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Planet Fitness, Inc. (PLNT) Analyst/Investor Day Transcript

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Q3: 2025-11-06 Earnings Summary

Insights

EPS of \$0.80 **beats by \$0.06** | Revenue of \$330.35M (13.04% Y/Y) **beats by \$6.92M**Planet Fitness, Inc. ([PLNT](#)) Analyst/Investor Day November 13, 2025 10:00 AM EST

Company Participants

Stacey Caravella - Vice President of Investor Relations

Colleen Keating - CEO & Director

Brian Povinelli - Chief Marketing Officer

William Bode - Chief Operating Officer

Chip Ohlsson - Chief Development Officer

Jay Stasz - Chief Financial Officer

Conference Call Participants

Randal Konik - Jefferies LLC, Research Division

Simeon Siegel - Guggenheim Securities, LLC

Maksim Rakhlenko - TD Cowen, Research Division

Sharon Zackfia - William Blair & Company L.L.C., Research Division

Rahul Krotthapalli - JPMorgan Chase & Co, Research Division

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Stephen Grambling - Morgan Stanley, Research Division

Todd Wakefield - Newton Investment Management North America, LLC

Presentation

Stacey Caravella

Vice President of Investor Relations

All right. Now I'm going to actually start. So good morning, and welcome to Planet Fitness' 2025 Investor Day. My name is Stacey Caravella, I'm Planet Fitness' Vice President of Investor Relations. I want to thank you all for joining us here in Boston today as well as the people on the webcast. Before we begin, I'd like to remind everyone that the forward-looking statement included in our investor presentation also applies to our comments made during today's event.

The presentation can be found on our website along with any reconciliation of non-GAAP financial measures. We'll begin the morning with an overview of the opportunity in front of us and our plans to accelerate growth. Then we'll share a detailed look at the ways we're executing on our strategy through our marketing, our member experience and new club growth, all to further our industry leadership for the long term.

After the presentations, we'll host a 20-minute Q&A. You'll hear from Planet Fitness CEO, Colleen Keating; Chief Marketing Officer, Brian Povinelli; Chief Operations Officer, Bill Bode; Chief Development Officer, Chip Ohlsson; and Chief Financial Officer, Jay Stasz. To get us started, let's take a look at what Planet Fitness is all about today. Let's roll the video.

[Presentation]

Stacey Caravella

Vice President of Investor Relations

And now please welcome Planet Fitness CEO, Colleen Keating.

Colleen Keating

CEO & Director

Thank you, Stacey. Well, good morning, everyone. So excited to be with you here today. Thank you to those of you who traveled and to those who are joining us on the webcast, thanks for making the time. I'm excited to tell you about our strategy to fuel growth, how we're modernizing the member experience, offering our franchisees an even stronger value proposition and generating strong shareholder returns. And what makes us really special is this is a rare moment when a number of growth factors are really coming together.

The demand for our offering is increasing. Real estate availability is beginning to ease, and our brand is evolving in all the right ways. We're executing on our strategy to accelerate growth. We just celebrated our 10-year IPO anniversary in August, and we've come a long way. And we have slides out of where. We've come a long way. We went from about 1,000 clubs in 2015 to over 2,800 clubs today. And yes, this is new news because we finished the quarter just under 2,800 clubs. We're over 2,800 clubs today.

We've gone from just over 7 million members to nearly 21 million members today from a challenger in the category to the clear industry leader, tremendous growth, and we're not slowing down. We're getting ready for our new phase of growth because we're in the golden age of fitness. When you think about it, you can't open a news feed today without reading or hearing about the importance of fitness and movement, especially when it comes to preventing disease, protecting your mental health, aging well and living a long life.

That's why the demand for what we're offering is growing. And at the same time, the average age of our customer is getting younger. So as many of you know, Gen Z is the fastest-growing proportion of our membership. This is the generation that was born between 1997 and 2012. So they're roughly 13 to 28 years old right now. They're still aging into membership at Planet Fitness. So think about that untapped growth opportunity and the prospective or the potential lifetime value of these prospective members.

And right behind Gen Z coming up is Gen Alpha likely to be the most fitness-minded generation yet. So this new wave of demand is still coming and it's growing. I was with a friend of mine. She lives in Brooklyn, and she has a son who is a freshman in high school, a couple of weeks ago. And she was telling me the story of how her husband has a family gym membership at a regional community gym in the Brooklyn area.

And her son came home and said, Mom, I want to join -- he called it PFit. I want to join PFit. And she said, well, we have a family membership at this other gym, like why am I going to pay for you to have a membership at Planet Fitness? And he said, mom, all my friends go to PFit. So we're not renaming our brand, but I did think it was kind of cool that this younger generation has even developed a cool moniker for us.

And more importantly, that we're a brand, we're a community that this younger generation wants to be a part of. So this generation is also growing up with fitness and wellness as such an important part of their daily life. It is part of their community. And we are perfectly and uniquely positioned to appeal to this growing demand because our offering really does appeal to all ages and all fitness levels. And as a matter of fact, we have been increasing our penetration across all generational cohorts.

And I think this is a point of difference that sets Planet Fitness apart. Other brands don't have the breadth of age and fitness levels that we have. And we have such a big opportunity for growth because this growing demand supports more clubs in more locations. And we know to open more clubs, we need more real estate. And for the past 5 or so years, that's been a bit of a headwind on growth.

The 20,000 square foot boxes that we need, well, they were a bit tough to come by. And at the same time, rents were escalating. That's starting to ease. We're starting to see a bit of a shift in that landscape. So thousands of big box retailers have shut their doors over the last several years, opening up great second-generation space opportunities. A recent JLL study cited nearly 10,000 retail closures this year alone.

A recent Colliers study cited that in Q1 and Q2 of this year, multiple million square feet of negative absorption in each quarter and rent escalation in those same quarters was below the rate of inflation. These are positive leading indicators that the climate is starting to turn when it comes to space availability and rent escalation is beginning to moderate. I actually read something very recently about Q3 that said 0.5% growth in rent escalation in Q3.

So great indicators for our ability to access space to fuel that growth ambition to meet this growing demand. So let me tell you with a little more granularity about how we are positioned and what we are doing to take advantage of this great opportunity. And I'm going to start with an update on our 4 strategic imperatives. So for starters, we are evolving our brand to be more modern and relevant while staying true to the fundamentals that make our brand, make Planet Fitness so unique.

And we've made progress to broaden the way we approach members, not just marketing price, but also marketing the value and the benefits of belonging to Planet Fitness. Our marketing messaging this year has performed quite well and has legs to extend into 2026, which will give us the opportunity to put more of that money to working media because we won't be developing a full new campaign.

The messaging is resonating and most importantly, it's driving joins. Through Q3, we increased net membership by roughly 1 million members. This is even more impressive when you consider that this is on top of a 50% lift on our entry-level price point. It speaks to our high value offering and the effectiveness of our marketing. In 2026, we will allocate more to our national ad fund to unlock opportunities for even greater conversion to better leverage our size and scale and to accelerate top line growth.

You'll hear a bit more about that from Brian Povinelli in a few minutes, so I won't steal all his thunder. In addition to seeing the strong member joins that I just talked about, our average visits are also up. Average visits per month are up by roughly 5% versus last year, and utilization matters. It is an indication of member stickiness, the value our members see in our brands and their likelihood to stay with us longer. And as you know, we're all very focused on retention.

This is why our second strategic imperative is also important, enhancing the member experience. This is the direct path to fostering the loyalty and connection that ultimately translates into long-term member growth. In addition to strong new member joins, we're also continuing to see a mid-30% rejoin rate. This reflects the strength of our member experience and underscores a key differentiator for our brand.

And it also supports our commitment to delivering a great member experience because when people have a great experience at Planet Fitness, they come back to Planet Fitness. And we're continuing to think about the lifetime value of our members and what levers we can pull to help them choose Planet Fitness initially, stay with us longer and come back to us over time.

Now let's talk about our third strategic imperative, which is refining our product and optimizing our format. And you can see some of our new product here. So I don't know if you had time before you took a seat, but by all means, spend a few minutes, we brought in a piece of -- a few pieces of the plate-loaded equipment that we've added and the half racks that we're putting into a number of our clubs.

And starting this year, we gave franchisees who are developing clubs, renovating or reequipping clubs, the opportunity to build the traditional layout or one of our new formats optimized clubs and 95% elected to build one of the formats optimized clubs. So by the end of 2025 this year, end of next month, almost 80% of system-wide clubs will have some version of this optimized format. That's roughly 4 out of 5 clubs.

Later, you'll hear from our Chief Operating Officer, Bill Bode, about the new products and how they're performing in our clubs and resonating with our members. So this brings me to our fourth strategic imperative because all of the work that we're doing to redefine our brand promise and have more precision in our marketing to enhance our member experience, to refine our product and optimize our format will lead to one thing, and that is accelerating growth. Because this work will help us increase both joins and retention.

It will increase member counts per club, streamline our build costs and collectively enhance the unit economics to accelerate growth. And as I've said many times, this business is a top line play. Nothing fuels growth better than great 4-wall economics and even better when they're coupled with smart efficiencies in our build costs. You're going to hear more about this later today from our Chief Development Officer, Chip Ohlsson.

He'll tell you about the opportunities we have to optimize our build structure, new materials and layouts, reduce costs and at the same time, enhance member experience. He'll also discuss our growth opportunities outside the United States. So looking ahead, I am proud to say that in partnership with our franchisees, we are delivering on our 2025 growth outlook, and we're thrilled to have upwardly revised key targets on our third quarter earnings call last week.

You'll hear more later from Jay Stasz, the moment you've all been waiting for, about our long-term growth outlook and why we believe we continue to have a robust runway for growth. And finally, when I joined this company about now 17 months ago, I made a commitment to build a Blue Ribbon team to take our business forward.

And today, we have a powerful mix of seasoned leaders who helped make Planet Fitness the powerhouse it is today and new additions to our team who bring deep experience and fresh perspectives from outside the category. These are the right leaders at the right time with the right talent to help us continue leading the industry and accelerating our growth.

They're going to tell you where we're heading and how we're taking advantage of this very special moment when demand is increasing, space is opening or at least easing, our brand is evolving in all the right ways, and they will give you specific examples of how we're executing on our strategic imperatives, how we're positioning Planet Fitness to get there first and how we're accelerating growth. So thank you. And again, thank you for being with us this morning. And now I'm going to turn it over to Brian Povinelli.

Brian Povinelli

Chief Marketing Officer

Thank you, Colleen, and good morning, everybody. This week marks my 10th month here at Planet Fitness. And after 18 years in the hotel business, overseeing both marketing and member experience, I'm really thrilled to be here to lead disciplines at Planet Fitness. And there's actually some parallel between hotel space and this space. When I actually joined here and thought about it, we ran 9,000 hotels that all had a gym.

So we've been kind of contemplating and designing the member experience at a fitness center on a much smaller scale in the last 18 years of my career. But I made the move to Planet Fitness because I saw an opportunity to help unlock the next wave of growth for this brand through more sophisticated marketing and a more insight-based approach to the member experience.

Now over the last 30 years, Planet Fitness has become one of the most successful franchise businesses across verticals. And we see a path to many more years of growth [indiscernible] leadership team's expertise and capitalize on the growing importance of wellness to the global customer base. And the time to lean in and accelerate change at Planet Fitness is now. As Colleen said, the customer is changing. Younger generations are growing up with fitness as a part of their daily lives.

They create more variety in their workout routines, and they're putting a growing emphasis on strength. As more adults model a wellness lifestyle, each successive generation more and more looks to brands to support their passions. The marketplace is also getting increasingly crowded as wellness becomes a more integral part of those consumers' lives. Over the past few decades, many fitness concepts have come and gone, while Planet Fitness has remained strong.

And we are well positioned to continue to grow because we have a foundation in place to quickly meet consumers' needs, and we have broad offerings that few can match and the scale that allows us to democratize fitness to the masses. In addition, we see the recent growth category continuing with our segment leading the way. The HVlp space has outperformed the entire category by 8% since 2019 with a model that's proven to be quite resilient to macroeconomic fluctuations.

So let me tell you how we're building the Planet Fitness brand for the future. We're focusing on 5 key areas: using data and insights to enhance our customer-first approach, by building an emotional connection with consumers, leveraging our scale to drive efficiencies, maximizing local and national marketing and improving loyalty through the member experience. For starters, we're building the foundation of our evolution based on data and insights and putting the consumer at the forefront of everything we do.

To this end, earlier this year, we invested in a demand center growth project with a major consulting firm. The focus of this work was to help us understand today's market landscape, the needs driving consumer demand, where to play and how to win, all with the intent of identifying the best opportunities for outsized growth. The outcome is a demand map that pinpoints our position in the market based on consumer cohorts.

It defines each cohort's needs when looking for fitness and wellness solutions and evaluates how successfully we're meeting those needs. We'll use this map to guide our growth strategy and build integrated plans to attack opportunities across all areas of the business from marketing to member experience, pricing strategies, future product innovations and club formats. While much of this map is proprietary, let me share some foundational insights we're already putting to work.

The first is a sharper focus on the total addressable market and our greatest opportunity to drive joints. Historically, the brand focused on the 80% of people who don't have fitness memberships and need motivation to get off the couch. This same audience doesn't exist in the way it used to as consumers' wellness knowledge and desire has matured. The chart you see on the screen breaks out 265 million adults in the U.S. into prospect cohorts, and I'll focus on the 2 purple cohorts.

The first is 50 million to 60 million fitness non-member adults active in some fitness activity and demonstrate a high likelihood to pay. The second is 60 million to 65 million adults who are paying for fitness offerings, but they're not the 20 million currently with us. And we'll quickly see a couple of things. In the past, we were primarily focused on bringing new people into the market, and we will still continue to do that. But today, we're putting additional efforts affecting those paying but not with us.

By focusing on these 2 cohorts, we can be much more effective and efficient in our marketing, and we see a large opportunity to continue growing the market and earning share. Shifting just 1% of share could be very meaningful to a business of our scale. There's also a tremendous opportunity with lapsed members. As you've heard from Colleen, we have a very strong rejoin rate. This cohort is 2x more likely to convert than a new prospect.

And by leaning into our first-party data, we can entice them back in a more personalized way with the right offer or the right product offering. So those are 2 examples of how we're leveraging insights to focus our marketing to make the greatest impact on joins. The map defines the key spaces we need to defend, those where we have an opportunity to enhance to grow growth and importantly, those we should not prioritize, all resulting in greater efficiency and effectiveness across many disciplines.

The second area we're emphasizing is our strategy, and our strategy is building greater emotional equity for our brand. While we have outstanding brand awareness, the DCG work showed we have an opportunity to strengthen our emotional connection with consumers. The study looked at both emotional and functional needs that drive consumer choice when considering a gym. And it focused on the top 15 needs and looked at how Planet Fitness indexed on each compared to our peers in the space.

Now functional needs are answering how consumers would want their experience to be when engaging in a fitness offering. On the functional side, we have the strongest position in the segment versus our peers. We win or over-index on convenient location, low price, value for money, machine variety and availability and ease to get in [indiscernible] with 3 of these identified in the survey as the most important functional needs when making a decision.

And the addition of strength equipment over the past year will help us better meet another important functional need, building muscle and strength. Emotional needs are answering how consumers would want to feel when engaging in a fitness experience. Emotional things -- emotional needs include things like feeling welcomed, improving physical appearance, achieving their goals, stress relief and mood boost and simply having fun.

Now unlike functional needs where many brands are meeting consumer expectations, there's virtually no differentiation or ownership of any emotional equity amongst our peer set. We do get credit for feeling welcomed, which supports our judgment-free positioning. I believe we can drive significant value for Planet Fitness by leaning more into emotional needs. This will help us further differentiate our brand and lead to greater loyalty. Now we're already starting to use some of these insights as we evolve our marketing for Q4 and Q1, which you'll see in one of our new ads. So let's take a quick look at the video.

[Presentation]

Brian Povinelli

Chief Marketing Officer

So just a little view of how we're drawing consumers in with a more emotive approach while focusing on key functional needs and conveying that you can get strong at Planet Fitness. These are deliberate shifts in our approach that hit on some of the most important needs, both functional and emotional and you'll see more of this and escalating in our social content and other marketing execution over the coming months. Now related to these efforts, we're also launching [indiscernible] in the second half of 2026.

We are using more feedback from consumer research we conducted over the past year to modernize our brand with the goal of ensuring relevancy for decades to come and to ensure it reflects the way our offerings and our consumer has changed over the years. We have a very thoughtful rollout plan that will allow existing clubs to integrate elements of the new ID at minimal cost, helping to expedite the transformation.

We believe now is a great time to give the brand a new voice to invite more people into the brand and encourage re-evaluation while retaining those aspects of our identity that people know and love. It will be an evolution, not a revolution, with a focus on minimal capital outlay, but meaningful brand impact. The third area we're focusing on is better leveraging our scale to drive the brand forward. Now our footprint is 4x larger than our closest competitor.

With over 2,800 clubs and almost \$400 million in our marketing fund between national and local, we have the ability to connect with consumers and prospective customers like nobody else can. And I believe we can unlock even greater value for our franchisees by using this scale to drive efficiencies in our marketing and by investing in new capabilities.

To help us do that back in August, the franchisee community overwhelmingly passed a vote to shift 1 percentage point of the local ad fund to the national ad fund for 2026, effectively moving \$45 million. This shift will allow us to drive over 20% savings in media commissions on that 1%, thanks to the added scale we will now manage at a national level. That's more capacity we can put to working media instead of fees.

We've also just concluded negotiations with our local agencies -- local media agencies, resulting in close to 10% savings on those fees for '26 and beyond. Again, another driver of more media. This 1% shift also allows us to pull forward our work on dynamic content optimization efforts to help us continue to be more effective at driving joins. In 2026, we plan to build a DCO engine to help develop creative assets and enable dynamic ad serving to our media partners.

In simple terms, it will help us show more personalized digital ads to people based on what's most relevant to them like an offer, an image or a call to action. The system will factor in things like location, time of day, weather and their behavior to figure out which version of an ad will connect best with each person and most importantly, drive an action. Then it will automatically build and serve that version in real time.

So instead of manually testing different messages or designs, this platform will do it automatically. They will learn from the results and keep improving the ads over time to get the best performance. Further, we'll be investing in our customer relationship management program. As we garner more consumer insights from the DCG work, we'll leverage it to create more personalized messaging through our own channels like e-mail, SMS and push.

And this will include building a next best action engine using machine learning to help us meet our 20 million members where they are with the right message in the right place at the right time. A final benefit of this 1% shift comes from unlocking unique media properties, which will help us extend our reach and integrate our brand into new platforms. Next year, we'll increase our presence with targeted ads on platforms like Prime Video, Netflix, Hulu and Twitch.

And we've also secured sponsorships with Jason and Travis Kelce's New Heights podcast and Alex Cooper's Call Her Daddy podcast, which are 2 of the hottest media properties out there, reaching our younger demographic. And we'll continue to build successful integrations with Strava and Barstool Sports, lean further into TikTok and test the waters with Reddit, where our younger consumers are spending more and more time.

And for the first time in 2026, we'll be able to support all national promotions with both local and national funds. This will increase our effectiveness, and we're much more closely coordinating how our national and local agencies work together and plan together. And we'll further orchestrate which marketing channels each agency is used to get the maximum effectiveness. The final area of focus I want to highlight today is our member experience.

Part of my remit is to create an industry-leading member experience and innovation function. Some of the initiatives we have planned for next year include a reimagining of the first 100-day journey a customer follows after joining. This is especially important as 80% of joins now happen online. Data shows that early engagement leads to longer tenure, and we have an opportunity to enhance the first 100-day experience, both in the club and through digital touch points.

This will bring to life and reinforce the tremendous value and experience that membership just unlocked for a customer. And Bill will talk a little bit more about this in a few minutes. We're also going to be leveraging AI to support our insights work and innovation. We're currently launching a pilot with a cross-functional team to test AI-driven research tools that will strengthen our membership experience.

Now these tools will help us collect on-demand research from our members and even team members generating diverse insights in real time. And with these insights, we can create member persona agents that can, in effect, tell us what matters most to them. So it's almost like being able to create through AI an agent that can sit in the room with us. We can ask it questions directly, and it will respond in real time, representing the aggregate data of our membership base.

And we believe this will reduce the time it takes to create and test new ideas by allowing us to talk to that data and creating teams of agents that we can brainstorm with, and those agents can work with each other as well to generate ideas based on different functional expertise. So with new tools, we can build an AI-powered uplifter panel that helps us connect with real members on demand.

So I just talked about kind of synthetic agents. We can also use this technology to connect with our real members, enabling them to share insights about what truly matters to them. We use the term uplifter to define our target audience and their demographic and psychographic attributes. So the idea here is that these panels can create a continuous feedback loop between member voices and the ideas we bring to market.

So -- and to kind of put this in real terms, it's a little bit like we can get members to feed video content to us and have AI aggregate those thousands or tens of thousands of inputs we get into the important elements that are coming back through those videos from our customers almost in real time versus today, we would hire a company, go do customer surveys. It would be very costly, and it would take us weeks, if not months, to aggregate all that. It's almost becoming where we can do that in a matter of a couple of weeks.

So these will create that continuous feedback loop with our members and also our team members in the club. They are working firsthand day in, day out with our members, so to get our team members' feedback can be just as valuable as to what they're seeing, how our customers are reacting. And finally, we're seeing strong interest from other brands in strategic partnerships. And we're exploring new channels for our marketing efforts.

This month, we'll be testing inclusion in T-Mobile Tuesdays platform and Nift to see if these outlets can provide incremental joins at a significantly lower cost per join through their scale. And we're in conversations with several GLP-1 providers. We're exploring possible avenues to align with them to help ensure GLP-1 customers have easy access to the critical fitness regimen they need to offset possible muscle loss. So to sum it up, we're evolving the PF brand for the future. We're enhancing our customer-first mentality backed with data and insights.

We're building greater emotional connection with members. We're going to leverage our scale to drive efficiencies, maximize that local and national marketing fund like never before and invest in the member experience all to ensure Planet Fitness remains the clear leader by staying relevant with the right offerings for the consumers and the right returns for our franchisees. Thank you. And now let me leave you with a quick look at how we're planning to use technology to further elevate the member experience in some of our digital applications as well.

[Presentation]

Brian Povinelli

Chief Marketing Officer

And now please welcome our Chief Operating Officer, Bill Bode.

William Bode

Chief Operating Officer

Good morning, everyone. What great work by our marketing team under Brian's leadership to take us and lead us into the future. So thank you, Brian. I think also we think about the video demonstrating how we're using technology to enhance that member experience. I'm going to talk about some of the things we're doing in the club as well and with the experience. So other ways we're strengthening our product and our experience and how our focus on providing high value gives us an opportunity to drive revenue and increase our industry leadership.

Let's start with our vision to build the largest and most inspiring fitness community where all members are proud to belong. We're remaining true to our judgment-free experience but evolving to meet the changing landscape. To do that, we do need to understand what drives consumers and our members. We believe if we welcome members with warmth and intention, we help them feel seen, valued and connected to our purpose.

And if every step feels easy and meaningful, we will build trust, reduce churn and inspire more people to join. So let me tell you how we're bringing our vision to life in 3 very important ways. First is improving the members' first 100 days. Second, improving and optimizing our format; and third, evolving our Black Card spa, and I will walk you through each of these.

So that first 100 days, we're using a human-centered approach to evolve the Planet Fitness membership into a best-in-class experience, one that puts the member first. And we're starting with the member's first 100 days from that join day to the very first visit, that first time they walk into the club, to that first week, their first month all the way through that first 100 days because as Brian said, early engagement benefits the length of membership and the lifetime value.

So we're reviewing the join process that, that member goes through, how we onboard that new member, we give them a tour, what that tour looks like, how it's customized to that particular member's needs, how we use our CRM tools and how we engage the member through all of those processes. We've already invested. Brian talked about demand-centric growth to understand our demand spaces and where we choose to play.

We have also done consumer focus groups and use technology to understand equipment usage patterns. We then test and learn to uncover real needs and opportunities. I'll talk about some of these test-and-learn clubs in a bit, but this evolution is essential for creating member-centered innovation.

We create a unified member journey by integrating all the touch points from our app to our in-club design and the experience for the member, everything under one member-centered strategy, which will drive engagement and retention, strengthen brand consistency and our emotional connection with the member and we'll provide tools that empower our team members with purpose that connects culture, service, hospitality in that service and technology to deliver a best-in-class differentiated member experience. So what does best-in-class look like?

It starts with recognition, understanding the members' goals individually and showing appreciation as they're achieving those goals, being connected with them, building community where members feel included, consistently providing meaningful member benefits, value to that membership, being lightly gated, exclusive value, exclusive access with high value, seamless and effortless so that their interactions are just simple and then have purpose and communicating our mission, making sure and helping members understand and be a part of that mission with us.

Second thing I'll talk about is the format optimized club. Two years ago, we revamped, updated and evolved our traditional club layout, intentionally pushing the envelope. We built 20 test-and-learn clubs in 2024 to better understand what resonates with our members. These test-and-learn locations led us to our current format optimized club.

As Colleen shared, 80% of clubs will have some form of updated strength by year-end. Franchisees are very excited about this updated offering. Virtually all new clubs built in 2025 have or will have the current format design. Every remodel is deploying that same current format. And many franchisees are also accelerating their equipment mix to our current format club. I have a video that we'll share just to show you what those franchisees are saying about this format.

[Presentation]

William Bode

Chief Operating Officer

So that format today, very exciting. Members are talking about it. Our franchisees are talking about it. I wake up every morning with an NPS report, and I see a lot of great comments in those reports about the offering and the change. So we now have a world-class layout that consumers and members expect. But it's also one that the member can identify with and grow in no matter where they are in that fitness journey, if they're a first-time user or they're an advanced enthusiast.

So let me walk you through the changes and how they lay out in the club. As I review this, you'll see a yellow highlighted section that I'm going to talk about in each step. So the first thing we did was we reduced the number of cardio pieces in a club. But keeping cardio still front and center as members enter that club.

That is important to the experience. We've reviewed consumer studies and actual equipment usage data to ensure we have the right mix of cardio. By example, we lowered the number of ellipticals and the number of arcs in a club, both in our cardio section, but also in that cardio section, we increased the number of stepmills that are in there. You may know step climbers.

We've increased that number. Some clubs used to have 4. They are now 12. Members wanted that piece of equipment. We made that change. We've expanded our free weight offering, adding functional workout spaces, placing dumbbells and kettle bells in multiple locations around the club, providing the equipment in spaces where the member feels comfortable working out, not just in one spot, but several spots through the club.

Next, we added mobility and stretching areas to the club, again, in several places. In these areas, we've added things like fit benches. That's a personal piece of equipment that you can do a self-contained workout in. It's in the middle picture, yes, the middle picture. We've added HIIT zone. That's a high-intensity interval training. So workouts with our PF 360. There's functional equipment surrounding those pieces of equipment.

There are functional pieces surrounding now turf, which is optional in our clubs, all areas where they can do more high-intensity training. We've added plate loaded. So we talked about some of the pieces are here. This equipment includes these pieces. So there's 3 over there. You probably heard we added those at the end of last year, but we now have a full selection of plate loaded in many of our clubs.

And then half racks. That's the tallest piece of equipment on the side of the room. This piece of equipment includes weighted plates, bars, benches, which fitness enthusiasts are looking for. They can do bench presses, incline bench, squats, overhead press and dead lifts. They can be for a more advanced user. But as mentioned by one of our franchisees in the video, some of the more or less enthusiasts or newer members are also migrating to this space with curiosity. We've also added the optional turf.

So today, we have 400 clubs with this design executing, which gives us some really significant data. So we use a product, Mastercard's Test & Learn platform. We compare to the new format clubs to similar control sets and found that current clubs outperformed the former layout in all categories. Higher joins, lower attrition. And as I said, my report looks a lot better every day, higher NPS scores. Let's hear what those members have to say.

[Presentation]

William Bode

Chief Operating Officer

I love that, anyone can get strong at Planet Fitness, it's awesome. To be honest, it's been a minute or more since we've actually reimagined this area. The 2 biggest privileges within our Black Card membership are guest privileges, that's bring a friend and reciprocity, use any of the clubs in our system. They are what is a joint motivator for Black Card and also the most often used. We see an opportunity, though, to update the amenities to help drive joins and upgrades.

What makes this so powerful is this give us an opportunity to now move past democratizing fitness, but democratizing recovery and wellness. We want to give prospects more reasons to join and classic members a reason to want to upgrade. Said differently, we want to drive joins, upgrades and retention based on physical amenities beyond just reciprocity and guest privileges.

We can do this by enhancing the amenities and better showcasing the current offering in club and in our marketing, as Brian showed you just a little bit ago. Let me walk you through some of those Black Card changes. So first, the Black Card spa looks more like the left today. Currently, the amenities are actually behind our desk through a glass door, basically hidden from the members.

We want to move to the picture on the right, where it's more modern, more upscale and more open so people can see in and be curious about what's back there and hopefully upgrade their membership. But what I'm going to talk a little bit today is not the exterior, but more what's inside and behind that area, the equipment itself. So we've begun testing 5 new amenities alongside our best performers. So those best performers, you probably know, are tanning, massage chairs, hydro lounges.

The 5 new amenities start with the 2 you see on the screen. So first, dry plunge. That's a dry cold plunge, solves for not having a tub of water in the club. Hyperice recovery. So that's percussion guns, full leg compression, sleeves, and zero gravity chairs. In some consumer work we've done, we know that considerers, that somebody who's thinking about joining a gym and switchers, somebody who's a gym member who wants to move to a different gym, are more likely to join with the addition of these amenities.

The most popular one in those surveys is the red light infrared sauna. We also have well-fit skin hydration in many -- in some of our clubs today, originally thought to be a tanning alternative when we put it in, but stronger member feedback and usage indicates high adoption related to skin care. Red Light Recovery Pro, another piece of equipment comparable to the equipment you would find in a much more costly high-end spa will be available in the Planet Fitness.

We're excited to see how these perform in the testing we're about to launch. So while we've tested the pieces uniquely, we're going to test all 5 modalities as a package in 2026 alongside those classic favorites, tanning, hydro lounges and massage chairs. So 8 different amenities in the club.

That is not different. It doesn't take more space than today. It's replacing some of the amenities that are in the club to add these 5 new modalities. Once again, democratizing recovery and wellness. We'll take a member-centered approach, capture their insights in real time, learning and understanding the experience by asking them. Their feedback will help us assess usability and help us design our marketing.

It will also help us operationalize the team members' training to deliver best-in-class experiences for those members. So to recap, we're continuing to evolve our differentiated member experience. We're improving our member engagement, driving joins, improving retention and democratizing recovery and wellness, all while building a world-class great fitness community. So thank you. Now please welcome our Chief Development Officer, Chip Ohlsson.

Chip Ohlsson

Chief Development Officer

Thanks so much, Bill. Great new things happening at Planet Fitness, and that's what we're excited about. But what I'm going to talk about today is how we're going to grow. So I'm excited to share with you how we're setting Planet Fitness up for long-term success from a development perspective. I'm going to start with an overview of our international business, summarize the state of domestic real estate and then provide an update on construction, design and our cost efficiencies.

But let's talk about the democratization of fitness, especially internationally. Our international growth continues to accelerate at a fast pace, creating opportunities all across the globe. In fact, 1 in every 20 Planet Fitness members has an international home club. And what does that mean for growth? One million members. Earlier this year, we surpassed 1 million members across all the markets outside of the U.S.

And today, our global footprint spans 6 countries with more than 180 clubs, and we expect to surpass 200 clubs in this coming year. And as we promote clubs around the world, we're building brand awareness for all of our clubs. As an example of international growth, the first club in Spain launched in July of 2024. We focused on a cluster development approach, so Madrid, Valencia, Barcelona and building clubs out from there. This allowed us to rapidly gain market share, member growth and all through brand awareness.

During our first 12 months, we opened 10 clubs with a strong base of all new members. And looking ahead, we have a strong pipeline of approved sites to continue to build on that momentum. Here's an example of a ramp for Sabadell Spain. You can see on the yellow line. This is our first club. It just opened a year ago. So we have a full year of data that we can pull from. As you can see, the ramp started and was on par with the strong openings in the U.S. and Mexico, but then it surpassed them.

And the great news is the early trend on all of our new clubs is on par with Sabadell, demonstrating our model resonates with consumers, both domestic and international. And that's even more clear when we look at how the consumer ranks us in the Spanish market. One of our research firms conducted an NPS survey, and Planet Fitness achieved an NPS of 81. Compare that to all of Spain's fitness, which is just about 27.

The research firm was so surprised they had to recalculate everything by hand to make sure the findings were correct and accurate. Consumers in Spain are seeing the value, which gives us the opportunity to grow. Spain is our proof of concept, which furthers our confidence to grow internationally. Our openings and performance in Australia, Mexico, Spain reinforce the strength of this brand globally.

Overall, when it comes to driving international development, we're taking a deliberate approach that aligns with our strategic road map. We're targeting 1 to 2 large scalable markets using our proven road map, and we're going to disrupt the entrenched competitors. We're recruiting well-established local groups who understand the market and local expertise.

And we're going into markets where we can grow our brand in a healthy way, not just plant a flag. But let's shift to the U.S. and discuss how Planet Fitness continues to resonate with consumers and owners alike. And I'm going to start with an update on the U.S. real estate. While we continue to see stagnant growth with new supply, we're starting to see green shoots, as Colleen mentioned earlier. This creates an opportunity for brands like Planet.

Our prototype provides the ability to flex up or down from our 20,000 square foot layout. This allows us to find real estate in great markets and provides a greater opportunity overall over the other fitness brands. But our real estate team isn't there just to approve sites, but it helps owners with their overall portfolio management. We have the ability to collect data, analytics, showing owners the right target markets and the sites within those markets.

We build those relationships and work with other retailers as they downsize, allowing us to demise spaces or we can leverage relationships restructuring firms, so we get first look at all the opportunities in the market. We're working hand-in-hand with franchisees, and we have the ability with the data and analytics that we collect to show the owners the right target markets and the sites in those markets. We start with the site approvals, then we help them negotiate the best lease terms.

We do it on national and local rate rents and allow the owners to maximize their IRRs. We help landlords understand how Planet Fitness is different and why we're the right choice. As I said earlier, we have flexibility within the space. We can go from just under 15,000 square feet to over 30,000 square feet, depending on the site and the market. And the stronger the relationships we build with these landlords, the more access we have to present all the data.

For example, when we look at this, we drive traffic to co-tenants because 90% of Planet Fitness members shop at retailers in the center. And 76% of our members combine club visits with shopping. What landlord wouldn't want to tap into thousands of consumers to activate their centers. And our members usually visit off-peak. When we look at this chart, the purple bars represent Planet Fitness and the red bars represent a major specialty food retailer, 70% of our visits are Monday through Thursday and about half before 2:00 p.m. Specialty food retailers, they need the parking on the weekends and they need it at night.

So we activate the center the entire week. When it comes to real estate availability, we need to be creative and think differently. And that's why conversions present a great opportunity for us to access second-generation space. Not only does it allow us to enter market quickly, but it provides a platform for members and removes a competitor from the marketplace. Now there's lots of variables to consider when we look at conversions, right?

We have to look at the cost. We have to look at the layout, the scope of work, lease terms. But when done right, it removes risks and allow for quick ramps. So let's take one of the ones that was done right. Texas Family Fitness was a great regional player in the Dallas marketplace. But as Planet Fitness grew, Texas Family Fitness saw the opportunity to sell. It was a great location in a prime retail center, but it needed a reimaging, but we had to provide strong returns for the owner at the same time.

So if we go on the inside, we had to find space for our Black Card spa, a spot that allowed us to expand the equipment on the club floor while enhancing that new member experience. And the daycare provided a perfect spot for that. We reimaged the space and provided a fresh look. An additional benefit was converting the daycare was that the space was less than 10% utilized by the members. Now all our Black Card members can enjoy it, and that represents more than 60% of our members.

So for many, it's a significant upgrade in terms of member experience. In the cardio and strength area, we replaced the old equipment and provided new more functional layout. We removed the old carpet and replaced it with rubber flooring and added turf as a centralized feature. We moved the half racks to their own room, and we took the space from boring to bold. This really was an amazing transformation, not just for the members of the community, but also for the owner.

And conversions provide a great opportunity for all -- for our brand. We know new construction is still the main choice for most of our franchisees. And so now let's talk about the second opportunity we have for growth as we help owners reduce costs on the overall capital. Like everyone else, we've seen a rise in construction costs. Today, we're approximately \$3 million all in per club. So to help owners manage costs while enhancing the member experience, we're looking at the current design.

We're making our clubs more efficient while reducing costs. We're delivering on our promise to our members by providing high value at low cost. So on the construction side, we took the lobbies and reducing it about 25%. We relocated the locker rooms and reduced their size by adding lockers to the main gym floor, making the Black Card spa more visible, as Bill said, to better showcase the new recovery modalities and allowing for more prominent location to drive member engagement and upgrades.

In a prototypical build, we estimate more than a 10% savings off the hard construction costs. And we're there to guide the franchisees through these opportunities. Now Bill showed you the current format club. What I'd like to share is a more conceptual club, where we push the envelope, similar to what automakers do when they develop a concept car. We're going to use the learnings from this design to enhance the guest experience and value engineer our prototype.

We've partnered with one of the most preeminent firms in the fitness industry to help guide us on this journey and allow us to think differently. So I'm going to show you an example of some concepts that we're considering for the future, but these are designed to evoke thought and conversation internally. We've moved the strength upfront, adding cardio area to complement it, but keeping the energy at the entrance and allowing for mixed modalities.

We like to think about this as a progression, right? So starting at the top of the club for the newer members, the center of the club, highlighted now by some of the lockers in the turf and then the back -- in the Black Card spa, I'm sorry, Black Card spa right in the middle. And then in the back of the club, we have more serious strength equipment for those advanced members. Our front lobby becomes more efficient, providing a really high-value entrance.

Our locker room is well positioned now directly behind that front desk and our Black Card spa centrally located. Turf is now its own defined space, and we've made it a central feature. It allows for better traffic flow with the removal of the expensive half walls and bulkheads and soffits, and we replaced it with TV partitions. The design reflects what the members want to evolve the value offering and to meet their needs.

And of course, franchisees want happy members and strong returns. We're delivering on both while driving growth. Now let me share how we continue to drive growth within our current ownership base. We recently reviewed a subset of the current ADAs. And as you can see, we unlock growth through different channels. We amended some of the current ADAs. We terminated some of those ADAs and some were transferred.

We're able to work with owners and drove growth an additional 28% over the remaining term of this subset of ADAs. Additionally, we're bringing in a sales leader to accelerate development in the untapped markets throughout the U.S. We'll add new franchisees that are located in markets allowing us to build an owner-operated model and drive growth with smaller ADAs, approximately 3 to 5 units over a few years.

We also know that by expanding our broker network, we can find those conversion opportunities all throughout the U.S. So to wrap up, these initiatives, which are well underway, are expected to yield incremental sustainable growth in the short term and provide a platform that we can build off of to grow into future years. We believe that we're all strong on this planet applies to our members and to our business model. With that, as Colleen said, the moment we've all been waiting for, our Chief Financial Officer, Jay Stasz.

Jay Stasz

Chief Financial Officer

I find it hard to believe that this is the moment you've all been waiting for, but I appreciate the sentiment, and I will take it. So yes, thanks, Chip, and good morning, everyone. Today, you've heard about all the actions we're taking to evolve the business. That's the moments that we've all been waiting for. Now I'll discuss how we're going to distill those actions into results. I'll tell you how we're leveraging our scale to drive profitable growth, expand our competitive edge and strengthen our position as industry leader.

We've built a highly attractive franchise system with a growing network of clubs, a strong membership base and world-class EBITDA margins. We're proud of our achievements in the first decade since going public, building a strong foundation as a growth company, a business that generates strong and stable cash flow, which we're returning to our shareholders and reinvesting in our business to drive growth.

On these next slides, we'll see proof of our strong and consistent track record of growth and profitability over the last 5 years and our commitment to maintaining our capital-light franchise model, starting with approximately 6% unit growth and about 9% growth in members. System-wide sales growth in the high single digits and EBITDA growth at a CAGR of almost 12%. This is evidence of our ability to drive top line, invest appropriately in the business and keep expenses well managed to gain leverage and flow-through from that top line growth.

When it comes to top line, our comp sales trends are impressive, a clear indication of the durability of this business even before the golden age of fitness. We had 53 consecutive quarters of comp sales growth coming into COVID. That's more than 13 years. And now we're building a new trend, 17 quarters since coming out of COVID, strong and consistent results and cash flow. Now looking ahead, I'm going to go a little deeper into 3 topics: our club level returns, our capital allocation strategy; and finally, our 3-year algo.

Let's start with club level returns. The results we're seeing from our recent openings and how they're tracking to our internal return targets. You've heard a lot about all the great work we're doing to drive top line, which we know wins the day in terms of unit economics. Our strength -- our work to strengthen club returns include these items. Many of you've heard about before and many you heard about today.

The new growth model focused on improving franchisee unit economics, reducing capital cost and extending reequipped time lines. And to support the top line, we did the Classic Card price increase last June or June '24, and we've announced the Black Card price increase in 2026. We know that top line is the lead dog. That's why we've built a Blue Ribbon team to execute the strategic imperatives you heard about today, driving member experience in the capital HV in HVlp.

But we're not going to ignore the cost side. Rigor on the cost side of this equation can further drive returns. We're continuing to work to value engineer the investment costs and reduce expenses. We've established a new procurement department to add rigor for spend across the business. It's the early days, but we see opportunities, advertising and savings on build-out costs like flooring and lighting.

The franchisees are excited by the work we're doing and the investments we've made over the last year, all designed to improve IRR and accelerate growth. With this momentum fueling us, we're optimistic about the returns we expect. This slide shows the top line results we're seeing since the rollout of our new growth model and increase in the Classic Card price. The middle line on the chart shows the openings in the back half of '24 and the top line shows the club openings in the first half of this year.

You can see our cohorts are accelerating. The dotted line represents an IRR target of mid-20s, and we're tracking right on it. Now let's talk about capital allocation. First and foremost, we're continuing to invest to grow and evolve our business and ensuring a world-class franchise platform from which we can grow. Next, we're going to return cash to shareholders, just like we've done in the past, and we'll execute on these priorities while operating within our target leverage levels. Let's get into the details on these pieces.

Because 90% of our clubs are franchised, our business is capital light, which means we can focus on strategically investing to scale and drive returns. Those investments could include developing enhanced data and analytics like we've done to help us identify trends and make the best decisions to move our business forward or investing in technology to enhance our member experience from the digital join flow to the fitness app. We're investing in our corporate clubs, new clubs and strategic remodels, reequips and relocations to help us gain share.

With our strong balance sheet and capacity under our debt, we're well positioned to act if and when the right strategic opportunity comes along, and it's accretive. Our next capital allocation priority is to return cash to the shareholders via buybacks. We've done this and we'll continue to do it through both opportunistic repurchases and accelerated share repurchases typically tied to refi events.

Our goal is to be consistent with more investment in buybacks between these refi events. Because of the natural delevering and scheduled debt maturities, we tend to increase buybacks at the refis. Now let me frame how we think about our capital. We appreciate the flexibility of our ladder debt structure that we typically go to market with maturities every couple of years.

This structure allows us to be capital efficient and maintain reasonable leverage ratios. Depending on the market conditions, we expect to operate within the range of 4 to 6x gross leverage. We lean to the bottom half of that range typically as a business as usual while leaving the high end for opportunities and strategic investments.

In a higher rate environment like we have today, we'll typically operate in the bottom half of that range. And then when the leverage drops toward the bottom range or below it, it's likely time for a refi event with an upside, getting our leverage closer to the middle of the range and executing an ASR. We have ample capacity under our current debt facility, \$2 billion of debt today and can borrow another \$1.5 billion if there's a strategic need like M&A or another strategic investment.

This brings me to our long-term growth algorithm. You've heard about the strategic imperatives and the work our team is executing, which allow us to continue to deliver strong financial results. Here, you can see our annual targets for the next 3 years. Revenue growth in the low double digits, adjusted EBITDA in the mid-teens and adjusted EPS in the mid- to high teens. Now let me walk you through the building blocks of each one to show you how we'll get there.

Our revenue growth will be made up of same club sales and unit growth. We expect same club sales of mid-single digits, driven by approximately 75% rate and 25% volume. The split reflects the Classic Card price increase in June of '24 and the planned Black Card price increase in '26. We will always focus on driving membership. The 25% contribution is significant, still growing members in mature clubs, which make up the majority of our comp base.

Now on to the next. The other component of revenue is driving new club unit growth of approximately 6% to 7%. We expect this to consist of about 5 points from domestic franchise growth and roughly 1 point from international. Given this outlook, we expect to open just under 200 new clubs in '26 and north of 200 a year in '27 and '28. Along with top line growth, we will deliver world-class profitability, reflecting the strength and efficiency of our capital-light franchise-driven model.

The bottom line will grow faster than our top line as we maintain our capital-light model committed to a 90-10 franchisee to corporate ratio and continue our disciplined approach to both corporate club and SG&A expense management. And finally, EPS. We expect mid- to high teens growth. The variables include interest expense, driven by the rate and the size of the borrowing at the time of refinancing and of course, the number of shares we repurchase. In closing, this is an exciting time to be part of Planet Fitness.

We're growing our highly attractive franchise system with more clubs, more members and a capital-light model that drives strong predictable cash flow. We're investing that cash strategically to deliver world-class profitability and long-term shareholder value. Simply put, we're growing our business, strengthening our competitive edge and continuing to lead the industry. And with the scale, the strategy and the momentum we've built, this -- the best is still ahead for Planet Fitness. Thank you. And now we're going to open it up for your questions. So let me invite our presenters back to the stage and turn it back to Stacey.

Question-and-Answer Session

Stacey Caravella

Vice President of Investor Relations

All right. So as hands are already up. I think people are anxious.

Chip Ohlsson

Chief Development Officer

Something tells me this might be what they were all waiting.

Stacey Caravella

Vice President of Investor Relations

A couple of things before we get started with our Q&A. I ask that you wait for a microphone so that the webcast participants can hear your question. And then it would be great if you could state your first name and your firm. And then finally, it will be - if you could just limit yourself to one question initially, if there is time, then we might be able to add for people to ask a second question. So with that, and mic runners are standing by. So let's start with Randy since I think he won the hands-up contest.

Randal Konik

Jefferies LLC, Research Division

Randy Konik at Jefferies. I guess for Chip, you give us some perspective on international development, thinking about 1 to 2 scalable markets a year. Maybe give us a little bit more -- a little bit more meat on the bones. You want to -- probably don't want to give us countries, but maybe where you are kind of targeting just a broad level.

And then maybe from Colleen's perspective, how do we think about that growth? Is it going to be owned growth, franchise? Can you give us that system? And would you ever consider any acquisitions to accelerate international further since you're already seeing some very strong results already in Spain and other markets?

Chip Ohlsson

Chief Development Officer

So I'll start with when I talk about where we're going to go for target markets, for competitive reasons, I want to hold back to the actual markets. But we can look at it from -- when we went into Mexico, we went into Spain, we looked at the demographics of the market. We looked at, okay, what's the population density? How many rooftops are there? We look at the political system. We look at the inflation of a given marketplace.

And then we look at who the sponsors can be in that market. That's really important to us. There is a nuance in every international market that we go -- any market we go into actually. And having somebody on the ground that understands what's happening in the market, what rents look like, there's complexities in Spanish -- or I'm sorry, in French real estate as opposed to maybe Spanish real estate.

So understanding those complexities. So for us, the important thing is to go into a market that we know we can highly perform in. We know it has great density. We know that the consumer is out there, and they want to get fit. And then from a local perspective, how do we handle it from political, rents, and things like that.

Colleen Keating

CEO & Director

And I'll build on that, too, to answer your question. So you've seen our brand perform in a number of different geographies. We built Spain on our balance sheet first as a proof of concept. And we wanted to stay very close to the build process. We put a team on the ground. We've got a great country leader. We've got a great operations leader who's experienced in Spain, great marketing leader who is able to engage with agencies and develop marketing creative that really landed great real estate person.

So as we think about other markets, we are very committed, as Jay said, to preserving our asset-light model. We do not think we must go into a market on balance sheet. If we could go into a market with a strong, well-capitalized prospective franchisee partner in a market, we would certainly do that. But we want to make sure that we've also got the right resources on the ground to bring the brand to life in a healthy way.

And as it relates to inorganic opportunities, Jay touched on that in his remarks as well. We have looked at other inorganic opportunities, and we do have capacity. At the same time, it needs to check a couple of boxes, right, from a return profile perspective and is it the right box? Can we really bring the brand to life in a healthy way like we've been able to do in Spain?

And then the other thing from an inorganic standpoint is preserving that-ish 90-10 franchise mix in our system is also important to us. But we talked last year about we took a look at the Blink acquisition as for example. So if there's something in the market, we are going to underwrite it. We've said we look at everything and we should look at everything. So we are going to underwrite it and see how it makes sense in our system.

Simeon Siegel

Guggenheim Securities, LLC

Simeon Siegel at Guggenheim. So the lapsed member opportunity looks really interesting. Can you just flesh that out a little bit? Maybe talk about what the average duration between lapsed and reactivation that you've seen? What do members give for -- those that leave and come back, what's the reason they give for leaving and then in terms of bringing them back? And just any way you want to quantify order of magnitude of opportunity within that lapsed customer?

Colleen Keating*CEO & Director*

Do you want to start, who want to start? I'll start. So as it relates to lapsed members, we've talked a lot about the rejoin rate being in the mid-30s, even a couple of quarters -- recent quarters, wherein last year, we were in the upper 30s. We don't get into specifics about the duration of membership.

However, we are looking at the rejoin rate and how the duration of the original membership as well as the rejoin. So that's where we're doing more work around lifetime value. Again, we've got members who, let's say, boomers who've been with us a long period of time. We are running some regression analysis to understand what the value is on the rejoin.

At the same time, we'll make some assumptions because we haven't seen the same lifespan of a Gen Z to understand if they lapse and rejoin, obviously, we don't have as many years with them as we've done with boomers. So I hope that answers your question to some degree. I know I'm not being maybe as specific about tenure as you would probably like. But you can back into the tenure a bit, too. And then you can talk about the marketing, how we market to lapsed...

Brian Povinelli*Chief Marketing Officer*

One is working, but neither is working. And then on -- the biggest reason when we -- I mean, we do a lot of research on kind of what is the root cause. The #1 is really time, having the time to get to the club. And I think that's why we actually see a lot of rejoin. There's a lot of life just events, whether you're preparing for a race, whether you have a health issue, I think that's why we see a lot of the in and then they come back when they have another event that determines that.

But that's the power of as we're building out the CRM tools and the AI-enabled engine, we're collecting that data. So when a customer cancels, we capture through surveys, both in the club and online, what is the core reason for that? So we have that first-hand reporting. And then when we do the rejoin efforts, we will lead with sort of that reason as with an offset to that. If it was cost, well, there's maybe a different membership level.

If you moved, well, we have the Black Card, you can go anywhere. So I think we're really going to see some acceleration on the ability to personalize that rejoin offer to a lapsed member as we go forward and using not only what they self-report but propensity models we're building to identify that through data signals we're seeing that aren't self-reported.

Maksim Rakhlenko

TD Cowen, Research Division

I'm Max Rakhlenko, TD Cowen. Congratulations on a great morning. So in that TAM analysis slide, you guys pointed out the 2 groups that stand out as opportunities. How do you think about the low-hanging fruit and sort of where those members could come from?

And then how do you think about balancing sort of the sweet spot that Planet Fitness has always had about winning those first-time gym goers and really having that non-intimidating environment versus getting more members from elsewhere that may be looking for different things?

Brian Povinelli

Chief Marketing Officer

Yes. Well, and I think it's -- the key to me in all of that is that -- and part of why that 80% we used to go to that person get off the couch is the customers evolve so much. Like if you think about the millennials and Gen Z and that whole idea of their parents have modeled behavior that is probably more fitness-oriented than my parents ever did is that it's really about they are already coming into the marketplace with a higher wellness and fitness knowledge than previous generations.

So now it's about providing them the offerings and the access that they want. So I think that's where it's just a significantly different, I don't know if there is a true couch potato customer today that was so prevalent 20 years ago. So it's really looking at if you're coming in with a propensity to want wellness to be part of your lifestyle and you have a better understanding of what that means and all of the different modalities available to you, then it's really for us, as we evolve, it's part of even recovery.

Recovery is a much bigger part of a wellness routine. That's why the Black Card spa evolution is so focused there. So I think it is really now much more of a combination of as the overall wellness interest is growing. That is the growing kind of TAM in the marketplace of people who we can still bring in who maybe haven't paid to join a service yet. And then an opportunity that was much different 20 years ago on stealing share.

That is now a dynamic that we need to get more focused on how do we really go after those other 60 million to 65 million people who are paying, but not our 20 million and give them compelling reasons. And I think the emotional part of what I talked about is really critical.

Not -- that's where my belief is there's the functional needs that drive a lot and probably are where people start, but then they want to attach themselves to a brand. We're all customers. We want to -- we represent brands that speak to us and dialing that up and having people really say, I identify Planet Fitness, they're a brand for me is how we, I think, have a big opportunity to steal share.

William Bode

Chief Operating Officer

I think we've also done such a good job with judgment-free over the life of the brand that the consumer that comes into our club today understands that no matter their body type. So it's very different than when we embarked on fitness. Today, we'll have consumers in our clubs that are fitness enthusiasts, but they understand our values around judgment-free and what that experience should be like in the club. So it's still welcoming for all.

Sharon Zackfia

William Blair & Company L.L.C., Research Division

Sharon Zackfia with William Blair. So I'm pretty excited about the idea of bringing in a dedicated sales leader on the franchisee side. I don't think Planet is ever marketed for new franchisees in the U.S. So can you talk about the advent of that function and how critical new franchisees are to that 6% to 7% CAGR over the next 3 years? And ultimately, kind of what kind of franchisee base do you need in the U.S. to tap that TAM over time, which I think is still over 4,000 clubs.

Colleen Keating*CEO & Director*

I'll start and then, Chip, if you want to build on it a little bit. But to start, yes, you're right. We say upwards of 4,000 to 5,000 clubs domestically. And today, we've said we are confident that we've got strong, well-capitalized franchisees in our system today who are excited to grow with us. And we've seen that with every time territory has become available, at least in my tenure, every time territory has become available, we've had incumbent franchisees at the table wanting to acquire that territory and grow their portfolios with us.

So that's a very positive signal. And I think that speaks to your question how necessary is it. At the same time, we do believe there's an opportunity to bring some new franchisees into the system and that it would be advantageous for us to have some additional well-qualified franchisees to help us achieve that growth ambition to get to the longer-term growth targets.

And I think Chip talked a little bit about how we've recast some ADAs when maybe transactions were happening or there was an opportunity for us to look at ADA performance and unlock additional territory. So we think that gives us an opportunity now to sell some incremental territory to some new franchisees. And maybe there hasn't been a ton of white space.

There is some white space and when you think about kind of coming out of COVID, the de-urbanization, de-densification, where homes have been built, particularly kind of the median entry-level kind of price homes in the U.S., there are likely more communities today that have that 50,000 or 70,000 rooftops than 5 or 6 years ago.

And again, with the new format, we've got the opportunity to build clubs that are maybe in a community sub-70,000 rooftops that are underserved from a fitness experience standpoint. So all of that together gives us the confidence that we can bring some additional franchisees into the system.

Chip Ohlsson*Chief Development Officer*

Yes. We think it's a big opportunity. There's -- as Colleen said, there's white space all throughout the U.S. It's not just where major markets are when we look at the LLS and everything. And so there's a lot of owner operators since I've been here, and I've been here about 11 months, way longer than you, Brian, been here about 11 months, and we've gotten a lot of calls.

And we think it benefits everybody in the system. Fitness now is a -- and especially in the franchising model is where people are looking to invest. And so if we bring in the right owners into this marketplace, it benefits our existing owners. It benefits the new markets that we're going to go into because there's a lot of these owner-operator markets out there.

And I have a background in hotels, too. And we know that if we go in and we meet with the local operator that may own the car dealership in the market, but wants to diversify his investment portfolio, doing it through Planet Fitness is a great way to do it. And they can -- they know everybody in that marketplace and so we just think there's a big, big broad stroke that we can go out into there and grow.

Rahul Krotthapalli

JPMorgan Chase & Co, Research Division

Rahul from JPMorgan. The HVlp space growing at 9% CAGR slide is interesting. The model has attracted a lot of capital and competition. Can you discuss a little more detail on the supply growth in the regional and local markets and competition you're seeing? And how aggressive can you get on the conversions or maybe smaller scale M&A given the balance sheet flexibility you have today? And the follow-up is on the mid-single-digit algo on the same-store sales club growth. The 75% mix coming from rate versus the volume, how should we think about this evolving over time?

Colleen Keating

CEO & Director

Maybe I'll start. I'll start on the kind of the conversion opportunity and the growth in HVlp. So I'll say this, a couple of things. First, I think we saw a couple of HVlp peers in the sector transact earlier this year at pretty strong multiples. I think that's a signal that these are smart, well-qualified investors, right, that's a strong signal of the opportunity and the growth opportunity in this sector.

As it relates to conversions, we did a few -- had a few conversion clubs last year. And then we just recently had some conversion clubs in partnership with another franchisee this year, right at the end of the third quarter. There's -- gosh, coming out of COVID, this number is probably higher, but it was 31,000 kind of gyms and clubs domestically in the U.S. and that was after -- that was on the heels after post some of the COVID closures because it was around 40,000 pre-COVID.

So you take that, and you think, gosh, we are today less than 10% of that. And us and our next largest competitor or peer combined, probably still only-ish about 10% of that. So there's a big opportunity with conversion clubs that are small regional -- smaller regional players that the electrical is already run, there's already plumbing. It's -- again, the right footprint, it also gives us access to that second-generation space that already has some build-out if it's well located.

So we see conversions as a nice opportunity. As Chip said, still the majority of our development is new club construction, but we do see it as a path to accelerating growth, working in partnership with our franchisees. And we've got someone on our corporate development team.

We established a corporate development team over the past year, and we have someone who's opportunity sizing that and looking for -- looking at the landscape of these smaller regional players where there might be a 4-pack, a 5-pack, a 6-pack of clubs in a region where we could bring them into the system, help our franchisee with a thoughtful, smart conversion and continue -- to make sure that we're continuing to deliver access to fitness in communities around the United States.

Jay Stasz

Chief Financial Officer

Yes. And just to follow up on your comp question, I'll speak to that. I mean, obviously, the algorithm that we gave across all the metrics is a 3-year algorithm. We expect to operate within that over that time period. As we give specific annual guidance, obviously, we'll be getting into that with '26. We'll give more details around that. I mean, obviously, there are some influences with the Black Card price increase next year that is going to impact that ratio, and it will ebb and flow.

Joseph Altobello

Raymond James & Associates, Inc., Research Division

Joe Altobello, Raymond James. A question for Jay. And I know we talked about this earlier, but how should we think about the growth in the equipment business over the next 3 years since -- I think placements, it's pretty straightforward. It should be a nice glide path. The reequip side might be a little bit lumpy. I think there's some -- a slowdown next year, some growth in '27, another slowdown in '28. So how should we think about that?

Jay Stasz

Chief Financial Officer

Right. It's a good question. And obviously, the change in pace of change in the equipment segment is within our guidance that we gave on revenue. To your point, as part of the new growth model, we did shift some of the reequip timing. And so there's some gaps in that timing, which we will be in during this 3-year period.

The first of those is in '26 and then again in '28. And while we would expect growth in the equipment segment, it will be much more muted and certainly not the estimated 16 that we've talked about this year. because of those shifts in the reequip schedule, but all encompassed in the guidance or the targets that we gave.

Stacey Caravella

Vice President of Investor Relations

Chris?

Unknown Analyst

Great presentation. Brian, my question is around the nonworking media that we could expect to grow this year. I mean you guys have spent a lot; it sounds like this year with nonworking media. And so -- and then you've got some efficiencies you talked about. What do you expect the working media growth to be this year?

Brian Povinelli

Chief Marketing Officer

Well, less about dollars. I mean we're -- just in the 1% shift that I talked about, we will deliver about a 24% increase in impressions that we can derive on a national level than we did 2025. So it's that type of escalation. We're still working on -- as we think about this 1% shift, how do we really ensure that it is not only allowing us to chase some of those like emotional equities that we want to build, but keeping the top line at the forefront and working on that mix between the local, really a bit heavier focused on top line and demand generation.

Like today, with the 7.2 we're a little bit in the middle, a little messy, where some of the local co-ops are doing what I would call upper funnel marketing, and that's where we kind of match. This shift towards more national is going to allow us to really delineate between those channels and have national, again, kind of really be the engine delivering impressions, driving traffic into our ecosystem, traffic into our website, into our join flow and let the local really focus on more just pure demand generation.

So at this point, in the 1% shift, it's more of an impressions game, and then we'll see where we move to in the future. But that's how we're trying to think about the effectiveness of the combined spend and the increase in the working ratio.

Colleen Keating
CEO & Director

I would say you talked about in pure dollars, so that's about \$45 million. We made a commitment to the franchisees that vast majority of that was going to go to working media, but more kind of the brand messaging working media. And then the savings that you've achieved through the procurement process with the new agencies is also freeing up dollars that won't be going to agency commissions.

So it's -- I mean, it's fair to say it's in the multiples of millions of dollars of additional funding that is going to go to working media, whether it's at the top of the funnel and then pulling the AI-enabled CRM and the DCO work, the dynamic content optimization, those were 2 initiatives that we had on the longer-term road map, but we were able to pull forward, you and your team were able to pull those forward with the unlock of the additional funding that's not going to fees. So it is more money put to work.

Arpine Kocharyan*UBS Investment Bank, Research Division*

Arpine Kocharyan, UBS. I was wondering if you could talk a little bit about what franchisee returns are embedded in your growth targets. I think you mentioned currently that stands at around mid-20s. Do you see a path to getting closer to maybe high 20s over time despite cost to build increases?

Jay Stasz*Chief Financial Officer*

Yes. So as you said, I mean, what we're targeting and as we saw on the slide, is roughly mid-20s. And it's -- we call that continuous improvement, right? We're sharpening this eye every single day on all fronts. The top line, which we know is the big driver, but we continue to focus on the cost side, the build cost as well as the expenses.

Marni Lysaght*Macquarie Research*

This is Marni from Macquarie. Just when we're thinking about further enhancements you've called out to recovery. So for example, making it more visible in the center before it looked like it was behind the desk, so intuitively would have been manned. So just maybe some of the mechanics about do we use barcodes to get in. Obviously, you want to make it visible but also ensuring the exclusivity of the offering and thinking about cost of manning versus not manning, et cetera.

Chip Ohlsson*Chief Development Officer*

Yes. From a design perspective, we think it's important that, that Black Card spa becomes front and center. There are new modalities going in and people need to understand what we have in those. But when we did the design, we also positioned the door close to the front desk area, but -- and Bill can talk about from a technology standpoint, what we're going to do to prevent anybody from going in and out. But yes, we can do it with access card. We just think that the more people understand what is behind that door, the more they'll utilize that, and that's where we see an increase in our membership and upgrades.

William Bode

Chief Operating Officer

And we have -- we could do it either way. We could put the barcode right on the piece of equipment to fire up the equipment. We could put the barcode on the entry. We're going to look at the different ways. We want to make it, as I said, seamless as possible for the member so that, that experience feels natural for them as they go in and out of those spaces.

Stephen Grambling

Morgan Stanley, Research Division

Stephen Grambling from Morgan Stanley. This is a bit of a follow-up from others for Jay. In your outlook, how are you thinking about cash conversion over the next couple of years? And what are the major puts and takes to consider?

Jay Stasz

Chief Financial Officer

Yes. So we're not going to give out the GAAP cash conversion metrics specifically. But what we do think about when we think about buybacks opportunistically between refis, we think about \$150 million per year between the ASRs as kind of a foundational number.

Todd Wakefield

Newton Investment Management North America, LLC

Todd Wakefield with Newton Investments. Colleen, when you first joined, I think one of the questions I asked was how can you leverage your expertise at and you mentioned these 20 million-plus subscriber bases that really hasn't been monetized outside of the gym fees. And I'm curious, if any, of like the Perks monetization or anything that's built into the 3-year outlook?

Colleen Keating

CEO & Director

So I'll touch on it a little bit and maybe then give Brian an opportunity to talk. And he shared some of it in his remarks, his prepared remarks today. Certainly, Perks is an element, partnerships is another element. And even today, while we don't get into the specifics of the economics of each of the partnerships, we do have partnerships that -- on which we clip a coupon today.

So we have monetized the member base. We do see there's more opportunity to do that. And at the same time, enhancing kind of the stickiness of the relationship with our members through utilization of relevant Perks programs is another component. But I'll let you touch on it because I think you showcased today some really cool new opportunities.

Brian Povinelli

Chief Marketing Officer

Yes. And I think there's kind of 3 components of that ecosystem. There's digital out-of-home in our clubs. So the screens are vehicles for us to bring in other advertisers to reach our audience. There's the Perks program, which has proven to be quite successful and really just driving stickiness of our customers, those who engage with an offer, we see a bit longer tenure with. And then the data. So monetizing the data.

So those are the areas we're looking to build more infrastructure around as we go forward. And then looking at almost the converse of that, like I mentioned, a couple of platforms we're going to test in the next couple of months of looking at how can we leverage and/or almost barter our ecosystem with other ecosystems that we feel are complementary to drive both joins on our end or member retention and obviously, the motivation of whatever partner we may go with.

So looking at both of those, I think there's a big opportunity to find almost a new way to reach a member base that we're not doing through, we can kind of set the tone with our national advertising and drive impressions, but looking for more effective ways to deliver an offer at a much lower cost per join.

Randal Konik

Jefferies LLC, Research Division

Randy Konik with Jefferies. Just back on the Black Card spa, it's super compelling from what it looks like. Obviously, there's a lot of talk about what a new unit would show from a Black Card spa. But maybe give us some perspective on what you can do with the existing 2,800 units in terms of changing not just the equipment. I don't know if the franchise agreement specify.

But to incentivize the franchisee to kind of change that format of the look of -- because it looks pretty compelling. What can you do there? And if you can do anything there, what's the time line to get not just 80% of the clubs refreshed with equipment, but a majority of the clubs refreshed with that Black Card spa look and feel with the equipment because it looks, again, very compelling in the market.

William Bode

Chief Operating Officer

Yes. We -- so the spa itself, a lot of them have what we would call a lobby area in it, where there's a couch, a chair and a table. It was in one of the images I actually showed or maybe you showed. That area right there, we can bring equipment into. So that as you look through the glass that's there, we can open up that glass a little bit just in deconstructing some walls. You would then be looking into equipment, which gives you a feel that there must be equipment and more back there.

So seeing the first amenity would lead to more. Today, you see a couch. So it's not leading the consumer to that what could be back there. So we think even in the existing footprint, we can open up some more glass, get into that lobby area, something, hydro lounge, do hydros, something into that area that would then open up the consumer's eye to the space and hopefully to upgrading.

Colleen Keating*CEO & Director*

Signal wellness and...

Brian Povinelli*Chief Marketing Officer*

And I just also think I just mentioned screens. We have a lot of screens in our clubs. I think we can better utilize our screens to promote what is in those 2,800 clubs where maybe isn't quite as visible and just draw more attention to our customer base while they're in the club.

Stacey Caravella*Vice President of Investor Relations*

All right. With that, I'm going to turn it back over to Colleen to give her closing remarks.

Colleen Keating*CEO & Director*

Excellent. Well, thank you. Thank you, Stacey. Thank you, everyone, for all of the thoughtful questions today. And thank you for joining us today to hear about all of the work that we're doing to accelerate our growth. I also want to give a couple of shout-outs and thanks. We have 2 of our Board members who joined us this morning as well.

So thank you to Dr. Stephen Spinelli, our Board Chairman, and thank you also to our Board member and former Interim CEO here with us today, Governor Craig Benson. So thank you both for joining this morning as well.

So really to wrap up, I hope we've left you -- and we talked at a very high level and with some granularity about the strategic imperatives over the last -- well, since I've been here about 17 months. I hope today, we've given you a better understanding of some of the building blocks and the actions that we're taking today to help us achieve the growth ambition that we've outlined.

And I hope the time that you've had to hear from some of our Blue Ribbon team members are giving you the confidence and the clarity of our team's commitment to delivering on this ambition because we are making very meaningful progress on these strategic imperatives. We're modernizing the member experience as we brought to life for you today.

So you could see and if you want to go over and touch and feel a couple of pieces of equipment, we're getting more sophisticated in our marketing and really marketing with more precision, being more targeted and getting more value out of every dollar we spend and truly optimizing our format to increase joins and retention, really grow our membership, right?

Because it's joins and retention to streamline the build costs and enhance our unit economics. We're doing all of this with speed, bias for speed while staying hyper-focused on strong returns for our franchisees and our shareholders. And as you leave here today, I want you to know that we're taking advantage of this moment, this very special moment when we've got incredible secular tailwinds.

Demand is increasing. Space is opening or at least beginning to ease. And our brand is evolving in all the right ways. And we're poised to accelerate our industry leadership and drive more growth. So again, thank you for being with us today. Really appreciate your generous time. Thank you.

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