

# Planet Fitness (NYSE: PLNT)

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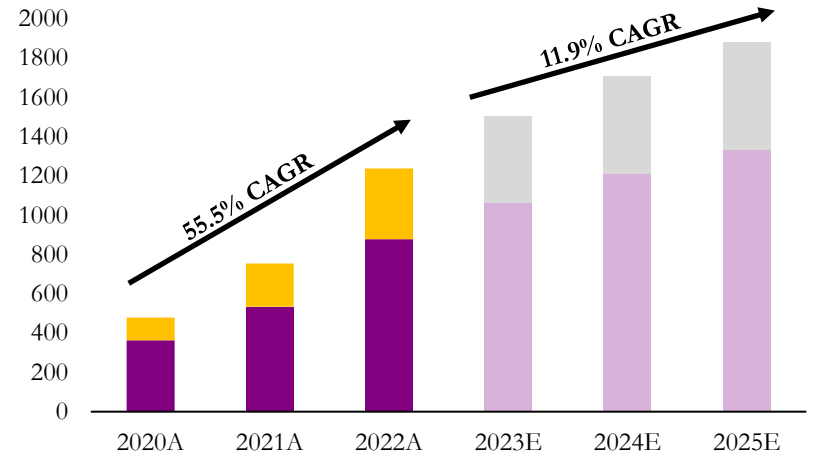
# Company Overview

Planet Fitness differentiates its three business segments through its unique strategy and consistently sees increasing cash flow/EBITDA.

## General Description

- Operates fitness centers focusing on providing customers non-intimidating gym experience at discount price
- Emphasizes Judgement Free Zone with a laidback atmosphere and no squat racks, barbells, etc.
- Strategy focuses on continually improving store base, driving system wide and same store sales growth, driving growth through promotions and awareness, and expanding location and membership base and in turn equipment revenues

## Revenue/EBITDA Projection



## Revenue Segments

### Franchise

- Currently franchises **2,176 stores** across United States, Puerto Rico, Canada, Panama, Mexico, and Australia
- Generates revenue from initial franchise outlays and royalty fees

### Corporate-Owned Stores

- Planet Fitness owns and operates **234 stores** internally
- **40%** of recent fiscal year revenue
- Rapidly growing due to **Sunshine Acquisition**

### Equipment

- Revenue generated from initial outlay of fitness and cardio equipment at new franchise
- Additional revenue generated from periodic replacement

# Investment Thesis

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1

Promotions and partnerships are driving growth and lowering churn

2

Low membership fee and expansion plan capitalize on recessionary environment

Buy

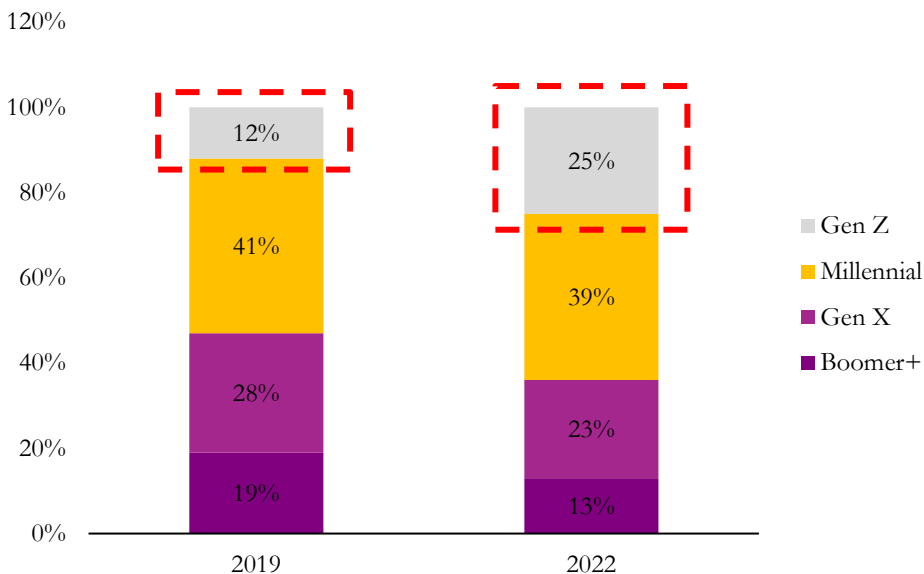
Target Price: \$105.90

Upside: 36.5%

# Growing Younger Customer Base

Planet Fitness's promotions such as the High School Summer Pass have helped them gain a strong foothold with Gen Z.

## Generational Mix



## Special Programs



## Social Media Influences



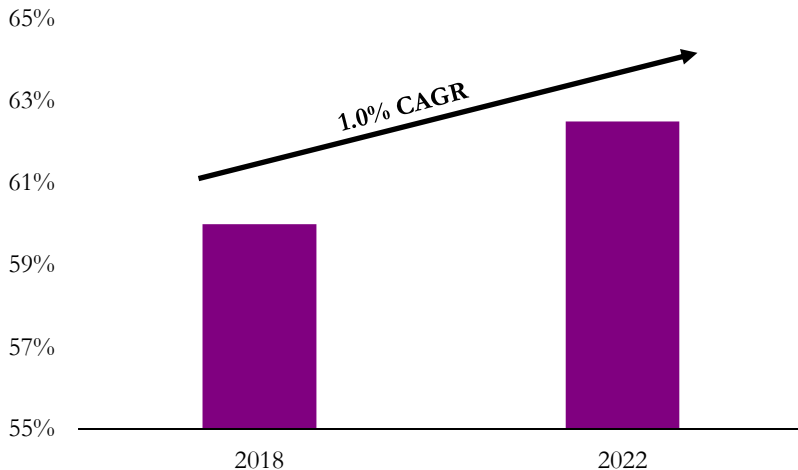
- **Pandemic's push:** since 2019 Planet Fitness has added 2.9 million Gen Z members
- Largely due to new **High School Summer Pass** – a free 3-month membership for kids aged 14 to 19
- Program introduced in 2019, **1m** teens joined and **11%** converted to full-time memberships
- Last summer **3.5m** teens joined and conversion already outpacing 2019 numbers, likely to see a minimum of **0.5m** additions
- Program will continue to be implemented in subsequent summers increasing foothold with Gen Z cohort which is the primary driver of industry organic growth

# Partnerships Promote Upselling

Planet Fitness's Black Card promotions are key in upselling current and new members and their focus on these promotions is expected to expand.



## Black Card Membership Penetration



## Additional Promotions



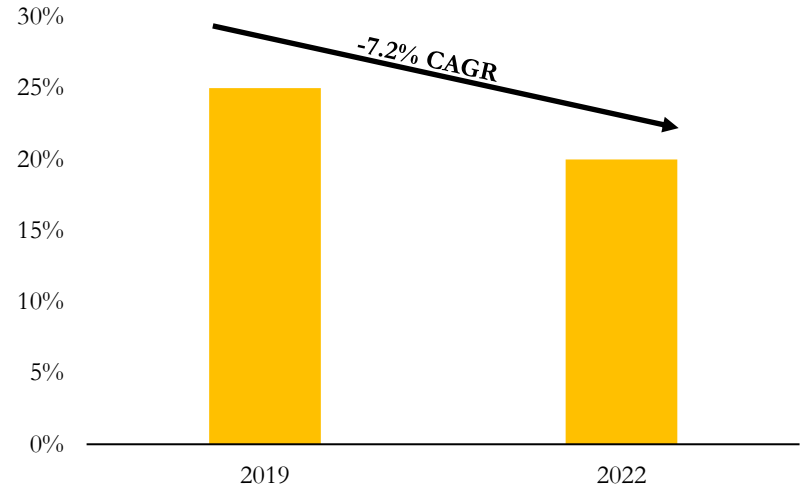
# Reduced Churn Post-Pandemic

Planet Fitness's extensive and growing perks system has caused infrequent users to remain as customers, decreasing its churn rate.

## Partners



## Churn Rate



## Increased Retention

25% of members that engaged with perks had not visited the club in over 3 months

“\$10 per month worth of perks is a relatively low hurdle to clear”

Planet Fitness is expected to roll out at least **2-3** new partnerships a year

1

Promotions and partnerships are driving growth and lowering churn

2

Low membership fee and expansion plan capitalize on recessionary environment



# Market-Low Membership Fees

Planet Fitness membership fees vastly undercut competitors and have remained stagnant for decades while competitors continually increase.



Initial Fee	Classic Membership	Black Card
<b>\$39.99</b>	<b>\$10.00</b>	<b>\$24.00</b>



Basic Membership: **\$39.99**

Initial Fee: **\$99.99**



Basic Membership: **\$62.00**

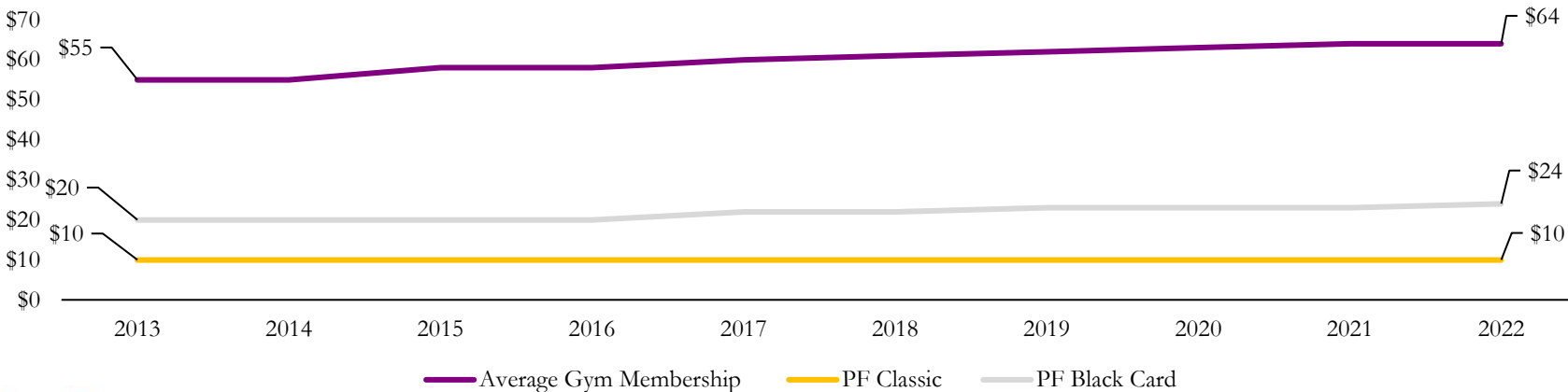
Initial Fee: **\$79.99**



Basic Membership: **\$38.99**

Initial Fee: **\$49.99**

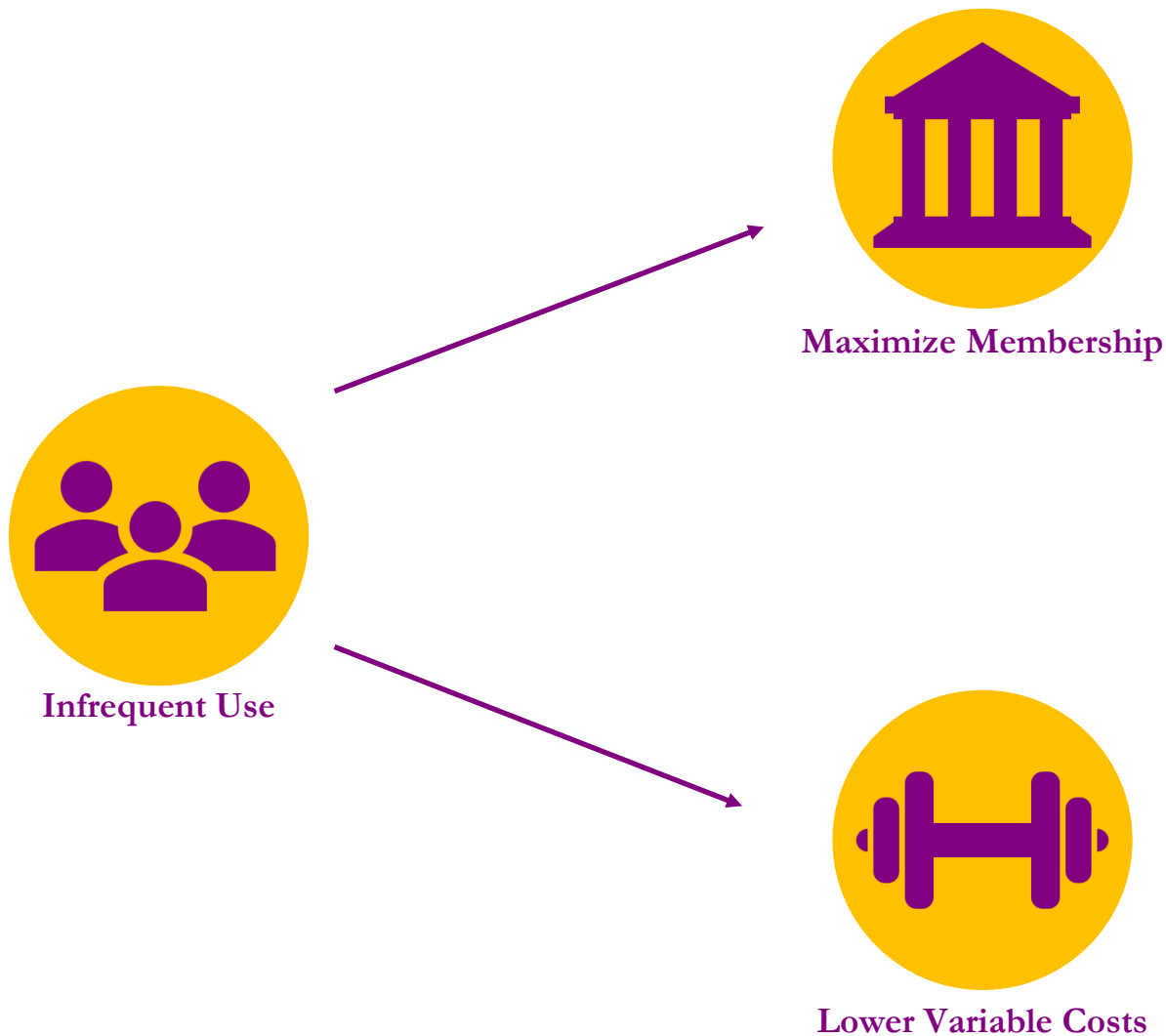
## Market Membership Fee Growth





# Membership Moat

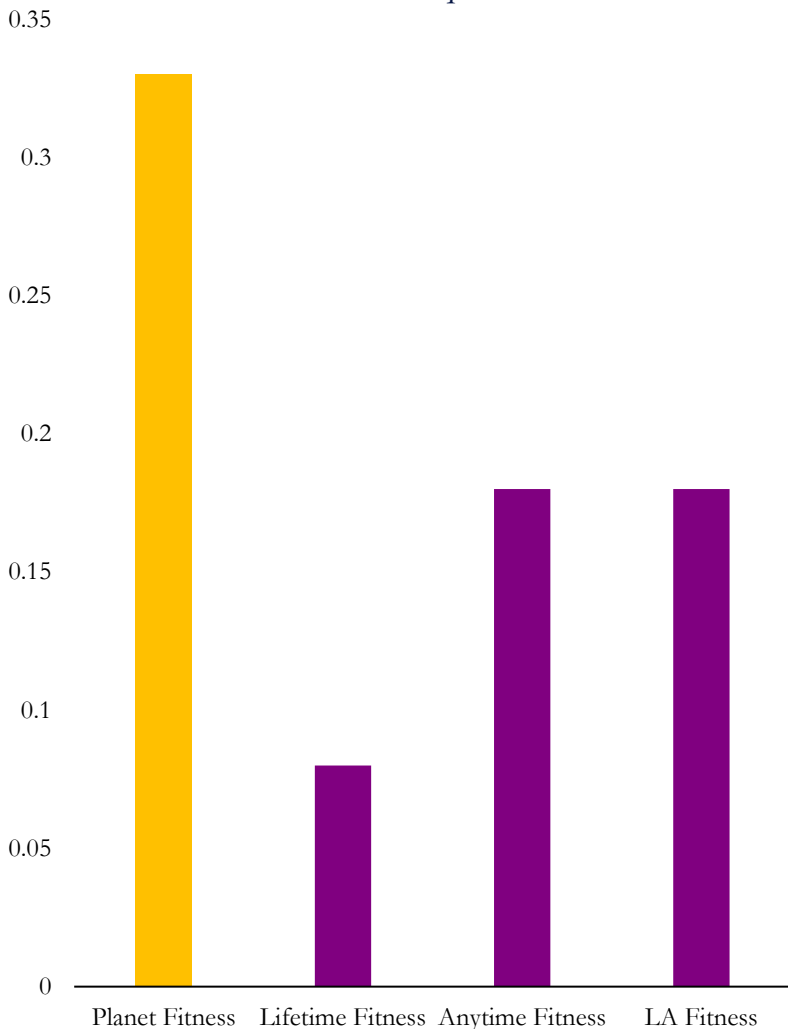
Infrequent use allows Planet Fitness to maximize memberships and minimize costs maintaining a \$10 membership competitors cannot replicate.



# Membership Moat

Infrequent use allows Planet Fitness to maximize membership while expanding at their desired pace.

Members Per Square Foot



- Average member goes twice per week and total of **8-10** times a month
- Improving, but at Planter Fitness the average member goes **5-6** times per month
- **40%** don't visit in a **30-day stretch**
- "At \$10 a month users are likelier to hold onto the membership to say they belong to a gym than quit"



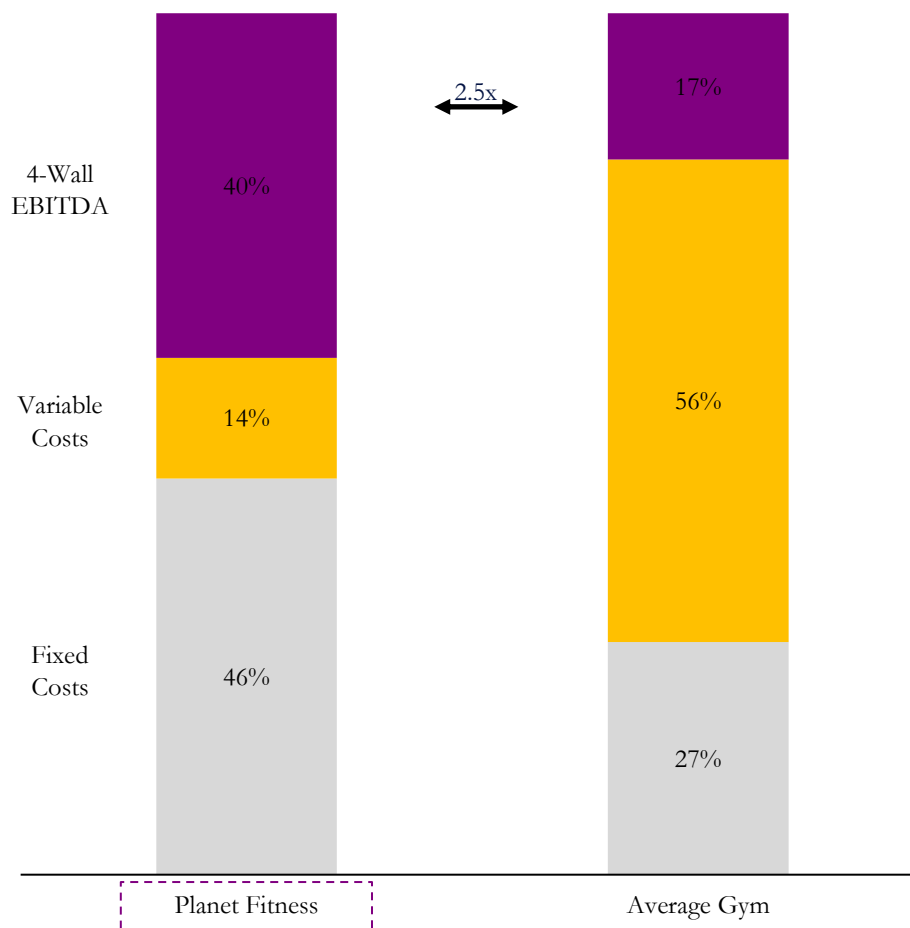
- Infrequent user allows PF to continually increase memberships without overcrowding
- Other gyms unable to replicate \$10 membership – resulting membership increase would lead to overcrowding

# Membership Moat

Infrequent use and a casual gym goer base allows Planet Fitness to limit costs so they can float their \$10 membership.



- Planet Fitness's casual gym-goer base requires less amenities
- No barbells, specialized machines, dumbbells only go to 80lbs, no power racks or bench press rigs
- No pools, basketball courts, racquetball courts, or yoga studios
- Also, the casual gym goer base and infrequent use leads to less equipment wear and tear and less frequent variable costs

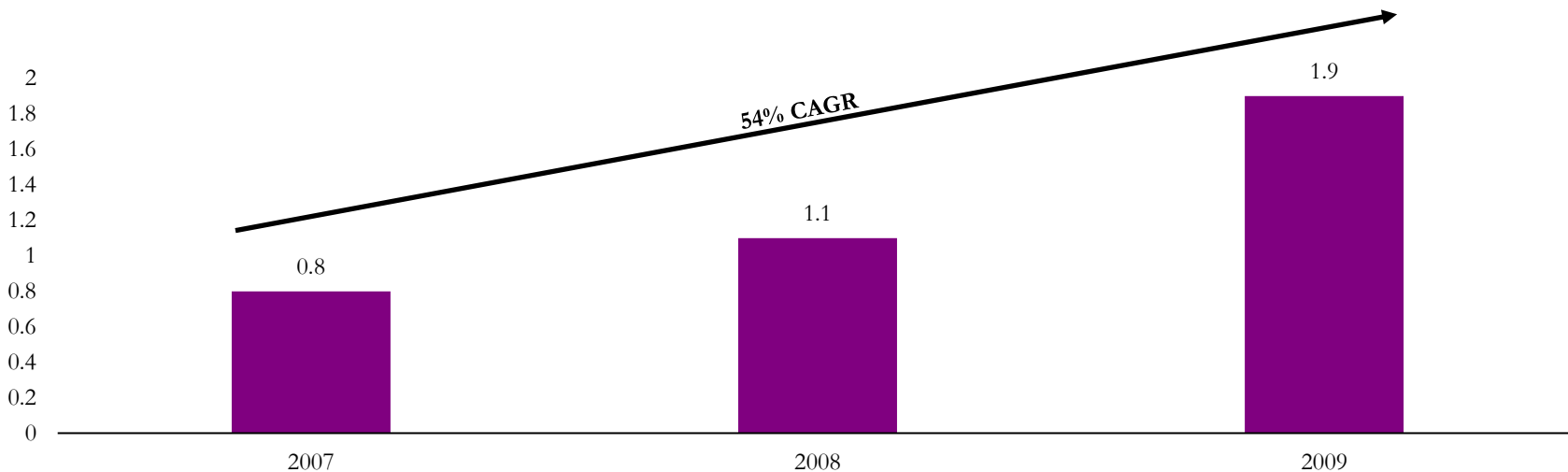




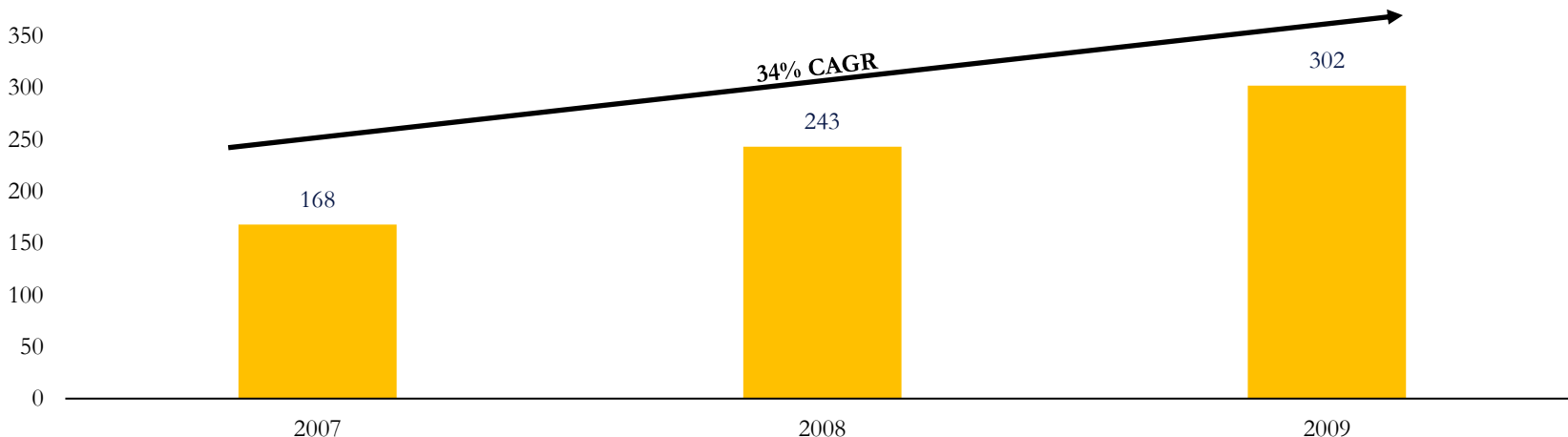
# Recessionary Environment Creates Favorable Tailwinds

In the last recession Planet Fitness thrived, seeing extensive growth in membership and store locations.

## New Members



## New Stores



# Recessionary Environment Creates Favorable Tailwinds

As shown in prior years, rising costs will cause consumers to price down their gym memberships to Planet Fitness causing a surge in growth.



## Recessionary Bump



- Consumers cutting back on costs – one of the first things to go are expensive gym memberships
- People are reluctant to quit the gym entirely. Post pandemic, communal, in-person gym experience in high demand
- Customers instead in search of a more affordable experience

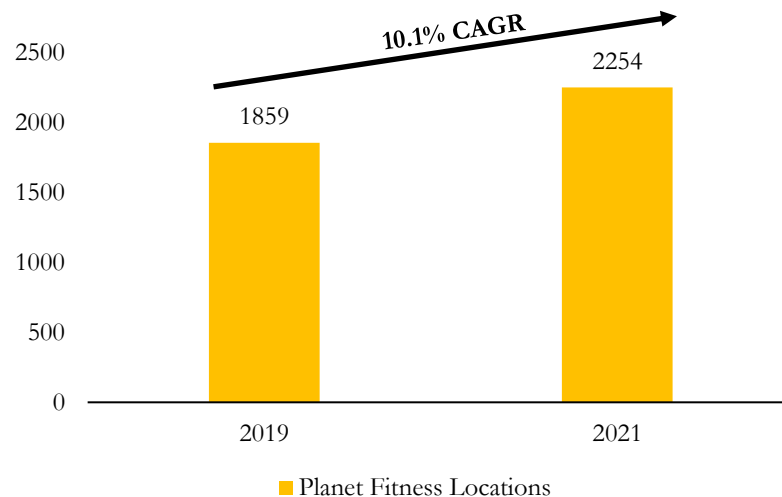
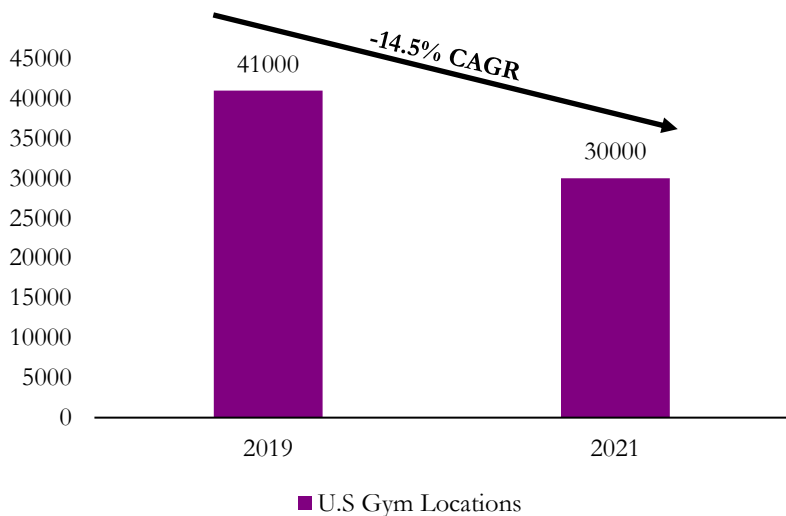


- Despite rising inflation, Planet Fitness added 1.8 million new members last year - one of its largest member increases in franchise history
- Instead of quitting the gym, consumers price down to cheaper membership models such as Planet Fitness, drastically increasing store revenues and membership growth

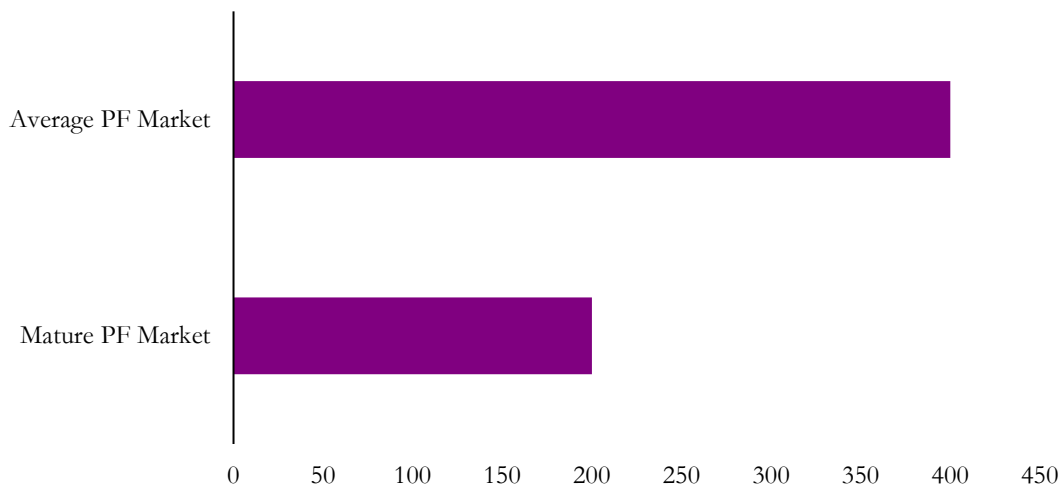


# Store Growth Opportunity

Planet Fitness has opportunity to expand both locationally and within their organizational ceiling.



## Individual Market Opportunity

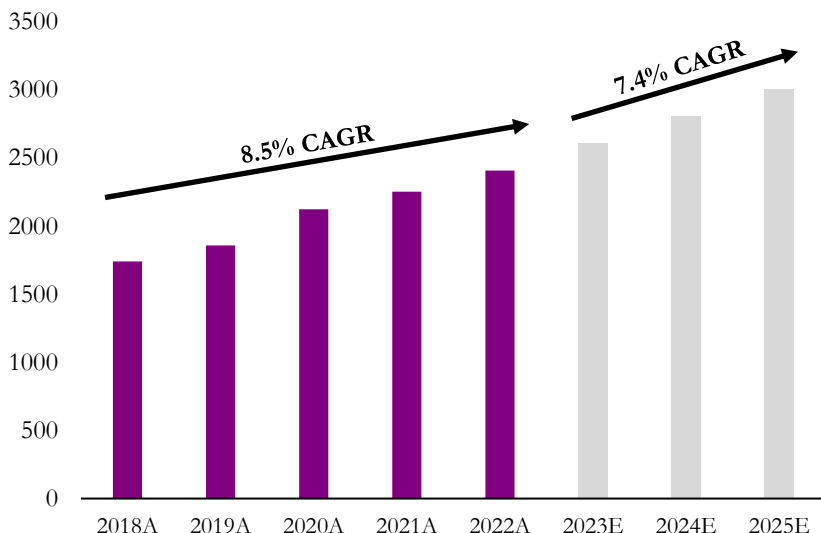


- Average Market: 1 Planet Fitness to every 400k people
- Mature Markets: 1 Planet Fitness to 100-200k people
- Analysis shows Planet Fitness can add 2200 locations before they reach their target average of 100-200k people to stores ratio

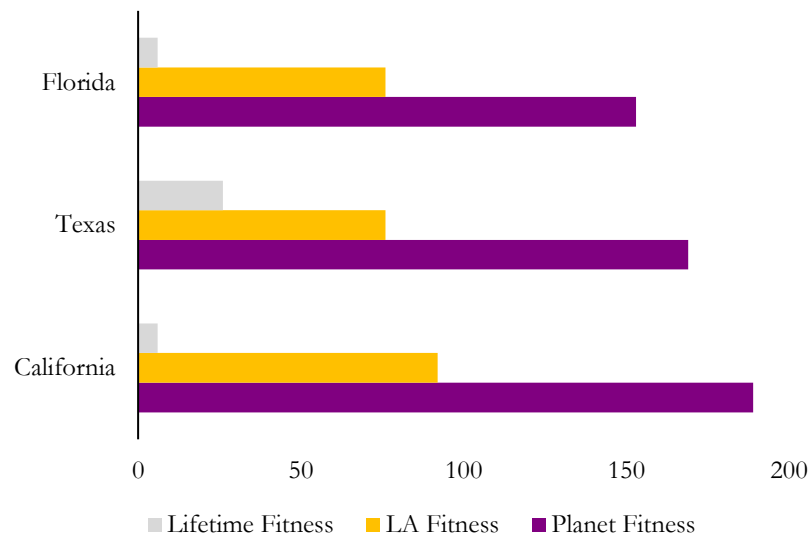
# Expansion Plan

Planet Fitness's expansion plan allows them to extend their reach and further capitalize on organic industry growth and inflationary tailwinds.

## Store Growth



## Current Geographic Footprint



## Expansion Plan



- Planet Fitness plans to add 600 new locations over the next 3 years
- Their lifetime organizational target is a minimum of 4000 locations
- Planning on drastically increasing the presence in South America and Europe where there is far less competition in the space



- They are mainly targeting unsaturated markets, aiming to reach the 100-200k people to location ratio
- Also looking to target locations where market penetration is sub 10%
- They currently have 45 potential new targets in Houston, 19 in Philadelphia, and 27 in Miami

# Valuation

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# Comparable Companies Analysis

Margins sit at the higher end and multiples appear more favorable particularly considering the negative earnings exhibited by public competitors.

Company	Market Cap (\$bn)	Gross Margin (LTM)	EBITDA Margin (LTM)	EV/EBITDA (LTM)	EV/Revenue (LTM)	P/E
Peloton						
Interactive	3036	20.0%	39.1%	NM	1.8x	NM
Basic Fit	2514	78.6%	26.3%	14.9x	6.2x	NM
SATS ASA	374	57.5%	5.1%	11.5x	1.9x	NM
The Gym Group	218	98.8%	21.2%	11.4x	3.8x	NM
Lifetime Group						
Holdings	3405	41.4%	15.1%	55.4x	4.2x	NM
Planet Fitness	6772	54.9%	41.1%	21.2x	10.5x	81.6x
Low	218	20.0%	15.1%	11.4x	1.8x	NM
Median	2514	57.5%	21.2%	13.2x	3.8x	NM
Mean	1909	59.3%	21.4%	23.3x	3.6x	NM
High	3405	98.8%	39.1%	55.4x	6.2x	NM



# DCF Base Case Output

Planet Fitness has several different avenues for growth and has significant potential upside as a result.

## Exit Multiple Method

Terminal Value:	
2028 EBITDA	\$773,454.6
Exit Multiple	21.6x
<b>Terminal Value</b>	<b>\$16,706,619.7</b>
Period	4.9
<b>PV of Terminal Value</b>	<b>\$11,002,224.4</b>

Implied Share Price:	
<b>Enterprise Value</b>	<b>\$12,824,332.0</b>
(-) Total Debt	(2,374,300.0)
(+) Cash	409,800.0
<b>Equity Value</b>	<b>\$10,859,832.0</b>
Shares Outstanding (mm)	85,200.0
<b>Share Price</b>	<b>\$127.46</b>
Upside/Downside	64.3%

## Gordon Growth Method

Terminal Value:	
2028 FCF	\$635,856.5
PGR	3.00%
<b>Terminal Value</b>	<b>\$11,103,291.8</b>
Period	4.9
<b>PV of Terminal Value</b>	<b>\$7,327,725.9</b>

Implied Share Price:	
<b>Enterprise Value</b>	<b>\$9,149,833.6</b>
(-) Total Debt	(2,374,300.0)
(+) Cash	409,800.0
<b>Equity Value</b>	<b>\$7,185,333.6</b>
Shares Outstanding (mm)	85,200.0
<b>Share Price</b>	<b>\$84.33</b>
Upside/Downside	8.7%

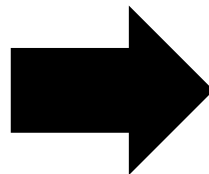
DCF Valuation:	
Exit Multiple Method	\$127.46
Gordon Growth Method	\$84.33
<b>Blended Share Price</b>	<b>\$105.90</b>
Upside/Downside	36.5%

# Risks and Mitigants

Though Planet Fitness faces some risks, they are well positioned to deal with them in the near future.



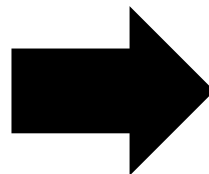
**Cannibalization**



Strategically implements new locations based on market demand. Will not open store in direct competition unless there is spillover need. Credit Suisse analysis shows Planet Fitness can open 2200 more stores before reaching 100-200k people per store.



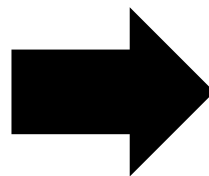
**Cancellation difficulties**



Many gyms also follow a similar in person model of cancellation. FTC also recently proposed a new “click to cancel” provision that may sort this out regardless.



**Highly competitive industry**



Differentiates its unique position as the low-cost, quality gym provider. Also, is poised to collect more market share as it is well equipped for the recession in comparison to peers.

# Conclusion

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1

Promotions and partnerships are driving growth and lowering churn

2

Low membership fee and expansion plan capitalize on recessionary environment

Buy

Target Price: \$105.90

Upside: 36.5%

# Appendix

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# Judgement Free Zone

Through several different strategies, Planet Fitness markets to intimidated, new, and casual gym goers, occupying a space no other gym plays in.

“Gymtimidation” - new gym goers frequently intimidated and nervous to use free weights and machines at commercial gyms



“No Judgement Zone”, “No Critics”, and Lunk Alarm plastered on the walls.



Welcoming community – Pizza Monday, Bagel Tuesday, etc.



No squat racks or barbells. Dumbbells only go to 80 pounds.



No pools, basketball courts, etc. - simple, inviting gym environment.



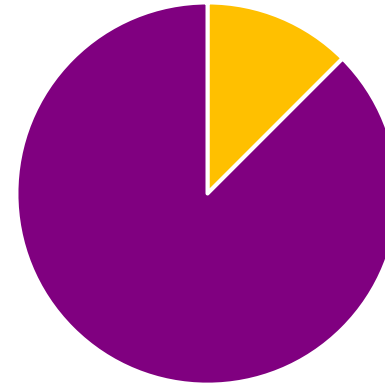
# Industry Overview

The fitness industry has seen growing membership and consumer spending, and is highly fragmented, providing a plethora of growth opportunities.

## Industry Description

- Highly Fragmented**
  - Competitive Edge**
  - Operating Costs**
- **Highly fragmented** market with mainly small individual businesses; minimal R&D costs & light regulations
  - Competitive edge comes from **easy access, effective product promotions, and more establishments**, which all helps to attract membership
  - Gyms need to consistently retain and develop **large membership rates** to cover their operational costs

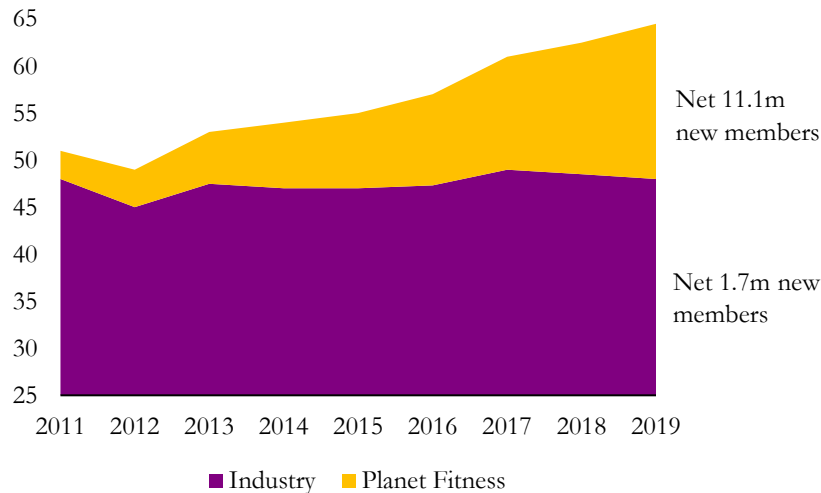
## Revenue Segmentation



■ major players ■ minor players

The fitness industry is highly fragmented: **major players only constitute 13%** of the market share; local individual businesses dominate the market

## Membership Growth



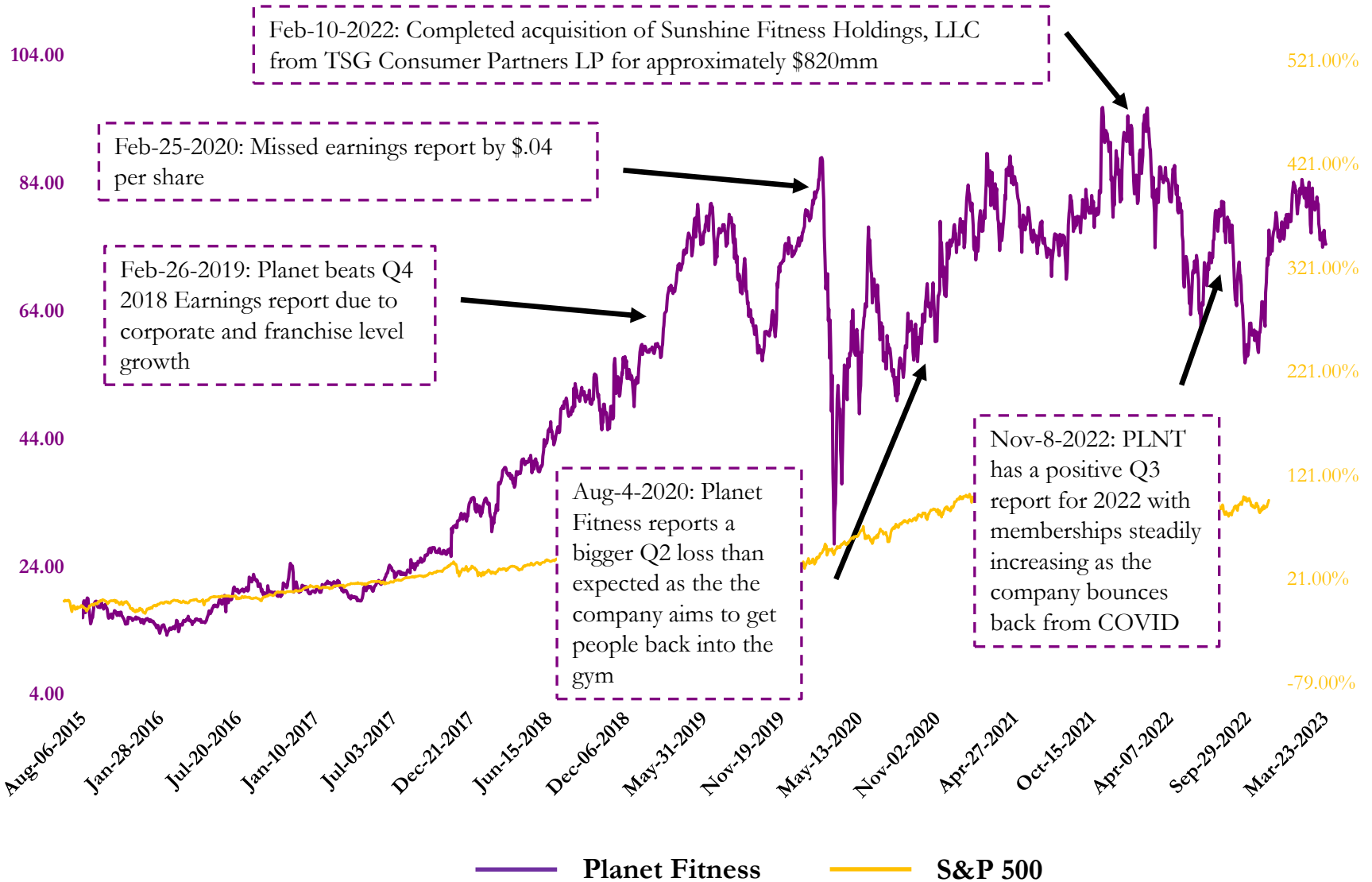
## Major Players





# Annotated Stock Chart

Planet Fitness has recently begun a steady bounce back achieving trends of both memberships and sales fueled by company growth and acquisitions.

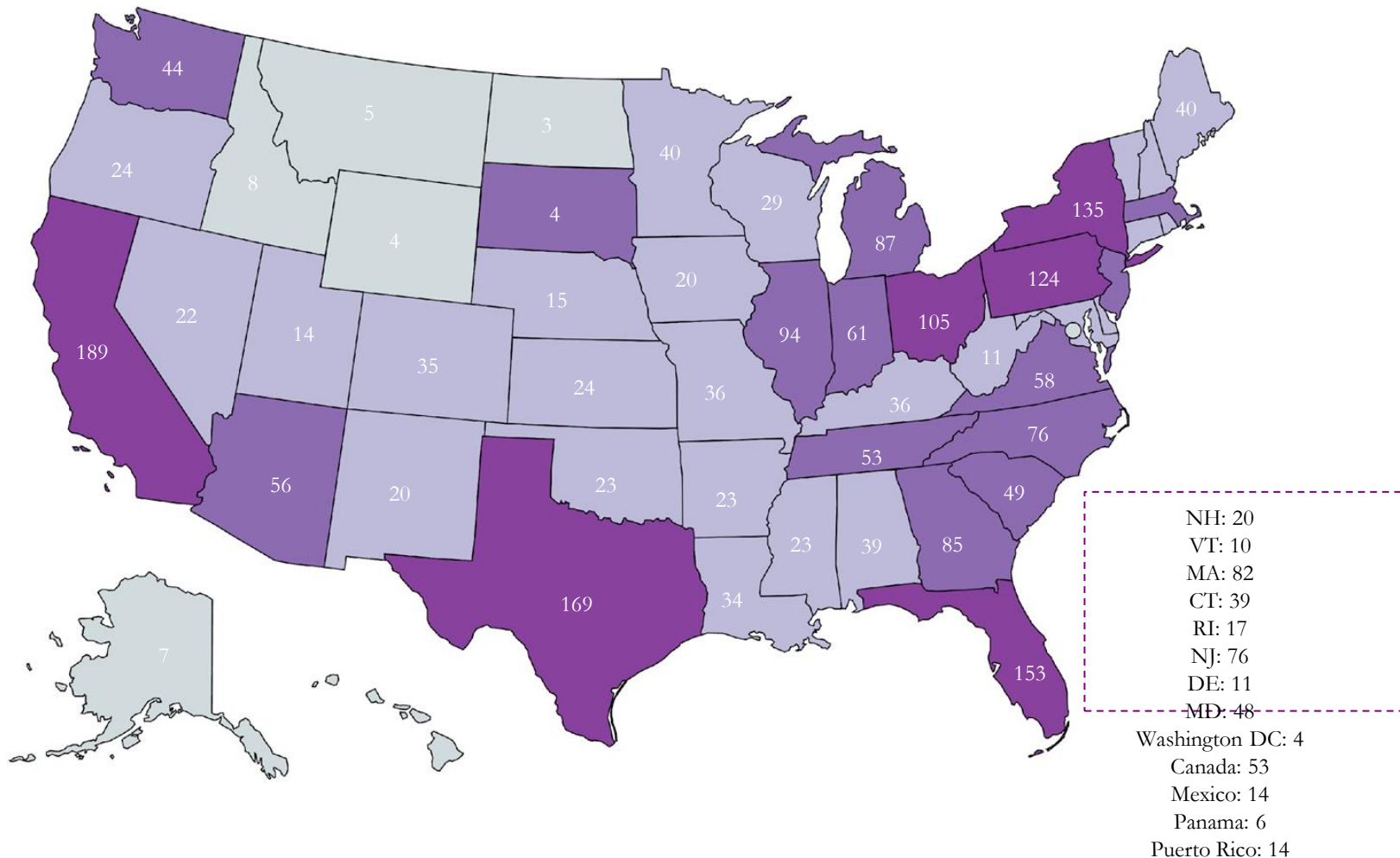






# Store Map

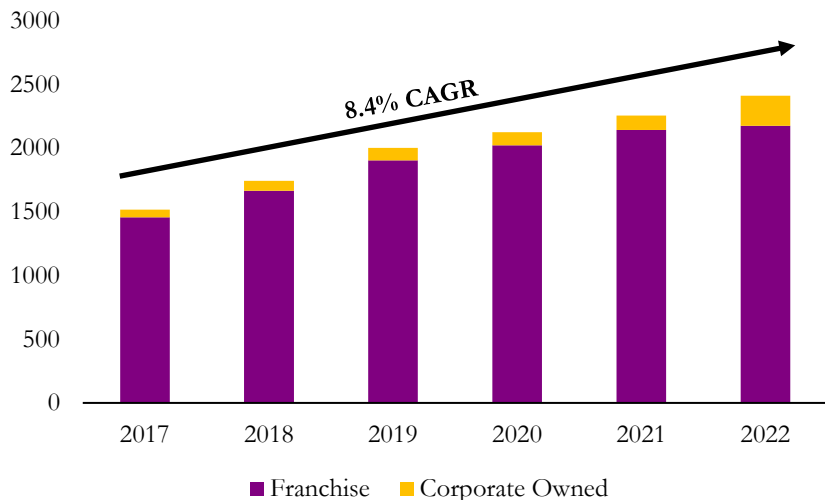
Planet Fitness has locations across the country primarily concentrated on the East Coast and expanding into other countries.



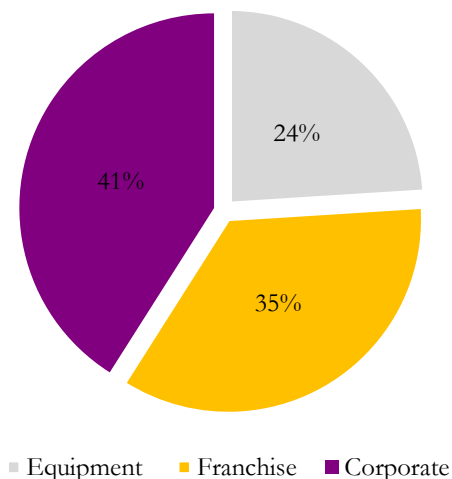
# Corporate-Owned Stores

Corporate-owned stores are a critical component of Planet Fitness's revenue and although they will continue to expand it will be gradual.

## Store Growth



## Revenue Mix



- Recently closed Sunshine acquisition at total value of **\$800** million
- Acquired **114** franchise stores across Alabama, Florida, Georgia, North Carolina, and South Carolina from Sunshine Fitness Growth Holdings
- Management has built some of the highest store-level profit generating locations – potential growth fueled acquisition



- Corporate-owned stores add relevancy when making decisions that affect franchisees
- Opens its own stores in strategic locations (spillover, submarket need, etc.) and buys back from franchisees
- Will continue to grow corporate store base but at slower pace – **asset light business model**, management prefers to keep corporate-owned shared to **10%** or less of entire system

# Re-Equipment/Remodel

Planet Fitness sees substantial revenues from re-equipment which grows with its locational base, and a large return on its invested renovation capital.

## Re-Equip

## Remodel

1

Initial outlay of approximately **600k**  
for equipment

Initial outlay between **\$1,250,000 – \$2,163,000** for leasehold improvements

2

New cardio equipment every **4-5 years**  
New strength equipment every **6-7 years**

Locations remodeled every **5 years**

3

Franchise re-equip: **\$274,000 to \$878,000**

Remodel costs range from **\$70,000 to \$800,000**

Average ROIC  
**35%**

# Management Team

The Planet Fitness management team has extensive industry experience and CEO Chris Rondeau has been loyal to the company for decades.



## **Chris Rondeau, Chief Executive Office**

- Chief Executive Officer of Planet Fitness since 2013
- Prior to that, served as the Chief Operating Officer since 2003
- Joined Planet Fitness in 1993, working the front desk at the very first location in Dover, NH a year after the franchise was founded



## **Edward Hymes, President and Chief Operating Officer**

- Appointed President and Chief Operating Officer in 2023
- Over 30 years of experience leading domestic and international retail, franchise, and e-commerce businesses for global companies
- Most recently served as the President and Chief Executive Officer of Jiffy Lube International



## **Tom Fitzgerald, Chief Financial Officer**

- Joined Planet Fitness in 2020 as the Company's Chief Financial Officer
- Over 30 years of leadership experience in financial management in the retail industry
- Former Chief Financial Officer and Senior Vice President at Potbelly Sandwich Works