# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2023**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number: 001-40887**

# Life Time Group Holdings, Inc.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **47-3481985** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |

**2902 Corporate Place**
**Chanhassen, Minnesota 55317**
**(952) 947-0000**

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

**(Former name, former address and former fiscal year, if changed since last report)**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of Each Class | Trading Symbol | Name of Each Exchange on Which Registered |
|---|---|---|
| **Common stock, par value $0.01 per share** | **LTH** | **The New York Stock Exchange** |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | | | |
|---|---|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☒ | Non-accelerated filer | ☐ |
| Smaller reporting company | ☐ | | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No☒

As of July 27, 2023, the registrant had 196,103,459 shares of common stock outstanding, par value $0.01 per share.

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## PART I — FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

### LIFE TIME GROUP HOLDINGS, INC. AND SUBSIDIARIES
### CONDENSED CONSOLIDATED BALANCE SHEETS
**(In thousands, except per share data)**
**(Unaudited)**

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 30,858 | $ 25,509 |
| Accounts receivable, net | 18,146 | 13,381 |
| Center operating supplies and inventories | 48,148 | 45,655 |
| Prepaid expenses and other current assets | 49,595 | 45,743 |
| Income tax receivable | 6,669 | 748 |
| Total current assets | 153,416 | 131,036 |
| Property and equipment, net | 3,030,480 | 2,901,242 |
| Goodwill | 1,235,029 | 1,233,176 |
| Operating lease right-of-use assets | 2,161,837 | 2,116,761 |
| Intangible assets, net | 173,056 | 173,404 |
| Other assets | 74,218 | 69,744 |
| Total assets | $ 6,828,036 | $ 6,625,363 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 83,721 | $ 73,973 |
| Construction accounts payable | 120,404 | 125,031 |
| Deferred revenue | 41,303 | 36,859 |
| Accrued expenses and other current liabilities | 170,289 | 154,427 |
| Current maturities of debt | 64,814 | 15,224 |
| Current maturities of operating lease liabilities | 54,793 | 51,892 |
| Total current liabilities | 535,324 | 457,406 |
| Long-term debt, net of current portion | 1,792,373 | 1,805,698 |
| Operating lease liabilities, net of current portion | 2,216,647 | 2,162,424 |
| Deferred income taxes, net | 47,347 | 41,393 |
| Other liabilities | 35,633 | 34,181 |
| Total liabilities | 4,627,324 | 4,501,102 |
| Commitments and contingencies (Note 10) | | |
| Stockholders' equity: | | |
| Common stock, $0.01 par value per share; 500,000 shares authorized; 196,031 and 194,271 shares issued and outstanding, respectively. | 1,960 | 1,943 |
| Additional paid-in capital | 2,814,424 | 2,784,416 |
| Accumulated deficit | (608,412) | (652,876) |
| Accumulated other comprehensive loss | (7,260) | (9,222) |
| Total stockholders' equity | 2,200,712 | 2,124,261 |
| Total liabilities and stockholders' equity | $ 6,828,036 | $ 6,625,363 |

See notes to unaudited condensed consolidated financial statements.

**LIFE TIME GROUP HOLDINGS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands, except per share data)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Revenue: | | | | |
| Center revenue | $ 542,125 | $ 445,882 | $ 1,039,877 | $ 827,503 |
| Other revenue | 19,606 | 15,385 | 32,705 | 26,018 |
| Total revenue | 561,731 | 461,267 | 1,072,582 | 853,521 |
| Operating expenses: | | | | |
| Center operations | 302,603 | 279,557 | 576,712 | 519,130 |
| Rent | 67,434 | 59,989 | 133,971 | 115,953 |
| General, administrative and marketing | 52,840 | 51,950 | 95,337 | 118,511 |
| Depreciation and amortization | 58,252 | 57,173 | 116,449 | 115,280 |
| Other operating expense (income) | 28,194 | (8,212) | 30,321 | (25,247) |
| Total operating expenses | 509,323 | 440,457 | 952,790 | 843,627 |
| Income from operations | 52,408 | 20,810 | 119,792 | 9,894 |
| Other (expense) income: | | | | |
| Interest expense, net of interest income | (31,979) | (27,093) | (63,174) | (57,036) |
| Equity in earnings of affiliate | 88 | 8 | 231 | 34 |
| Total other expense | (31,891) | (27,085) | (62,943) | (57,002) |
| Income (loss) before income taxes | 20,517 | (6,275) | 56,849 | (47,108) |
| Provision for (benefit from) income taxes | 3,513 | (3,990) | 12,385 | (6,857) |
| Net income (loss) | $ 17,004 | $ (2,285) | $ 44,464 | $ (40,251) |
| | | | | |
| Income (loss) per common share: | | | | |
| Basic | $ 0.09 | $ (0.01) | $ 0.23 | $ (0.21) |
| Diluted | $ 0.08 | $ (0.01) | $ 0.22 | $ (0.21) |
| Weighted-average common shares outstanding: | | | | |
| Basic | 195,476 | 193,692 | 195,026 | 193,082 |
| Diluted | 204,821 | 193,692 | 203,872 | 193,082 |

See notes to unaudited condensed consolidated financial statements.

**LIFE TIME GROUP HOLDINGS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**(In thousands)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Net income (loss) | $ 17,004 | $ (2,285) | $ 44,464 | $ (40,251) |
| Foreign currency translation adjustments, net of tax of $0 | 1,894 | (2,955) | 1,962 | (1,324) |
| Comprehensive income (loss) | $ 18,898 | $ (5,240) | $ 46,426 | $ (41,575) |

See notes to unaudited condensed consolidated financial statements.

**LIFE TIME GROUP HOLDINGS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(In thousands)**
**(Unaudited)**

| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| Balance at March 31, 2023 | 194,998 | $ 1,950 | $ 2,794,657 | $ (625,416) | $ (9,154) | $ 2,162,037 |
| Net income | — | — | — | 17,004 | — | 17,004 |
| Other comprehensive income | — | — | — | — | 1,894 | 1,894 |
| Share-based compensation | — | — | 8,515 | — | — | 8,515 |
| Stock option exercises | 883 | 9 | 9,811 | — | — | 9,820 |
| Issuances of common stock in connection with the vesting of restricted stock units | 27 | — | (8) | — | — | (8) |
| Issuances of common stock in connection with the employee stock purchase plan | 123 | 1 | 1,449 | — | — | 1,450 |
| Balance at June 30, 2023 | 196,031 | $ 1,960 | $ 2,814,424 | $ (608,412) | $ (7,260) | $ 2,200,712 |

| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| Balance at December 31, 2022 | 194,271 | $ 1,943 | $ 2,784,416 | $ (652,876) | $ (9,222) | $ 2,124,261 |
| Net income | — | — | — | 44,464 | — | 44,464 |
| Other comprehensive income | — | — | — | — | 1,962 | 1,962 |
| Share-based compensation | — | — | 13,937 | — | — | 13,937 |
| Stock option exercises | 1,210 | 12 | 13,264 | — | — | 13,276 |
| Issuances of common stock in connection with the vesting of restricted stock units | 337 | 3 | (113) | — | — | (110) |
| Issuances of common stock in connection with the employee stock purchase plan | 123 | 1 | 1,449 | — | — | 1,450 |
| Issuances of common stock in connection with business acquisitions | 90 | 1 | 1,471 | — | — | 1,472 |
| Balance at June 30, 2023 | 196,031 | $ 1,960 | $ 2,814,424 | $ (608,412) | $ (7,260) | $ 2,200,712 |

| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| Balance at March 31, 2022 | 193,060 | $ 1,931 | $ 2,765,503 | $ (689,049) | $ (1,385) | $ 2,077,000 |
| Net loss | — | — | — | (2,285) | — | (2,285) |
| Other comprehensive loss | — | — | — | — | (2,955) | (2,955) |
| Share-based compensation | — | — | 5,973 | — | — | 5,973 |
| Stock option exercises | 114 | 1 | 1,193 | — | — | 1,194 |
| Equity issuance costs | — | — | (270) | — | — | (270) |
| Issuances of common stock in connection with the vesting of restricted stock units | 622 | 6 | (6) | — | — | — |
| Balance at June 30, 2022 | 193,796 | $ 1,938 | $ 2,772,393 | $ (691,334) | $ (4,340) | $ 2,078,657 |

| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| Balance at December 31, 2021 | 193,060 | $ 1,931 | $ 2,743,560 | $ (651,083) | $ (3,016) | $ 2,091,392 |
| Net loss | — | — | — | (40,251) | — | (40,251) |
| Other comprehensive loss | — | — | — | — | (1,324) | (1,324) |
| Share-based compensation | — | — | 27,411 | — | — | 27,411 |
| Stock option exercises | 114 | 1 | 1,193 | — | — | 1,194 |
| Equity issuance costs | — | — | (270) | — | — | (270) |
| Issuances of common stock in connection with the vesting of restricted stock units | 622 | 6 | (6) | — | — | — |
| Settlement of accrued compensation liabilities through the issuance of share-based compensation awards | — | — | 505 | — | — | 505 |
| Balance at June 30, 2022 | 193,796 | $ 1,938 | $ 2,772,393 | $ (691,334) | $ (4,340) | $ 2,078,657 |

See notes to unaudited condensed consolidated financial statements.

**LIFE TIME GROUP HOLDINGS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(Unaudited)**

| | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income (loss) | $ 44,464 | $ (40,251) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 116,449 | 115,280 |
| Deferred income taxes | 5,864 | (9,009) |
| Share-based compensation | 22,171 | 27,411 |
| Non-cash rent expense | 17,630 | 15,635 |
| Impairment charges associated with long-lived assets | 1,280 | — |
| Loss (gain) on disposal of property and equipment, net | 904 | (49,743) |
| Amortization of debt discounts and issuance costs | 3,919 | 3,918 |
| Changes in operating assets and liabilities | 6,734 | 17,909 |
| Other | (3,124) | (825) |
| Net cash provided by operating activities | 216,291 | 80,325 |
| Cash flows from investing activities: | | |
| Capital expenditures | (337,076) | (252,640) |
| Proceeds from sale-leaseback transactions | 78,040 | 174,246 |
| Other | (462) | 692 |
| Net cash used in investing activities | (259,498) | (77,702) |
| Cash flows from financing activities: | | |
| Proceeds from borrowings | 44,291 | 8,657 |
| Repayments of debt | (7,430) | (11,539) |
| Proceeds from revolving credit facility | 620,000 | 420,000 |
| Repayments of revolving credit facility | (620,000) | (390,000) |
| Repayments of finance lease liabilities | (508) | (697) |
| Payments of debt discounts and issuance costs | (2,550) | — |
| Proceeds from stock option exercises | 13,276 | 1,194 |
| Proceeds from issuances of common stock in connection with the employee stock purchase plan | 1,450 | — |
| Other | (109) | (476) |
| Net cash provided by financing activities | 48,420 | 27,139 |
| Effect of exchange rates on cash and cash equivalents | 136 | (110) |
| Increase in cash and cash equivalents | 5,349 | 29,652 |
| Cash and cash equivalents – beginning of period | 25,509 | 31,637 |
| Cash and cash equivalents – end of period | $ 30,858 | $ 61,289 |

See notes to unaudited condensed consolidated financial statements.

**LIFE TIME GROUP HOLDINGS, INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Table amounts in thousands except per share data)**

## 1. Nature of Business and Basis of Presentation

***Nature of Business***

Life Time Group Holdings, Inc. (collectively with its direct and indirect subsidiaries, “Life Time,” “we,” “our,” or the “Company”) is a holding company incorporated in the state of Delaware. As a holding company, Life Time Group Holdings, Inc. does not have its own independent assets or business operations, and all of our assets and business operations are through Life Time, Inc. and its direct and indirect subsidiaries. We are primarily dedicated to providing premium health, fitness and wellness experiences at our athletic country club destinations and via our comprehensive digital platform and portfolio of iconic athletic events – all with the objective of inspiring healthier, happier lives. We design, build and operate our athletic country club destinations that are distinctive and large, multi-use sports and athletic, professional fitness, family recreation and spa centers in a resort-like environment. As of June 30, 2023, we operated 164 centers in 30 states and one Canadian province.

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial reporting and as required by rules and regulations of the Securities and Exchange Commission (the “SEC”). While these statements reflect normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of the results of the interim period, they do not include all of the information and footnotes required by GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements. When preparing financial statements in conformity with GAAP, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. All intercompany balances and transactions have been eliminated in consolidation. We have one operating segment and one reportable segment.

## 2. Summary of Significant Accounting Policies

***Recently Adopted Accounting Pronouncements***

We adopted Accounting Standard Update (“ASU”) 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting” during the second quarter of 2023. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contract modifications, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met, and provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. In connection with the debt refinancing that we completed in May 2023, we transitioned from LIBOR to Term Secured Overnight Financing Rate (“SOFR”). The adoption of this ASU did not have a material impact on our consolidated financial statements.

***Fair Value Measurements***

The accounting guidance establishes a framework for measuring fair value and expanded disclosures about fair value measurements. The guidance applies to all assets and liabilities that are measured and reported on a fair value basis. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The guidance requires that each asset and liability carried at fair value be classified into one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The carrying amounts related to cash and cash equivalents, accounts receivable, income tax receivable, accounts payable and accrued liabilities approximate fair value.

(Table amounts in thousands except per share data)

*Fair Value Measurements on a Recurring Basis.* We had no material remeasurements of such assets or liabilities to fair value during thethree and six months ended June 30, 2023 and 2022.

*Financial Assets and Liabilities.* At June 30, 2023 and December 31, 2022, the carrying value and fair value of our outstanding long-term debt was as follows:

| | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Long-term debt [(1)] | $ 1,875,463 | $ 1,844,444 | $ 1,840,171 | $ 1,724,178 |

(1) Excludes unamortized debt discounts and issuance costs.

The fair value of our debt is based on the amount of future cash flows discounted using rates we would currently be able to realize for similar instruments of comparable maturity. If our long-term debt were recorded at fair value, it would be classified as Level 2 in the fair value hierarchy. For more information regarding our debt, see Note 6, Debt.

*Fair Value Measurements on a Nonrecurring Basis.* Assets and liabilities that are measured at fair value on a nonrecurring basis primarily relate to our goodwill, intangible assets and other long-lived assets, which are remeasured when the derived fair value is below carrying value on our condensed consolidated balance sheets. For these assets, we do not periodically adjust carrying value to fair value except in the event of impairment. If we determine that impairment has occurred, the carrying value of the asset would be reduced to fair value and the difference would be recorded as a loss within operating income in our condensed consolidated statements of operations. We had no material remeasurements of such assets or liabilities to fair value during the three and six months ended June 30, 2023 and 2022.

## 3. Supplemental Balance Sheet and Cash Flow Information

***Prepaid Expenses and Other Current Assets***

Prepaid expenses and other current assets consisted of the following:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Property held for sale | $ 8,687 | $ 4,987 |
| Construction contract receivables | 7,209 | 8,867 |
| Prepaid insurance | 5,166 | 3,414 |
| Prepaid software licenses and maintenance | 11,187 | 10,009 |
| Other | 17,346 | 18,466 |
| Prepaid expenses and other current assets | $ 49,595 | $ 45,743 |

***Accrued Expenses and Other Current Liabilities***

Accrued expenses and other current liabilities consisted of the following:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Real estate taxes | $ 30,722 | $ 32,373 |
| Accrued interest | 38,945 | 36,518 |
| Payroll liabilities | 30,256 | 19,908 |
| Utilities | 8,774 | 7,285 |
| Self-insurance accruals | 24,129 | 21,369 |
| Corporate accruals | 31,648 | 29,731 |
| Other | 5,815 | 7,243 |
| Accrued expenses and other current liabilities | $ 170,289 | $ 154,427 |

(Table amounts in thousands except per share data)

***Supplemental Cash Flow Information***

(Increases) decreases in operating assets and increases (decreases) in operating liabilities are as follows:

| | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|---|---|---|
| Accounts receivable | $ (6,610) | $ (4,215) |
| Center operating supplies and inventories | (2,476) | (2,739) |
| Prepaid expenses and other current assets | (2,510) | (2,199) |
| Income tax receivable | (5,921) | 961 |
| Other assets | 131 | 453 |
| Accounts payable | 9,619 | 4,064 |
| Accrued expenses and other current liabilities | 8,896 | 17,503 |
| Deferred revenue | 4,664 | 7,368 |
| Other liabilities | 941 | (3,287) |
| Changes in operating assets and liabilities | $ 6,734 | $ 17,909 |

Additional supplemental cash flow information is as follows:

| | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|---|---|---|
| Net cash paid for income taxes, net of refunds received | $ 12,445 | $ 1,158 |
| Cash payments for interest, net of capitalized interest | 57,380 | 53,514 |
| Capitalized interest | 9,756 | 6,497 |
| Non-cash activity: | | |
| Issuances of common stock in connection with a business acquisition | 1,472 | — |
| Right-of-use assets obtained in exchange for initial lease liabilities: | | |
| Operating leases | 58,419 | 196,256 |
| Finance leases | 605 | — |
| Right-of-use asset adjustments recognized as a result of the remeasurement of existing operating lease liabilities | 16,429 | 5,626 |
| Non-cash increase in operating lease right-of-use assets associated with below-market sale-leaseback transactions | 5,900 | 26,240 |
| Non-cash increase in financing obligations as a result of interest accretion | 46 | — |

**4. Goodwill**

The goodwill balance was $1,235.0 million and $1,233.2 million at June 30, 2023 and December 31, 2022, respectively. The $1.8 million change in goodwill for the six months ended June 30, 2023 was related to a business acquisition during the first quarter of 2023.

There were no goodwill impairment charges recorded during the three and six months ended June 30, 2023 and 2022.

**LIFE TIME GROUP HOLDINGS, INC. AND SUBSIDIARIES**
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Table amounts in thousands except per share data)**

**5. Revenue**

Revenue associated with our membership dues, enrollment fees, and certain services from our in-center businesses is recognized over time as earned. Revenue associated with products and services offered in our cafes and spas, as well as through e-commerce, is recognized at a point in time. The following is a summary of revenue, by major revenue stream, that we recognized during the three and six months ended June 30, 2023 and 2022:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Membership dues and enrollment fees | $ 387,115 | $ 309,262 | $ 744,603 | $ 581,178 |
| In-center revenue | 155,010 | 136,620 | 295,274 | 246,325 |
| Total center revenue | 542,125 | 445,882 | 1,039,877 | 827,503 |
| Other revenue | 19,606 | 15,385 | 32,705 | 26,018 |
| Total revenue | $ 561,731 | $ 461,267 | $ 1,072,582 | $ 853,521 |

The timing associated with the revenue we recognized during the three months ended June 30, 2023 and 2022 is as follows:

| | Three Months Ended June 30, 2023 | | | Three Months Ended June 30, 2022 | | |
|---|---|---|---|---|---|---|
| | Center Revenue | Other Revenue | Total Revenue | Center Revenue | Other Revenue | Total Revenue |
| Goods and services transferred over time | $ 476,332 | $ 19,606 | $ 495,938 | $ 384,898 | $ 15,385 | $ 400,283 |
| Goods and services transferred at a point in time | 65,793 | — | 65,793 | 60,984 | — | 60,984 |
| Total revenue | $ 542,125 | $ 19,606 | $ 561,731 | $ 445,882 | $ 15,385 | $ 461,267 |

The timing associated with the revenue we recognized during the six months ended June 30, 2023 and 2022 is as follows:

| | Six Months Ended June 30, 2023 | | | Six Months Ended June 30, 2022 | | |
|---|---|---|---|---|---|---|
| | Center Revenue | Other Revenue | Total Revenue | Center Revenue | Other Revenue | Total Revenue |
| Goods and services transferred over time | $ 915,349 | $ 32,705 | $ 948,054 | $ 717,885 | $ 26,018 | $ 743,903 |
| Goods and services transferred at a point in time | 124,528 | — | 124,528 | 109,618 | — | 109,618 |
| Total revenue | $ 1,039,877 | $ 32,705 | $ 1,072,582 | $ 827,503 | $ 26,018 | $ 853,521 |

Contract liabilities represent payments or consideration received in advance for goods or services that the Company has not yet transferred to the customer. Contract liabilities consist primarily of deferred revenue for fees collected in advance for membership dues, enrollment fees, Dynamic Personal Training and other center services offerings, as well as our media and athletic events. Contract liabilities at June 30, 2023 and December 31, 2022 were $43.5 million and $38.9 million, respectively.

Contract liabilities that will be recognized within one year are classified as deferred revenue in our condensed consolidated balance sheets. Deferred revenue at June 30, 2023 and December 31, 2022 was $41.3 million and $36.9 million, respectively, and consists primarily of prepaid membership dues, enrollment fees, Dynamic Personal Training and other in-center services, as well as media and athletic events.

Contract liabilities that will be recognized in a future period greater than one year are classified as a component of Other liabilities in our condensed consolidated balance sheets. Long-term contract liabilities at June 30, 2023 and December 31, 2022 were $2.2 million and $2.0 million, respectively, and consist primarily of deferred enrollment fees.

(Table amounts in thousands except per share data)

**6. Debt**

Debt consisted of the following:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Term Loan Facility [(1)] | $ 310,000 | $ 273,625 |
| Revolving Credit Facility, maturing December 2026 | 20,000 | 20,000 |
| Secured Notes, maturing January 2026 | 925,000 | 925,000 |
| Unsecured Notes, maturing April 2026 | 475,000 | 475,000 |
| Construction Loan, maturing February 2026 | 28,000 | 21,330 |
| Mortgage Notes, various maturities | 112,498 | 119,928 |
| Other debt | 4,122 | 4,122 |
| Fair value adjustment | 843 | 1,166 |
| Total debt | 1,875,463 | 1,840,171 |
| Less unamortized debt discounts and issuance costs | (18,276) | (19,249) |
| Total debt less unamortized debt discount and issuance costs | 1,857,187 | 1,820,922 |
| Less current maturities | (64,814) | (15,224) |
| Long-term debt, less current maturities | $ 1,792,373 | $ 1,805,698 |

(1) See "—Refinancing Transaction" below.

***Refinancing Transaction***

On May 9, 2023, Life Time, Inc. and certain of our other wholly-owned subsidiaries entered into a tenth amendment to the credit agreement governing our senior secured credit agreement (the "Amended Credit Agreement"). Pursuant to the Amended Credit Agreement, we refinanced our $273.6 million Term Loan Facility that had a maturity date in December 2024 to our $310.0 million Term Loan Facility that has a maturity date of January 15, 2026. A portion of the net incremental cash proceeds we received under the Amended Credit Agreement was used to pay down the then existing balance on our Revolving Credit Facility. We also converted the facilities under the Amended Credit Agreement from LIBOR to SOFR. Loans under the Term Loan Facility bear interest at a floating rate per annum of, at our option, SOFR plus an applicable credit adjustment spread ranging from 0.11448% to 0.42826% depending on the duration of borrowing plus the continued applicable margin of 4.75% or a base rate plus 3.75%. The applicable margins will decrease to 4.50% and 3.50%, respectively, upon our achievement of public corporate family ratings of B2 and B from Moody's and S&P, respectively. Loans under the Term Loan Facility were issued with original issue discount of 0.50%. This refinancing transaction was accounted for as a debt modification.

***Revolving Credit Facility***

At June 30, 2023, there were $20.0 million of outstanding borrowings under the Revolving Credit Facility and there were $30.5 million of outstanding letters of credit, resulting in total revolver availability of $424.5 million, which was available at intervals ranging from 30 to 180 days at interest rates of SOFR plus the applicable credit adjustment spread plus 3.50% or base rate plus 2.50%.

The weighted average interest rate and debt outstanding under the Revolving Credit Facility for the six months ended June 30, 2023 was 8.56% and $63.5 million, respectively. The highest balance during that same period was $150.0 million.

***Debt Covenants***

We are required to comply with certain affirmative and restrictive covenants under our Credit Facilities, Secured Notes, Unsecured Notes and Mortgage Notes. We are also required to comply with a first lien net leverage ratio covenant under the Revolving Credit Facility, which requires us to maintain a first lien net leverage ratio, if 30.00% or more of the Revolving Credit Facility commitments are outstanding shortly after the end of any fiscal quarter (excluding all cash collateralized undrawn letters of credit and other undrawn letters of credit up to $20.0 million).

As of June 30, 2023, we were either in compliance in all material respects with the covenants or the covenants were not applicable.

(Table amounts in thousands except per share data)

***Future Maturities of Long-Term Debt***

Aggregate annual future maturities of long-term debt, excluding unamortized discounts, issuance costs and fair value adjustments, at June 30, 2023 were as follows:

| | | |
|---|---|---|
| July 2023 through June 2024 | $ | 64,814 |
| July 2024 through June 2025 | | 12,379 |
| July 2025 through June 2026 | | 1,751,066 |
| July 2026 through June 2027 | | 41,816 |
| July 2027 through June 2028 | | 1,496 |
| Thereafter | | 3,049 |
| Total future maturities of long-term debt | $ | 1,874,620 |

**7. Leases**

***Sale-Leaseback Transactions***

During the six months ended June 30, 2023, we entered into and consummated sale-leaseback transactions with two unrelated third parties. Under these transactions, we sold two properties with a combined net book value of $84.7 million for $78.5 million, which was reduced by transaction costs of $0.5 million, for net cash proceeds of $78.0 million. The estimated fair value of the property sold was $84.4 million. Accordingly, the aggregate sales price associated with these arrangements was increased by $5.9 million, which resulted in the recognition of a loss of $0.8 million on these transactions. This loss is included in Other operating expense (income) in our condensed consolidated statement of operations. Right-of-use assets and lease liabilities recognized related to these sale-leaseback transactions were $49.9 million and $43.5 million, respectively. On March 29, 2023, the Company entered into an agreement for the sale-leaseback of one property for gross proceeds of $45.5 million. The closing on this property is expected to be completed on or before September 30, 2023.

**8. Stockholders' Equity**

***Share-Based Compensation Expense***

For the three and six months ended June 30, 2023, total share-based compensation expense was $16.5 million and $22.2 million, respectively. Of this amount, $8.5 million and $13.9 million, respectively, was associated with equity-classified awards and $8.0 million and $8.3 million, respectively, was associated with liability-classified awards. For the three and six months ended June 30, 2022, total share-based compensation expense was $6.0 million and $27.4 million, respectively, all of which was associated with equity-classified awards.

The liability-classified awards granted during the three and six months ended June 30, 2023 were performance-based and relate to our short-term incentive compensation program. In the event specified performance metrics are met, these awards will be settled through the issuance of fully-vested shares of the Company's common stock at such time of determination in 2024. Because the incentive compensation associated with these awards represents a fixed dollar amount that, if payable, will be settled in a variable number of shares of the Company's common stock, we are currently accounting for these awards as liability-classified awards. Accordingly, the offset to the $8.3 million of share-based compensation expense we have recognized in connection with these awards during the six months ended June 30, 2023 is included in Accrued expenses and other current liabilities on our June 30, 2023 condensed consolidated balance sheet.

(Table amounts in thousands except per share data)

**9. Income (Loss) Per Share**

For the three and six months ended June 30, 2023, our potentially dilutive securities include stock options, restricted stock units and shares to be issued under our ESPP. For the three and six months ended June 30, 2022, our potentially dilutive securities include stock options and restricted stock units. Due to the net loss that we recognized during the three and six months ended June 30, 2022, the potentially dilutive shares of common stock associated with these equity-based securities were determined to be antidilutive and, therefore, are excluded from the computation of diluted loss per share for the three and six months ended June 30, 2022.

The following table sets forth the calculation of basic and diluted income (loss) per share for the three and six months ended June 30, 2023 and 2022:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net income (loss) | $ 17,004 | $ (2,285) | $ 44,464 | $ (40,251) |
| Weighted-average common shares outstanding – basic | 195,476 | 193,692 | 195,026 | 193,082 |
| Dilutive effect of stock-based compensation awards | 9,345 | — | 8,846 | — |
| Weighted-average common shares outstanding – diluted | 204,821 | 193,692 | 203,872 | 193,082 |
| Income (loss) per common share – basic | $ 0.09 | $ (0.01) | $ 0.23 | $ (0.21) |
| Income (loss) per common share – diluted | $ 0.08 | $ (0.01) | $ 0.22 | $ (0.21) |

The following is a summary of potential shares of common stock that were antidilutive and excluded from the weighted average share computations for the three and six months ended June 30, 2023 and 2022:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Stock options | 5,370 | 25,318 | 6,310 | 25,318 |
| Restricted stock units | 766 | 2,787 | 824 | 2,787 |
| Potential common shares excluded from the weighted average share calculations | 6,136 | 28,105 | 7,134 | 28,105 |

**10. Commitments and Contingencies**

*Life Time, Inc. et al. v. Zurich American Insurance Company*

On August 19, 2020, Life Time, Inc., several of its subsidiaries, and a joint venture entity, Bloomingdale Life Time Fitness LLC (collectively, the “Life Time Parties”) filed a complaint against Zurich American Insurance Company (“Zurich”) in the Fourth Judicial District of the State of Minnesota, County of Hennepin (Case No. 27-CV-20-10599) (the “Action”) seeking declaratory relief and damages with respect to Zurich’s failure under a property/business interruption insurance policy to provide certain coverage to the Life Time Parties related to the closure or suspension by governmental authorities of their business activities due to the spread or threat of the spread of COVID-19. On March 15, 2021, certain of the Life Time Parties filed a First Amended Complaint in the Action adding claims against Zurich under a Builders’ Risk policy related to the suspension of multiple construction projects. The parties are currently in discovery. The Action is subject to many uncertainties, and the outcome of the matter is not predictable with any assurance.

*Other*

We are also engaged in other proceedings incidental to the normal course of business. Due to their nature, such legal proceedings involve inherent uncertainties, including but not limited to court rulings, negotiations between affected parties and governmental intervention. We establish reserves for matters that are probable and estimable in amounts we believe are adequate to cover reasonable adverse judgments. Based upon the information available to us and discussions with legal counsel, it is our opinion that the outcome of the various legal actions and claims that are incidental to our business will not have a material adverse impact on our consolidated financial position, results of operations or cash flows. Such matters are subject to many uncertainties, and the outcomes of individual matters are not predictable with assurance.

**11. Subsequent Events**

In preparing the accompanying condensed consolidated financial statements, we have evaluated the period from June 30, 2023 through the date the condensed consolidated financial statements were issued for material subsequent events. There have been no such events or transactions during this time which would have a material effect on the condensed consolidated financial statements and therefore would require recognition or disclosure.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**Forward-Looking Statements**

Certain statements in this discussion and analysis are forward-looking statements within the meaning of federal securities regulations. Forward-looking statements in this discussion and analysis include, but are not limited to, our plans, strategies and prospects, both business and financial, including our financial outlook, possible or assumed future actions, opportunities for growth and margin expansion, improvements to our balance sheet and leverage, capital expenditures, consumer demand, industry and economic trends, business strategies, events or results of operations. Generally, forward-looking statements are not based on historical facts but instead represent only our current beliefs and assumptions regarding future events. All forward-looking statements are, by nature, subject to risks, uncertainties and other factors. This discussion and analysis does not purport to identify factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements. You should understand that forward-looking statements are not guarantees of performance or results and are preliminary in nature. Statements preceded by, followed by or that otherwise include the words "believe," "assumes," "expects," "anticipates," "intends," "continues," "projects," "predicts," "estimates," "plans," "potential," "may increase," "may result," "will result," "may fluctuate," and similar expressions or future or conditional verbs such as "will," "should," "would," "foreseeable," "may," and "could" as well as the negative version of these words or similar terms and phrases are generally forward-looking in nature and not historical facts. In addition, any statements or information that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking.

The forward-looking statements contained in this discussion and analysis are based on management's current beliefs and assumptions and are not guarantees of future performance. The forward-looking statements are subject to various risks, uncertainties, assumptions or changes in circumstances that are difficult to predict or quantify. Actual results may differ materially from these expectations due to numerous factors, many of which are beyond our control, including risks relating to our business operations and competitive and economic environment, risks relating to our brand, risks relating to the growth of our business, risks relating to our technological operations, risks relating to our capital structure and lease obligations, risks relating to our human capital, risks relating to legal compliance and risk management and risks relating to ownership of our common stock and the other important factors discussed under the caption "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission (the "SEC") and as such risk factors may be updated from time to time in our periodic filings with the SEC that are accessible on the SEC's website at www.sec.gov. Since it is not possible to foresee all such factors, these factors should not be considered as complete or exhaustive. Consequently, we caution investors not to place undue reliance on any forward-looking statements, as no forward-looking statement can be guaranteed, and actual results may vary materially. Additionally, our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, investments or other strategic transactions we may make.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. Forward-looking statements speak only as of the date of this report. We do not undertake any obligation to update or revise, or to publicly announce any update or revision to, any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

**Overview**

*Initial Public Offering*

On October 12, 2021, Life Time Group Holdings, Inc. consummated its initial public offering ("IPO") of 39.0 million shares of its common stock for total gross proceeds of $702.0 million before deducting the underwriting discounts and other offering expenses. Additionally, on November 1, 2021, Life Time Group Holdings, Inc. consummated the sale of nearly 1.6 million additional shares of its common stock pursuant to the partial exercise by the underwriters of their over-allotment option, resulting in total gross proceeds of approximately $28.4 million before deducting the underwriting discounts and commissions.

*Business and Strategy*

Life Time, the "Healthy Way of Life Company," is a leading lifestyle brand offering premium health, fitness and wellness experiences to a community of more than 1.5 million individual members, who together comprise more than 832,000 memberships, as of June 30, 2023. Since our founding over 30 years ago, we have sought to continuously innovate ways for our members to lead healthy and happy lives by offering them the best places, programs and performers. We deliver high-quality experiences through our omni-channel physical and digital ecosystem that includes more than 160 centers—distinctive, resort-like athletic country club destinations—across 30 states in the United States and one province in Canada. Our track record of providing differentiated experiences to our members has fueled our strong, long-term financial performance.

Our luxurious athletic country clubs, which are located in both affluent suburban and urban locations, total approximately 16 million square feet in the aggregate. We offer expansive fitness floors with top-of-the-line equipment, spacious locker rooms, group fitness studios, indoor and outdoor pools and bistros, indoor and outdoor tennis courts, pickleball courts, basketball courts, LifeSpa, LifeCafe and our childcare and Kids Academy learning spaces. Our premium service offerings are delivered by over 42,000 Life Time team members, including over 9,200 certified fitness professionals, ranging from personal trainers to studio performers.

Our members are highly engaged and draw inspiration from the experiences and community we have created. The value our members place on our community is reflected in the continued strength and growth of our average revenue per center membership and the visits to our athletic country clubs. Our average revenue per center membership and the visits to our clubs for the six months ended June 30, 2023 were $1,369 and 52 million, respectively, as compared to $1,219 and 42 million, respectively, for the six months ended June 30, 2022. We believe that no other company in the United States delivers the same quality and breadth of health, fitness and wellness experiences that we deliver, which enabled us to consistently grow our annual membership dues and in-center revenue for 20 consecutive years, prior to the impact of the COVID-19 pandemic, and now again as we have emerged from the pandemic.

Our total Center revenue has grown significantly since the adverse impacts of the COVID-19 pandemic. Our total Center revenue increased to $1,039.9 million for the six months ended June 30, 2023 as compared to $827.5 million for the six months ended June 30, 2022. We believe it will continue to grow as our existing centers re-ramp in their performance, our new centers ramp to expected performance, we open new centers in desirable locations across the country and we continue to execute on our strategic initiatives discussed below. As of June 30, 2023, we had 21 new centers open for less than three years and 10 new centers under construction, with $327 million of growth capital expenditures already invested into these new centers that have yet to open. We believe the combined dynamic of our ramping new centers, which on average have taken three to four years to ramp to expected performance, plus the future growth that we have not yet realized from the capital expenditures already invested in our centers under construction creates a strong tailwind for the continued growth of our total Center revenue. We also believe we have significant opportunities to continue expanding our portfolio of premium centers with 18 to 20 new centers planned over 2023 and 2024 in increasingly affluent markets. We are also expanding the number of our centers using an asset-light model that targets higher income members, higher average annual revenue per center membership and higher returns on invested capital.

During the pandemic, we determined that we had been under-valuing the experiences delivered to our engaged members and that certain members would likely not return following the pandemic. As we continued to enhance and broaden the premium experiences for our members, we strategically increased our membership pricing across most of our new and existing centers, particularly for our new member join rates. As a result, new members are joining at higher membership dues rates and we expect these members to be incrementally more profitable than the members we lose over the long-term. As expected, our total center memberships have not fully recovered to their 2019 pre-pandemic levels, but our membership dues revenue in the six months ended June 30, 2023 exceeded our pre-pandemic membership dues revenue for centers opened at the end of 2019. We believe that we have built a healthier and stronger business model and that we can continue to refine our pricing and transition existing memberships to higher membership prices or tiers, as we deliver exceptional experiences and optimize the balance among memberships per center, the member experience and financial returns for each center.

With the strong recovery of our membership dues revenue, we have also been able to focus on margin expansion. We have significantly improved the efficiency of our club operations and corporate office, and we are benefiting from the greater flow through of our increased revenue. We experienced significant margin expansion in the six months ended June 30, 2023, and we believe we have opportunities to continue to expand margins.

We have also implemented several strategic initiatives as we continue to evolve our premium lifestyle brand in ways that elevate and broaden our member experiences and allow our members to integrate health, fitness and wellness into their lives with greater ease and frequency. We believe these initiatives are driving significant increases in center usage and higher memberships. These strategic initiatives include pickleball, Dynamic Personal Training, small group training such as Alpha, GTX and Ultra Fit, and our ARORA community focused on members aged 55 years and older, where we have experienced a significant increase in our unique participants or total sessions. Additionally, our enhanced digital platform is delivering a true omni-channel experience for our members, including live streaming fitness classes, remote goal-based personal training, nutrition and weight loss support and curated award-winning health, fitness and wellness content. In addition, our members are able to purchase a wide variety of equipment, wearables, apparel, beauty products and nutritional supplements via our digital health store. We are continuing to invest in our digital capabilities, including our integrated digital app, in order to strengthen our relationships with our members and more comprehensively address their health, fitness and wellness needs so that they can remain engaged and connected with Life Time at any time or place.

We also continue to expand our “Healthy Way of Life” ecosystem in response to the desire of our members to holistically integrate health and wellness into every aspect of their daily lives. In 2018, we launched Life Time Work, an asset-light branded co-working model that offers premium work spaces in close proximity to our centers and integrates ergonomic furnishings and promotes a healthy working environment. Life Time Work members also generally receive access to all of our resort-like athletic country club destinations across the United States and Canada. Additionally, our Life Time Living locations offer luxury wellness-oriented residences, also in close proximity to one of our athletic country clubs. As of June 30, 2023, we had 12 Life Time Work and two Life Time Living locations open and operating. Our Life Time Living offering is generating interest from new property developers and presenting opportunities for new center development that were not previously available to us. As we expand our footprint with new centers and nearby work and living spaces, as well as strengthen our digital capabilities, we expect to continue to grow our omni-channel platform to support the “Healthy Way of Life” journey of our members.

*Macroeconomy*

We continue to monitor the macroeconomic environment and its impact on our business, including with respect to inflation, interest rates, labor and supply chain issuesas well as a potential economic recession. More than two years of elevated inflation has impacted our expenses and capital expenditures in several areas, including wages, construction costs and other operating expenses, and thus pressured our margin performance. Despite this headwind that has shown signs of easing, we have experienced growth in our revenue and margins as discussed above. The rising interest rate environment has also increased the cost of our Term Loan Facility and Revolving Credit Facility and may result in increased cap rates on future sale-leaseback transactions. We will continue to monitor the macroeconomic environment, but we believe that our business is resilient and has performed well historically during different economic cycles including during a recession.

**Non-GAAP Financial Measures**

This discussion and analysis includes certain financial measures that are not presented in accordance with generally accepted accounting principles in the United States (“GAAP”), including Adjusted EBITDA and free cash flow before growth capital expenditures and ratios related thereto. These non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles and should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. In addition, these non-GAAP financial measures should be read in conjunction with our financial statements prepared in accordance with GAAP. The reconciliations of the Company’s non-GAAP financial measures to the corresponding GAAP measures should be carefully evaluated. We use Adjusted EBITDA as an important performance metric for the Company. In addition, free cash flow before growth capital expenditures is an important liquidity metric we use to evaluate our ability to make principal payments on our indebtedness and to fund our capital expenditures and working capital requirements.

***Adjusted EBITDA***

We define Adjusted EBITDA as net income (loss) before interest expense, net, provision for (benefit from) income taxes and depreciation and amortization, excluding the impact of share-based compensation expense, (gain) loss on sale-leaseback transactions, capital transaction costs, legal settlements, asset impairment, severance and other items that are not indicative of our ongoing operations, including incremental costs related to COVID-19.

Management uses Adjusted EBITDA to evaluate the Company’s performance. We believe that Adjusted EBITDA is an important metric for management, investors and analysts as it removes the impact of items that we do not believe are indicative of our core operating performance and allows for consistent comparison of our operating results over time and relative to our peers. We use Adjusted EBITDA to supplement GAAP measures of performance in evaluating the effectiveness of our business strategies, and to establish annual budgets and forecasts. We also use Adjusted EBITDA or variations thereof to establish short-term incentive compensation for management.

***Free Cash Flow Before Growth Capital Expenditures***

We define free cash flow before growth capital expenditures as net cash provided by (used in) operating activities less center maintenance capital expenditures and corporate capital expenditures. We believe free cash flow before growth capital expenditures assists investors and analysts in evaluating our liquidity and cash flows, including our ability to make principal payments on our indebtedness and to fund our capital expenditures and working capital requirements. Our management considers free cash flow before growth capital expenditures to be a key indicator of our liquidity and we present this metric to our board of directors. Additionally, we believe free cash flow before growth capital expenditures is frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. We also believe that investors, analysts and rating agencies consider free cash flow before growth capital expenditures as a useful means of measuring our ability to make principal payments on our indebtedness and evaluating our liquidity, and management uses this measurement for one or more of these purposes.

Adjusted EBITDA and free cash flow before growth capital expenditures should be considered in addition to, and not as a substitute for or superior to, financial measures calculated in accordance with GAAP. These are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income (loss) or any other performance measures derived in accordance with GAAP or as an alternative to net cash provided by (used in) operating activities as a measure of our liquidity and may not be comparable to other similarly titled measures of other businesses. Adjusted EBITDA and free cash flow before growth capital expenditures have limitations as analytical tools, and you should not consider these measures in isolation or as a substitute for analysis of our operating results or cash flows as reported under GAAP. Furthermore, we compensate for the limitations described above by relying primarily on our GAAP results and using Adjusted EBITDA and free cash flow before growth capital expenditures only for supplemental purposes. See our condensed consolidated financial statements included elsewhere in this report for our GAAP results.

**Non-GAAP Measurements and Key Performance Indicators**

We prepare and analyze various non-GAAP performance metrics and key performance indicators to assess the performance of our business and allocate resources. For more information regarding our non-GAAP performance metrics, see "—Non-GAAP Financial Measures" above. These are not measurements of our financial performance under GAAP and should not be considered as alternatives to any other performance measures derived in accordance with GAAP.

Set forth below are certain GAAP and non-GAAP measurements and key performance indicators for the three and six months ended June 30, 2023 and 2022. The following information has been presented consistently for all periods presented.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | ($ in thousands, except for Average Center revenue per center membership data) | | | |
| **Membership Data** | | | | |
| Center memberships | 790,238 | 724,778 | 790,238 | 724,778 |
| Digital On-hold memberships | 42,401 | 50,985 | 42,401 | 50,985 |
| Total memberships | 832,639 | 775,763 | 832,639 | 775,763 |
| **Revenue Data** | | | | |
| Membership dues and enrollment fees | 71.4% | 69.4% | 71.6% | 70.2% |
| In-center revenue | 28.6% | 30.6% | 28.4% | 29.8% |
| Total Center revenue | 100.0% | 100.0% | 100.0% | 100.0% |
| Membership dues and enrollment fees | $ 387,115 | $ 309,262 | $ 744,603 | $ 581,178 |
| In-center revenue | 155,010 | 136,620 | 295,274 | 246,325 |
| Total Center revenue | $ 542,125 | $ 445,882 | $ 1,039,877 | $ 827,503 |
| Average Center revenue per center membership (1) | $ 701 | $ 639 | $ 1,369 | $ 1,219 |
| Comparable center revenue (2) | 15.5% | 36.2% | 19.7% | 42.4% |
| **Center Data** | | | | |
| Net new center openings (3) | — | — | 3 | 2 |
| Total centers (end of period) (3) | 164 | 153 | 164 | 153 |
| Total center square footage (end of period) (4) | 16,200,000 | 15,300,000 | 16,200,000 | 15,300,000 |
| **GAAP and Non-GAAP Financial Measures** | | | | |
| Net income (loss) | $ 17,004 | $ (2,285) | $ 44,464 | $ (40,251) |
| Net income (loss) margin (5) | 3.0 % | (0.5)% | 4.1 % | (4.7)% |
| Adjusted EBITDA (6) | $ 136,039 | $ 63,096 | $ 256,141 | $ 103,722 |
| Adjusted EBITDA margin (6) | 24.2 % | 13.7 % | 23.9 % | 12.2 % |
| Center operations expense | $ 302,603 | $ 279,557 | $ 576,712 | $ 519,130 |
| Pre-opening expenses (7) | $ 2,984 | $ 2,559 | $ 4,669 | $ 3,946 |
| Rent | $ 67,434 | $ 59,989 | $ 133,971 | $ 115,953 |
| Non-cash rent expense (open properties) (8) | $ 6,819 | $ 4,547 | $ 13,196 | $ 5,988 |
| Non-cash rent expense (properties under development) (8) | $ 1,784 | $ 5,079 | $ 4,434 | $ 9,647 |
| Net cash provided by operating activities | $ 141,943 | $ 71,263 | $ 216,291 | $ 80,325 |
| Free cash flow before growth capital expenditures (9) | $ 82,062 | $ 32,441 | $ 109,298 | $ (1,853) |

(1) We define Average Center revenue per center membership as Center revenue less Digital On-hold revenue, divided by the average number of Center memberships for the period, where the average number of Center memberships for the period is an average derived from dividing the sum of the total Center memberships outstanding at the beginning of the period and at the end of each month during the period by one plus the number of months in each period.

(2) We measure the results of our centers based on how long each center has been open as of the most recent measurement period. We include a center, for comparable center revenue purposes, beginning on the first day of the 13th full calendar month of the center's operation, in order to assess the center's growth rate after one year of operation.

(3) Net new center openings is calculated as the number of centers that opened for the first time to members during the period, less any centers that closed during the period. Total centers (end of period) is the number of centers operational as of the last day of the period. During the second quarter of 2023, we opened one center and closed one smaller-format leased center.

(4) Total center square footage (end of period) reflects the aggregate fitness square footage, which we use as a metric for evaluating the efficiencies of a center as of the end of the period. The square footage figures exclude areas used for tennis courts, outdoor swimming pools, outdoor play areas and stand-alone Work, Sport and Swim locations. These figures are approximations.

(5) Net income (loss) margin is calculated as net income (loss) divided by total revenue.

(6) We present Adjusted EBITDA as a supplemental measure of our performance. We define Adjusted EBITDA as net income (loss) before interest expense, net, provision for (benefit from) income taxes and depreciation and amortization, excluding the impact of share-based compensation expense, loss (gain) on sale-leaseback transactions, capital transaction costs, legal settlements, asset impairment, severance and other items that are not indicative of our ongoing operations, including incremental costs related to COVID-19.

Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by total revenue.

The following table provides a reconciliation of net income (loss), the most directly comparable GAAP measure, to Adjusted EBITDA:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2023** | **2022** | **2023** | **2022** |
| Net income (loss) | $ 17,004 | $ (2,285) | $ 44,464 | $ (40,251) |
| Interest expense, net of interest income | 31,979 | 27,093 | 63,174 | 57,036 |
| Provision for (benefit from) income taxes | 3,513 | (3,990) | 12,385 | (6,857) |
| Depreciation and amortization | 58,252 | 57,173 | 116,449 | 115,280 |
| Share-based compensation expense [a] | 16,549 | 5,973 | 22,171 | 27,411 |
| COVID-19 related (credits) expenses [b] | (76) | 371 | 246 | 583 |
| Loss (gain) on sale-leaseback transactions [c] | 7,491 | (21,212) | 759 | (49,584) |
| Capital transaction costs [d] | — | — | — | 255 |
| Other [e] | 1,327 | (27) | (3,507) | (151) |
| Adjusted EBITDA | $ 136,039 | $ 63,096 | $ 256,141 | $ 103,722 |

(a) Share-based compensation expense recognized during the three and six months ended June 30, 2023 was associated with stock options, restricted stock units, our employee stock purchase plan ("ESPP") that launched on December 1, 2022, and liability classified awards related to our short-term incentive plan in 2023. Share-based compensation expense recognized during the three and six months ended June 30, 2022 was associated with stock options, restricted stock and restricted stock units. The majority of this expense was associated with awards that were fully vested and became exercisable on April 4, 2022 in connection with the expiration of the lock-up period following our IPO.

(b) Represents the incremental (credits) expenses we recognized related to the COVID-19 pandemic. We adjust for these (credits) expenses as they do not represent (credits) expenses associated with our normal ongoing operations. We believe that adjusting for these (credits) expenses provides a more accurate and consistent representation of our actual operating performance from period to period. For the three months ended June 30, 2023, COVID-19 related (credits) primarily consisted of a subsidy for our Canadian operations, partially offset by legal-related costs in pursuit of our claim against Zurich. For the six months ended June 30, 2023, and the three and six months ended June 30, 2022, COVID-19 related expenses primarily consisted of legal-related costs in pursuit of our claim against Zurich. For more information regarding this claim, see Note 10, Commitments and Contingencies, to our condensed consolidated financial statements in this report.

(c) We adjust for the impact of losses and gains on the sale-leaseback of our properties as they do not reflect costs associated with our ongoing operations. For details on the loss on sale-leaseback transactions that we recognized during the six months ended June 30, 2023, see "Sale-Leaseback Transactions" within Note 7, Leases, to our condensed consolidated financial statements in this report.

(d) Represents costs related to capital transactions, including debt and equity offerings that are non-recurring in nature, but excluding direct costs related to the IPO, which were netted against the proceeds of the IPO.

(e) Includes benefits and costs associated with transactions that are unusual and non-recurring in nature.

(7) Represents non-capital expenditures associated with opening new centers, which are incurred prior to the commencement of a new center opening. The number of centers under construction or development, the types of centers and our costs associated with any particular center opening can vary significantly from period to period.

(8) Reflects the non-cash portion of our annual GAAP operating lease expense that is greater or less than the cash operating lease payments. Non-cash rent expense for our open properties represents non-cash expense associated with properties that were operating at the end of each period presented. Non-cash rent expense for our properties under development represents non-cash expense associated with properties that are still under development at the end of each period presented.

(9) Free cash flow before growth capital expenditures, a non-GAAP financial measure, is calculated as net cash provided by operating activities less center maintenance capital expenditures and corporate capital expenditures.

The following table provides a reconciliation from net cash provided by operating activities to free cash flow before growth capital expenditures:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| ($ in thousands) | 2023 | 2022 | 2023 | 2022 |
| Net cash provided by operating activities | $ 141,943 | $ 71,263 | $ 216,291 | $ 80,325 |
| Center maintenance capital expenditures | (44,470) | (19,057) | (77,369) | (35,453) |
| Corporate capital expenditures | (15,411) | (19,765) | (29,624) | (46,725) |
| Free cash flow before growth capital expenditures | $ 82,062 | $ 32,441 | $ 109,298 | $ (1,853) |

**Factors Affecting the Comparability of our Results of Operations**

**Impact of COVID-19 on our Business**

*Overview*

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, the United States declared a National Public Health Emergency and we closed all of our centers based on orders and advisories from federal, state and local governmental authorities regarding COVID-19. Throughout this report, including this "Management's Discussion and Analysis of Financial Condition and Results of Operations," when we refer to "COVID-19" or "the pandemic," such as when we describe the "impact of COVID-19" on our operations, we mean the coronavirus-related orders issued by governmental authorities affecting our operations and/or the presence of coronavirus in our centers, including COVID-19 positive members or team members.

We re-opened our first center on May 8, 2020, and continued to re-open our centers as state and local governmental authorities permitted, subject to operating processes and protocols that we developed in consultation with an epidemiologist (MD/PhD) to provide a healthy and clean environment for our members and team member and to meet various governmental requirements and restrictions. Our centers were also impacted in 2021 as a result of the Delta variant and then again later in 2021 and into 2022 with the Omicron variant. The performance of our centers has improved significantly as our centers have ramped back from the adverse impacts of COVID-19, with 102 centers across 24 states that were open prior to 2020 having recovered to or exceeded 2019 membership dues levels as of June 30, 2023. The timing and magnitude of this recovery has been dependent on various factors, including how early we were able to re-open our centers, whether we were required to close them again, their geographic location and applicable governmental restrictions.

We have experienced a slightly faster recovery in our membership dues revenue compared to our in-center revenue. We expect membership dues revenue to remain a higher percentage of our total revenue in the near term and return to more historical levels over time.

*Leverage*

We are focused on improving the ratio of our net debt to Adjusted EBITDA, or our leverage ratic We define net debt as the current and long-term portion of our debt, excluding unamortized debt discounts and issuance costs and fair value adjustments, less cash and cash equivalents. Our leverage ratio has been elevated due in part to the adverse impacts of COVID-19, which required us to incur additional debt and significantly reduced our Adjusted EBITDA. We have significantly improved our leverage ratio in the first six months of 2023 and believe that we can continue to improve our leverage ratio as our profitability improves and we continue to strengthen our balance sheet, including through sale-leaseback transactions.

**Investment in Business**

We have continued to invest in our business to elevate and broaden our member experiences and drive additional revenue per center membership, including improving our in-center services and products, such as pickleball, Dynamic Personal Training, small group training and our ARORA community, introducing new types of memberships, providing concierge-type member services and expanding our omni-channel offerings. Elevating our member experiences requires investment in our team members, programs, products, services and centers. These investments may impact our short-term results of operations and cash flows as our investments in our business may be made more quickly than we achieve additional revenue per center membership. While we remain focused on providing exceptional experiences to our members and growing our revenue, we are also focused on center and overhead support efficiencies given our recovery of membership dues and a significant portion of our center memberships.

**Impact of Our Asset-light, Flexible Real Estate Strategy on Rent Expense**

Our asset-light, flexible real estate strategy has allowed us to expand our business by leveraging operating leases and sale-leaseback transactions. Approximately 66% of our centers are now leased, including approximately 88% of our new centers opened since 2015, versus a predominantly owned real estate strategy prior to 2015. Rent expense, which includes both cash and non-cash rent expense, will continue to increase as we lease more centers and will therefore impact the comparability of our results of operations. The impact of these increases is dependent upon the timing of our centers under development and the center openings and terms of the leases for the new centers or sale-leaseback transactions.

**Macroeconomic Trends**

We have been monitoring the macroeconomic environment and its impact on our business, including with respect to inflation, interest rates, labor and supply chain issuesas well as a potential economic recession. See "—Overview—Macroeconomy" for additional information.

**Share-Based Compensation**

During the six months ended June 30, 2023, we recognized share-based compensation expense associated with stock options, restricted stock units, our ESPP that launched on December 1, 2022, and liability classified awards related to our short-term incentive plan in 2023, totaling approximately $22.2 million. During the six months ended June 30, 2022, we recognized share-based compensation expense associated with stock options, restricted stock and restricted stock units totaling approximately $27.4 million. The majority of this expense was associated with awards that were fully vested and became exercisable on April 4, 2022 in connection with the expiration of the lock-up period following our IPO.

**Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates. In recording transactions and balances resulting from business operations, we use estimates based on the best information available. We revise the recorded estimates when better information is available, facts change or we can determine actual amounts. These revisions can affect operating results.

Management has evaluated the development and selection of our critical accounting policies and estimates used in the preparation of the Company's unaudited condensed consolidated financial statements and related notes and believes these policies to be reasonable and appropriate. Certain of these policies involve a higher degree of judgment or complexity and are most significant to reporting our results of operations and financial position, and are, therefore, discussed as critical. Our most significant estimates and assumptions that materially affect the Company's unaudited condensed consolidated financial statements involve difficult, subjective or complex judgments, which management used while performing goodwill, indefinite-lived intangible and long-lived asset impairment analyses and sale-leaseback arrangements. Given the additional effects from the COVID-19 pandemic, these estimates can be more challenging, and actual results could differ materially from our estimates.

More information on all of our significant accounting policies can be found in Note 2, "Summary of Significant Accounting Policies" to our audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC.There have been no material changes to our critical accounting policies as compared to the critical accounting policies described in such Annual Report on Form 10-K.

**Results of Operations**

***Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022***

The following table sets forth our condensed consolidated statements of operations data (amounts in thousands) and data as a percentage of total revenue for the three months ended June 30, 2023 and 2022:

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | | | As a Percentage of Total Revenue | |
| | 2023 | 2022 | 2023 | 2022 |
| Revenue: | | | | |
| Center revenue | $ 542,125 | $ 445,882 | 96.5 % | 96.7 % |
| Other revenue | 19,606 | 15,385 | 3.5 % | 3.3 % |
| Total revenue | 561,731 | 461,267 | 100.0 % | 100.0 % |
| Operating expenses: | | | | |
| Center operations | 302,603 | 279,557 | 53.9 % | 60.6 % |
| Rent | 67,434 | 59,989 | 12.0 % | 13.0 % |
| General, administrative and marketing | 52,840 | 51,950 | 9.4 % | 11.3 % |
| Depreciation and amortization | 58,252 | 57,173 | 10.4 % | 12.4 % |
| Other operating expense (income) | 28,194 | (8,212) | 5.0 % | (1.8)% |
| Total operating expenses | 509,323 | 440,457 | 90.7 % | 95.5 % |
| Income from operations | 52,408 | 20,810 | 9.3 % | 4.5 % |
| Other (expense) income: | | | | |
| Interest expense, net of interest income | (31,979) | (27,093) | (5.7)% | (5.9)% |
| Equity in earnings of affiliate | 88 | 8 | — % | — % |
| Total other expense | (31,891) | (27,085) | (5.7)% | (5.9)% |
| Income (loss) before income taxes | 20,517 | (6,275) | 3.6 % | (1.4)% |
| Provision for (benefit from) income taxes | 3,513 | (3,990) | 0.6 % | (0.9)% |
| Net income (loss) | $ 17,004 | $ (2,285) | 3.0 % | (0.5)% |

*Total revenue.* The $100.5 million increase in Total revenue for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022 was due to continued strong growth in membership dues and in-center revenue, including continuing to realize the benefits of pricing actions already completed, membership growth in our new and ramping centers and higher member utilization of our in-center offerings.

With respect to the $96.2 million increase in Center revenue for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022:

- 80.9% was from membership dues and enrollment fees, which increased $77.9 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. This increase reflects the improvement in our Center memberships, which increased to 790,238 as of June 30, 2023 from 724,778 as of June 30, 2022, as well as higher average monthly dues per Center membership during the three months ended June 30, 2023 as compared to the three months ended June 30, 2022; and

- 19.1% was from in-center revenue, which increased $18.4 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. This increase was recognized across all of our primary in-center businesses and reflects the higher utilization of our offerings by our members during the three months ended June 30, 2023 as compared to the three months ended June 30, 2022.

The $4.2 million increase in Other revenue for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022 was primarily driven by our athletic events business, as well as the improved performance of our Life Time Work and Life Time Living locations.

*Center operations expenses.* The $23.0 million increase in Center operations expenses for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022 was primarily due to operating costs related to our new and ramping centers.

*Rent expense*. The $7.4 million increase in Rent expense for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022 was primarily driven by the timing of sale-leaseback transactions during both the current and prior year as well as our taking possession of three properties sinceMay 31, 2022 for future centers where we started incurring GAAP rent expense, most of which is non-cash.

*General, administrative and marketing expenses.* General, administrative and marketing expenses increased $0.9 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, primarily due to higher share-based compensation expense, which was largely offset by reduced center support overhead, advertising and marketing, public company and cash incentive compensation expenses.

*Depreciation and amortization*. Depreciation and amortization increased $1.1 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, primarily due to new and ramping centers.

*Other operating expense (income).* Other operating expense for the three months ended June 30, 2023 was $28.2 million as compared to Other operating income of $8.2 million for the three months ended June 30, 2022. The $36.4 million change was primarily attributable to the recognition of a $7.5 million loss on a sale-leaseback transaction during the three months ended June 30, 2023 as compared to the recognition of a $21.3 million gain on sale-leaseback transactions during the three months ended June 30, 2022, as well as increased costs to support other revenue growth.

*Interest expense, net of interest income.* The $4.9 million increase in Interest expense, net of interest income for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022 was driven by a higher average level of outstanding borrowings and higher interest rates during the three months ended June 30, 2023 as compared to the three months ended June 30, 2022.

*Provision for (benefit from) income taxes*. The provision for income taxes was $3.5 million for the three months ended June 30, 2023 as compared to a $4.0 million benefit from income taxes for the three months ended June 30, 2022. The effective tax rate was 17.1% and 63.6% for those same periods, respectively. The increase in provision for income taxes for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022 was primarily driven by the increase in earnings before income taxes and a change in the valuation allowance associated with certain of our deferred tax assets, partially offset by the tax deduction associated with share-based payment awards. The effective tax rate applied to our pre-tax income for the three months ended June 30, 2023 is lower than our statutory rate of 21.0% and reflects a change in the valuation allowance associated with certain of our deferred tax assets and the tax deduction associated with share-based payment awards, partially offset by an increase due to the deductibility limitations associated with executive compensation and state income tax provisions.

*Net income (loss)*. As a result of the factors described above, net income was $17.0 million for the three months ended June 30, 2023 as compared to a net loss of $2.3 million for the three months ended June 30, 2022.

***Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022***

The following table sets forth our condensed consolidated statements of operations data (amounts in thousands) and data as a percentage of total revenue for the six months ended June 30, 2023 and 2022:

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | | | As a Percentage of Total Revenue | |
| | 2023 | 2022 | 2023 | 2022 |
| Revenue: | | | | |
| Center revenue | $ 1,039,877 | $ 827,503 | 97.0 % | 97.0 % |
| Other revenue | 32,705 | 26,018 | 3.0 % | 3.0 % |
| Total revenue | 1,072,582 | 853,521 | 100.0 % | 100.0 % |
| Operating expenses: | | | | |
| Center operations | 576,712 | 519,130 | 53.8 % | 60.8 % |
| Rent | 133,971 | 115,953 | 12.5 % | 13.6 % |
| General, administrative and marketing | 95,337 | 118,511 | 8.9 % | 13.9 % |
| Depreciation and amortization | 116,449 | 115,280 | 10.8 % | 13.6 % |
| Other operating expense (income) | 30,321 | (25,247) | 2.8 % | (3.0)% |
| Total operating expenses | 952,790 | 843,627 | 88.8 % | 98.9 % |
| Income from operations | 119,792 | 9,894 | 11.2 % | 1.1 % |
| Other (expense) income: | | | | |
| Interest expense, net of interest income | (63,174) | (57,036) | (5.9)% | (6.7)% |
| Equity in earnings of affiliate | 231 | 34 | — % | — % |
| Total other expense | (62,943) | (57,002) | (5.9)% | (6.7)% |
| Income (loss) before income taxes | 56,849 | (47,108) | 5.3 % | (5.6)% |
| Provision for (benefit from) income taxes | 12,385 | (6,857) | 1.2 % | (0.9)% |
| Net income (loss) | $ 44,464 | $ (40,251) | 4.1 % | (4.7)% |

*Total revenue.* The $219.1 million increase in Total revenue for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 was due to continued strong growth in membership dues and in-center revenue, including continuing to realize the benefits of pricing actions already completed, membership growth in our new and ramping centers, the continued re-ramp of our centers and higher member utilization of our in-center offerings.

With respect to the $212.4 million increase in Center revenue for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022:

- 77.0% was from membership dues and enrollment fees, which increased $163.4 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. This increase reflects the improvement in our Center memberships, which increased to 790,238 as of June 30, 2023 from 724,778 as of June 30, 2022, as well as higher average monthly dues per Center membership during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022; and

- 23.0% was from in-center revenue, which increased $48.9 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. This increase was recognized across all of our primary in-center businesses and reflects the higher utilization of our offerings by our members during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022.

The $6.7 million increase in Other revenue for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 was primarily driven by our athletic events business, as well as the improved performance of our Life Time Work and Life Time Living locations.

*Center operations expenses.* The $57.6 million increase in Center operations expenses for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 was primarily due to operating costs related to our new and ramping centers and utility cost inflation.

*Rent expense.* The $18.0 million increase in Rent expense for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 was primarily driven by the timing of sale-leaseback transactions during both the current and prior year as well as our taking possession of three properties since May 31, 2022 for future centers where we started incurring GAAP rent expense, most of which is non-cash.

*General, administrative and marketing expenses.* General, administrative and marketing expenses decreased $23.2 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, due to lower share-based compensation expense, lower cash incentive compensation expense and reduced center support overhead, advertising and marketing and public company expenses.

*Depreciation and amortization*. Depreciation and amortization increased $1.2 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, primarily due to new and ramping centers.

*Other operating expense (income).* Other operating expense for the six months ended June 30, 2023 was $30.3 million as compared to Other operating income of $25.2 million for the six months ended June 30, 2022. The $55.6 million change was primarily attributable to the recognition of a $0.8 million loss on sale-leaseback transactions during the six months ended June 30, 2023 as compared to the recognition of a $49.6 million gain on sale-leaseback transactions during the six months ended June 30, 2022, as well as increased costs to support other revenue growth.

*Interest expense, net of interest income.* The $6.1 million increase in Interest expense, net of interest income for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 was driven by a higher average level of outstanding borrowings and higher interest rates during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022.

*Provision for (benefit from) income taxes*. The provision for income taxes was $12.4 million for the six months ended June 30, 2023 as compared to a $6.9 million benefit from income taxes for the six months ended June 30, 2022. The effective tax rate was 21.8% and 14.6% for those same periods, respectively. The increase in provision for income taxes for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 was primarily driven by the increase in earnings before income taxes, offset by a change in the valuation allowance associated with certain of our deferred tax assets and the tax deduction associated with share-based payment awards. The effective tax rate applied to our pre-tax income for the six months ended June 30, 2023 is slightly higher than our statutory rate of 21% and reflects an increase due to deductibility limitations associated with executive compensation as well as state income tax provisions, largely offset by a change in the valuation allowance associated with certain of our deferred tax assets and the tax deduction associated with share-based payment awards.

*Net income (loss)*. As a result of the factors described above, net income was $44.5 million for the six months ended June 30, 2023 as compared to a net loss of $40.3 million for the six months ended June 30, 2022.

**Liquidity and Capital Resources**

***Liquidity***

Our principal liquidity needs include the development of new centers, lease requirements and debt service, investments in our business and technology and expenditures necessary to maintain and update or enhance our centers and associated fitness equipment and member experiences. We have primarily satisfied our historical liquidity needs with cash flow from operations, drawing on the Revolving Credit Facility, construction reimbursements and through sale-leaseback transactions.

One of our top priorities remains improving our balance sheet and reducing leverage. We have taken significant actions to improve our liquidity. In May 2023, we refinanced our $273.6 million Term Loan Facility that had a maturity date in December 2024 to our $310.0 million Term Loan Facility that has a maturity date of January 15, 2026. For more information regarding the debt refinancing transaction, see Note 6, Debt, to our condensed consolidated financial statements included in this report. In addition, during the six months ended June 30, 2023, we completed sale-leaseback transactions associated with two properties. During 2022, we completed sale-leaseback transactions associated with nine properties and also rewired our Company to improve the efficiency of our club operations and corporate office. We continue to explore potential sale-leaseback opportunities for a number of our properties. For more information regarding the sale-leaseback transactions that were consummated during the six months ended June 30, 2023, see Note 7, Leases, to our condensed consolidated financial statements included in this report. Additionally, we also benefit from our in-house architecture, design and construction expertise that allows us to create operationally efficient centers and control the cost and pace of capital expenditures, including in determining when to begin or delay construction on a new athletic country club. We believe the steps we have taken to strengthen our balance sheet and to reduce our cash outflows leave us well-positioned to manage our business.

As the opportunity arises or as our business needs require, we may seek to raise capital through additional debt or equity financing. There can be no assurance that any such financing would be available on commercially acceptable terms, or at all. To date, we have not experienced difficulty accessing the credit and capital markets; however, volatility in these markets, particularly in light of the rising interest rate environment and any continued impacts of COVID-19, may increase costs associated with issuing debt instruments or affect our ability to access those markets, which could have an adverse impact on our ability to raise additional capital, to refinance existing debt and/or to react to changing economic and business conditions. In addition, it is possible that our ability to access the credit and capital markets could be limited at a time when we would like or need to do so.

As of June 30, 2023, there were $20.0 million of outstanding borrowings under our Revolving Credit Facility and there were $30.5 million of outstanding letters of credit, resulting in total availability under our Revolving Credit Facility of $424.5 million. Total cash and cash equivalents, exclusive of restricted cash, at June 30, 2023 was $15.8 million, resulting in total cash and availability under our Revolving Credit Facility of $440.3 million.

The following table sets forth our condensed consolidated statements of cash flows data (in thousands):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Net cash provided by operating activities | $ 216,291 | $ 80,325 |
| Net cash used in investing activities | (259,498) | (77,702) |
| Net cash provided by financing activities | 48,420 | 27,139 |
| Effect of exchange rates on cash and cash equivalents | 136 | (110) |
| Increase in cash and cash equivalents | $ 5,349 | $ 29,652 |

***Operating Activities***

The $136.0 million increase in cash provided by operating activities for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 was primarily the result of higher profitability.

***Investing Activities***

Investing activities consist primarily of purchasing real property, constructing new centers, acquisitions and purchasing new fitness equipment. In addition, we invest in capital expenditures to maintain and update our existing centers. We finance the purchase of our property and equipment through operating cash flows, proceeds from sale-leaseback transactions, construction reimbursements and draws on our Revolving Credit Facility.

The $181.8 million increase in net cash used in investing activities for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 was primarily driven by a higher level of new center construction activity and a lower amount of proceeds that we received from sale-leaseback transactions during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022.

The following table reflects capital expenditures by type of expenditure (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Growth capital expenditures, net of construction reimbursements (1) | $ 106,381 | $ 103,064 | $ 230,083 | $ 170,462 |
| Center maintenance capital expenditures | 44,470 | 19,057 | 77,369 | 35,453 |
| Corporate capital expenditures | 15,411 | 19,765 | 29,624 | 46,725 |
| Total capital expenditures | $ 166,262 | $ 141,886 | $ 337,076 | $ 252,640 |

(1) Growth capital expenditures include new center land and construction and major remodels of existing centers.

The $84.4 million increase in total capital expenditures for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 was primarily driven by higher growth capital expenditures for new centers.

***Financing Activities***

The $21.3 million increase in cash provided by financing activities for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 was primarily driven by net incremental proceeds we received from borrowings under our Term Loan Facility and Construction Loan and proceeds from stock option exercises during the six months ended June 30, 2023.

We expect to satisfy our short-term and long-term obligations through a combination of cash on hand, funds generated from operations, sale-leaseback transactions and the borrowing capacity available under our Revolving Credit Facility.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business that include changes in interest rates and changes in foreign currency exchange rates. Information relating to quantitative and qualitative disclosures about these market risks is set forth below.

*Interest rate risk*

Our cash consists primarily of an interest-bearing account at a large United States bank with limited interest rate risk. At June 30, 2023, we held no investments in marketable securities.

In connection with the refinancing of our Term Loan Facility in May 2023, we converted the facilities under the Amended Credit Agreement from LIBOR to Term Secured Overnight Financing Rate (“SOFR”). We incur interest at variable rates under our Revolving Credit Facility. At June 30, 2023, there were $20.0 million of outstanding borrowings under the Revolving Credit Facility and $30.5 million of outstanding letters of credit, resulting in total revolver availability of$424.5 million, which was available at intervals ranging from 30 to 180 days at interest rates of SOFR plus an applicable credit adjustment spread ranging from 0.11448% to 0.42826% depending on the duration of borrowing plus 3.50% or base rate plus 2.50%. Our Term Loan Facility is also subject to variable rates of SOFR plus the applicable credit adjustment spread plus 4.75% or base rate plus 3.75% and had an outstanding balance of $310.0 million at June 30, 2023.

Assuming no prepayments of the Term Loan Facility and that the Revolving Credit Facility is fully drawn (and that SOFR is in excess of the floor rate applicable to the Term Loan Facility), each one percentage point change in interest rates would result in an approximately $7.9 million change in annual interest expense on the indebtedness under the Credit Facilities.

*Foreign currency exchange risk*

We operate primarily in the United States with three centers operating in Canada. Given our limited amount of operations outside of the United States, fluctuations due to changes in foreign currency exchange rates would not have a material impact on our business.

## ITEM 4. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

Our management, with the participation of our CEO and Chief Financial Officer, has carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our CEO and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Part II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

From time to time, we are engaged in litigation or other proceedings incidental to the normal course of business, including investigations and claims regarding employment law including wage and hour and unfair labor practices; supplier, customer and service provider contract terms; products liability; and real estate. Other than as set forth in Note 10, Commitments and Contingencies, in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein, there are no pending material legal proceedings to which we are a party or to which our property is subject.

### ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed under the caption “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC, which could materially affect our business, financial condition or future results. There have been no material changes from the risk factors previously disclosed in that Annual Report.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

None.

### ITEM 5. OTHER INFORMATION

None.

**ITEM 6. EXHIBITS**

All exhibits as set forth on the Exhibit Index.

**Exhibit Index**

| Exhibit Number | Description of Exhibit | Form | File No. | Exhibit | Filing Date |
|---|---|---|---|---|---|
| 10.1 | Tenth Amendment to the Credit Agreement, dated as of May 9, 2023, by and among LTF Intermediate Holdings, Inc., Life Time, Inc., the subsidiary guarantors party thereto, the lenders party thereto, and Deutsche Bank AG New York Branch, as administrative agent. | 8-K | 001-40887 | 10.1 | 5/12/2023 |
| 31.1 | Certification of the Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | Filed herewith |
| 31.2 | Certification of the Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | Filed herewith |
| 32.1 | Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 2002. | | | | Furnished herewith |
| 32.2 | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 2002. | | | | Furnished herewith |
| 101.INS | Inline XBRL Instance Document — the Instance Document does not appear in the interactive data file because its XBRL tags are Embedded within the Inline XBRL Document. | | | | Filed herewith |
| 101.SCH | Inline XBRL Schema Document. | | | | Filed herewith |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | | | | Filed herewith |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. | | | | Filed herewith |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. | | | | Filed herewith |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | | | | Filed herewith |
| 104 | Cover Page Interactive Data File — the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | | | | Filed herewith |

## SIGNATURES

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

| | | |
|---|---|---|
| | | **Life Time Group Holdings, Inc.** |
| Date: July 31, 2023 | By: | /s/ Robert Houghton |
| | | Robert Houghton |
| | | Executive Vice President & Chief Financial Officer |

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bahram Akradi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 of Life Time Group Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2023

By: /s/ Bahram Akradi

Bahram Akradi

*Chief Executive Officer*
*(Principal Executive Officer)*

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Houghton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 of Life Time Group Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2023

By: /s/ Robert Houghton

Robert Houghton
*Chief Financial Officer*
*(Principal Financial Officer)*

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Quarterly Report on Form 10-Q of Life Time Group Holdings, Inc. (the “Company”) for the quarterly period ended June 30, 2023 with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

| | | |
|---|---|---|
| Date: July 31, 2023 | By: | /s/ Bahram Akradi |
| | | Bahram Akradi |
| | | *Chief Executive Officer*<br>*(Principal Executive Officer)* |

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Quarterly Report on Form 10-Q of Life Time Group Holdings, Inc. (the "Company") for the quarterly period ended June 30, 2023 with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

| | | |
|---|---|---|
| Date: July 31, 2023 | By: | /s/ Robert Houghton |
| | | Robert Houghton |
| | | *Chief Financial Officer* |
| | | *(Principal Financial Officer)* |