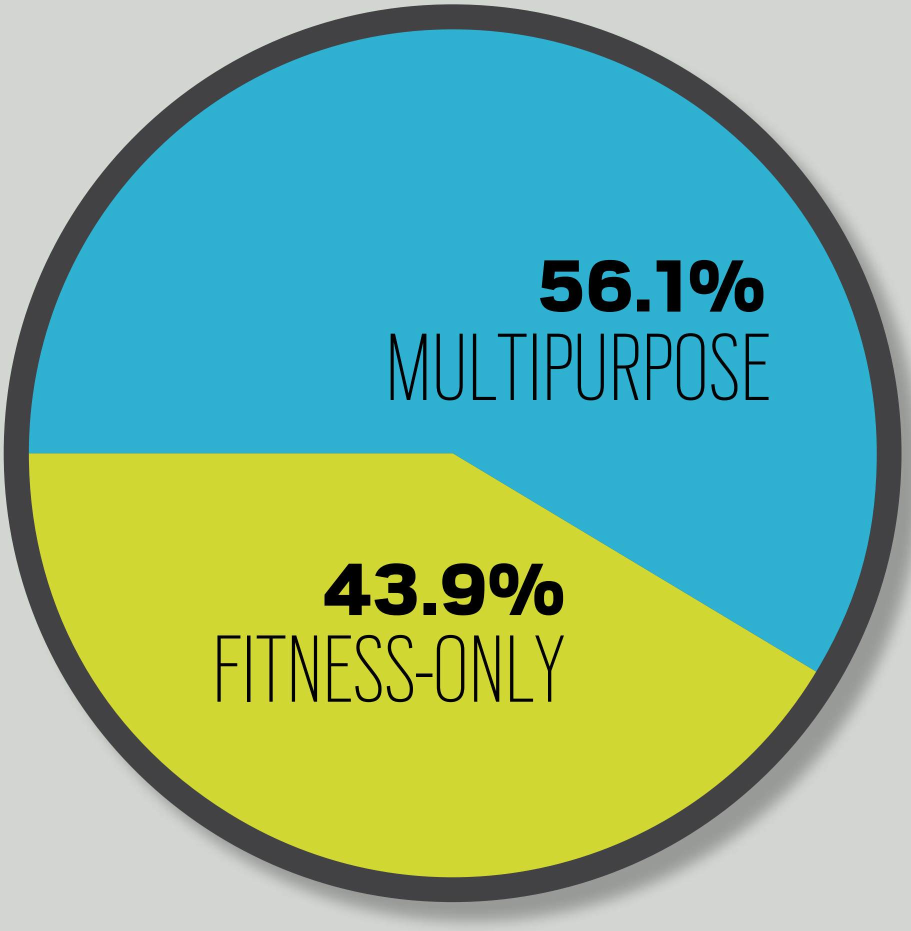
SURVEY METHODOLOGY

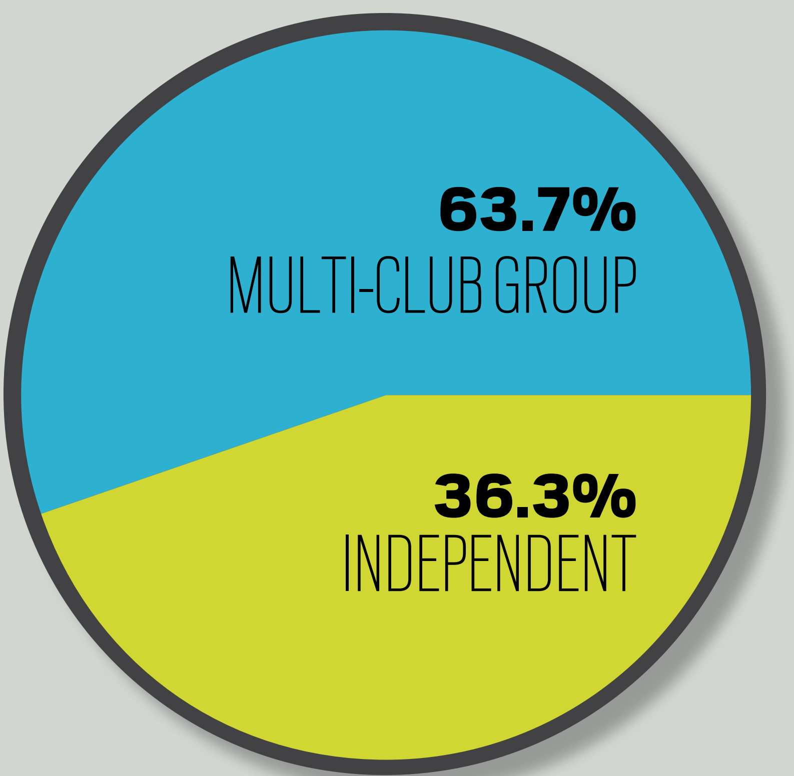
The Industry Data Survey is housed on the IHRSA Research Portal (ihrsaresearch.com). An email with a link to the form was sent to IHRSA members in early April, 2015. A total of 124 firms representing 5,759 clubs completed the form in time for processing. Upon receipt, all questionnaires were assigned a confidential identification number, and any remaining identification was removed from the data for processing. All data were checked both manually and by a specially designed computer editing procedure. Strict confidence of survey responses was maintained throughout the course of the project.

RESPONDENT DEMOGRAPHICS

Over 56% of the respondents were multipurpose clubs and the remaining were fitness-only clubs. Nearly 64% of the respondents reported being part of a multi-club group or chain while the remaining reported as independent, single club operators.

RESPONDENT DEMOGRAPHICS

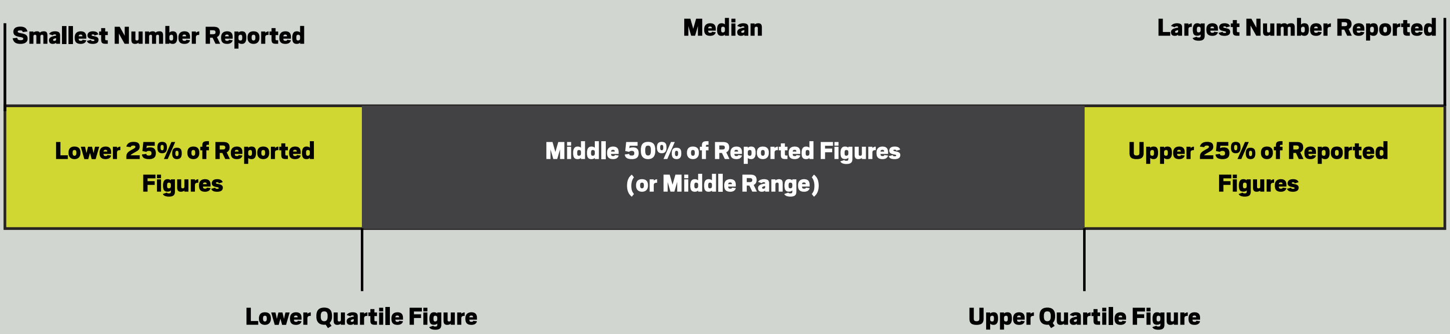




DEFINITIONS

NUMBER OF RESPONSES (N):	The number of responses in a particular grouping.
MEAN (AVERAGE):	The simple average of all responses for a particular item (e.g., it is the result of summing the values and dividing by the total number of responses).
MEDIAN (OR 50TH PERCENTILE):	The center value of the total distribution of the data that was reported (e.g., it is the value at which 50% of the responses are above and 50% are below). This measure is less likely than an average to be distorted by a few outlying responses.
25TH PERCENTILE:	The observation point below which 25% of the responses lie (e.g., 25% of the respondents reported a figure less than this amount and 75% greater).
75TH PERCENTILE:	The observation point below which 75% of the responses lie (e.g., 75% of the respondents reported a figure less than this amount and 25% greater).

The graphic below is often helpful in visualizing the way the data is reported. The Lower Quartile and Upper Quartile figures are reported in the report as the Middle Range. This is helpful in analyzing your performance as it allows you to quickly determine whether your figure falls within the "norm" or middle 50% of the responses.



DISCLAIMER

The statistical information contained in this report is believed to be representative of the individuals responding to the survey. All reasonable efforts were taken by Industry Insights, Inc. to assure data comparability within the limitations of reporting procedures. However, the data used in this report are not necessarily based on audited data and the statistical validity of any given number varies depending upon sample sizes and the amount of consistency among responses for that particular figure. Industry Insights and IHRSA, therefore, make no representations or warranties with respect to the results of this study and shall not be liable to clients or anyone else for any information inaccuracies, or errors or omissions in contents, regardless of the cause of such inaccuracy, error or omission. In no event shall Industry Insights and/or IHRSA be liable for any consequential damages.

INDUSTRY AT A GLANCE

This section provides an overview of the varying success health clubs achieved in 2014 along with a summary of health club member demographics. Findings are based on *The IHRSA Global Report* and *The IHRSA Health Club Consumer Report*. Also included is independent industry analysis from IBISWorld. Trends in 2014 and 2015 are discussed and predictions are made regarding the fitness industry heading into 2016.

Overall, the health club industry posted strong performance in 2014. Worldwide, industry revenues moved from $78 billion to $84 billion (+8%) from 2013 to 2014; the number of facilities, from 165,000 to 184,000 (+11%); and the number of members, from 139 million to 144 million (+3.6%).

In the U.S., the health club industry posted growth in revenue, memberships, and number of club locations. Revenue grew to $24.4 billion in 2014, up from $22.4 billion in 2013 (+9%), while club count increased from 32,150 to 34,460 (+7%). More than 54 million Americans belonged to a health club in 2014, up from 52.9 million in 2013 (+2%).

IHRSA Global 25

The IHRSA Global 25 consists of the top players in terms of revenue, memberships, and units, based on club operators that submitted data for *The 2015 IHRSA Global Report*. Club performance improved uniformly among organizations that comprised *The IHRSA Global 25*. Category leader Life Time Fitness posted $1.3 billion in revenue in 2014, up from $1.2 billion in 2013, a 7% increase; Anytime Fitness climbed to $967 million (+27%); Central Sports Co., Ltd., to $485 million (+9%), Health & Fitness Nordic, to $482 million (+3%); HealthCity/Basic-Fit, to $399 million (+9%); Renaissance, to $386 million (+5%); and Planet Fitness, to $280 million (+33%).

In 2014, leading players in terms of number of facilities owned include: LA Fitness International, 24 Hour Fitness, HealthCity/Basic-Fit, Goodlife Fitness and Énergie Cardio, and Fitness First. LA Fitness had roughly 630 clubs, the most of any club chain that participated in the Global Survey. 24 Hour Fitness maintained 450 clubs. HealthCity/Basic-Fit and Goodlife Fitness and Énergie Cardio claimed 350 and 327 club units, respectively, while Fitness First had 325 clubs.

INDUSTRY AT A GLANCE

Several *Global 25* clubs are leaders in multiple categories. Companies ranking in the top ten in at least two categories (number of clubs, members, and/or revenue) for 2014 include: 24 Hour Fitness, Fitness First, Virgin Active, Town Sports International Holdings, Inc., Anytime Fitness, Life Time Fitness, Goodlife Fitness and Énergie Cardio, HealthCity/Basic-Fit, Fitness World, Central Sports Co., Ltd., Renaissance, Inc., Gold's Gym International, Bio Ritmo/Smart Fit, and Kieser Training AG.

Leading franchises are also *Global 25* club companies, having achieved notable growth over the past few years. Anytime Fitness had 2,739 locations (2,711 franchised) and 2.3 million members worldwide by the end of 2014. Snap Fitness, another affordable 24-hour club franchise, finished 2014 with 1,434 franchise locations (1,306 franchised). Planet Fitness finished third among the top ten franchises with 918 units (864 franchised) as Mrs.Sporty ranked fourth with 554 total units (548 franchised). Other top global franchise companies include: Gold's Gym with 541 franchises (689 total units), Pure Barre with 265 franchises (279 total units), and Body Street with 202 franchises (212 total units).

IHRSA Global 25 Leading Club Companies (excerpt)

Club Company	Niche	Headquarters	Revenue
Life Time Fitness, Inc.	Multipurpose, multi-chain club	U.S.	$1,291,000,000
Virgin Active	Multipurpose, multi-chain club	U.K.	$1,051,000,000
Anytime Fitness	Convenience club franchise	U.S.	$967,000,000
Fitness First	Fitness-only, multi-chain	U.K.	$773,000,000
Central Sports Co., Ltd.	Multi-purpose, golf, spa, and retail clubs	Japan	$485,000,000
Health & Fitness Nordic	Diverse, multi-club group network of low-cost, full-service, and premium clubs	Sweden	$482,000,000
Town Sports International Holdings, Inc.	Urban/suburban fitness-only clubs	U.S.	$454,000,000
HealthCity/Basic-Fit	Multi-club group of low-cost and full service clubs	Netherlands	$399,000,000
Renaissance, Inc.	Multi-chain club	Japan	$386,000,000
Planet Fitness	High-Volume/Value, Low Price (HVLP) club franchise	U.S.	$280,000,000

INDUSTRY AT A GLANCE

HEALTH CLUB MEMBERSHIP

As *The 2015 IHRSA Health Club Consumer Report* bears out, the health club industry is witnessing a shift in the preferences of health club members. (Report findings are focused on U.S. health club consumers.) The club landscape extends beyond traditional, full-service fitness centers that serve local communities and all age groups as well as affordable fitness centers with basic amenities. Studio concepts, including boxing, yoga, Pilates, group cycling, barre, boot camps, and sports-specific training, also shape the club market.

Roughly half (51%) of the 54.1 million members in the U.S. indicated belonging to either a multipurpose or fitness-only club, while nearly 43% indicated using a fitness studio such as personal/small group training, yoga/Pilates/barre, indoor cycling/rowing, boot camp/cross training, boxing/mixed martial arts, and/or sports-specific concept. At least 15% of all members belong to more than one health club.

Attendance

In 2014, the average member visited their club 102 times, down slightly from 103 visits in 2013. Nearly half (47%) of all members are "core" members — those who use the club at least 100 days per year. Since 2010, the number of core members has grown by roughly 5%, from 22 million in 2010 to 23 million in 2014.

Demographics: Gender

Females were slightly more represented as club members in 2014 as 50.2% of club members were female. In total, there were 27.1 million female health club members (down from 27.7 million in 2013) and 26.9 million male health club members (up from 25.2 million in 2013).

Demographics: Age

The average age of a health club member in 2014 was 39 years. More than one out of four health club members (30%) were between the ages of 18 and 34 years old (16.4 million). The second most represented age group was 35-54 year-olds at 32% of total membership (17 million). The oldest, 55+ age group represented 23% of all club members (12.3 million), while those under age 18 represented 15% of all members (8.3 million). The number of health club members under age 18 has grown from 6.1 million in 2010 to 8.3 million in 2014.

Demographics: Household Income

In 2014, 39% of health club members had an annual household income of at least $100,000. The second largest segment, 18% of health club members, had an annual household income of $25,000-$49,999. Roughly 17% earned between $50,000-$74,999 in household income in 2014. The $75,000-$99,999 segment accounted for 16% of health club members. Lastly, 10% of health club members made less than $25,000 in 2014.

INDUSTRY AT A GLANCE

Demographics: Geography

Health club membership varies by region, and the most represented region is the South, with 34% of health club members calling it home. Approximately 19 million members reside in the South. States in the South include: Maryland, Virginia, North Carolina, South Carolina, Tennessee, Georgia, Alabama, Louisiana, and Florida. The second most represented region among health club members in 2014 was the West with 25% (13.2 million members). The Pacific region represents most of the West including: California, Oregon, and Washington. The North Central region accounted for 21% of health club members in 2014, with 11.3 million members. Most members in this area came from the East North Central region, including: Illinois, Indiana, Michigan, Ohio, and Wisconsin. One out of five health club members (11 million) came from the Northeast. Of these, most are from the Middle Atlantic region, including New York, New Jersey and Pennsylvania.

THE INDUSTRY & CONSUMERS: RELATED RESEARCH

IBISWorld Gyms, Health & Fitness Clubs Report

Research conducted by independent industry research firms resonates with IHRSA findings. *The IBISWorld Gyms*, *Health & Fitness Clubs Report* provides an analysis of health and fitness facilities as well as other related segments, including personal training services, ice and roller rinks, spa, and merchandise. In contrast, IHRSA research focuses on commercial health and fitness clubs.

For the year 2014 and beyond, IBIS published key estimates in evaluating and forecasting growth for the fitness industry. Revenue for the fitness and health businesses they evaluate were an estimated $29.4 billion in 2014. The industry as a whole is expected to experience a 2.2% growth from 2010–2015. The annual projected growth from 2015 to 2020 is 3.6%, signifying strong favorable growth in upcoming years.

As one would expect, competition in the fitness industry is high and IBIS sees this trend increasing. Competition comes from many facilities, including internal competition (other commercial fitness centers, nonprofits, government organizations, hospitals, businesses, and salons). External competition may also come from other industries such as bowling alleys and marinas, which compete for the leisure time of individuals. According to IBIS, barriers to entry were low in 2014 and were predicted to remain so in the future. However, there is often a high cost involved with opening a gym, and it takes time to build up a brand, gain members, and generate a profit.

Where does all of this success come from in the fitness industry despite difficult economic times? IBIS has identified six key factors that lead to success in the industry: 1) easy access for clients, 2) effective product promotion, 3) economies of scale, 4) provision of appropriate facilities, 5) technical knowledge of the product, and 6) business expertise of operators.

INDUSTRY AT A GLANCE

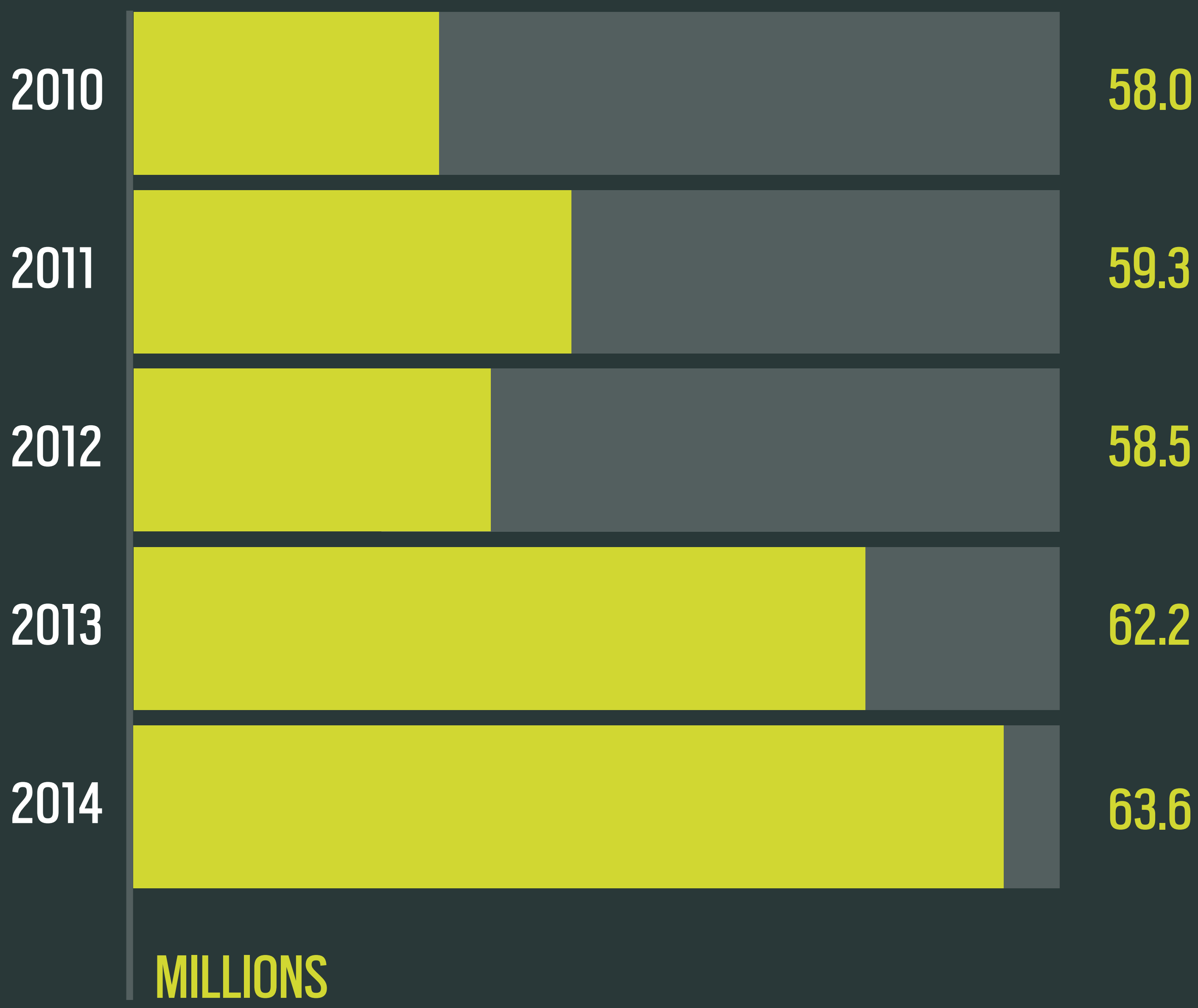
INDUSTRY OUTLOOK

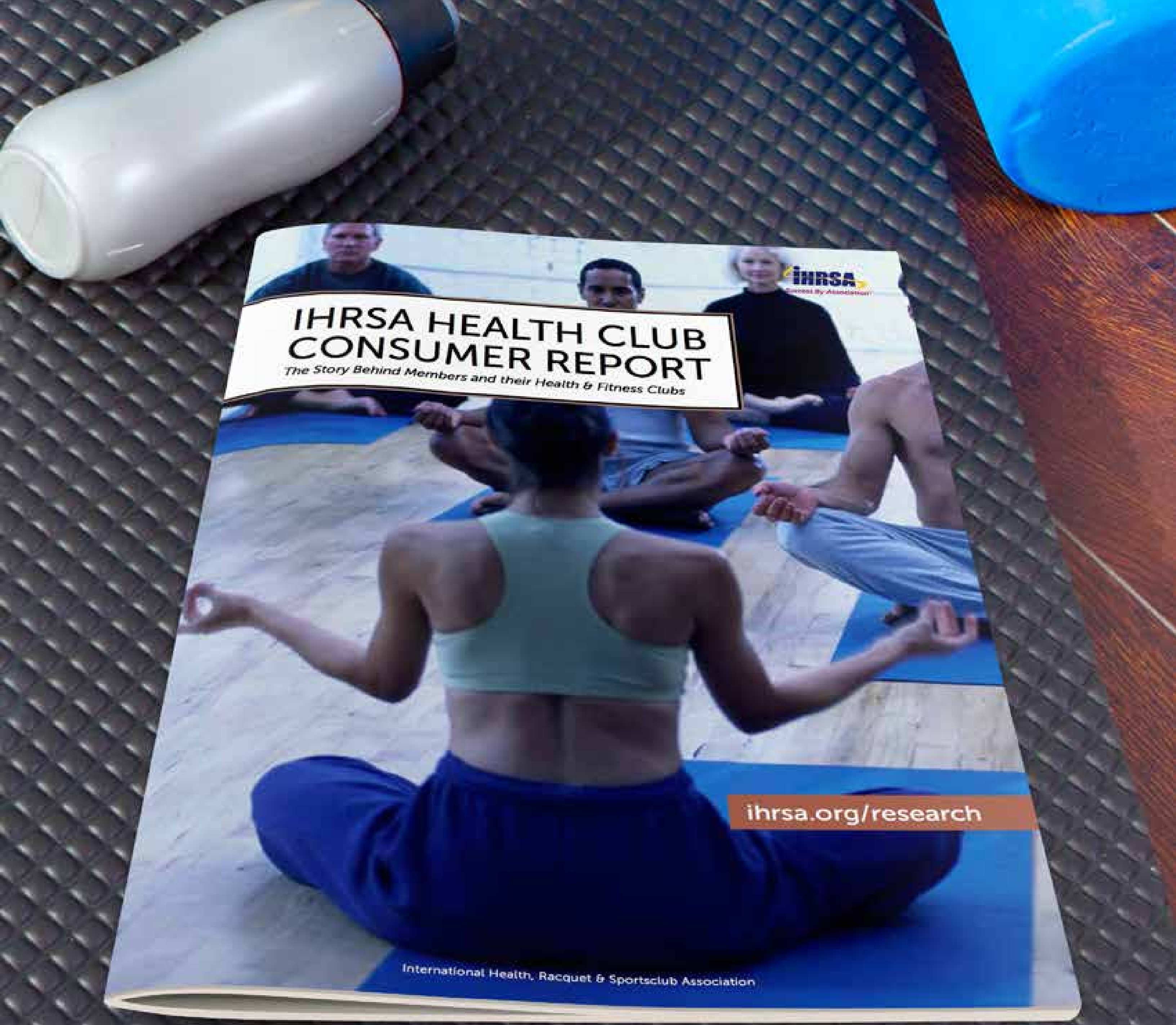
There are a few things we should be on the lookout for beyond 2015. We can look specifically at two segments for where this growth will come from in future years. The younger generation is now being targeted as a strong opportunity for growth. Club operators will be looking for ways to get younger members to join and ways to retain that segment. As health concerns keep rising – and so do health care costs associated with heart disease, diabetes, and other illnesses – fitness participation and healthy eating will be looked at as the primary means to prevent lifestyle-related issues. This should create an increasing demand for the services of health clubs and fitness professionals. With this growth, we can expect a need for additional staffing to maintain an increased number of health and fitness enterprises.

As the numbers showed in 2014, the health club industry reported growth in all three key indicators: revenue, membership, and club count. The fitness industry is witness to a shift that is engaging members from traditional fitness facilities and bringing them into specialized studios. Popular activities include boot camp, high intensity interval training (HIIT), group cycling, barre, Pilates, yoga, boxing & combat, and sports-specific training. In many cases, members belong to more than one club in order to meet their goals and exercise preferences.

Still, more than 80% of Americans remain inactive, as reported by the Physical Activity Council. More than two out of five Americans do not participate in any of the 120 activities measured by the Physical Activity Council. Club operators are in a unique position to address physical inactivity as the health club serves as a hub for health, wellness, and exercise.

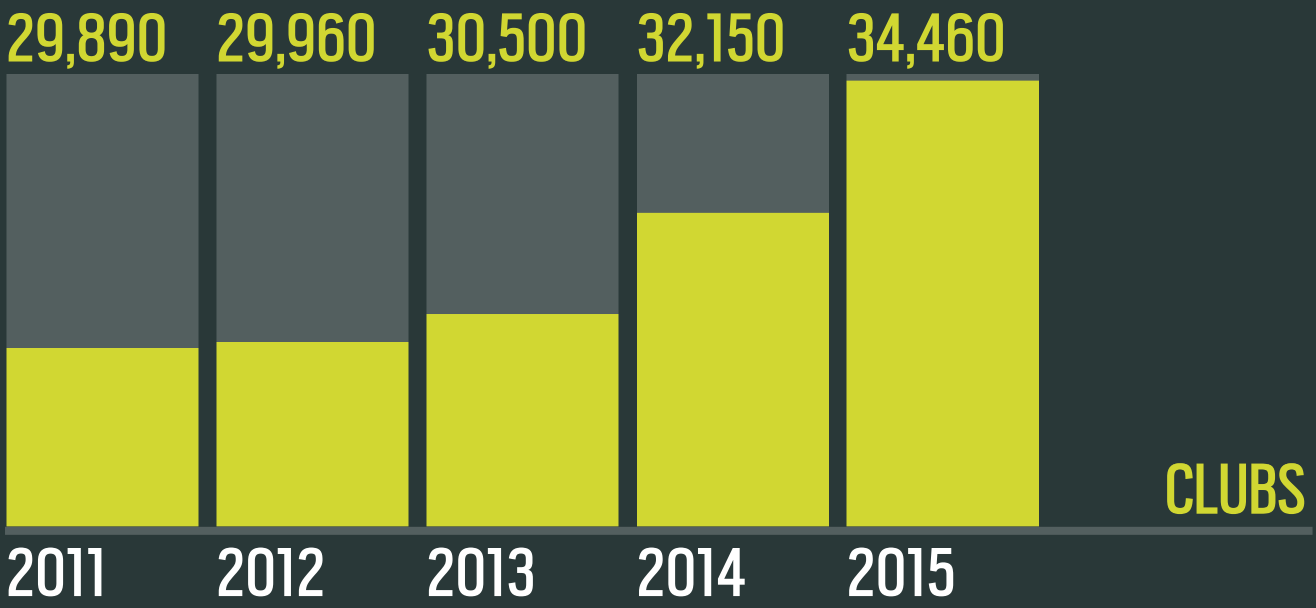
NUMBER OF U.S. HEALTH CLUB CONSUMERS (2010-2014)





Member data comes from *The 2015 IHRSA Health Club Consumer Report: The Story Behind Members and their Health & Fitness Clubs.* This report provides detailed insight into the participation trends of both member and non-member consumers in U.S. health club facilities. The report is based on analysis of 10,778 online interviews that were conducted with a nationwide sample of individuals and households in 2015.

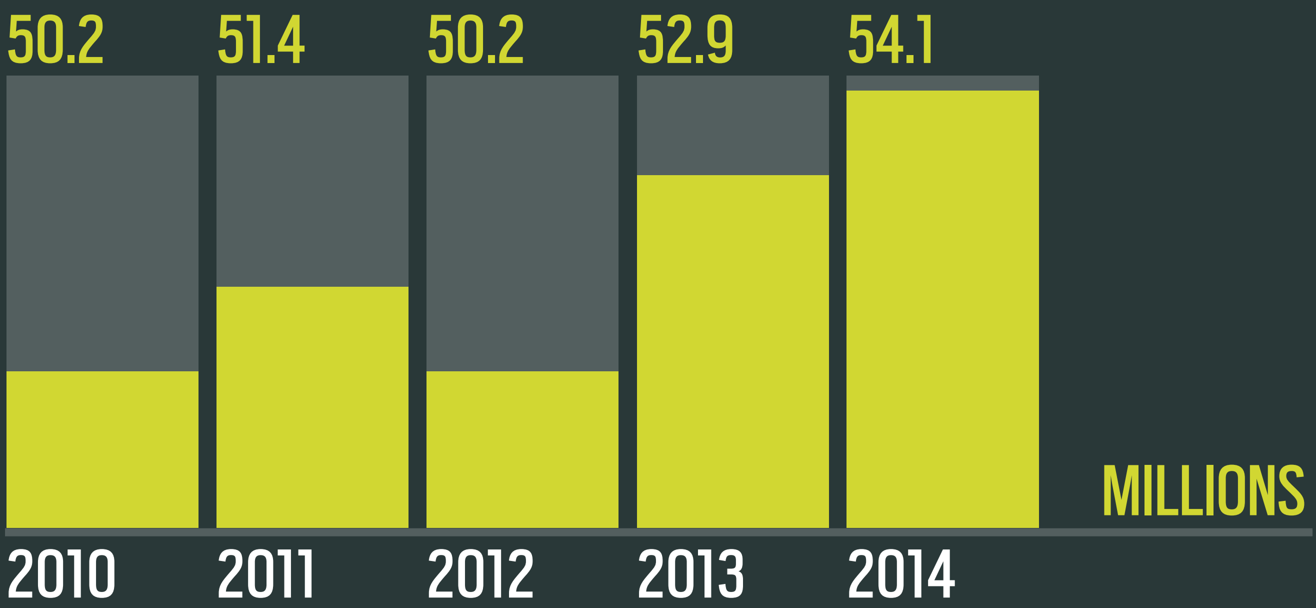
NUMBER OF HEALTH & RACQUET CLUBS* (2011-2015)



Figures reflect the number of businesses listed in the Yellow Page directories under industry SIC code 7991.

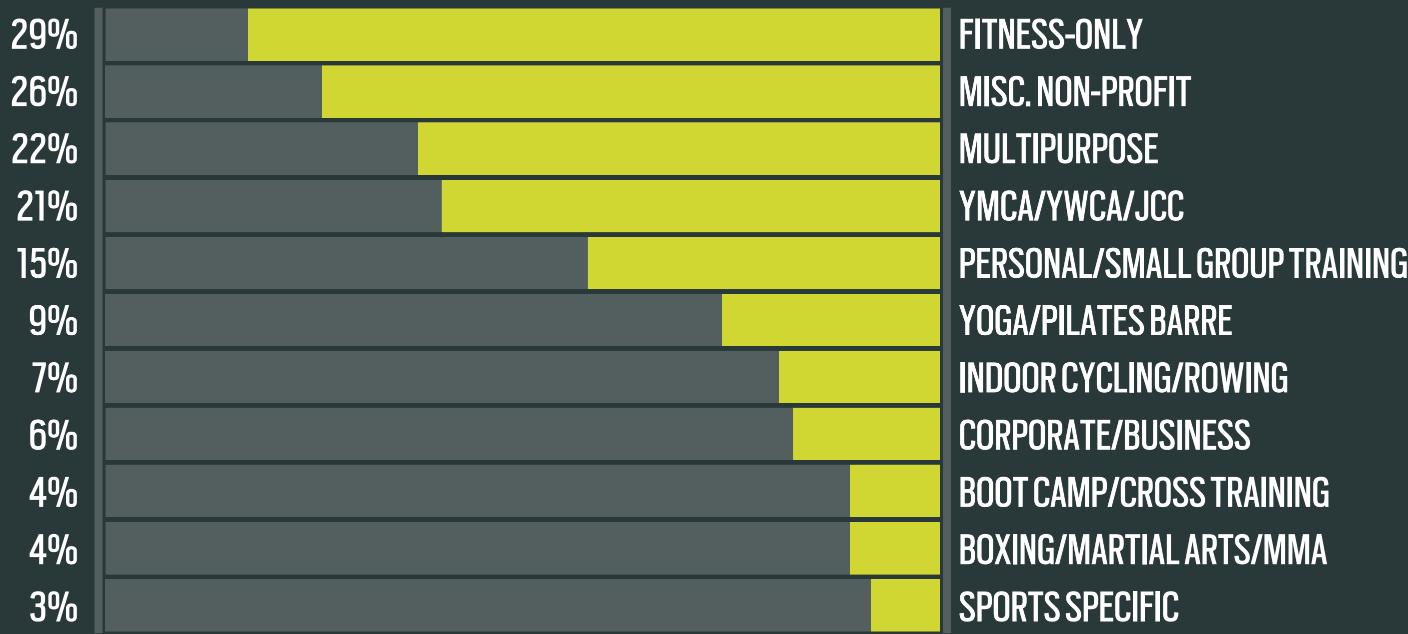
*As of January 1 each year.

NUMBER OF U.S. HEALTH CLUB MEMBERS (2010-2014)



Source: *The IHRSA Health Club Consumer Report*

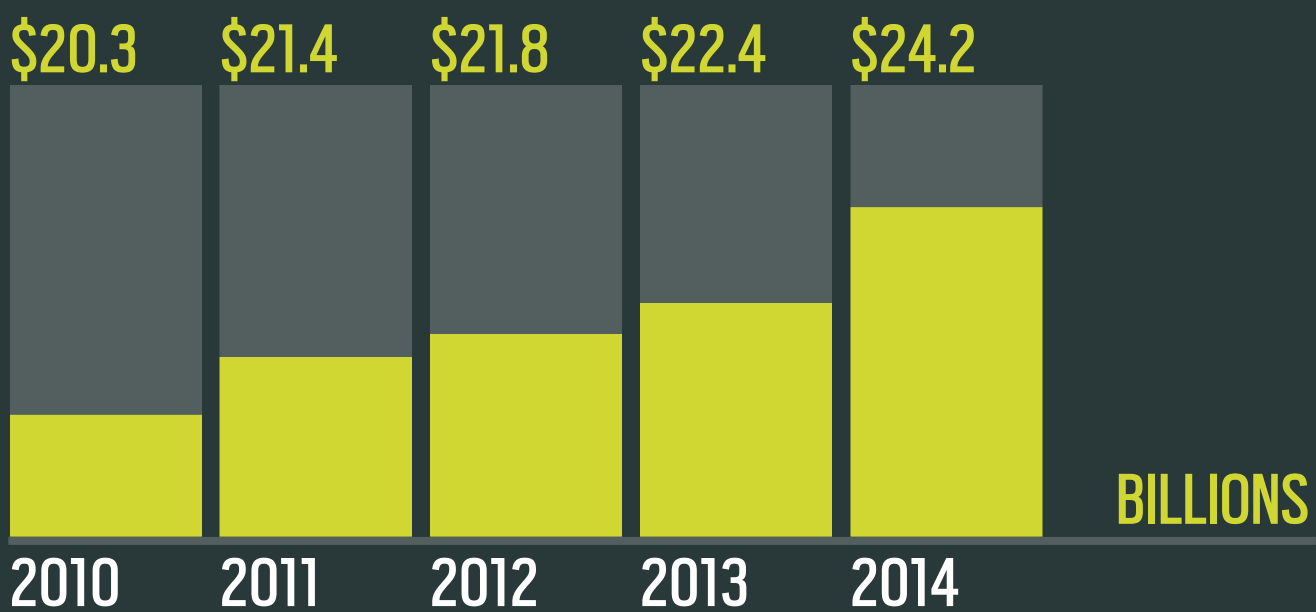
U.S. HEALTH CLUB MEMBER MARKET SHARE



Note: Multiple selections are allowed, indicating that a number of consumers carry dual memberships.

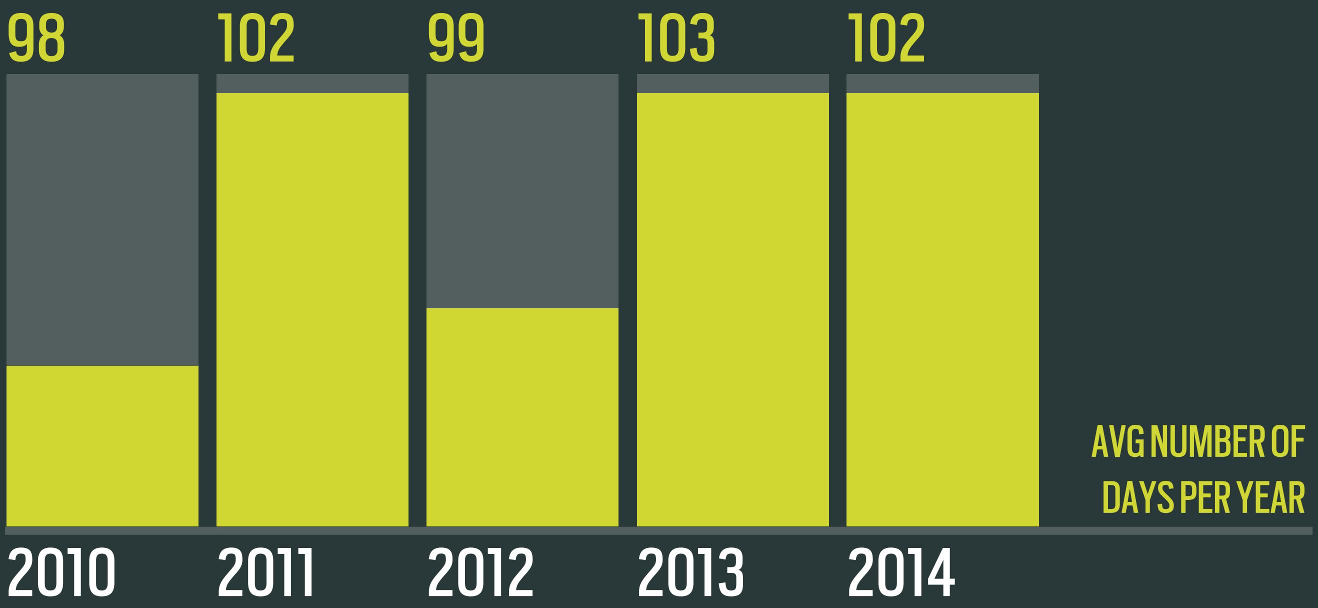
Source: *The IHRSA Health Club Consumer Report.*

U.S. HEALTH CLUB INDUSTRY REVENUE (2010-2014)



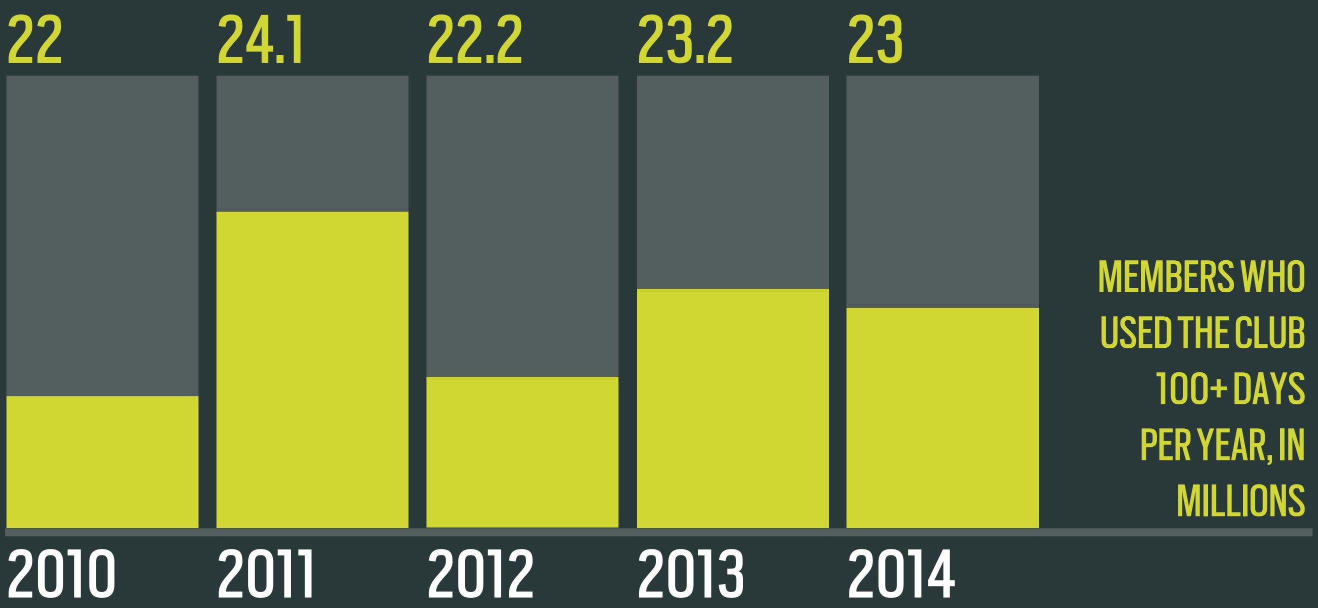
Source: IHRSA Estimates

HEALTH CLUB ATTENDANCE (2010-2014)



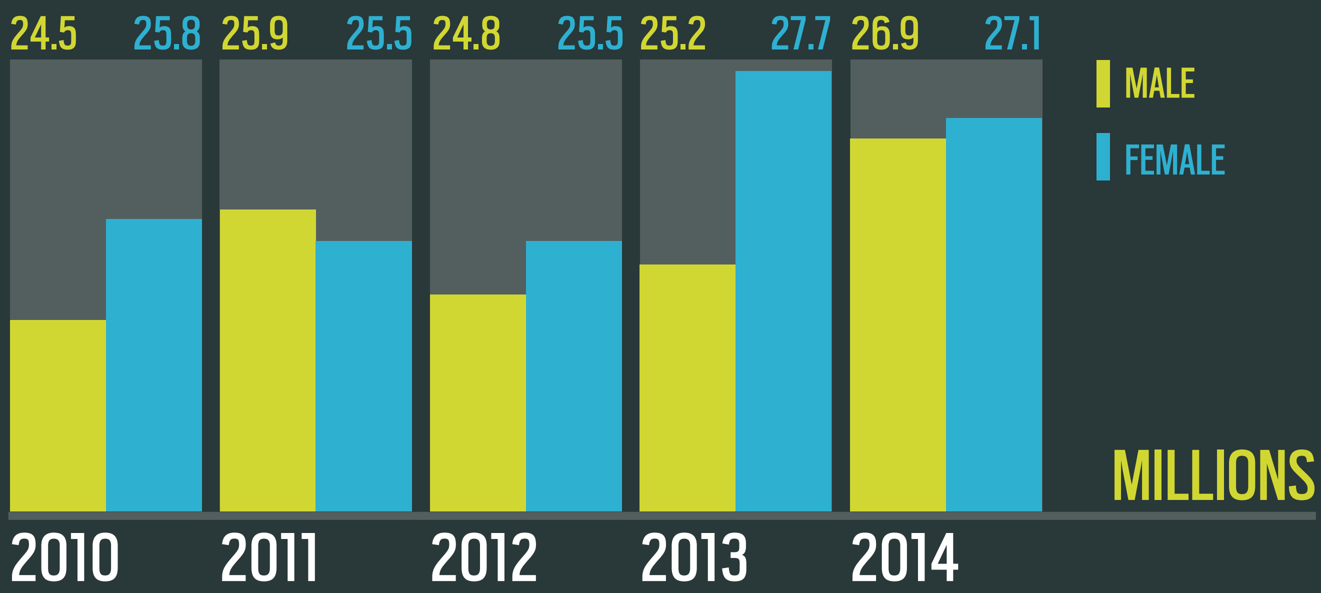
Source: *The IHRSA Health Club Consumer Report*

GROWTH IN THE NUMBER OF "CORE" MEMBERS (2010-2014)



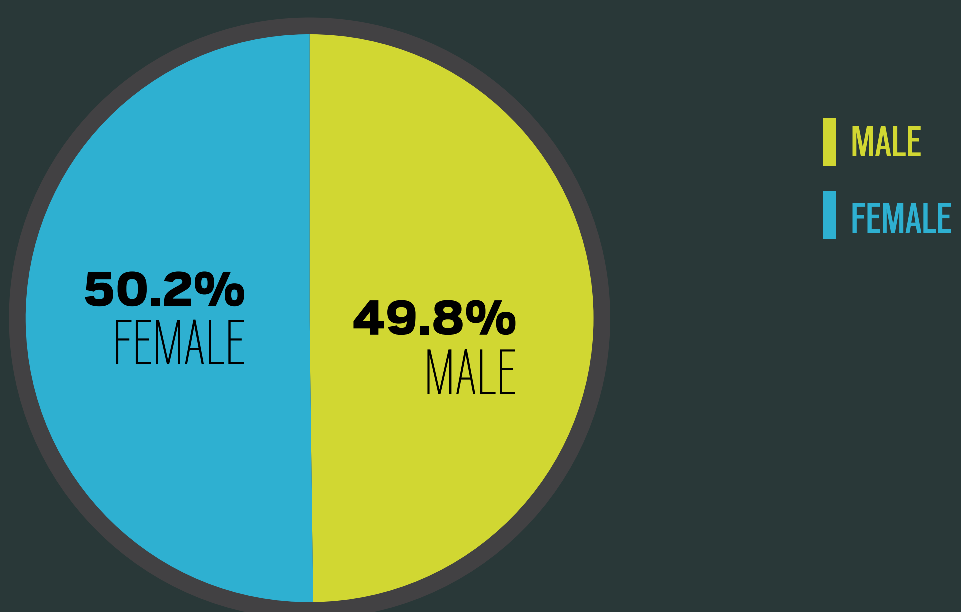
Source: *The IHRSA Health Club Consumer Report*

CLUB MEMBERSHIP BY GENDER (2010-2014)



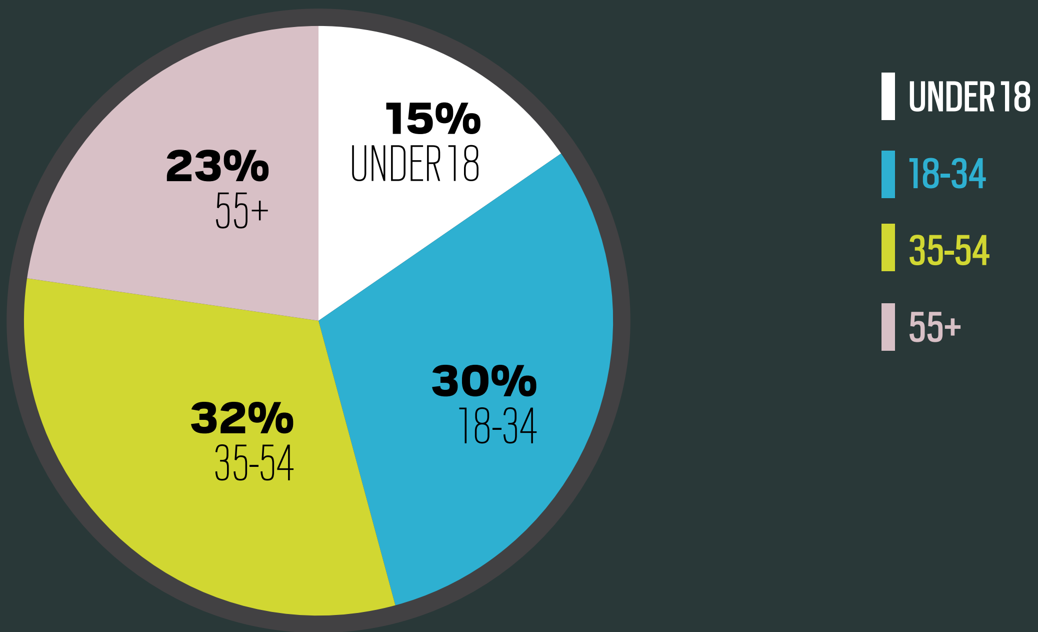
Source: *The IHRSA Health Club Consumer Report*

HEALTH CLUB MEMBERSHIP BY GENDER



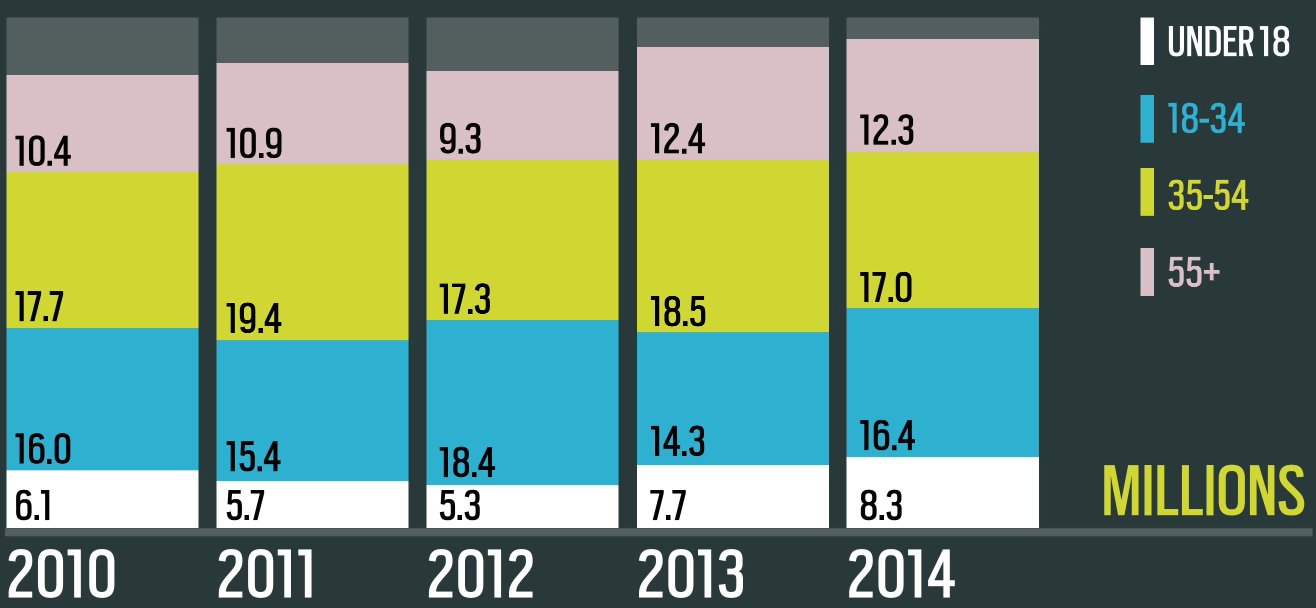
Source: *The IHRSA Health Club Consumer Report*

HEALTH CLUB MEMBERSHIP BY AGE



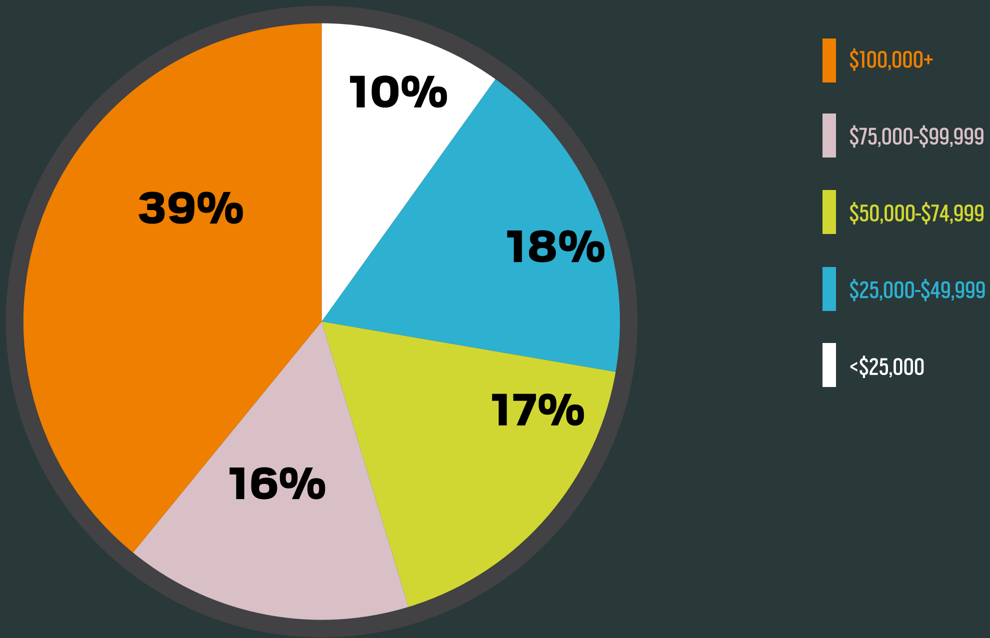
Source: *The IHRSA Health Club Consumer Report*

HEALTH CLUB MEMBERSHIP BY AGE (2010-2014)



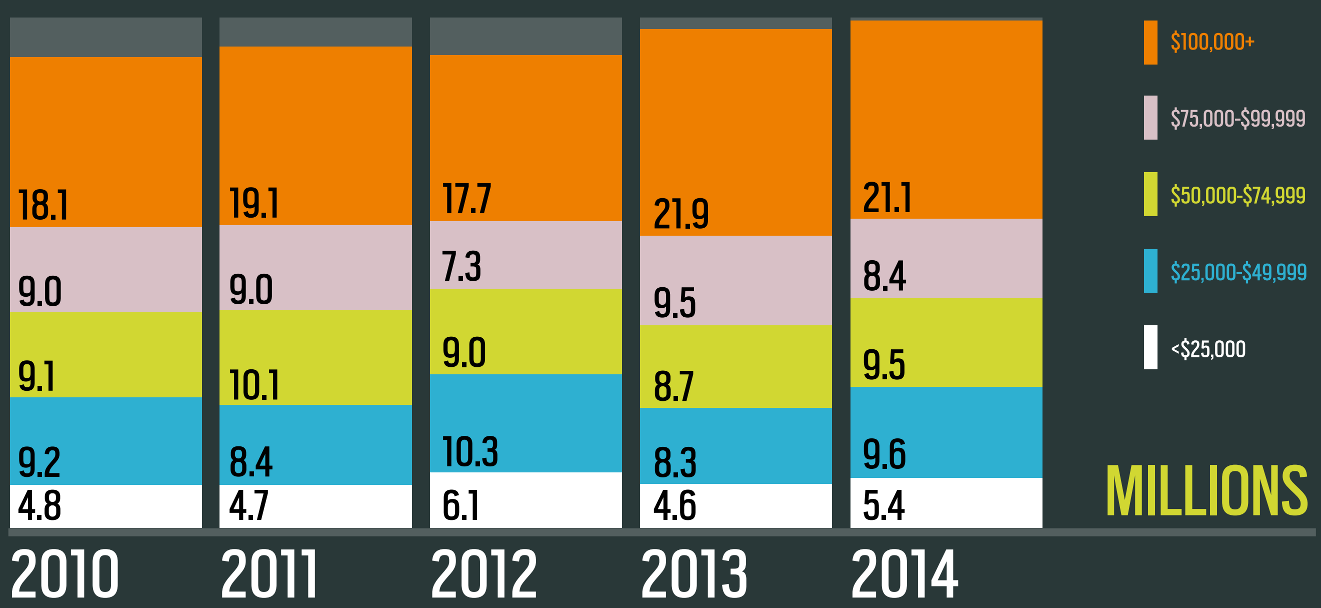
Source: *The IHRSA Health Club Consumer Report*

HEALTH CLUB MEMBERSHIP BY ANNUAL HOUSEHOLD INCOME



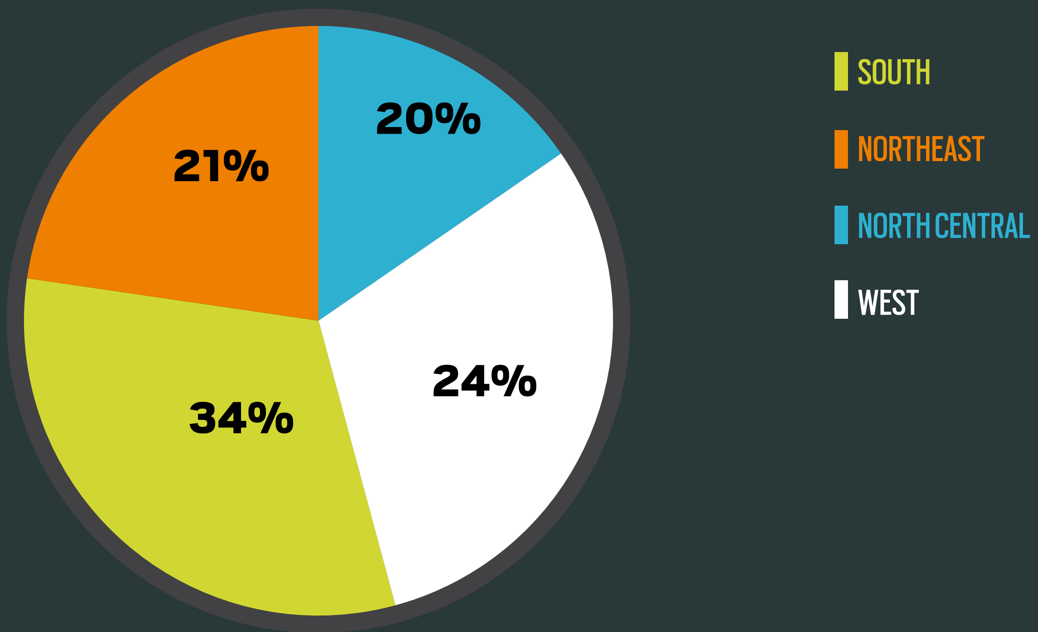
Source: *The IHRSA Health Club Consumer Report*

HEALTH CLUB MEMBERSHIP BY INCOME (2010-2014)



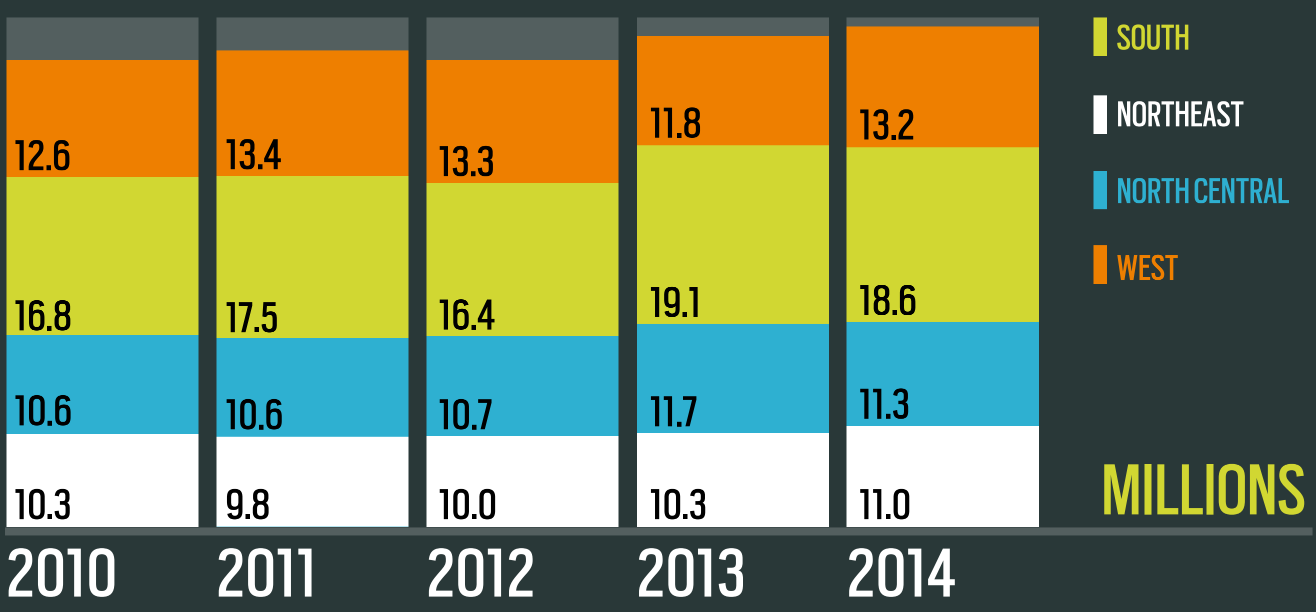
Source: *The IHRSA Health Club Consumer Report*

HEALTH CLUB MEMBERSHIP BY REGION



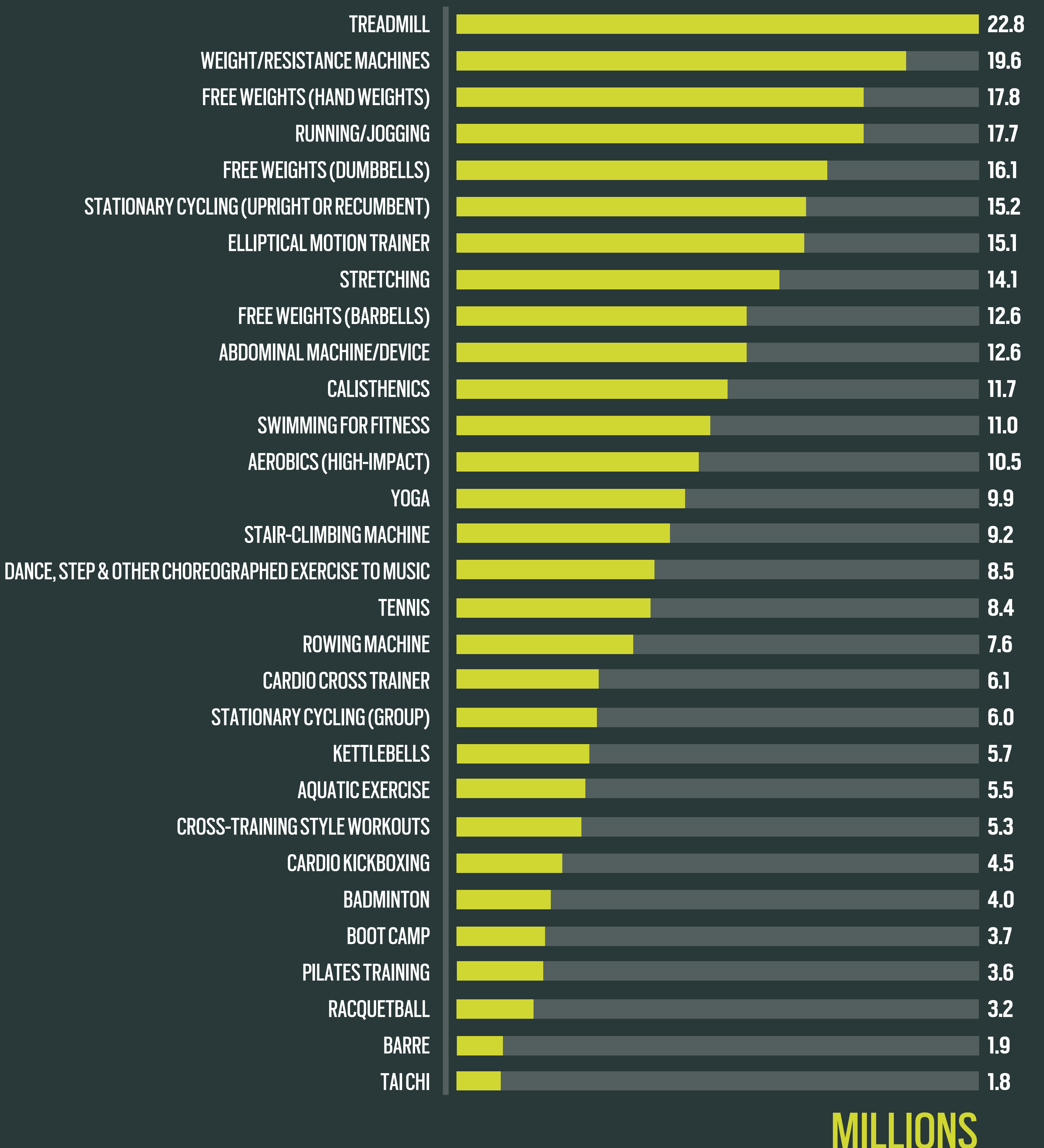
Source: *The IHRSA Health Club Consumer Report*

HEALTH CLUB MEMBERSHIP BY AGE (2010-2014)



Source: *The IHRSA Health Club Consumer Report*

CLUB CONSUMER PARTICIPATION (2010-2014)



Source: *The IHRSA Health Club Consumer Report*

CLUB GROWTH *BY REGION*

	2011	2012	2013	2014	2015	2011-2015 % Change
NORTH EAST	**5,915**	**6,233**	**5,909**	**6,363**	**6,774**	**15%**
NEW ENGLAND						
Connecticut	452	515	544	546	571	26%
Maine	136	160	130	143	137	1%
Massachusetts	845	967	862	936	997	18%
New Hampshire	178	198	160	182	183	3%
Rhode Island	119	141	122	143	150	26%
Vermont	106	114	90	98	95	-10%
Total	1,836	2,094	1,908	2,048	2,133	16%
MIDDLE ATLANTIC						
New Jersey	949	1,090	970	1,074	1,230	30%
New York	1,762	1,739	1,864	1,984	2,093	19%
Pennsylvania	1,236	1,311	1,167	1,257	1,318	7%
Total	4,079	4,139	4,001	4,315	4,641	14%
SOUTH	**9,769**	**11,358**	**10,658**	**11,521**	**12,304**	**26%**
SOUTH ATLANTIC						
Delaware	87	88	102	104	113	30%
Washington, D.C.	89	78	95	106	112	26%
Maryland	523	612	553	670	691	32%
Virginia	713	828	782	860	918	29%
West Virginia	121	115	107	130	137	13%
Florida	1,632	2,040	1,933	2,043	2,261	39%
Georgia	862	949	967	1,004	1,072	24%
North Carolina	820	938	884	963	1,030	26%
South Carolina	388	436	404	434	461	19%
Total	5,159	6,082	5,827	6,314	6,795	32%
EAST SOUTH CENTRAL						
Alabama	404	458	456	455	473	17%
Kentucky	317	341	318	330	362	14%
Mississippi	232	249	221	251	263	13%
Tennessee	474	585	517	561	602	27%
Total	1,427	1,632	1,512	1,597	1,700	19%
WEST SOUTH CENTRAL						
Louisiana	519	538	548	575	602	16%
Arkansas	242	251	248	261	269	11%
Oklahoma	374	374	362	387	382	2%
Texas	2,048	2,482	2,161	2,387	2,556	25%
Total	3,183	3,644	3,319	3,610	3,809	20%

Source: Info USA, Inc. Figures reflect number of businesses listed on Yellow Pages under SIC code 7991.
Note: Club count as of July 2015

CLUB GROWTH *BY REGION*

	2011	2012	2013	2014	2015	2011-2015 % Change
NORTH-CENTRAL	**6,332**	**7,244**	**6,518**	**7,011**	**7,230**	**14%**
EAST NORTH CENTRAL						
Illinois	1,050	1,219	1,178	1,254	1,342	28%
Indiana	536	604	559	593	607	13%
Michigan	895	1,053	925	1,005	1,034	16%
Ohio	940	1,141	977	1,085	1,093	16%
Wisconsin	651	766	655	694	701	8%
Total	4,072	4,782	4,294	4,631	4,777	17%
WEST NORTH CENTRAL						
Iowa	363	378	342	363	358	-1%
Kansas	243	271	272	269	282	16%
Minnesota	693	783	667	723	762	10%
Missouri	567	622	556	608	619	9%
Nebraska	191	210	198	226	237	24%
North Dakota	89	85	84	86	85	-4%
South Dakota	114	116	105	105	110	-4%
Total	2,260	2,462	2,224	2,380	2,453	9%
WEST	**6,483**	**7,582**	**7,251**	**7,790**	**8,238**	**27%**
MOUNTAIN						
Arizona	473	562	584	622	658	39%
Colorado	503	625	640	677	709	41%
Idaho	164	179	175	163	165	1%
Montana	146	144	130	148	147	1%
New Mexico	180	198	200	230	211	17%
Nevada	230	266	252	258	275	20%
Utah	231	259	224	245	253	10%
Wyoming	55	62	59	62	60	9%
Total	1,982	2,293	2,264	2,405	2,478	25%
PACIFIC						
Alaska	90	83	81	78	76	-16%
California	3,218	3,831	3,672	3,993	4,303	34%
Hawaii	98	107	108	116	119	21%
Oregon	421	465	415	444	458	9%
Washington	674	804	711	754	804	19%
Total	4,501	5,289	4,987	5,385	5,760	28%

Source: Info USA, Inc. Figures reflect number of businesses listed on Yellow Pages under SIC code 7991.
Note: Club count as of July 2015

CLUB OPERATING BENCHMARKS

As was the case with much of the overall economy, the health club industry was optimistic that 2014 would continue to build on slight growth recorded from 2010-2013. The effects of the 2008 recession, in some respects, still seem to be lingering in 2014. From 2010 through 2014, GDP grew at an annual rate of about 2.3%. The economy has been stabilizing and companies have been improving profits; however, most workers have not had meaningful wage increases over that period and unemployment remained over 6% for most of 2014. Consumer spending and high unemployment continued to be a headwind that health clubs struggle against on a daily basis in a battle to increase revenues. Also, many consumers that have found new jobs are underemployed and do not have the disposable incomes to which they were accustomed. Average consumer spending started out well in 2014 but reduced sharply mid-year. It still reached its highest level in the last five years, but was still below 2008 levels.

While signs of recovery and strengthening are appearing, the industry continues to maintain a conservative approach along all business operations—staff levels remain lean, facility reinvestments have been cut back but remain steady, debt is being paid down, and facilities are trying to manage their cash flow by revised leases and mortgages and seeking new terms with creditors. The good news is that there are plenty of opportunities for facilities during this environment. The clubs profiled in this sample rely on a strongly experienced management team operating in a conservative manner and the ability to respond quickly to member needs, in turn, creating a well-managed club and a satisfied member. These factors will bode well for these clubs as the economy recovers by helping them to work towards gaining additional market share in the long-term.

The clubs in this study reported modest improvements in some areas and were able to maintain the status quo in other areas. Although we would like to see great improvements from year-to-year, sometimes macroeconomic influences can make that a very difficult achievement. In this type of economic climate, it becomes more important than ever to manage expenses. It is important to remember that the club industry is a semi/fixed cost business and as a result an increase or decrease in sales often translates directly to the bottom line. This operating leverage is significant and a small change in sales can produce a larger change in earnings. When looking at those clubs who had an increase in revenues from 2013 to 2014, they also experienced an increase in bottom line profits as a percentage of total revenues. On the other hand, those clubs that had a decrease in revenues from 2013 to 2014 also experienced a decrease in bottom line profits as a percentage of total revenues.

Responding clubs reported a net membership growth of 3.7% for 2014 which comes on the heels of roughly 3% annual increases each year from 2010 – 2013. Revenues per member decreased from $753.6 for 2013 to $702.7 for 2014. Responding clubs reported overall revenue growth of 5.3% for 2014. Earnings before interest, taxes, depreciation, and amortization (EBITDA) rose from 15.9% for 2013 to 16.6% of total revenue for 2014. Pre-tax earnings as a percent of revenue jumped from 6.8% in 2013 to 8.1% for 2014.

Expense management can make the difference between a successful and marginal club. Historically, a club's total operating expenses range from 70% to 80% of total revenues. Clubs in this sample are pushing the upper range and often exceeding traditional operating expense ratios (see income statement and balance sheet sections for more information). The largest expense, payroll, can sometimes be the hardest to manage. Clubs in this study reported a slight increase in total payroll as a percentage of revenue from 38.0% in 2013 to 39.0% in 2014. Additionally, smaller expenses, such as sales/marketing and general/administrative, can add up quickly if not tightly watched and managed. Clubs with the highest EBITDA in 2014 exemplify this finding. Such companies reported much lower payroll expense as well as total operating expenses than those clubs with the lowest EBITDA.

Clubs reported earning more than three out of every ten dollars from non-dues related services, i.e. personal and small group training, nutritional counseling, spa services, etc. Not only does non-dues revenue contribute to the bottom line, it historically has been linked to higher member retention. "The more they pay, the longer they stay" has been a longtime industry axiom. It is not uncommon for clubs within the industry to post membership attrition rates of 40%-50% in a given year. The fact that the clubs from this study continue to keep seven out of ten of their members during this tough operating environment is a testament to the ability of these clubs to create a strong symbiotic relationship between member and club. Maintaining membership levels is essential to a strong operation as it allows a club to spend less time and money on attaining new members. Given the poor consumer spending environment, it is impressive that most of the respondents were able to add more memberships than were dropped. This did not come cheap, however, as sales and marketing costs per new membership account reached $112, its second highest level over the last four years ($118 for 2013, $92 for 2012, $100 for 2011).

CLUB OPERATING BENCHMARKS *BY CLUB TYPE*

MULTIPURPOSE CLUBS REPORT STRONG FINANCIAL PERFORMANCE

Multipurpose clubs outperformed fitness-only clubs in 2014. Multipurpose clubs reported higher EBITDA as a percentage of total revenues (18.7% vs. 11.9%) and pre-tax earnings as a percentage of total revenues (8.6% vs. 5.5%) Fitness-only clubs reported much lower payroll expenses as a percent of total revenues (35.8% vs. 43.3% of total revenues). In most of the other expense categories, however, multipurpose clubs reported lower expenses as a percent of total revenue. Multipurpose clubs reported a slightly higher member retention ratio (69.0% vs. 68.4%) but reported relatively flat net membership growth of 0.02% vs. 4.2% for fitness-only clubs. On a per new membership account basis, fitness-only clubs spent significantly less on sales and marketing costs ($58 vs. $146). These results support the notion that consumers are still cutting back on what they may consider non-essential spending associated with a multipurpose club membership and opting instead for a less expensive fitness-only membership.

CHAIN CLUBS OUTPERFORM FOR 2014

In terms of profitability, clubs that were part of a chain or multi-club group outperformed independent clubs. Clubs that were part of a chain or multi-club group earned more earnings before interest, taxes, depreciations, and amortization (EBITDA: 19.6% vs. 14.7% of total revenues) and more pre-tax earnings (11.4% vs. 5.3% of total revenues). Clubs that are part of a chain or multi-club group reported higher net membership growth (9.4% vs. 0.0%) while spending less to acquire those new members (sales and marketing per member expenses of $90 vs. $140). Clubs that are part of a chain or multi-club group can rely on economies of scale to help maximize the impact of their sales and marketing dollars across multiple locations. The clubs that are part of a chain or multi-club group reported a lower member retention rate (66.7% vs. 79.0%). Typically, independent clubs report the highest retention rate, possibly a result of their focus on member needs.

PLEASE NOTE: The numbers reported in this Club Operating Benchmarks section are medians, indicating that half of respondents fell below the figures reported, and the remaining half had a figure above that which is reported.

CLUB OPERATING BENCHMARKS BY CLUB TYPE

	All Clubs (n=124)		Multipurpose Clubs (n=37)		Fitness-only Clubs (n=29)		Part of Chain or Multi-club Group (n=79)		Independent Clubs (n=45)	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
FINANCIAL										
Total Revenue (000s)	$1,775.2	$1,686.7	$2,759.7	$2,667.4	$1,828.0	$1,678.6	$1,626.9	$1,533.1	$2,224.3	$2,147.9
Revenue Growth (Current year vs. prior year)	5.3%		3.5%		8.9%		6.1%		3.6%	
EBITDA as % of Revenue	16.6%	15.9%	18.7%	18.8%	11.9%	8.7%	19.6%	18.9%	14.7%	12.4%
Pre-tax Earnings as % of Revenue	8.1%	6.8%	8.6%	6.6%	5.5%	2.8%	11.4%	10.3%	5.3%	3.0%
Non-dues Revenue as % of Revenue	31.6%	30.7%	31.6%	30.4%	31.5%	31.0%	25.7%	23.7%	36.7%	37.3%
Revenue per Individual Member	$702.7	$753.6	$810.8	$867.7	$731.3	$828.8	$638.8	$733.9	$781.3	$790.6
MEMBERSHIP										
Rate of Member Retention (Accounts)	68.7%		69.0%		68.4%		66.7%		79.0%	
Net Membership Growth (Current year vs. prior year)	3.7%		0.0%		4.2%		9.4%		0.0%	
Sales and Marketing Cost per New Membership Account	$112.43		$146.32		$57.50		$89.74		$140.16	
OPERATIONS										
Total Payroll as % of Revenue	39.0%	38.0%	43.3%	43.9%	35.8%	35.5%	36.3%	35.0%	43.0%	44.0%
Indoor Square Foot per Individual Member	11.6	12.0	14.5	13.7	9.0	10.0	9.6	10.9	17.5	17.1
Revenue per Indoor Square Foot	$68.41	$66.45	$67.30	$65.22	$77.99	$75.48	$78.23	$75.48	$59.91	$50.99
Total Occupancy Cost per Indoor Square Foot	$13.2		$10.4		$16.6		$14.9		$8.0	

Note: Each median was independently calculated for each individual set or subset of responses to a given question or line item. As a result, normal mathematical relationships may not always exist between figures.

All Clubs: 124 firms represent 5,759 facilities.
Multipurpose Clubs: 37 firms represent 790 facilities.
Fitness-Only Clubs: 29 firms represent 3,191 facilities.
Part of Chain or Multi-club Group: 79 firms represent 5,714 facilities.
Independent Clubs: 45 firms represent 45 facilities.

CLUB OPERATING BENCHMARKS *BY CLUB SIZE*

SMALL CLUBS STRONG IN 2014

The smallest segment (clubs with less than 20,000 square feet) reported very strong net member growth and the highest revenue growth (11.6% and 8.2%, respectively). The revenue growth flowed to the bottom line as profits as a percent of revenues were the highest for all club size segments. Clubs in this segment reported a median EBITDA of 16.4% of total revenues in 2014 and pre-tax earnings of 9.2%. Oftentimes firms in this segment are relatively young and are in an early growth phase of their business cycle and may have significant fluctuations in revenues and profits from year-to-year. This is evident in the fact they reported only 1.4% pre-tax earnings for 2013.

MID-SIZED CLUBS PERFORMANCE SLOWS BUT REMAIN SOLID IN 2014

Clubs with 20,000-34,999 square feet reported solid EBITDA as a percentage of total revenues at 18.6% for 2014. Although this is down from 20.5% for 2013, this is still a very respectable figure with bottom line profit reported at 8.4%. Total payroll expense edged up to 38.3% for 2014 vs. 37.4% for 2013. Membership retention for these clubs was 67.5%. Total revenues increased 3.5% from 2013 to 2014. Clubs in this segment reported net membership growth of 1.4% while spending $112 for sales and marketing costs per new member account.

Total revenues increased 5.7% from 2013 to 2014 for clubs with 35,000 to 59,999 square feet. They also reported EBITDA of 14.0% and pre-tax profits of 5.6% for 2014. They reported a retention rate of 68.3% but saw net membership decline slightly at -0.2%.

CLUB OPERATING BENCHMARKS *BY CLUB SIZE*

LARGER CLUB OPERATIONS REPORT STRONG FINANCIALS DESPITE FLAT MEMBERSHIP GROWTH

Clubs with 60,000 square feet or more typically offer their members a plethora of fee-for-services and have shown that even during tight economic times they are in tune with what their members want and for what they will pay extra. This segment reported that almost four out of ten dollars came from non-dues revenue, the most of any segment. These clubs reported revenue per member of nearly $1,300 in 2014. These clubs reported flat net membership growth while being able to retain the highest percent of their members, reporting nearly 80% for their member retention. The increase in revenue per member led to growth in total revenue of 3.5% from 2013 to 2014. This group reported decreased payroll expense from 45.6% in 2013 to 43.4% of total revenues in 2014. Even with higher payroll expenses as a percentage of revenue, clubs in this size segment reported a relatively strong EBITDA figure of 18.7%. Pre-tax earnings as a percent of total revenue for this segment was the second highest for the various club size segments at 8.9%.

CLUB OPERATING BENCHMARKS BY CLUB SIZE

	Club Size Less than 20,000 sq ft (n=19)		Clubs between 20,000 to 34,999 sq ft (n=17)		Clubs between 35,000 to 59,999 sq ft (n=8*)		Club Size 60,000 sq ft or More (n=19)	
	2014	2013	2014	2013	2014	2013	2014	2013
FINANCIAL								
Total Revenue (000s)	$755.1	$698.2	$1,706.5	$1,648.1	$2,695.5	$2,549.2	$7,925.3	$7,654.4
Revenue Growth (Current year vs. prior year)	8.2%		3.5%		5.7%		3.5%	
EBITDA as % of Revenue	16.4%	10.9%	18.6%	20.5%	14.0%	15.3%	18.7%	17.1%
Pre-tax Earnings as % of Revenue	9.2%	1.4%	8.4%	10.3%	5.6%	5.0%	8.9%	6.2%
Non-dues Revenue as % of Revenue	28.9%	28.0%	18.1%	18.3%	26.5%	29.4%	38.5%	39.8%
Revenue per Individual Member	$637.5	$619.6	$730.7	$766.7	$689.7	$738.9	$1,298.6	$1,236.7
MEMBERSHIP								
Rate of Member Retention (Accounts)	66.7%		67.5%		68.3%		79.7%	
Net Membership Growth (Current year vs. prior year)	11.6%		1.4%		-0.2%		0.0%	
Sales and Marketing Cost per New Membership Account	$37.28		$112.43		$105.22		$241.38	
OPERATIONS								
Total Payroll as % of Revenue	34.5%	32.8%	38.3%	37.4%	43.6%	45.1%	43.4%	45.6%
Indoor Square Feet per Individual Member	7.3	7.1	9.1	9.1	14.2	13.6	19.1	17.9
Revenue per Indoor Square Foot	$78.23	$78.20	$58.65	$59.27	$54.56	$51.04	$74.31	$78.73
Total Occupancy Cost per Indoor Square Foot	$23.9		$20.9		$12.6		$9.3	

Note: Each median was independently calculated for each individual set or subset of responses to a given question or line item. As a result, normal mathematical relationships may not always exist between figures.
*small sample size for clubs, caution should be taken when comparing numbers.

Clubs with Less Than 20,000 sq ft: 19 firms represent 2,939 facilities.
Clubs between 20,000 and 34,999 sq ft: 17 firms represent 610 facilities.
Clubs between 35,000 and 59,999 sq ft: 8 firms represent 82 facilities.
Clubs with 60,000 sq ft or more: 19 firms represent 136 facilities.

CLUB OPERATING BENCHMARKS *BY MONTHLY DUES*

LOWER COST CLUBS POST THE GREATEST MEMBERSHIP GROWTH

Clubs with monthly dues prices of $40 or less reported the greatest net membership growth and total revenue growth in comparison with higher cost clubs. Lower cost clubs posted net membership growth of 9.6% in comparison with -0.4% for clubs with monthly dues between $41-$69 and 1.6% for clubs with monthly dues of $70 or more. The lower cost clubs also indicated a lower percentage of total revenue attributable to payroll at 34.7%. The low-cost segment recorded a member retention rate of 68.4%. This segment's strong performance in membership growth and revenue growth flowed to the bottom line with this group posting EBITDA of 16.4% and pre-tax earnings of 3.2%. Firms in this segment often emphasize member acquisition efforts over retention initiatives, signifying opportunities to improve on new member integration and current member engagement strategies.

MID-PRICED CLUBS STRUGGLE

Clubs with dues ranging from $41-$69 per month reported a decrease in net membership growth (-0.4%) and managed only a small increase in revenue of 0.9%. This trickled down to a large decrease in EBITDA as a percentage of total revenues of 11.3% for 2014 vs. 18.4% for 2013. Roughly one out of four revenue dollars are derived from non-dues sources for clubs in this category. Mid-priced club operators in this sample are struggling with balancing costs with revenue expectations. This segment generates roughly $708 in annual revenue per individual member and spends only $119 in marketing and sales cost per new membership account.

PREMIUM CLUBS POST THE HIGHEST MEMBER RETENTION RATE AND STRONGEST FINANCIAL PERFORMANCE

Clubs with monthly dues of $70 or more reported the highest member retention rate in comparison with low-cost and mid-priced facilities at 72.1%. These premium clubs also invest the most in new member acquisitions, as sales and marketing costs are roughly $133 per new membership account. Understandably, higher cost clubs generate the greatest revenue per individual member at more than $1,200 per year. High cost clubs often offer their members several non-dues programs and/or are located in geographical areas that are home to affluent consumers. This segment reported that nearly four out of ten dollars came from non-dues revenue (36.7%). Clubs in this segment reported EBITDA of 17.7% and pre-tax earnings of 8.8% of total revenue, both of which were the highest for the various monthly dues price segments.

CLUB OPERATING BENCHMARKS *BY MONTHLY DUES*

	Monthly Dues Prices $40 or Less (n=11)		Monthly Dues Prices $41 - $69 (n=15)		Monthly Dues Prices $70 or More (n=25)	
	2014	2013	2014	2013	2014	2013
FINANCIAL						
Total Revenue (000s)	$1,082.2	$985.8	$1,614.6	$1,600.0	$3,977.8	$3,785.9
Revenue Growth (Current year vs. prior year)	9.8%		0.9%		5.1%	
EBITDA as % of Revenue	16.4%	15.6%	11.3%	18.4%	17.7%	14.5%
Pre-tax Earnings as % of Revenue	3.2%	6.4%	3.8%	4.3%	8.8%	5.9%
Non-dues Revenue as % of Revenue	19.8%	19.0%	25.7%	23.7%	36.7%	36.1%
Revenue per Individual Member	$334.1	$319.9	$708.1	$726.8	$1,211.3	$1,104.7
MEMBERSHIP						
Rate of Member Retention (Accounts)	68.4%		68.3%		72.1%	
Net Membership Growth (Current year vs. prior year)	9.6%		-0.4%		1.6%	
Sales and Marketing Cost per New Membership Account	ISD		$119.05		$132.95	
OPERATIONS						
Total Payroll as % of Revenue	34.7%	36.2%	42.5%	43.7%	43.1%	43.9%
Indoor Square Feet per Individual Member	6.4	6.0	8.9	9.1	17.9	17.6
Revenue per Indoor Square Foot	$45.52	$50.28	$63.16	$60.65	$76.92	$78.73
Total Occupancy Cost per Indoor Square Foot	$15.9		$10.4		$14.2	

ISD = Insufficient data to report.

Note: Each median was independently calculated for each individual set or subset of responses to a given question or line item. As a result, normal mathematical relationships may not always exist between figures.

Monthly Dues Prices $40 Per Month or Less: 11 firms represent 2,852 facilities.
Monthly Dues Prices $41-69 Per Month: 15 firms represent 207 facilities.
Monthly Dues Prices $70 Per Month or more: 25 firms represent 560 facilities.

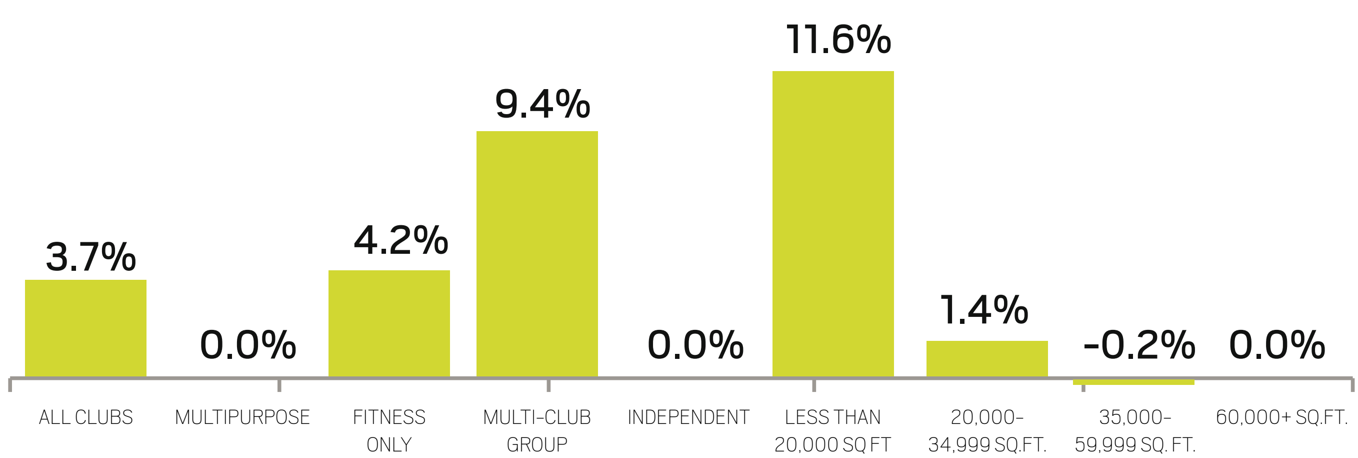
MEMBERSHIP GROWTH & TRAFFIC

NET MEMBERSHIPS INCREASE

Net membership growth was mixed across the numerous reporting segments. Overall, clubs in this sample reported membership gains of 3.7% for 2014 vs. 2013. Fitness-only clubs experienced higher membership growth than the multipurpose clubs (4.2% vs. 0.0%). The smaller clubs with less than 20,000 square feet reported the highest percentage increase in the total number of members added in 2014 at 11.6%. While a constant stream of new members is the lifeblood of a health club, the number of new accounts is also an important metric. We defined "membership accounts" in this year's survey to include family and individual memberships. The typical chain club added 679 accounts over 2014. The typical independent club, on the other hand, added 807 accounts in 2014. When comparing clubs by type, multipurpose clubs added more accounts than smaller, fitness-only clubs. The typical multipurpose club added 940 accounts last year, while the typical fitness-only clubs added 477 accounts.

In 2014, clubs were near even in terms of account replacement, i.e. acquiring new memberships and dropping less than what was sold. The member account replacement ratio for 2014 was 1.00, meaning for every 100 accounts sold, 100 accounts closed. This is considerably lower than this ratio has been in recent years. This ratio has ranged from 1.10 to 1.20 in recent years (for every 110 to 120 accounts added, 100 were lost). Pre-2009, this ratio was over 1.29.. It is clear that clubs continue to operate in a very competitive environment in terms of consumer spending and thus member acquisition and retention. With a decrease in consumer dollars and more competition for those dollars, some members continue to decide to end their health club membership. The positive outlook is that a majority of these former members will return to the industry when their finances recover. There is concern that the longer a consumer goes without a health club membership, the more likely the consumer may decide that this is an expense they do not need to incur even when their finances recover.

2014 NET MEMBERSHIP GROWTH (MEDIANS)



MEMBERSHIP GROWTH & TRAFFIC

	Membership Accounts		Membership Individuals	
	Mean	Middle Range	Mean	Middle Range
ALL CLUBS (N=124)				
Memberships as of Jan. 1, 2014	2,251	924 - 3,142	3,516	1,353 - 4,500
Added Memberships	738	253 - 999	1,126	411 - 1,405
Dropped Memberships	737	204 - 915	1,032	261 - 1,330
Memberships as of Dec. 31, 2014	2,252	948 - 3,067	3,610	1,595 - 4,607

	Membership Accounts		Membership Individuals	
	Mean	Middle Range	Mean	Middle Range
MULTIPURPOSE CLUBS (N=37)				
Memberships as of Jan. 1, 2014	2,888	1,274 - 3,824	4,507	2,070 - 5,883
Added Memberships	940	360 - 1,254	1,434	527 - 1,544
Dropped Memberships	988	378 - 1,124	1,426	369 - 1,837
Memberships as of Dec. 31, 2014	2,839	1,296 - 3,801	4,515	2,053 - 6,036

	Membership Accounts		Membership Individuals	
	Mean	Middle Range	Mean	Middle Range
FITNESS-ONLY CLUBS (N=29)				
Memberships as of Jan. 1, 2014	1,426	500 - 1,900	2,432	843 - 2,882
Added Memberships	477	175 - 667	824	201 - 1,006
Dropped Memberships	411	75 - 600	713	171 - 945
Memberships as of Dec. 31, 2014	1,492	625 - 1,967	2,543	935 - 2,903

MEMBERSHIP GROWTH & TRAFFIC

	Membership Accounts		Membership Individuals	
	Mean	Middle Range	Mean	Middle Range
PART OF CHAIN OR MULTI-CLUB GROUP (N=79)				
Memberships as of Jan. 1, 2014	1,811	927 - 2,340	2,983	1,376 - 4,304
Added Memberships	679	256 - 925	1,057	497 - 1,357
Dropped Memberships	715	189 - 910	953	316 - 1,180
Memberships as of Dec. 31, 2014	1,776	967 - 2,356	3,087	1,643 - 4,032

	Membership Accounts		Membership Individuals	
	Mean	Middle Range	Mean	Middle Range
INDEPENDENT CLUBS (N=45)				
Memberships as of Jan. 1, 2014	2,764	992 - 4,020	4,295	1,086 - 6,664
Added Memberships	807	253 - 1,150	1,227	281 - 1,436
Dropped Memberships	763	232 - 1,052	1,149	216 - 1,481
Memberships as of Dec. 31, 2014	2,808	952 - 4,095	4,374	1,288 - 6,758

	Membership Accounts		Membership Individuals	
	Mean	Middle Range	Mean	Middle Range
CLUBS WITH LESS THAN 20,000 SQ. FT. (N=19)				
Memberships as of Jan. 1, 2014	899	490 - 1,093	1,231	577 - 1,582
Added Memberships	378	213 - 533	439	160 - 615
Dropped Memberships	321	128 - 468	310	15 - 455
Memberships as of Dec. 31, 2014	956	583 - 1,245	1,360	650 - 1,550

MEMBERSHIP GROWTH & TRAFFIC

	Membership Accounts		Membership Individuals	
	Mean	Middle Range	Mean	Middle Range
CLUBS BETWEEN 20,000 TO 34,999 SQ. FT. (N=17)				
Memberships as of Jan. 1, 2014	1,798	1,084 - 2,156	2,793	2,150 - 3,331
Added Memberships	611	256 - 870	1,014	605 - 1,357
Dropped Memberships	773	229 - 842	1,062	412 - 1,372
Memberships as of Dec. 31, 2014	1,637	1,235 - 2,117	2,746	2,405 - 3,063

	Membership Accounts		Membership Individuals	
	Mean	Middle Range	Mean	Middle Range
CLUBS BETWEEN 35,000 TO 59,999 SQ. FT. (N=8)				
Memberships as of Jan. 1, 2014	1,789	ISD	3,596	1,942 - 4,258
Added Memberships	596	ISD	1,385	617 - 1,636
Dropped Memberships	551	ISD	1,215	677 - 1,412
Memberships as of Dec. 31, 2014	1,834	ISD	3,767	2,030 - 4,163

	Membership Accounts		Membership Individuals	
	Mean	Middle Range	Mean	Middle Range
CLUBS WITH 60,000 SQ. FT. OR MORE (N=19)				
Memberships as of Jan. 1, 2014	3,890	2,836 - 4,569	6,674	3,975 - 8,634
Added Memberships	1,241	623 - 1,664	1,961	877 - 2,174
Dropped Memberships	1,175	531 - 1,535	1,955	875 - 2,163
Memberships as of Dec. 31, 2014	3,956	2,928 - 4,698	6,681	4,006 - 8,222

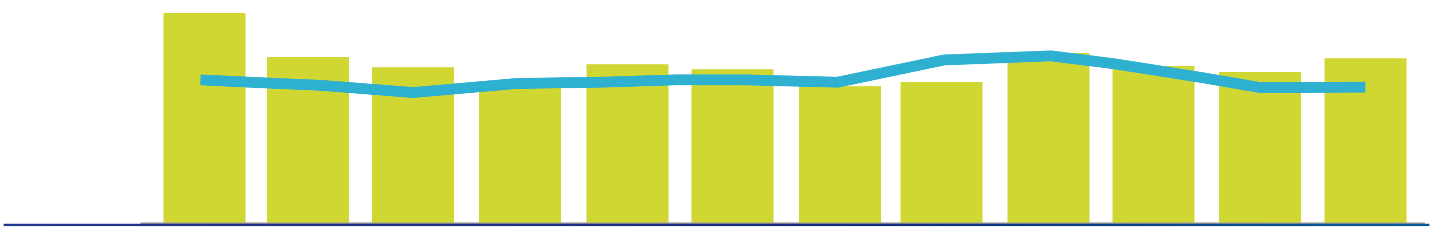
ISD = Insufficient data to report.

MEMBERSHIP GROWTH & TRAFFIC

MEMBER ACCOUNTS ADDED/DROPPED BY MONTH

As one might expect, as consumers set resolutions in the new year, member accounts added vs. dropped are significantly higher in the months of December and January through March. April, July, and August were the only months in which the number of dropped accounts outpaced the number of accounts added.

2014 ACCOUNTS ADDED/DROPPED AS PERCENT OF TOTAL ACCOUNTS ADDED ALL RESPONDENTS



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
ADDED	11.1%	8.7%	8.2%	7.1%	8.4%	8.20%	7.2%	7.4%	8.9%	8.3%	7.9%	8.7%
DROPPED	7.5%	7.2%	6.9%	7.3%	7.4%	7.50%	7.3%	8.6%	8.8%	8.0%	7.1%	7.2%

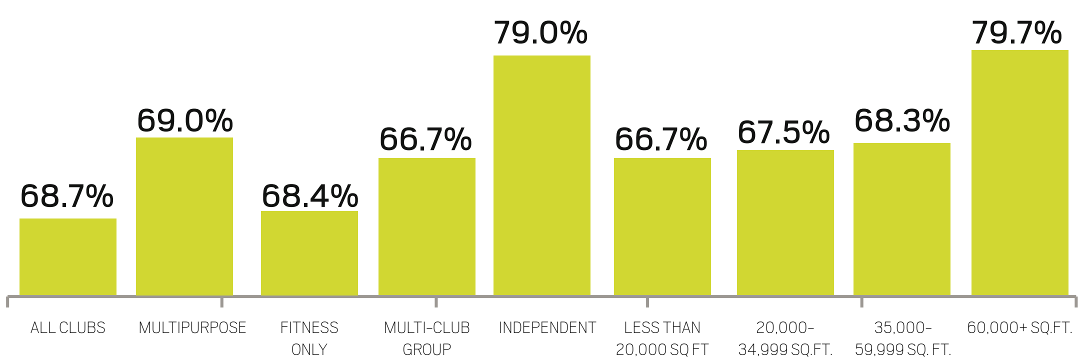
MEMBERSHIP GROWTH & TRAFFIC

MEMBER RETENTION AND MEMBER VISITS UP IN 2014

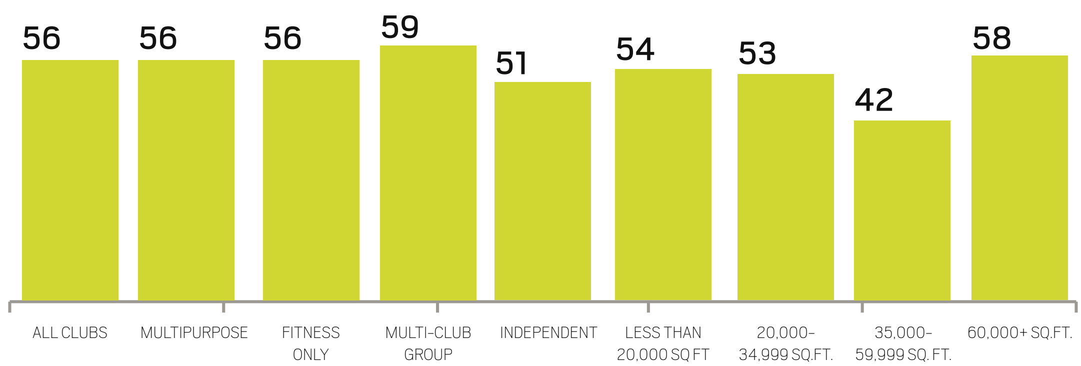
The clubs in the sample reported keeping nearly 7 out of 10 members in 2014. This varied by club types and club size. Multipurpose clubs reported a slightly better retention rate compared to fitness-only clubs (69.0% retention vs. 68.4%). Independent clubs reported a significantly higher member retention rate compared to clubs that are part of a multi-club group or chain (79.0% vs. 66.7%). When analyzed based on the size of the clubs, those with 60,000 square feet or more reported a much higher retention rate at 79.7%. The smaller sized clubs reported retention rates ranging from 66.7% to 68.3%.

In 2014, all clubs reported a median of 56 visits per member. (Recall that member visits reported by clubs varies from visits reported by consumers.) This measurement had little variance across club types and club size. Multipurpose clubs and fitness-only clubs both reported 56 visits per member. Clubs that are part of a multi-club group or chain reported 59 visits per member vs. 51 for independent clubs. Clubs with 60,000 square feet or more reported 58 visits per member, while clubs with clubs with 35,000-59,999 square feet reported only 42 visits per member. It is worth noting that the clubs with 60,000 square feet or more had higher retention rates and higher number of visits per member, possibly indicating a more engaged membership base.

2014 MEMBERSHIP RETENTION (MEDIANS)



2014 CLUB VISITS PER INDIVIDUAL MEMBER (MEDIANS)

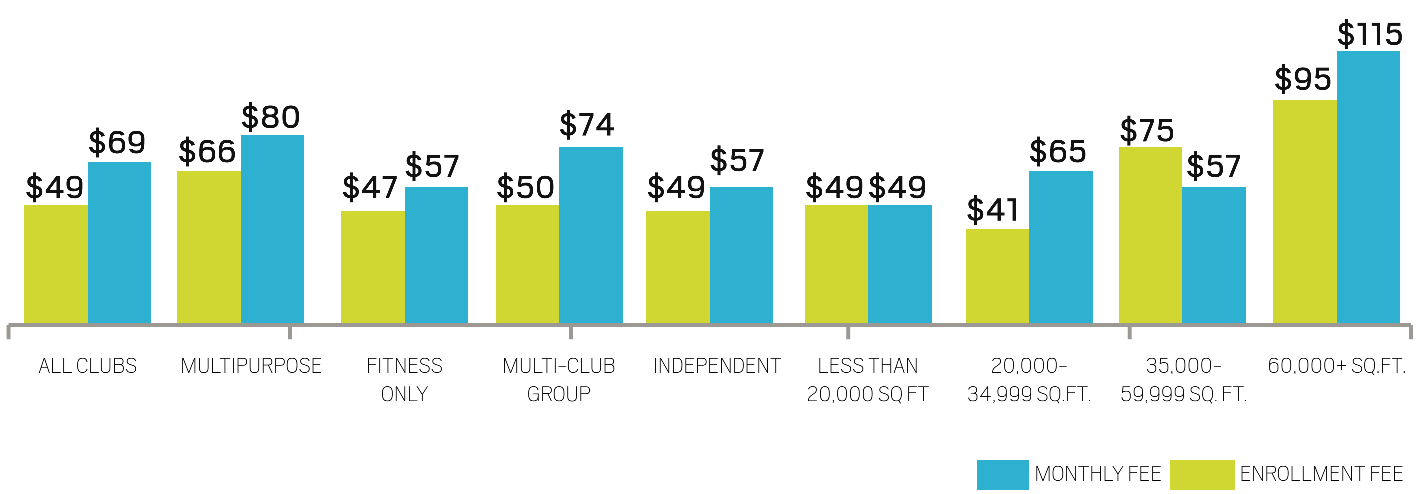


CLUB PRICES

Clubs in this study reported charging a median of $49 for enrollment fees and $69 for monthly dues. A health club member paid a median $828 in annual dues. The annual dues figure represents an increase over the $780 reported for 2013 and is well above the $720 reported for 2012. In some instances in 2013, we saw clubs re-instituting full or non-discounted initiation fees after discounting of initiation fees, membership dues, and/or adding lower costing membership plans in 2011-2012 in order to navigate the tough economic environment. It appears that in 2014, the discounting and/or waiving of enrollment or initiation fees became more prevalent. The median enrollment fee of $49 is significantly lower than historically reported figures. Also, 23% of the respondents indicated having $0 enrollment or initiation fees. Club pricing will continue to be very important going forward as inflation concerns for the overall economy continue to be a concern.

Multipurpose clubs reported charging more than fitness-only clubs for initiation fees, and the multipurpose clubs' membership dues per month were over 40% more than fitness-only clubs. Traditionally, prices reported from sample clubs in this study, vary greatly, and this year was no exception. With such variation in club pricing within a club and among competing clubs, it might be difficult for a consumer to understand pricing differences. However, the variety of pricing options ensures that a consumer can find a health club membership plan that fits their budget and fitness goals. During economic times characterized by a tight consumer-spending environment, it is imperative for a club to offer a value-oriented membership without sacrificing quality service. As total indoor square footage increase, prices typically increase as well. This relationship is reasonable since clubs with more space can offer more amenities, services, and activities for which consumers will pay to access. The largest sized clubs charge significantly higher initiation fees and membership dues compared to the smallest club segment.

2014 CLUB PRICES (MEDIANS)



CLUB PRICES

Club Prices (Regular Individual) by Club Type	Enrollment Fee/Initiation Fees		Monthly Membership Dues	
	Median	Middle Range	Median	Middle Range
All Clubs (n=124)	$49.00	$1.00 - 114.75	$69.00	$48.25 - 106.61
Multipurpose Clubs (n=37)	$65.73	$7.50 - 156.25	$79.81	$56.50 - 125.12
Fitness-only Clubs (n=29)	$46.61	$1.00 - 74.40	$56.69	$32.02 - 80.00
Part of Chain or Multi-club Group (n=79)	$50.00	$1.00 - 99.00	$74.00	$56.50 - 117.28
Independent Clubs (n=45)	$49.00	$11.13 - 130.00	$57.15	$40.75 - 97.00
Clubs with Less than 20,000 sq. ft. (n=19)	$49.00	$21.26 - 69.00	$49.00	$40.00 - 79.00
Clubs between 20,000 to 34,999 sq. ft. (n=17)	$41.13	$0.75 - 91.50	$65.00	$46.25 - 81.67
Clubs between 35,000 to 59,999 sq. ft. (n=8)	$75.00	$48.23 - 104.50	$57.00	$40.51 - 103.39
Clubs with 60,000 sq. ft. or More (n=19)	$94.79	$6.25 - 337.50	$115.11	$79.50 - 158.75

CLUB MEMBERSHIP AGREEMENTS

As mentioned previously, those who participated in the IDS offer consumers a range of membership plans to choose from. Clubs indicated that around one-third (34%) of member accounts are short-term (less than 12 months), while nearly one-third are 12 months that convert to monthly upon the thirteenth month. Nearly half of the membership agreements are renewed individually by members.

Percentage of Member Accounts That are:	
Short term - less than 12 Months	34.4%
12 Months, Converts to Monthly Upon 13th Month	34.6%
12 Months, Renew for 12 Months	6.6%
12 Months, Paid Up Front	10.9%
Corporate (12 Months)	4.4%
Longer Than 12 Months	9.1%

Membership Agreements	
Renewed Automatically for Another Contract Period	26.7%
Renewed Individually by Members	46.7%
Combination of Both	26.7%

CLUB FACILITIES

MOST COMMONLY OFFERED FACILITIES

GROUP EXERCISE/AEROBICS STUDIO	82.49%	POOL-OUTDOOR	25.76%
FREE WEIGHTS	82.27%	MEETING/CONFERENCE ROOMS	21.89%
SAUNA	69.42%	ON-SITE AED	21.55%
PRO SHOP	61.84%	CHILDREN ONLY SECTION	20.99%
TREADMILLS	59.09%	SQUASH	19.87%
STATIONARY BIKES (UPRIGHT)	58.19%	GYMNASIUM	17.40%
STATIONARY BIKES (RECUMBENT)	58.02%	VOLLEYBALL - HARD COURT	16.44%
ELLIPTICAL MOTION TRAINERS	57.80%	INDOOR TRACK	14.76%
CLIMBERS/STEPPERS	56.62%	RESTAURANT	14.65%
WHIRLPOOL	55.78%	WOMEN ONLY SECTION	14.53%
PLATE-LOADED EQUIPMENT	55.61%	TENNIS-OUTDOOR	14.48%
SELECTORIZED EQUIPMENT	51.96%	CROSS COUNTRY SKI MACHINES	13.97%
CARDIO-VASCULAR	51.18%	BAR/LOUNGE	13.52%
STEAM ROOM	49.55%	VOLLEYBALL-SAND	12.23%
ROWERS	49.33%	TENNIS-INDOOR	11.67%
POOL-INDOOR	47.25%	DAY SPA	9.71%
NURSERY	47.25%	CLIMBING WALL	6.23%
BASKETBALL	45.17%	OUTDOOR TRACK	4.66%
SNACK/JUICE BAR	44.61%	HAIR & BEAUTY SALON	4.38%
STRETCHING EQUIPMENT	43.15%	FOUNTAIN SERVICE	4.15%
RACQUETBALL	41.02%	INDOOR GOLF	3.70%
GROUP CYCLING BIKES	35.75%	CHILDREN EQUIPMENT	3.59%
TANNING	32.27%	MEN ONLY SECTION	2.69%
FITNESS CENTER	31.99%	GOLF COURSE	2.19%
VARIABLE RESISTANCE	30.75%	TENNIS-BUBBLED	1.57%
VENDING MACHINES	29.29%		

Note: Data based on IHRSA member census of 1,782 clubs in Canada and United States.

CLUB FACILITIES

MOST COMMONLY OFFERED PROGRAMS

PERSONAL TRAINING	93.27%
STEP/BENCH AEROBICS	85.63%
FITNESS EVALUATION	85.19%
STRENGTH TRAINING	81.87%
YOGA	78.51%
CHILD CARE	69.30%
GROUP CYCLING CLASSES	67.23%
LO IMPACT AEROBICS	60.44%
CARDIO KICKBOXING OR SIMILAR	60.44%
NUTRITIONAL COUNSELING/CLASSES	59.82%
WEIGHT MANAGEMENT	57.97%
CORPORATE PROGRAMMING	57.35%
HI IMPACT AEROBICS	56.17%
EXERCISE PRESCRIPTIONS	54.43%
CROSS TRAINING	48.99%
KICKBOXING	47.31%
MASSAGE	46.80%
GROUP STRENGTH TRAINING	46.35%
PILATES	44.22%
HEALTH EDUCATION PROGRAMS	43.88%
CPR TRAINING CLASSES	43.10%
AQUATIC EXERCISE	42.93%
DANCE	39.51%
SUMMER CAMP PROGRAMMING	38.78%
BOOT CAMP - OUTDOOR	37.77%
TOWEL SERVICE	34.29%
SENIOR'S PROGRAMMING (62+)	30.64%
VITAMIN/SUPPLEMENT SALES	30.13%
SOCIAL PROGRAMS	28.40%
COMPETITIVE SPORTS	27.16%
JUNIOR'S PROGRAMMING (13-18)	26.94%
CHILDREN'S PROGRAMMING (0-12)	26.88%
MARTIAL ARTS	26.66%
VOLLEYBALL	25.03%
BOXING	23.63%
INTERNET ACCESS FOR MEMBERS	20.59%
BASKETBALL LEAGUE	19.98%
RACQUETBALL LEAGUE	19.87%
TAI CHI	19.64%
WELLNESS-STRESS REDUCTION	19.08%
WALLEYBALL	16.89%
PRENATAL	16.84%
LOWER BACK PROGRAMS	15.21%
SPA TREATMENTS	14.42%
POST NATAL	14.42%
ARTHRITIS PROGRAMS	12.12%
HOSPITAL AFFILIATION	11.78%
SELF DEFENSE	11.45%
WALKING CLASSES	10.83%
HIGH BLOOD PRESSURE PROGRAMS	10.61%
CARDIAC REHAB	9.65%
TENNIS LEAGUE	9.43%
WELLNESS-SMOKING CESSATION	8.92%
GROUP RUNNING CLASSES	7.69%
DIABETES PROGRAMS	7.63%
HANDICAP PROGRAMMING	7.24%
OSTEOPOROSIS PROGRAMS	7.07%
SUBSIDIZED MEMBERSHIPS	6.90%
LATERAL MOTION TRAINERS	6.51%
CHIROPRACTIC SERVICES	6.17%
TREADMILL CLASSES	5.95%
SQUASH LEAGUE	5.56%
GYMNASTICS	5.56%
SOCCER	5.39%
PHYSICIAN AFFILIATION	4.77%
HMO/INSURANCE AFFILIATION	4.71%
SELL HOME FITNESS EQUIPMENT	2.53%
GROUP ROWING CLASSES	2.02%

Note: Data based on IHRSA member census of 1,782 clubs in Canada and United States.

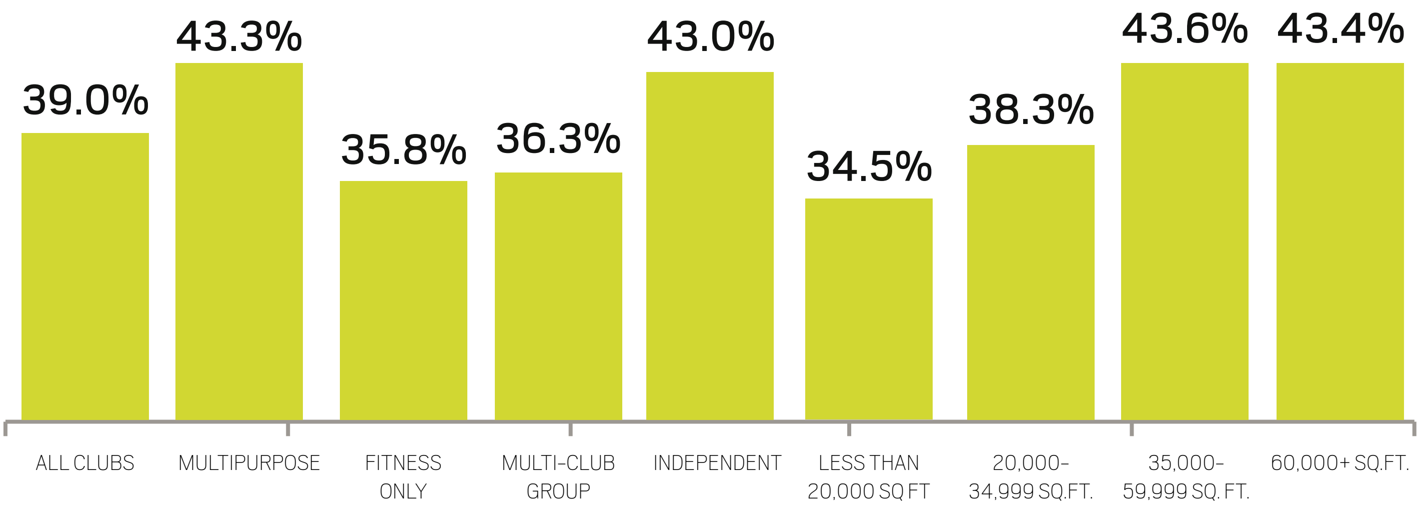
CLUB PAYROLL AND STAFFING

Staff levels decreased slightly from 2013 to 2014. The typical club reported employing about 23 part-time staff and 12 full-time staff in 2014. In terms of full-time employees, there was a little variance year-over-year across club type and size. For the most part, staff levels have solidified after most clubs "right-sized" during 2009 after a very challenging 2008. Some clubs began hiring again when the economy showed signs of strengthening in 2010 and since then many have realized they could continue to "do more with less," recognizing that they could operate with a lean management style while not experiencing a decline in member service. Along these lines, it appears that most utilize their part-time employees to ramp up or down as needed. The typical respondent reported payroll as a percent of revenue of 39.0% for 2014 vs. 38.0% for 2013. In 2014, the typical respondent reported revenue ($000s) per full-time equivalent employee of $86.4, meaning that $86,400 in revenue is generated per full-time equivalent employee (2,080 employee hours).

Staff Size by Club Type (medians)	2014		2013	
	Full-time	Part-time	Full-time	Part-time
All Clubs (n=124)	12.0	22.5	13.0	40.3
Multipurpose Clubs (n=37)	19.1	55.8	19.5	51.0
Fitness-only Clubs (n=29)	6.9	16.2	6.6	20.0
Part of Chain or Multi-club Group (n=79)	11.9	19.0	11.8	29.8
Independent Clubs (n=45)	12.0	32.0	13.0	46.5
Clubs with Less than 20,000 sq. ft. (n=19)	4.5	4.9	4.4	4.5
Clubs between 20,000 to 34,999 sq. ft. (n=17)	11.5	30.4	10.0	34.8
Clubs between 35,000 to 59,999 sq. ft. (n=8)	12.0	54.0	12.8	68.5
Clubs with 60,000 sq. ft. or More (n=19)	48.0	145.0	47.0	150.0

CLUB PAYROLL AND STAFFING

2014 PAYROLL AS A PERCENT OF REVENUE (MEDIANS)



Revenue per Full-time Equivalent (FTE) ($000s) (median)	2014	2013
All Clubs (n=124)	$86.39	$86.73
Multipurpose Clubs (n=37)	$85.00	$85.81
Fitness-only Clubs (n=29)	$120.61	$117.09
Part of Chain or Multi-club Group (n=79)	$85.00	$86.58
Independent Clubs (n=45)	$86.68	$89.62
Clubs with Less than 20,000 sq. ft. (n=19)	$113.61	$114.14
Clubs between 20,000 to 34,999 sq. ft. (n=17)	$70.32	$71.48
Clubs between 35,000 to 59,999 sq. ft. (n=8)	$74.28	$85.81
Clubs with 60,000 sq. ft. or More (n=19)	$91.33	$89.62

CLUB FACILITIES *REINVESTMENT BY CLUB TYPE & SIZE*

Overall, clubs reported investing a median of 6.1% of total revenues or $154,627 back into the club. Clubs reported spending a median of 1.4% of total revenues on fitness equipment in 2014. Clubs also reported spending 0.3% and 3.1% of total revenues on office equipment and facility and ground needs, respectively. It is a good sign that clubs continue to understand that it is imperative to continue to reinvest in their clubs. As the economy continues to strengthen, these clubs will be well positioned to reap the rewards of potential new members who value the new, high-quality equipment, freshly painted walls, and new carpet.

When we compare spending by club type, the median dollar amount spent by fitness-only clubs is less than the amount spent by multipurpose clubs. Multipurpose clubs spend a significantly higher amount on facilities and grounds, both in terms of real dollars as well as spending as a percent of revenue. As a percent of revenue, fitness-only clubs spent a higher percent of revenues on equipment than multipurpose clubs, while multipurpose clubs spent more on facility and grounds. This is typical of these club types and can be reasoned that multipurpose clubs tend to be larger facilities than fitness-only and have more expenses for facility and grounds, while fitness-only clubs are operating in a highly competitive bracket and must keep their primary assets (equipment) up to date. Investing in capital expenditures not only maintains the club; it can contribute to an increase in revenues and the bottom line.

The upper quartile of clubs that spent more on reinvestment reported significantly greater pre-tax earnings as a percent of total revenue and reported a much higher increase in revenues. Interestingly, capital investments were not the only areas in which these clubs invested more. As indicated by a higher payroll as a percent of revenue, these clubs also invested heavily in what many consider to be the most valuable asset of a club, its employees.

CLUB FACILITIES *REINVESTMENT BY CLUB TYPE & SIZE*

Reinvestment Spending per Club (by Club Type)	All Clubs (n=124)		Multipurpose Clubs (n=37)		Fitness-only Clubs (n=29)	
	Median	Middle Range	Median	Middle Range	Median	Middle Range
Fitness Equipment	$47,033	19,982 - 85,875	$68,301	19,982 - 103,940	$41,716	20,259 - 51,500
Office Equipment	$9,616	1,714 - 21,875	$11,880	4,123 - 26,945	$4,183	1,000 - 14,827
Facility & Grounds	$69,471	12,087 - 197,038	$116,512	61,884 - 377,000	$3,925	1,447 - 29,640
Total Reinvestment Dollars	$154,627	70,063 - 251,176	$220,996	125,474 - 483,000	$72,087	22,760 - 141,220

Note: The total dollar and percent figures on each of the above tables represent the median and middle range values of the raw data. These figures are not the sum of the values in the three preceding rows, which indicate club reinvestment in fitness equipment, office equipment, and facility & grounds.

Reinvestment as a Percent of Revenue (by Club Type)	All Clubs (n=124)		Multipurpose Clubs (n=37)		Fitness-only Clubs (n=29)	
	Median	Middle Range	Median	Middle Range	Median	Middle Range
Fitness Equipment	1.4%	0.8 - 2.5	1.3%	0.8 - 2.5	1.8%	1.2 - 2.4
Office Equipment	0.3%	0.1 - 0.6	0.3%	0.1 - 0.5	0.2%	0.1 - 0.6
Facility & Grounds	3.1%	0.8 - 5.6	4.0%	2.6 - 8.2	0.6%	0.1 - 1.1
Total Reinvestment as a % of Revenue	6.1%	2.9 - 8.8	7.1%	4.7 - 10.8	3.1%	2.1 - 6.2

Note: The total dollar and percent figures on each of the above tables represent the median and middle range values of the raw data. These figures are not the sum of the values in the three preceding rows, which indicate club reinvestment in fitness equipment, office equipment, and facility & grounds.

Club Reinvestment and Perfermance	Top 25%	Middle 50%	Bottom 25%
Club Reinvestment and Performance	Top 25%	Middle 50%	Bottom 25%
Total Spending as a Percent of Revenue	14.4%	5.7%	1.6%
Revenue Growth	14.5%	4.5%	2.5%
Net Membership Growth	7.1%	4.9%	-0.5%
Rate of Member Retention (Accounts)	70.0%	69.5%	69.6%
EBITDA as % of Revenue	20.5%	14.9%	10.2%
Pre-tax Earnings as % of Revenue	8.9%	7.0%	5.4%
Total Payroll as % of Revenue	46.7%	41.1%	43.1%

CLUB FACILITIES *REINVESTMENT BY CLUB TYPE & SIZE*

Reinvestment Spending by Category (Club Size)

Clubs with Less Than 20,000 sq ft	Median	Middle Range
Fitness Equipment	$10,716	6,949 - 29,125
Office Equipment	$1,400	419 - 2,624
Facility & Grounds	$9,391	3,932 - 40,750
Total Reinvestment Dollars	$23,064	18,500 - 109,630

Clubs with 20,000 to 34,999 sq ft	Median	Middle Range
Fitness Equipment	$40,447	22,500 - 55,843
Office Equipment	$5,933	1,593 - 10,625
Facility & Grounds	$40,093	25,382 - 69,254
Total Reinvestment Dollars	$103,410	78,138 - 126,079

Clubs with 35,000 to 59,999 sq ft	Median	Middle Range
Fitness Equipment	$52,365	28,694 - 84,944
Office Equipment	$12,282	6,295 - 20,540
Facility & Grounds	$107,086	103,717 - 170,055
Total Reinvestment Dollars	$224,604	200,483 - 251,176

Clubs with 60,000 sq ft or More	Median	Middle Range
Fitness Equipment	$83,194	46,102 - 116,864
Office Equipment	$25,791	12,199 - 47,865
Facility & Grounds	$285,392	40,698 - 684,842
Total Reinvestment Dollars	$368,261	156,868 - 892,029

Reinvestment as a Percent of Revenue (Club Size)

Clubs with Less Than 20,000 sq ft	Median	Middle Range
Fitness Equipment	1.7%	0.8 - 3.2
Office Equipment	0.2%	0.1 - 0.4
Facility & Grounds	1.1%	0.7 - 12.0
Total Reinvestment as a Percent of Revenue	8.5%	2.2 - 14.8

Clubs with 20,000 to 34,999 sq ft	Median	Middle Range
Fitness Equipment	1.7%	0.8 - 3.2
Office Equipment	0.2%	0.1 - 0.4
Facility & Grounds	1.1%	0.7 - 12.0
Total Reinvestment as a Percent of Revenue	8.5%	2.2 - 14.8

Clubs with 35,000 to 59,999 sq ft	Median	Middle Range
Fitness Equipment	2.2%	1.2 - 3.0
Office Equipment	0.5%	0.3 - 0.7
Facility & Grounds	4.5%	3.8 - 6.6
Total Reinvestment as a Percent of Revenue	7.3%	6.9 - 10.6

Clubs with 60,000 sq ft or More	Median	Middle Range
Fitness Equipment	0.8%	0.7 - 1.4
Office Equipment	0.3%	0.2 - 0.5
Facility & Grounds	3.2%	1.0 - 5.7
Total Reinvestment as a Percent of Revenue	4.5%	2.5 - 7.1

Note: The total dollar and percent figures on each table represent the median and middle range values of the raw data. These figures are not the sum of the values in the three preceding rows, which indicate club reinvestment in fitness equipment, office equipment, and facility & grounds.

PROFIT CENTER ANALYSIS *BY CLUB TYPE*

In addition to membership dues and fees, other departments and profit centers provide responding clubs with non-dues revenue. These departments include fitness offerings (personal training, small group training, etc.), racquet offerings, spa services, youth programming, pro shop/retail sales, aquatics/pool, and food and beverage sales. The following section examines how clubs performed within these profit centers.

Multipurpose clubs reported 6.9% of total revenues from personal training. Multipurpose clubs also reported 5.4% of total revenues coming from racquet sports, 3.5% from food and beverage services, and 2.9% from children and youth programs. For fitness-only clubs, fitness offerings accounted for a large portion of non-dues revenues, accounting for 10.2% of total revenues. Although both fitness-only clubs and multipurpose clubs may operate similar department/profit centers, the profit margins for the various departments can vary depending on how the department is operated. For example, multipurpose clubs may operate some departments more as a volume business or as value-adds to their core membership. They may even operate some departments as loss leaders to differentiate their clubs as an experience rather than a destination. In terms of profit margins, personal training at fitness-only clubs operate at a higher profit margin than at the multipurpose clubs.

PROFIT CENTER ANALYSIS *BY CLUB TYPE*

Department Revenues as % of Total Revenue	All Clubs		Multipurpose Clubs		Fitness-only Clubs	
	Median	Middle Range	Median	Middle Range	Median	Middle Range
Personal Training	7.2%	3.8 - 15.8	6.9%	3.8 - 12.0	10.2%	7.0 - 19.7
Small Group Training	0.9%	0.6 - 1.9	0.9%	0.6 - 2.3	0.7%	ISD
Racquet	5.4%	1.6 - 15.5	5.4%	1.6 - 15.5	ISD	ISD
Spa	2.5%	1.3 - 6.7	2.1%	1.3 - 5.9	3.0%	2.2 - 7.9
Pro-Shop/Retail	1.1%	0.4 - 1.6	1.1%	0.6 - 2.2	0.4%	0.3 - 1.1
Food & Beverage	2.9%	0.8 - 6.4	3.5%	1.8 - 6.4	0.9%	0.6 - 5.9
Children & Youth Programs	2.4%	0.9 - 4.3	2.9%	1.2 - 4.5	0.8%	ISD
Aquatics/Pool	1.9%	1.1 - 3.5	1.9%	1.1 - 3.4	1.6%	ISD

Profit Margin as a % of Department Revenues	All Clubs		Multipurpose Clubs		Fitness-only Clubs	
	Median	Middle Range	Median	Middle Range	Median	Middle Range
Personal Training	27.9%	9.8 - 44.0	25.5%	8.6 - 44.3	29.1%	16.6 - 43.3
Small Group Training	34.5%	12.1 - 47.6	38.7%	12.1 - 47.6	32.2%	ISD
Racquet	30.5%	11.7 - 48.9	30.5%	11.7 - 48.9	ISD	ISD
Spa	16.4%	8.1 - 25.9	14.0%	11.6 - 25.9	18.8%	-6.1 - 25.8
Pro-Shop/Retail	19.1%	2.0 - 32.0	22.8%	6.2 - 31.7	5.1%	ISD
Food & Beverage	14.4%	-3.6 - 32.7	5.1%	-4.7 - 22.6	26.8%	17.2 - 32.7
Children & Youth Programs	6.8%	-55.8 - 21.9	13.9%	-47.0 - 25.0	-43.8%	ISD
Aquatics/Pool	2.3%	-42.9 - 21.1	6.0%	-46.2 - 22.6	-14.1%	ISD

ISD denotes Insufficient Data

PROFIT CENTER ANALYSIS *BY CLUB TYPE*

Department Revenues as % of Total	Part of Chain or Multi-club Group		Independent Clubs	
	Median	Middle Range	Median	Middle Range
Personal Training	7.7%	4.6 - 11.3	6.9%	3.8 - 18.0
Small Group Training	0.9%	0.6 - 2.3	0.9%	0.8 - 1.2
Racquet	4.3%	1.3 - 12.3	5.4%	3.3 - 15.5
Spa	3.0%	1.4 - 7.9	2.1%	1.2 - 5.8
Pro-Shop/Retail	1.1%	0.9 - 1.4	0.6%	0.3 - 2.5
Food & Beverage	2.5%	0.8 - 3.6	6.4%	1.2 - 7.7
Children & Youth Programs	2.5%	1.1 - 4.5	2.4%	0.6 - 3.9
Aquatics/Pool	1.9%	1.2 - 3.2	1.9%	1.0 - 3.6

Profit Margin as a % of Department Revenues	Part of Chain or Multi-club Group		Independent Clubs	
	Median	Middle Range	Median	Middle Range
Personal Training	29.0%	8.8 - 50.4	23.1%	14.9 - 38.5
Small Group Training	32.2%	16.7 - 43.7	40.0%	6.6 - 52.0
Racquet	46.9%	32.0 - 55.6	19.6%	7.2 - 38.4
Spa	21.2%	10.6 - 25.8	12.6%	7.3 - 26.4
Pro-Shop/Retail	21.7%	5.0 - 32.2	16.5%	-21.0 - 26.3
Food & Beverage	18.6%	-0.3 - 31.2	5.1%	-4.1 - 28.6
Children & Youth Programs	11.8%	-44.6 - 20.6	-4.4%	-113.5 - 21.9
Aquatics/Pool	2.3%	-32.6 - 16.6	-11.6%	-65.5 - 19.4

PROFIT CENTER ANALYSIS *BY CLUB SIZE*

Success within different departments does not seem to be related to club size. Each club size segment is able to capture revenue from these various departments. Any two clubs can be quite successful with vastly different offerings. For example, fitness offerings such as personal training and group exercise account for a higher percentage of revenues in the smaller to mid-size clubs. The largest club segment, clubs with 60,000 square feet or more, capitalized on their spa services and reported 4.0% of their total revenues coming from services like massage, nail maintenance, and facials, etc. The personal training, food and beverage, and racquet offerings reported generating 6.2%, 6.0%, and 5.8% of total revenues, respectively. Clubs of this size not only have the space for all types of specialized departments, they typically have the staffing and traditionally have been open for 10 or more years, indicating that they have figured out what their consumer wants and they have most likely mastered the management of expenses to generate more revenue. These types of additional experiences and services within a club of this size bode well for financial performance during challenging times. If membership growth stagnates, these clubs can often generate revenue growth out of non-dues revenue from the existing membership. These clubs often can market themselves as an experience rather than a destination.

PROFIT CENTER ANALYSIS *BY CLUB SIZE*

Department Revenues as % of Total	Clubs With Less Than 20,000 sq ft		Clubs Between 20,000 - 34,999 sq ft		Clubs Between 35,000 - 59,999 sq ft		Clubs With 60,000 sq ft or More	
	Median	Middle Range	Median	Middle Range	Median	Middle Range	Median	Middle Range
Personal Training	10.2%	ISD	10.2%	3.0 - 15.2	14.9%	5.6 - 24.5	6.2%	3.8 - 8.3
Small Group Training	ISD	ISD	1.6%	ISD	ISD	ISD	0.7%	0.6 - 1.0
Racquet	ISD	ISD	0.9%	ISD	ISD	ISD	5.8%	4.0 - 10.4
Spa	ISD	ISD	2.1%	ISD	3.8%	ISD	4.0%	1.7 - 10.2
Pro-Shop/Retail	0.6%	ISD	1.1%	0.9 - 1.6	0.3%	ISD	1.4%	0.5 - 2.5
Food & Beverage	3.6%	ISD	0.7%	0.5 - 0.9	2.5%	1.3 - 3.6	6.0%	4.2 - 7.7
Children & Youth Programs	ISD	ISD	1.2%	0.9 - 3.7	1.1%	ISD	3.2%	1.7 - 5.6
Aquatics/Pool	ISD	ISD	1.9%	1.0 - 2.8	ISD	ISD	2.6%	1.0 - 3.7

Department Revenues as % of Total	Clubs With Less Than 20,000 sq ft		Clubs Between 20,000 - 34,999 sq ft		Clubs Between 35,000 - 59,999 sq ft		Clubs With 60,000 sq ft or More	
	Median	Middle Range	Median	Middle Range	Median	Middle Range	Median	Middle Range
Personal Training	38.9%	ISD	36.3%	25.5 - 49.0	18.0%	1.2 - 33.8	20.0%	6.0 - 36.8
Small Group Training	ISD	ISD	30.0%	ISD	ISD	ISD	16.0%	6.6 - 40.0
Racquet	ISD	ISD	58.8%	ISD	ISD	ISD	22.9%	-2.1 - 38.9
Spa	ISD	ISD	14.0%	ISD	12.4%	ISD	18.8%	11.6 - 25.8
Pro-Shop/Retail	ISD	ISD	31.9%	-6.5 - 37.5	ISD	ISD	23.4%	8.5 - 29.9
Food & Beverage	ISD	ISD	28.0%	ISD	35.1%	ISD	5.1%	-3.0 - 16.9
Children & Youth Programs	ISD	ISD	7.3%	-44.6 - 39.2	ISD	ISD	3.8%	-58.8 - 18.2
Aquatics/Pool	ISD	ISD	2.3%	-50.4 - 18.1	ISD	ISD	-5.9%	-41.7 - 19.4

ISD denotes Insufficient Data

PROFIT CENTER ANALYSIS *FITNESS DEPARTMENT*

Since the fitness department represents one of the most popular sources of non-dues revenue for a club, it is important to understand how clubs manage this profit center. Nearly all participating clubs include group exercise in membership fees; the few that do not charge about $10 per class. Clubs charge a median of $60 for a private personal training session and $26 per participant for a partner personal training session. Overall, the typical club attracts 200 personal training clients, which represents approximately 8% of total membership.

Fitness Department Information	
Percentage that include group exercise in membership fees	92.5%
If Not Included, Amount Charged per Group Exercise Class	$10.00
Hourly rate for single Private personal training session	$60.00
Hourly rate for single Partner personal training session (per person)	$26.09
Total Number of Personal Training Clients per Club	200.0

INCOME STATEMENT AND BALANCE SHEET DATA

ALL CLUBS - 2014

In periods where consumer spending and disposable income are declining for many people, it is imperative that clubs focus on sales and tightly manage their expenses. It is also important to determine the long-term success of a business by observing the trends in reporting. Historically, clubs have two types of revenue: membership dues and fees and non-dues related revenue, i.e. ancillary services such as personal training, spa services, food and beverage, etc. Consistently, clubs have reported 70-100% of total revenues derived from membership dues and fees and, in 2014, all clubs in this study reported nearly 71% of their total revenues generated from membership dues and fees. These clubs reported 29% of total revenues from ancillary services. This, too, is historically consistent with past club performance. Just as important as the growth in sales, so is the management of expenses.

Clubs responding to this survey are typically mature facilities and are able to predict their fixed costs very well and manage their variable costs. In 2014, clubs reported 83% of total revenues attributed to operating expenses. The largest of these expenses is payroll, at 41.9% of total revenue. When analyzing the income statements of clubs with the highest EBITDA as a percentage of total revenues, they manage their expenses much more effectively across nearly every expense category. Some of the advantage in EBITDA is attributable to the rent expense for their clubs as it is much lower than the clubs with lower EBITDA. This may indicate these clubs own their facilities or have been able to secure more favorable rental agreements. The tightening of even mundane expenses can make the difference between earnings growth and decline. Even if we exclude the rent expense from the equation, nearly every expense category is better managed by those who reported the highest EBITDA.

In challenging times, cash is king and the balance sheet defines the kings from the paupers. The club sample indicates that clubs reported an average of about 30% of their total assets as current assets. The remaining assets, 70% were tied up in non-current assets, or cash that is tied up for a year or more. These clubs also reported an average of 17% for current liabilities. These clubs reported being able to meet their short-term debt obligations due to their current assets outpacing their current liabilities. The current ratio for this sample is 1.4. It is important to note that clubs participating in the IDS have consistently reported a current ratio of over 1 with current assets and liabilities within a range comparable to historical findings.

Companies with a strong balance sheet will be able to internally finance operations, i.e. payroll expenses, new equipment, capital expenditures, etc., without being dependent on external debt financing and the challenges involved in securing this external financing. This flexibility can allow a company to take advantage of opportunities when others cannot. In this year's sample, clubs use of long-term debt to finance operations was reported at 43% of total assets. Historically, this ratio has typically been around 50%. The debt to equity ratio was 1.5, or for every dollar of owner's equity the company had one dollar and fifty cents in debt. Twenty-five percent of clubs reported a debt to equity ratio of 0.8 or less, indicating that for every dollar of owner's equity, the club also had only eighty cents in debt. The decline in the long-term debt indicates that respondents are paying down debt to improve their financial flexibility. Paying down debt improves a club's financial flexibility, but clubs should also understand that in a favorable lending environment with lower rates, clubs may have the opportunity to leverage their equity and finance some operations with long-term liabilities. This can potentially work to a club's advantage; as long as they are able to generate a higher profit than the cost of the debt (interest expense), they will improve their return on equity.

INCOME STATEMENT AND BALANCE SHEET DATA

	ALL CLUBS		
	Mean	Median	Middle Range
Total Revenue per Club (thousands)	$4,137.2	$2,393.9	1,325.5 - 5,877.4
Income Statement as Percent of Revenue			
Membership Dues and Fees	70.9%	69.4%	60.6 - 84.0
Non-Dues Revenue	29.1%	30.6%	16.0 - 39.5
Total Revenue	100.0%	100.0%	100.0 - 100.0
Operating Expenses			
Total Payroll (Salaries, Wages, & Employee Benefits)	41.9%	41.9%	37.0 - 46.4
Rent--Land & Building	10.6%	9.6%	0.4 - 18.1
Rent--Equipment	0.9%	0.0%	0.0 - 0.3
Real Estate/Property Taxes	2.4%	2.1%	0.7 - 3.2
Utilities	5.8%	5.8%	3.6 - 7.0
Insurance	1.1%	0.9%	0.5 - 1.5
Other Occupancy Expenses	3.3%	2.2%	0.0 - 4.9
Sales & Marketing	2.6%	2.6%	1.4 - 3.6
General & Administrative	7.8%	6.9%	4.8 - 10.9
Other Club Operating Expenses	7.1%	6.7%	1.1 - 11.1
Total Operating Expenses	83.4%	84.9%	75.3 - 90.2
Income Before Interest, Taxes, Depreciation and Amortization (EBITDA)	16.6%	15.1%	9.8-24.7
Depreciation and Amortization	6.2%	5.7%	3.4 - 8.1
Interest	2.5%	1.2%	0.2 - 3.2
Profit Before Taxes (PBT)	7.9%	6.4%	1.5 - 13.8
Total Income Taxes	1.0%	0.0%	0.0 - 0.6
Income After Taxes	6.9%	5.6%	1.5 - 11.9
Summary Balance Sheet (% Total Assets)			
Current Assets	29.4%	22.9%	13.9 - 39.0
Non-Current Assets	70.6%	77.1%	61.0 - 86.1
Total Assets	100.0%	100.0%	100.0 - 100.0
Current Liabilities	16.5%	14.3%	8.0 - 22.7
Long-Term Debt Net of Current Maturities	43.3%	42.2%	21.6 - 58.3
Total Liabilities	59.7%	60.9%	45.3 - 71.4
Owner's Equity	40.3%	39.1%	28.6 - 54.7
Total Liabilities and Owner's Equity	100.0%	100.0%	100.0 - 100.0
Liquidity, Financing and Activity/Profitability Ratios		Median	Middle Range
Current Ratio		1.4	1.2 - 2.5
Debt-Equity Ratio		1.5	0.8 - 2.2
Interest Coverage Ratio		5.2	1.9 - 13.2
Fixed Assets Turnover		1.7	1.0 - 6.5
Total Assets Turnover (Sales to Assets)		1.1	0.7 - 2.7
Return on Owner's Equity		19.0%	5.6 - 45.4
Return on Fixed Assets		10.7%	2.1 - 36.9
Return on Total Assets		8.0%	1.5 - 24.1

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INCOME STATEMENT AND BALANCE SHEET DATA

MULTIPURPOSE & FITNESS-ONLY CLUBS - 2014

Although both club types reported a profit in 2014, multipurpose clubs reported a higher EBITDA than fitness-only clubs (17.2% vs. 15.3% of total revenues). Fitness-only clubs had a much higher percentage of revenues from membership dues and fees than multipurpose clubs (76.4% vs. 68.5%). When expenses are compared, the fitness-only clubs paid out more in rent for land and building than multipurpose clubs (15.0% vs. 8.6% of total revenues). Mature multipurpose club operations sometimes own their land and/or building or have negotiated a very low long-term lease, while fitness-only clubs are typically located in high-rent areas where they pay more for street-front access. Utilities are another expense, which can really put a strain on club earnings. Multipurpose clubs spent significantly more on utilities compared to fitness-only clubs (6.6% vs. 4.0% of total revenues). Multipurpose clubs are usually larger clubs with more electricity needs, sometimes provide laundry on site increasing their water needs, and spend more on heating and cooling due to the space of the facility. The utilities for fitness-only club are sometimes negotiated into leases and can decrease the out of pocket expenses for fitness-only clubs. Payroll expenses were another key category in which multipurpose clubs spent a much higher percentage of revenues than fitness only clubs (43.4% vs. 38.4%). The liquidity ratios indicate the multipurpose clubs are in a relatively strong position with a current ratio of 1.4 and a debt to equity ratio of 1.4. Fitness-only clubs also are in a relatively strong position with a current ratio of 1.7 and a debt to equity ratio of 1.8. Both are reporting long-term debt of less than 50% which indicates that they have some financial flexibility in the long-term.

INCOME STATEMENT AND BALANCE SHEET DATA

	MULTIPURPOSE CLUBS			FITNESS ONLY CLUBS		
	Mean	Median	Middle Range	Mean	Median	Middle Range
Total Revenue per Club (thousands)	$4,888.3	$2,872.4	1,439.3 - 7,840.0	$2,461.6	$1,942.5	1,005.0 - 3,257.3
Income Statement as Percent of Revenue						
Membership Dues and Fees	68.5%	68.5%	57.4 - 78.3	76.4%	79.6%	62.7 - 87.1
Non-Dues Revenue	31.5%	31.6%	21.7 - 42.6	23.6%	20.4%	12.9 - 37.3
Total Revenue	100.0%	100.0%	100.0 - 100.0	100.0%	100.0%	100.0 - 100.0
Operating Expenses						
Total Payroll (Salaries, Wages, & Employee Benefits)	43.4%	43.2%	38.8 - 48.4	38.4%	38.5%	33.1 - 42.5
Rent--Land & Building	8.6%	3.1%	0.2 - 15.9	15.0%	14.5%	9.5 - 21.8
Rent--Equipment	0.3%	0.0%	0.0 - 0.3	2.4%	0.0%	0.0 - 0.3
Real Estate/Property Taxes	2.9%	2.4%	1.9 - 3.8	1.2%	0.5%	0.1 - 1.4
Utilities	6.6%	6.1%	4.3 - 7.1	4.0%	3.2%	2.2 - 6.7
Insurance	1.3%	1.1%	0.6 - 1.7	0.7%	0.7%	0.4 - 1.0
Other Occupancy Expenses	3.2%	2.4%	0.0 - 4.8	3.4%	2.1%	0.0 - 5.0
Sales & Marketing	2.7%	2.6%	1.4 - 3.7	2.6%	2.6%	2.3 - 3.3
General & Administrative	7.5%	6.9%	4.9 - 9.9	8.3%	6.7%	4.4 - 13.3
Other Club Operating Expenses	6.3%	6.3%	1.0 - 9.1	8.8%	11.3%	1.1 - 13.6
Total Operating Expenses	82.8%	83.5%	75.5 - 89.4	84.7%	87.7%	75.3 - 91.5
Income Before Interest, Taxes, Depreciation and Amortization (EBITDA)	17.2%	16.5%	10.6 - 24.5	15.3%	12.3%	8.5 - 24.7
Depreciation and Amortization	6.5%	6.0%	4.1 - 7.7	5.6%	4.7%	2.8 - 8.2
Interest	3.0%	1.8%	0.3 - 3.6	1.2%	0.8%	0.0 - 1.8
Profit Before Taxes (PBT)	7.7%	8.1%	1.3 - 13.1	8.4%	5.7%	1.7 - 17.5
Total Income Taxes	1.1%	0.0%	0.0 - 0.6	0.9%	0.0%	0.0 - 0.5
Income After Taxes	6.6%	6.7%	1.3 - 11.4	7.5%	5.1%	1.7 - 17.3
Summary Balance Sheet (% Total Assets)						
Current Assets	25.2%	22.8%	10.0 - 31.5	38.1%	23.5%	20.9 - 53.2
Non-Current Assets	74.8%	77.2%	68.5 - 90.0	61.9%	76.5%	46.8 - 79.1
Total Assets	100.0%	100.0%	100.0 - 100.0	100.0%	100.0%	100.0 - 100.0
Current Liabilities	15.3%	15.0%	7.3 - 22.8	18.9%	13.7%	12.5 - 19.6
Long-Term Debt Net of Current Maturities	44.7%	42.2%	21.6 - 53.3	40.2%	48.4%	20.5 - 59.3
Total Liabilities	60.0%	59.6%	42.4 - 65.3	59.1%	64.4%	49.8 - 71.4
Owner's Equity	40.0%	40.4%	34.7 - 57.6	40.9%	35.6%	28.6 - 50.2
Total Liabilities and Owner's Equity	100.0%	100.0%	100.0 - 100.0	100.0%	100.0%	100.0 - 100.0
Liquidity, Financing and Activity/Profitability Ratios		Median	Middle Range		Median	Middle Range
Current Ratio		1.4	1.1 - 2.2		1.7	1.3 - 2.8
Debt-Equity Ratio		1.4	0.7 - 1.9		1.8	1.0 - 2.5
Interest Coverage Ratio		5.4	1.9 - 14.6		4.4	2.4 - 7.2
Fixed Assets Turnover		1.4	1.0 - 2.7		7.1	1.7 - 9.4
Total Assets Turnover (Sales to Assets)		1.0	0.7 - 1.9		2.6	0.8 - 5.8
Return on Owner's Equity		18.9%	10.3 - 37.8		43.4%	0.3 - 56.0
Return on Fixed Assets		10.4%	3.9 - 23.0		23.5%	-2.7 - 51.5
Return on Total Assets		8.0%	1.6 - 18.0		9.3%	-2.4 - 27.5

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INCOME STATEMENT AND BALANCE SHEET DATA

CLUBS PART OF A CHAIN OR MULTI-CLUB GROUP AND INDEPENDENT CLUBS - 2014

Clubs that were part of a chain or multi-club group reported a much higher percentage of revenues from membership dues and fees than the independently operated clubs (73% vs. 68%). Clubs that were part of a chain or multi-club group reported significantly higher EBITDA (19.3% vs. 13.0%) and income before taxes (11.2% vs. 3.5%) as a percent of total revenues. The clubs that are part of a chain or multi-club group reported much lower payroll costs as a percent of total revenue (39.7% vs. 44.8%). Both the independent clubs and the chain or multi-club group clubs reported fairly solid financial position ratios. Independent clubs reported a debt to equity ratio of only 1.1 and clubs that are part of a chain or multi-club group reported debt to equity ratios of 1.6. A current ratio of greater than 1.0 indicates that your current assets (near-term receivables, inventory and cash balances, etc.) exceed your current liabilities (near-term obligations such as trade payables, payroll due, rent payable, etc.). As both groups of clubs had current ratios of at least 1.4, this indicates a strong short-term liquidity position which can allow clubs to better "weather the storm" should unexpected short term expenses arise.

INCOME STATEMENT AND BALANCE SHEET DATA

	CHAIN OR MULTI-CLUB GROUP			INDEPENDENT CLUBS		
	Mean	Median	Middle Range	Mean	Median	Middle Range
Total Revenue per Club (thousands)	$3,889.0	$2,100.2	1,184.5 - 3,493.1	$4,468.1	$2,897.5	1,501.0 - 6,175.8
Income Statement as Percent of Revenue						
Membership Dues and Fees	73.1%	76.5%	63.4 - 85.9	68.0%	65.5%	57.7 - 73.6
Non-Dues Revenue	26.9%	23.5%	14.1 - 36.6	32.0%	34.5%	26.4 - 42.3
Total Revenue	100.0%	100.0%	100.0 - 100.0	100.0%	100.0%	100.0 - 100.0
Operating Expenses						
Total Payroll (Salaries, Wages, & Employee Benefits)	39.7%	38.6%	34.4 - 43.2	44.8%	44.6%	41.5 - 50.2
Rent--Land & Building	11.7%	11.0%	2.6 - 17.0	9.2%	0.4%	0.0 - 18.9
Rent--Equipment	0.7%	0.0%	0.0 - 0.2	1.3%	0.1%	0.0 - 0.6
Real Estate/Property Taxes	2.2%	2.1%	1.0 - 2.5	2.6%	1.8%	0.3 - 3.9
Utilities	5.0%	4.7%	3.1 - 6.3	6.8%	6.6%	4.7 - 7.4
Insurance	1.0%	0.9%	0.5 - 1.5	1.2%	0.7%	0.6 - 1.6
Other Occupancy Expenses	4.7%	3.8%	2.1 - 6.2	1.3%	0.0%	0.0 - 1.9
Sales & Marketing	2.9%	2.8%	1.3 - 3.7	2.4%	2.5%	2.1 - 2.8
General & Administrative	5.8%	5.4%	3.3 - 7.5	10.4%	9.3%	6.4 - 13.4
Other Club Operating Expenses	7.0%	7.5%	1.1 - 11.2	7.2%	6.3%	0.5 - 9.4
Total Operating Expenses	80.7%	82.1%	74.2 - 89.2	87.0%	86.9%	81.8 - 91.4
Income Before Interest, Taxes,						
Depreciation and Amortization (EBITDA)	19.3%	17.9%	10.8 - 25.8	13.0%	13.1%	8.6 - 18.2
Depreciation and Amortization	5.9%	6.0%	4.1 - 7.0	6.6%	5.0%	2.5 - 9.5
Interest	2.2%	1.8%	0.8 - 3.3	2.9%	0.2%	0.0 - 2.3
Profit Before Taxes (PBT)	11.2%	10.4%	4.0 - 17.6	3.5%	4.1%	0.3 - 8.4
Total Income Taxes	1.6%	0.2%	0.0 - 1.3	0.2%	0.0%	0.0 - 0.1
Income After Taxes	9.6%	8.4%	3.7 - 17.5	3.3%	4.0%	0.3 - 8.4
Summary Balance Sheet (% Total Assets)						
Current Assets	32.8%	30.8%	21.1 - 39.8	25.4%	18.2%	11.7 - 22.9
Non-Current Assets	67.2%	69.2%	60.2 - 78.9	74.6%	81.8%	77.1 - 88.4
Total Assets	100.0%	100.0%	100.0 - 100.0	100.0%	100.0%	100.0 - 100.0
Current Liabilities	17.7%	16.3%	8.3 - 23.1	15.0%	13.1%	7.3 - 15.0
Long-Term Debt Net of Current Maturities	46.0%	42.2%	36.3 - 53.9	40.0%	33.5%	9.4 - 62.4
Total Liabilities	63.7%	62.8%	53.4 - 67.3	55.0%	53.7%	34.5 - 71.4
Owner's Equity	36.3%	37.2%	32.7 - 46.7	45.0%	46.3%	28.6 - 65.5
Total Liabilities and Owner's Equity	100.0%	100.0%	100.0 - 100.0	100.0%	100.0%	100.0 - 100.0
Liquidity, Financing and Activity/Profitability Ratios		Median	Middle Range		Median	Middle Range
Current Ratio		1.4	1.2 - 4.0		1.5	1.1 - 1.7
Debt-Equity Ratio		1.6	1.1 - 1.9		1.1	0.5 - 2.5
Interest Coverage Ratio		5.0	3.0 - 10.1		7.2	1.0 - 20.2
Fixed Assets Turnover		2.2	1.1 - 5.0		1.2	0.7 - 6.5
Total Assets Turnover (Sales to Assets)		1.5	0.8 - 2.4		1.0	0.5 - 4.1
Return on Owner's Equity		29.3%	16.7 - 56.0		5.6%	0.3 - 31.4
Return on Fixed Assets		11.9%	8.5 - 41.6		3.9%	0.1 - 28.1
Return on Total Assets		8.6%	7.6 - 20.1		1.5%	0.1 - 24.1

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INCOME STATEMENT AND BALANCE SHEET DATA

CLUB SIZE - 2014

As the size of the clubs increased, the percentage of revenue derived from non-dues increased, with the largest clubs, those with 60,000 square feet or more, reporting over 38% of total revenues generated from non-dues related revenue. Typically, these larger clubs offer more ancillary services due to size and may charge more for services or have more members purchasing ancillary products and services. The clubs between 20,000 to 34,999 square feet managed their expenses most effectively in 2014, keeping their total operating expenses at just under 81%. For these clubs, besides payroll expense, rent for their land and buildings accounted for a large percentage of revenue at nearly 13%. Total operating expenses ranged from around 81% to 87% for other club size segments. The largest clubs reported a much higher percentage of their expenses in payroll at 45.7%. Balance sheet data revealed that clubs with 35,000 to 59,999 square feet were more leveraged and subsequently reported the highest interest expense as a percent of total revenue; nonetheless, they are still covering their interest expenses in reporting an interest coverage ratio of 3.5 times. The largest clubs reported the lowest current ratio at 1.3. Although this figure is still over 1.0, some caution should be taken. When this short-term liquidity ratio drops below 1.0, this indicates there isn't much room for error. For instance, if a large number of members dropped their accounts, short-term debt obligations may not be able to be met without tapping long-term debt financing.

INCOME STATEMENT AND BALANCE SHEET DATA

	CLUBS WITH LESS THAN 20,000 SQ FT			CLUBS BETWEEN 20,000 AND 34,999 SQ FT		
	Mean	Median	Middle Range	Mean	Median	Middle Range
Total Revenue per Club (thousands)	$876.1	$871.8	ISD	$1,800.2	$1,651.0	1,018.0 - 2,405.7
Income Statement as Percent of Revenue						
Membership Dues and Fees	80.7%	81.2%	ISD	78.2%	80.3%	75.8 - 88.7
Non-Dues Revenue	19.3%	18.9%	ISD	21.8%	19.7%	11.3 - 24.2
Total Revenue	100.0%	100.0%	ISD	100.0%	100.0%	100.0 - 100.0
Operating Expenses						
Total Payroll (Salaries, Wages, & Employee Benefits)	35.4%	41.7%	ISD	39.9%	38.3%	34.9 - 40.1
Rent--Land & Building	18.2%	18.5%	ISD	12.7%	13.9%	8.3 - 17.0
Rent--Equipment	4.6%	1.3%	ISD	0.6%	0.0%	0.0 - 0.3
Real Estate/Property Taxes	1.6%	1.1%	ISD	3.3%	2.4%	2.0 - 4.0
Utilities	3.8%	4.0%	ISD	6.2%	5.6%	4.5 - 6.4
Insurance	0.9%	0.8%	ISD	1.1%	1.0%	0.3 - 1.3
Other Occupancy Expenses	3.2%	1.8%	ISD	5.6%	4.3%	2.3 - 8.8
Sales & Marketing	2.7%	2.5%	ISD	2.8%	2.6%	1.2 - 4.0
General & Administrative	9.1%	7.6%	ISD	3.9%	3.2%	1.7 - 5.7
Other Club Operating Expenses	4.7%	2.9%	ISD	5.0%	4.4%	0.0 - 8.4
Total Operating Expenses	84.2%	88.2%	ISD	80.9%	85.6%	74.0 - 89.5
Income Before Interest, Taxes,						
Depreciation and Amortization (EBITDA)	15.9%	11.8%	ISD	19.1%	14.4%	10.5 - 26.0
Depreciation and Amortization	4.6%	4.0%	ISD	6.8%	5.9%	3.6 - 7.7
Interest	1.7%	1.2%	ISD	2.4%	0.8%	0.2 - 2.1
Profit Before Taxes (PBT)	9.6%	8.6%	ISD	10.0%	7.1%	3.3 - 18.3
Total Income Taxes	1.5%	0.1%	ISD	1.4%	0.2%	0.0 - 0.7
Income After Taxes	8.1%	8.2%	ISD	8.7%	6.0%	3.0 - 18.0
Summary Balance Sheet (% Total Assets)						
Current Assets	44.4%	46.5%	ISD	31.5%	31.5%	24.2 - 31.5
Non-Current Assets	55.6%	53.5%	ISD	68.5%	68.5%	68.5 - 75.8
Total Assets	100.0%	100.0%	ISD	100.0%	100.0%	100.0 - 100.0
Current Liabilities	19.6%	9.9%	ISD	23.1%	23.1%	17.2 - 23.1
Long-Term Debt Net of Current Maturities	30.5%	23.1%	ISD	42.2%	42.2%	24.2 - 42.2
Total Liabilities	50.1%	54.9%	ISD	65.3%	65.3%	45.3 - 66.5
Owner's Equity	49.9%	45.1%	ISD	34.7%	34.7%	33.5 - 54.7
Total Liabilities and Owner's Equity	100.0%	100.0%	ISD	100.0%	100.0%	100.0 - 100.0
Liquidity, Financing and Activity/Profitability Ratios		Median	Middle Range		Median	Middle Range
Current Ratio		2.3	ISD		1.4	1.2 - 1.7
Debt-Equity Ratio		1.2	ISD		1.9	0.8 - 1.9
Interest Coverage Ratio		ISD	ISD		10.1	6.7 - 27.0
Fixed Assets Turnover		7.1	ISD		2.6	1.9 - 4.3
Total Assets Turnover (Sales to Assets)		4.7	ISD		2.0	1.5 - 2.9
Return on Owner's Equity		24.1%	ISD		85.8%	38.3 - 99.9
Return on Fixed Assets		16.5%	ISD		33.9%	10.1 - 77.1
Return on Total Assets		8.1%	ISD		26.4%	8.0 - 40.6

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INCOME STATEMENT AND BALANCE SHEET DATA

	CLUBS BETWEEN 35,000 AND 59,999 SQ FT			CLUBS WITH 60,000 SQ FT OR MORE		
	Mean	Median	Middle Range	Mean	Median	Median
Total Revenue per Club (thousands)	$2,425.8	$2,700.9	1,581.0 - 2,978.8	$8,370.3	$8,735.9	5,810.0 - 11,280.4
Income Statement as Percent of Revenue						
Membership Dues and Fees	68.9%	66.6%	56.7 - 77.5	61.7%	62.4%	57.0 - 66.4
Non-Dues Revenue	31.1%	33.4%	22.5 - 43.4	38.3%	37.6%	33.7 - 43.0
Total Revenue	100.0%	100.0%	100.0 - 100.0	100.0%	100.0%	100.0 - 100.0
Operating Expenses						
Total Payroll (Salaries, Wages, & Employee Benefits)	43.2%	43.6%	35.5 - 52.1	45.7%	43.2%	41.9 - 49.6
Rent--Land & Building	11.0%	9.3%	0.6 - 19.9	4.5%	0.2%	0.0 - 2.7
Rent--Equipment	0.1%	0.0%	0.0 - 0.1	0.2%	0.1%	0.0 - 0.2
Real Estate/Property Taxes	1.6%	1.5%	0.5 - 2.7	2.5%	1.9%	0.9 - 3.5
Utilities	8.0%	7.2%	5.9 - 7.9	5.2%	4.3%	3.8 - 6.5
Insurance	1.3%	0.7%	0.4 - 1.9	1.2%	1.1%	0.7 - 1.6
Other Occupancy Expenses	2.4%	0.4%	0.0 - 5.0	2.1%	2.0%	0.0 - 3.5
Sales & Marketing	2.9%	2.6%	2.3 - 3.7	2.4%	2.6%	1.9 - 2.8
General & Administrative	11.4%	12.8%	9.2 - 14.2	8.7%	7.8%	5.5 - 11.0
Other Club Operating Expenses	5.1%	0.7%	0.0 - 4.1	10.5%	9.1%	6.7 - 12.6
Total Operating Expenses	87.0%	86.0%	82.7 - 89.4	82.9%	81.3%	73.2 - 89.8
Income Before Interest, Taxes, Depreciation and Amortization (EBITDA)	13.0%	14.0%	10.6 - 17.3	17.1%	18.7%	10.2 - 26.8
Depreciation and Amortization	5.7%	5.3%	3.6 - 6.5	6.9%	6.0%	4.7 - 10.5
Interest	3.0%	2.0%	1.5 - 3.7	2.6%	0.5%	0.0 - 3.5
Profit Before Taxes (PBT)	4.4%	5.6%	-0.8 - 9.5	7.6%	8.9%	1.5 - 14.2
Total Income Taxes	0.3%	0.0%	0.0 - 0.3	0.9%	0.0%	0.0 - 0.1
Income After Taxes	4.1%	5.5%	-1.4 - 8.2	6.7%	6.7%	1.5 - 10.8
Summary Balance Sheet (% Total Assets)						
Current Assets	21.8%	21.8%	13.8 - 29.7	22.9%	17.7%	9.4 - 25.7
Non-Current Assets	78.2%	78.2%	70.3 - 86.2	77.1%	82.3%	74.3 - 90.6
Total Assets	100.0%	100.0%	100.0 - 100.0	100.0%	100.0%	100.0 - 100.0
Current Liabilities	13.1%	13.1%	6.9 - 14.2	12.7%	12.3%	8.1 - 15.0
Long-Term Debt Net of Current Maturities	58.3%	58.3%	39.7 - 73.7	41.0%	46.2%	20.3 - 61.4
Total Liabilities	71.4%	71.4%	54.5 - 84.4	53.7%	56.2%	35.4 - 74.6
Owner's Equity	28.6%	28.6%	15.6 - 45.5	46.3%	43.8%	25.4 - 64.6
Total Liabilities and Owner's Equity	100.0%	100.0%	100.0 - 100.0	100.0%	100.0%	100.0 - 100.0
Liquidity, Financing and Activity/Profitability Ratios		Median	Middle Range		Median	Middle Range
Current Ratio		1.7	1.3 - 1.8		1.3	1.1 - 1.8
Debt-Equity Ratio		1.9	ISD		1.3	0.6 - 3.2
Interest Coverage Ratio		3.5	ISD		5.2	3.6 - 18.8
Fixed Assets Turnover		1.2	0.9 - 5.1		1.1	0.6 - 1.3
Total Assets Turnover (Sales to Assets)		0.8	0.7 - 4.1		0.8	0.5 - 1.0
Return on Owner's Equity		9.3%	ISD		15.9%	4.7 - 24.1
Return on Fixed Assets		3.9%	-0.3 - 18.4		8.2%	1.3 - 15.6
Return on Total Assets		3.6%	-0.6 - 13.4		7.5%	1.1 - 11.1

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- INCOME STATEMENT AND BALANCE SHEET ANALYSIS
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