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EPS of \$0.59 **misses by \$0.03** | Revenue of \$276.66M (11.55% Y/Y) **misses by \$3.16M**

Planet Fitness, Inc. (NYSE:[PLNT](#)) Q1 2025 Earnings Call May 8, 2025 8:00 AM ET

Company Participants

Stacey Caravella - Investor Relations

Colleen Keating - Chief Executive Officer

Jay Stasz - Chief Financial Officer

Conference Call Participants

Simeon Siegel - BMO
Sharon Zackfia - William Blair
John Heinbockel - Guggenheim
Max Rakhlenko - TD Cowen
Xian Siew - BNP Paribas
Rahul Krotthapalli - JPMorgan
Martin Mitela - Raymond James
Lucas Hudson - Bank of America
Randy Konik - Jefferies

Operator

Thank you for standing by for the Planet Fitness First Quarter 2025 Earnings Call. [Operator Instructions] It is my pleasure to introduce your host, Ms. Stacey Caravella.

Stacey Caravella

Thank you, operator, and good morning, everyone. Speaking on today's call will be Planet Fitness Chief Executive Officer, Colleen Keating; and Chief Financial Officer, Jay Stasz. They will be available for questions during the Q&A session following the prepared remarks. Today's call is being webcast live and recorded for replay.

Before I turn the call over to Colleen, I'd like to remind everyone that the language on forward-looking statements included in our earnings release also applies to our comments made during the call. Our release can be found on our investor website along with any reconciliation of non-GAAP financial measures mentioned on the call with their corresponding GAAP measures.

Now, I will turn the call over to Colleen.

Colleen Keating

Thank you, Stacey and thank you everyone for joining us for the Planet Fitness first quarter earnings call. We were pleased to end the first quarter with 20.6 million members, an increase of approximately \$900,000 from the end of 2024. We grew system-wide same club sales by 6.1% and opened 19 new clubs globally bringing our total club count to 27.41. Given the strength and durability of our model, we delivered this healthy growth against a backdrop of increasing volatility in the macroeconomic environment. As a leader in the high-value, low-price fitness category, we have successfully grown our model for over 30 years, while navigating a variety of different market conditions throughout our history.

Before I go deeper into our first quarter performance, I'd like to highlight why we are confident that we are well positioned to execute our strategy and deliver on our 2025 expectations. At the same time, we are mindful of the broader macroeconomic conditions, including consumer sentiment and tariff uncertainty. During the great financial crisis, between 2007 and 2010, we achieved strong same club sales growth we grew our membership and opened new clubs.

Prior to 2020, we had 53 straight quarters of positive same club sales growth. More recently, we weathered a global pandemic without 1 club permanently closing due to financial reasons. Even though our clubs were shut down and did not collect member dues for an average of 6 months. We are a resilient brand and continue to strengthen our leadership position by offering consumers a place to get a high-quality work out at an incredible value in our judgment-free environment.

Now let's review the progress we've made on our four strategic imperatives during the first quarter. As a reminder, these four strategic imperatives are: redefining our brand promise and communicating it through our marketing, enhancing member experience, refining our product and optimizing our format and accelerating new club growth. Let me start with redefining our brand. We were pleased with our first quarter net member growth, which was in line with our expectations. We kicked off the year with our new creative, a campaign that communicates that we are all strong on this planet. It focuses on our shift to a more balanced complement of equipment in our clubs, our welcoming judgment-free atmosphere and the supportive community that we offer all our members.

Based on research we conducted during the quarter, the campaign improved brand perception across all fitness levels and enhanced the perceived value of a Planet Fitness membership. We also saw an increase in purchase intent from former members as we highlighted the capital HV aspects of our offering, and we had a strong 30-plus percent rejoin rate during the quarter.

Looking ahead, we will augment our ability to test, learn and make data-driven decisions as we evolve our brand. We have a pipeline of testing projects currently underway that range from pricing to changes in the physical layout of our clubs. During the first quarter, we used several different promotional strategies that tested successfully in 2024. In addition to our typical 10-day offers, we ran 2 classic card 2-day flash sales and a first month free Black Card offer, both of which contributed to our membership growth during the period.

We continue to see strong Black Card penetration with 65% of our membership at that tier as of the end of the quarter, a nearly 300 basis point increase from Q1 of last year. Consumers continue to recognize the value of the Black Card, with the gap between the classic and Black Card memberships only \$10. We will hold on a decision on a system-wide Black Card price change until after we anniversary the classic card price increase, which you will recall went into effect on June 28 of last year.

As for member activity, our members were more engaged during the first quarter of this year and visited a club an average of 6.7x per month, the highest quarter utilization in 5 years. This is an encouraging data point as we think about retention in general and in the context of our click to cancel rollout. Gen Z continues to lead our membership growth and has been the fastest-growing demographic group of our membership since 2021. To further this momentum, we're excited to announce that we will be running the high school summer pass program again this year. This has been incredibly successful at building brand loyalty and is a cost-effective program that has yielded a mid-single-digit conversion rate to paying members over the past few years.

Now to member experience and product refinements, we hold a highly differentiated position in the high-value, low-price sector of the fitness industry. We bring a top quality, judgment-free fitness experience to life and foster meaningful relationships with our members who span a broad spectrum of age, socioeconomic and fitness levels. Our clubs have many stories from members who have had life-changing experiences because of their memberships. We truly do make fitness accessible to almost everyone having clubs within a 12-minute drive of 170 million people in the United States. We're proactively tailoring our offering to respond to evolving customer needs. Based on insights from consumer research and member behavior, we expanded our footprint of strength equipment and opened up spaces within our clubs for members to do more functional training.

We believe that this move will enhance member experience, providing them with the ideal equipment mix and environment to achieve their workouts their way. As part of the research that we conducted during the quarter, we asked consumers if they thought they could get strong at Planet Fitness. The majority of respondents who had seen our ads noted that they believe that we have the equipment for building strength and that we are a gym they can grow with. This feedback further supports our decision to expand strength equipment in our clubs. At the end of the first quarter, nearly 1,800 clubs have the more balanced mix of equipment with the remainder of the clubs expected to have it by the end of the year.

And finally, to our efforts to accelerate new club growth. During the first quarter, I continue to visit more clubs now 125 globally, including a trip to Australia where I celebrated the opening of a new club with our Australia team and many of our members. Similar to my trips to Mexico and Spain, my biggest takeaway is that our format and brand offering resonates with fitness-minded consumers across geographies and generations. In fact, our clubs in Spain continue to have strong ramps, and we recently opened our eighth club in the country. As evidence of their healthy performance, we believe we will be in a position to refranchise the clubs and future development rights in the medium term.

We remain steadfastly focused on unit economics. We made two foundational changes in 2024, giving our franchisees the opportunity to improve club IRRs, the new growth model and the classic card price increase for new members. Franchisee sentiment was positive coming into 2025 and was bolstered by strong first quarter net member growth and revenue growth that had the added rate benefit from the classic card price increase.

As I stated earlier, we are a resilient brand and have historically emerged from prior periods of market uncertainty in an even stronger position. That said, I would be remiss if I didn't touch on tariffs. Our teams are in discussion with our vendors and working through what potential tariff impacts mean to our business and franchisee unit economics. We are taking a thoughtful approach focused on the things we can control to continue to execute on our strategic imperatives. We are in communication with our franchisees and at current tariff levels do not see a material impact to our 2025 targets.

As such, we are reiterating our growth targets for this year. I am pleased with the progress we've made thus far in 2025 and I am excited about the opportunities that lie ahead for Planet Fitness. I look forward to sharing more of our progress with you.

Now, I will turn it over to Jay.

Jay Stasz

Thanks, Colleen. We are pleased that we are starting to see results from our focus on the strategic imperatives that led to a strong first quarter performance in line with our expectations against the backdrop of increasing volatility in the macroeconomic environment. Given that we're a fitness brand that sells an experience, we are generally less impacted by tariffs, and we expect to be able to address these impacts on our equipment at the current levels without adjusting our guidance ranges at this time.

We are intensely focused on our franchisee unit economics and we are taking a thoughtful approach to rising input costs. We are working in partnership with our vendors and our franchisees to navigate potential cost increases. Due to our size and scale and our long-term vendor relationships, we have mitigated a sizable portion of our system-wide exposure to tariffs on equipment at today's levels. We are leveraging our scale to negotiate with manufacturers to offset these costs, exploring alternative markets for producing products and bringing equipment into the U.S. ahead of potential tariff implementation deadlines.

Before I get to our first quarter results, I'd also like to address how we are approaching Click-to-Cancel. We remain committed to delivering a great member experience, and we want to make the cancellation process as seamless as the join process. Given that the challenge to the regulation did not result in any changes to the ruling, we're underway with rolling out online cancel functionality system-wide to meet the mandated deadline of May 14.

As you may recall, more than 35% of our system had click to cancel before April, including all of our corporate clubs where we enabled it more than 18 months ago. Now we are enabling it across the rest of our portfolio because we believe it is the right thing to do for our members. As of this week, online cancel is available to members in more than 50% of our U.S. clubs, the national rollout before the mandated deadline is included in our outlook for 2025, including our same club sales growth outlook. As a reminder, generally, the largest impact of the cancer rate occurs in the first couple of months and diminishes as time goes on.

Now to our first quarter results. All of my comments regarding our first quarter performance will be comparing Q1 2025 to Q1 of last year, unless otherwise noted. We opened 19 new clubs compared to 25. We delivered system-wide same club sales growth of 6.1% in the first quarter. Franchisees same club sales increased 6.2% and corporate same club sales increased 5.1%. Approximately 74% of our Q1 comp increase was driven by rate growth, with the balance being net membership growth. Black Card penetration was approximately 65% at the end of the quarter and an increase of 280 basis points from the prior year. For the first quarter, total revenue was \$276.7 million compared to \$248 million, an increase of 11.5%. The increase was driven by revenue growth across all 3 segments. A 10.7% increase in franchise segment revenue was primarily due to higher royalty revenue from increased same club sales as well as new clubs, an increase in national ad funds as well as franchise fees.

For the first quarter, the average royalty rate was 6.6%, consistent year-over-year. The 9.2% increase in revenue in the corporate and club segment was primarily driven by increased same club sales as well as sales from new clubs. As a reminder, we opened 21 new corporate clubs in 2024, 8 of which occurred in the fourth quarter. Equipment segment revenue increased 28.7%. The increase was driven by higher revenue from replacement equipment sales, partially offset by lower revenue from new franchisee-owned club placement sales. We completed 10 new club placements this quarter compared to 14 last year.

For the quarter, replacement equipment accounted for 78% of total equipment revenue compared to 58%. Our cost of revenue, which primarily relates to the cost of equipment sales of franchisee-owned clubs amounted to \$22.5 million compared to \$19 million. Club operations expense, which relates to our corporate-owned club segment, increased 9.9% to \$81.7 million from \$74.4 million. The increase was primarily due to operating expenses from 24 new clubs opened since January 1, 2024. SG&A for the quarter was \$34.3 million compared to \$29.2 million, while adjusted SG&A was \$32.5 million compared to \$27.3 million, an increase of 19.1%.

The primary driver of the increase to adjusted SG&A was higher expense due to increased compensation from recent executive hires and investment in our strategic imperatives. National advertising fund expense was \$21.9 million compared to \$19.8 million, an increase of 10.9%, in line with our franchise segment revenue increase. Net income was \$42.1 million. Adjusted net income was \$50 million, and adjusted net income per diluted share was \$0.59.

Adjusted EBITDA was \$117 million, an increase of 10.1% year-over-year, and adjusted EBITDA margin was 42.3%, in line with our expectations, compared to \$106.3 million with adjusted EBITDA margin of 42.9%. By segment, franchise adjusted EBITDA was \$84.9 million, and adjusted EBITDA margin increased from 73.2% to 73.7%. Corporate Club adjusted EBITDA was \$45.8 million, and adjusted EBITDA margin decreased from 34.6% to 34.3%. Equipment adjusted EBITDA was \$7.4 million and adjusted EBITDA margin increased from 22.2% to 26.8%, which was driven by the change to the equipment mix that we made last year, but didn't go into effect until the second quarter of 2024.

Now turning to the balance sheet. As of March 31, 2025, we had total cash, cash equivalents and marketable securities of \$586.3 million compared to \$529.5 million on December 31, 2024, which included \$56.6 million to \$56.5 million of restricted cash respectively in each period. In Q1, 2025, we used \$50 million to repurchase approximately 544,000 shares.

Moving on to our 2025 outlook, which we provided in our press release this morning. As I noted earlier, our outlook assumes tariffs at the current levels. We continue to expect between 160 and 170 new clubs, which includes both franchise and corporate locations. We expect that the quarterly cadence will be weighted towards the second half and the fourth quarter of '25, similar to '24. We also continue to expect between 130 and 140 equipment placements in new franchise clubs and again, we expect that quarterly cadence will be weighted like 2024. We expect that reequip sales will make up approximately 70% of total equipment segment revenue for the full year.

As I noted earlier, we are reiterating our guidance targets with the exception of CapEx, which we are bringing down slightly. The following targets represent growth over fiscal year 2024 results: system-wide same club sales growth to be between 5% and 6%; revenue to grow approximately 10%; adjusted EBITDA to grow approximately 10%; adjusted net income to increase in the 8% to 9% range. Adjusted net income per diluted share to grow in the 11% to 12% range based on adjusted diluted weighted average shares outstanding of approximately \$84.5 million inclusive of approximately 1 million shares we expect to repurchase in 2025 in line with what we've previously communicated. We also expect 2025 net interest expense of approximately \$86 million inclusive of the annualized impact of our 2024 refinancing. Lastly, we continue to expect D&A to be flat to 2024 and we now expect CapEx to be up approximately 20%.

I will now turn the call back to the operator to open it up for Q&A.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question comes from the line of Simeon Siegel from BMO. Please go ahead.

Simeon Siegel

Thanks. Hey, good morning everyone. Nice job. Hope you are all doing well.

Colleen Keating

Good morning.

Simeon Siegel

So, Colleen, 65% Black Card penetration is a pretty wild jump. Anything one-timeish we should consider about this quarter or do you think, I guess, absent any potential price decisions that, that's a new base? And then Jay, just maybe pricing versus new memberships within the comp, how do you think about that over the year, any way to think about or help us think about what's the new \$15 price impact versus again this really impressive Black Card penetration jump on overall company level pricing? Thanks guys.

Colleen Keating

Sure. Good morning. Good to hear from you. On the Black Card penetration, as we've talked about, this is the narrowest gap we have had between the Classic Card pricing and the Black Card pricing since the inception of the Black Card at roughly \$10.99. So we've been trending with increased Black Card penetration over the past couple of quarters, Q3, Q4 of last year as well as Q1. One difference that we'll call out for Q1 was that in March, we ran a Black Card first month free promotion that was quite successful. We tested this in Q4. This was one of the marketing tests that we ran last year in Q4. It performed successfully. So we ran it again in March of this year.

Jay Stasz

Yes, Simeon, this is Jay. Good morning. Good to hear from you. In terms of your question, obviously, we have reiterated the guidance. We've reiterated the comp of 5% to 6%. And in the quarter, we had a nice split on the rate, roughly 74%, driving 74% of the comp and volume being 26%. As we think about anniversarying the Classic Card price increase on June 28, right, the beauty of our subscription models that we will continue to get rate benefit after that point because of the tenure of our membership as well as the continued – and we just talked about the increase on the Black Card penetration that we are seeing. So as we think about the comp for the year in the future quarters, certainly, we would expect the next quarter to be roughly comparable 70-30 kind of a split between rate and volume. And then that might drift down slightly in the back half just again as we anniversary that June 28, but not a material change, probably 65% to 70%, driven by rate and a little bit of an uptick on volume.

Simeon Siegel

That's great. Thanks. Good luck for the rest of the year.

Colleen Keating

Thank you.

Operator

Thank you. Our next question comes from the line of Sharon Zackfia from William Blair.

Sharon Zackfia

Hi, good morning. Thanks for taking the questions. I know your business has always been very inflated from the macro environment. And it certainly seems like you had a healthy first quarter this year despite about some crazy weather during the high member sign-up season. Can you talk about though kind of any signs of any macro volatility impacting your business or if you are seeing anything change on the competitive environment is maybe some of your peers that are less well positioned are trying to scramble in a more volatile consumer climate? Thank you.

Colleen Keating

I'll start. Maybe first I think – the fact that we reiterated our comp guidance is indicative of what we've seen with the consumer coming through the quarter. And as I mentioned, even during the GFC, our business performed really well with very strong member growth and revenue growth. So again, we feel like we have got a very resilient business, very durable cash flows and we reach a very broad spectrum of membership. We spend a pretty broad income demographic as well. And the other thing we've talked about is with Gen Zs and millennials being such a substantial proportion of our membership and really Gen Z is continuing to be the greatest proportion of our member joins. Fitness is really a part of their lifestyle. So as we've seen a little bit of the consumer sentiment and pullback in consumer spending, what we've generally seen is less spending on product, but maintain spending on experiences. And when we think about Gen Zs and millennials, not only are we in experience, we are really a part of their lifestyle. So we are feeling confident about the consumer and our member that's reflected in the reiteration of our guidance.

Jay Stasz

Yes. And Sharon, just a couple of points, I mean, obviously, this business continues to be a great value to the members and potential members. So we are excited about that. We think it fits in well with the current macro environment. And to put a finer point on Colleen's information, right, during the great financial crisis, strong same club sales growth. We also built our membership and opened stores during that time. So, we feel good about that. And look, we think we – in this kind of environment, we could benefit from a trade-down from some of the higher priced clubs.

Operator

Thank you. Our next question comes from the line of John Heinbockel from Guggenheim. Please go ahead.

John Heinbockel

So, Colleen, I am curious, how do you think philosophically about Black Card pricing, I know you are going to punt on it right until after you cycle white card. But there is – is there a member opportunity to go after, particularly in this macro and you push pricing out a little bit further, particularly with Black Card penetration performing as well as it has. I mean how do you think about that? And then I don't know – I know you were testing \$27.99 and \$29.99. Is there any material difference in how members reacted to those?

Colleen Keating

So, I think as we evaluate what we have seen coming through the test, we are really looking at what's most accretive to the AUV of the club. And as I indicated in my remarks, we are not going to make a call or announce a decision on it until after we anniversary the classic card – the classic card price increase. So, that we are not coming through the front half of this year with an increase on both classic and black. At the same time, we have seen great Black Card penetration with the narrowed delta between classic and black. I will say, historically, we have taken price on Black Card every several years. So, every few years, we have taken price on Black Card. So, that will continue to be kind of our perspective that classics the anchor and the entry point and that there is probably more price elasticity in black. And in the testing we haven't seen a significant difference between the \$27.99 test and the \$29.99 test when we were testing both last year and currently, we are only testing the \$29.99 now.

John Heinbockel

Thank you.

Operator

Thank you. Our next question comes from the line of Max Rakhlenko from TD Cowen. Please go ahead.

Max Rakhlenko

Great. Thanks a lot and congrats on a really nice quarter. So, first, 1Q is typically about 60% of the year's net ads, how do you think about that again for this year? Do you think that, that will be the case, or given some of the easy compares, could that even be a little bit lower?

Jay Stasz

No, Max, this is Jay. And yes, historically, right, I think we have talked about that 60%. And post-COVID, right, we haven't really seen that relationship hold true. So, I would not anchor to that. I would say that we don't guide to membership count specifically, but that relationship, that presents higher, I would say, generally not lower and it is not the 60%.

Max Rakhlenko

Got it. Okay. And then how should we think about the cadence over the next few quarters just in the context of click to cancel rolling out fully in 2Q, could we see a bit of a pickup in churn, as I think you have previously talked about sort of each 12 weeks, or how are you just thinking about the model here for the next few quarters?

Jay Stasz

Yes, Max, this is Jay. And I will start on the click to cancel. I mean certainly, a couple of data points. We have a plan to roll it out in a prorated on a consistent basis between now and the deadline of May 14th. We have started that process. And just for backdrop, right, previous to this, we had about 35% of our system was on click to cancel. That included a handful of states that were already mandated as well as 100% of our corporate clubs, which we did about 18 months ago. And so now we are in the process of rolling out the remainder of our clubs to be fully compliant by the May 14th deadline. As of today, we have about 50% of our system with the click to cancel functionality. And we have contemplated this in our outlook and our guidance that we started last year and then that we have just reiterated. So, it is contemplated in there. And to your point, as we do the rollout, the largest impact is typically in the first month or two months when that optionality is rolled out. But then we see a normalized in the weeks and months after that.

Max Rakhlenko

And any impact potentially on joins us, the customer experience improves, and we have heard that maybe it actually helps join a little bit as an offset.

Colleen Keating

Yes, I will talk about that. In a fairly small test, we did see an uptick in conversion when we added the click to cancel or one click cancellation option in the join flow. So, we do think once it's rolled out across the entire estate, it could – we could see – potentially could see again, based on a fairly small test, we could see some lift in enjoying conversion because of consumer confidence that they can cancel as easily as they join.

Max Rakhlenko

Great. Thanks a lot and best regards.

Colleen Keating

Sure. Thank you.

Operator

Thank you. Our next question comes from the line of Xian Siew from BNP Paribas. Please go ahead.

Xian Siew

Hi guys. Thanks for the question. Understand that some franchises might have wanted to wait a little bit to see how pricing would play out in the key, kind of one quarter, first quarter ad period for leaning into new openings. And it seems like 1Q ads were really solid, considering a tough macro. So, maybe could you give some color on how franchisees are evaluating that period, and maybe if they are sounding more positive on openings going forward?

Colleen Keating

Maybe I will start. I think when you look at our guidance, openings guidance for this year versus where we finished last year, I think that's reflective of franchisee sentiment around openings. As in years past, similar to last year, our openings are back-end loaded, back-end loaded in the year with the heaviest quarter for openings still be in Q4. And I think that's less reflective of questions around pricing and more reflective of wanting to get open ahead of the highest joining quarter of the year. So, getting clubs opened in Q4 sets them up for a very favorable ramp in coming into the first quarter.

Xian Siew

Okay. Got it. Thanks. And then on the comps, nice growth in first quarter, how much do you think, I guess new formats and the strength allocation is helping there and also the new advertising efforts. How do you kind of balance some of the – or evaluate which drivers on the biggest ones?

Colleen Keating

Do you want to start...?

Jay Stasz

Yes, I can start. I mean look, we don't bifurcate that. It's difficult to do that. We feel good about the comps that we had. We did run that Black Card first month free promotion in March, which had a bit of a headwind to our comp, which we expect to get back within the year and have a slight benefit to the comps in Q2 through Q4. But I think, look, like we said, we are pleased with the quarter. We landed where we expected and we are starting to see the green shoots from all the work that the teams are doing, but certainly in the repositioning of the brand and the focus on strength and getting stronger together. So, we are optimistic.

Colleen Keating

Maybe I will add on that from a format standpoint. We gave our franchisees the – who are opening clubs in 2025. And coming into the year, we gave them the opportunity to look at the traditional equipment layout or equipment mix and the new – the new equipment mix, not one franchisee chose the more traditional. They all took the new rebalanced mix of equipment with the balance of strength in cardio. So, I think that discretionary choice is really reflective of their buy-in and what they are seeing inherent from their membership. What our members are looking for in our clubs and this new mix, this new equipment mix and new layout is answering that call.

Xian Siew

Great. Thanks guys and good luck.

Colleen Keating

Thank you.

Operator

Thank you. Our next question comes from the line of Rahul Krotthapalli from JPMorgan. Please go ahead.

Rahul Krotthapalli

Good morning guys. Colleen, you have had a tremendous exposure to private equity industry throughout your career. There has been a lot of talk on content around private equity pain and assets getting re-priced in this macro. Can you discuss how you see the landscape shaking out, especially in the context of franchise ownership? And how do you see the mix of ownership of the clubs change or evolve over time? And the follow-up is on the advertising costs. A lot has been discussed again in how low advertising costs could get, especially as agencies given to AI models and the large brands in the consumer and Internet industry are catching up on this. How is the organization thinking about the strategy, given this is such a critical driver for brands growth going forward?

Colleen Keating

Yes. So, two separate questions, I will take the first one, which is kind of the PE landscape. And we have a nice complement, I would say, among our franchise base among our club ownership of individual owners as well as PE. We see – we see new interest maybe from kind of family office as well. But at the end of the day, our PE owners have been great owners and have developed a lot of clubs with us. Generally have been well capitalized and are smart owners as well. So, we are pleased with the balance of again, of individual owners and PE in the portfolio today. And then I will shift to kind of ad costing and ad costs and marketing strategy. We certainly see an opportunity to continue to leverage the breadth of our spend. And as you know, as our revenue increases, so do our ad funds. So, our very robust ad fund is growing every year. We do see opportunity to leverage that spend and look at how we are procuring the advertising in a more efficient way. And of course, we are always doing work to test the effectiveness of the advertising and make sure that we are being not only efficient, but also effective in how we are spending it. As you know, Brian Povinelli joined as our new CMO in mid-February. He has been out engaging with our franchisees, with our agencies and with our marketing committees. And we, again, see an opportunity to continue with good success coming through Q1 with the new brand messaging, it landed well. And we saw favorability in visits to our website, favorability and search, and the effectiveness of how that marketing messaging landed, as I referenced in my remarks. But more to come as Brian kind of gets his arms rounded as well.

Rahul Krotthapalli

Appreciate the color.

Operator

Thank you. Our next question comes from the line of Martin Mitela from Raymond James. Please go ahead.

Martin Mitela

Hey. Good morning. This is Martin on for Joe Altobello. I was just wondering about your normal ads [ph] this quarter. Was that sort of within expectations, or just trying an idea around there?

Jay Stasz

Yes. That was within our expectations. We felt good about that result. And as Colleen has alluded, right, I think the franchisees, we are pleased with the first quarter and the cadence of – and effectiveness of the promotion, so we feel good about where we are at and not only on the member trends, but the entire P&L.

Martin Mitela

Thanks. And can you just speak to churn? I mean not necessarily about the click to cancel, but given the price increase.

Jay Stasz

Yes. I mean churn continues to run in line with our expectations, had gotten down to kind of historical norms after the price increased pretty quickly last year, and we are continuing to see those trends, so in line with our expectations and pretty consistent year-over-year.

Martin Mitela

Great. Thank you very much and good luck.

Colleen Keating

Thank you.

Operator

Thank you. Our next question comes from the line of Alex Perry from Bank of America. Please go ahead.

Lucas Hudson

Hi. This is Lucas Hudson on for Alex. Thanks for taking my questions. Just considering – are you guys considering any other changes to the club format? You have recently added surge equipment, which was met with positive reception. Are you considering any new equipment adds?

Colleen Keating

I will start. We are testing a couple of different formats and different levels of amenities in some clubs. As well we added the minimal three pieces of plate loaded across 65% of the estate last year. We have got a number of clubs that have augmented the number of pieces of plate loaded and continuing to test other strength modalities in a number of clubs. So, we believe it's important that we are – that we continue to be kind of a test and learn environment, so we are always testing new pieces of equipment and in communication with our equipment manufacturers to understand kind of what are the hottest pieces following trends, listening to our consumers and our members and we will continue to test, again, be a test and learn environment.

Lucas Hudson

Very helpful. And then a quick follow-up for me, are you guys going to change any of the Black Card offering or adding or looking at adding any other premium offerings for the Black Card members?

Colleen Keating

I will talk a little bit about that. We have in a number of our clubs added some red light that has performed quite well. We have tested spray tanning in some of our clubs and in certain geographies. And some of that has been well received as well. And we are looking at some other without signaling all of the things that we are looking at. There are some other amenities that that we are evaluating for the optimization of the Black Card's block.

Lucas Hudson

Perfect. Well, good luck in the quarter.

Colleen Keating

Thank you.

Operator

Our last question comes from the line of JP Welland [ph] from ROTH Capital Partners. Please go ahead.

Unidentified Analyst

Great. Good morning. Thanks for taking my questions. If we could just start two quick questions on development. One, could you just kind of touch on big box availability that's been somewhat challenged recently? And then the second one is sort of a follow-up to an earlier question, but I would assume that kind of with the development guide, most of those units are whether under construction or at least kind of in the process, but I am wondering, just given the macro environment and kind of tariff concerns, how much are you having conversations with franchisees about future pipeline and maybe some hesitancy there?

Colleen Keating

Maybe I will start and then, Jay, you can get into some of the specifics on tariff. So, from a big box availability standpoint, it really is a tale of different geographies. There are some geographies where we are seeing availability ease and then there are other geographies that have remained a bit tighter. There is some – there have been a number of big-box retailers that have announced closures. We have talked about that on prior calls. I think it was a JLL article a couple of months ago that talked about kind of a forecast of 9,900 significant retail closures on the horizon, and we are continuing to see retail bankruptcies. So, we do believe that there will be more and more second-generation space coming available based on what we are reading both consumer sentiment and what we are seeing in the broader retail sector. So, that's just a touch on the macro. And as far as bigger box availability, we do have some franchisees that are traditionally building larger than a 20,000 square foot club, maybe upwards of a 30,000 square foot club. But again, the availability is really – it varies by geography. And I will let Jay get into some of the specifics. But again, as I have mentioned in my remarks, from a tariff impact standpoint, given what we have line of sight to today, so tariffs at the current levels, we don't see a material impact, and that gave us the confidence to reiterate our openings guidance for this year. But Jay, I don't know if you want to...?

Jay Stasz

Yes, just to follow-up on that. I mean the tariffs and certainly, one of the biggest impacts is the equipment and that, I mean the team has done great work across the board to mitigate the impact. But certainly, on the equipment at tariff levels at the current levels that they are at, we feel good in not overly material, and that's embedded in the guidance that we have reiterated. We do have line of sight kind of to your question around or top of mind is the build-out costs. To your point, for '25, we have reiterated the development plans and many of the franchisees are very far down the path in terms of leases and construction. But that said, the team also is working on certain build-out materials to work with the vendors, whether that's HVAC or other things to really do what we can to offset the impact of the tariffs. So, that's another body of work that the team is doing today. We have got a little bit less line of sight to exactly how it's all going to flow down from a GC cost impact. But again, it's something that we think we can manage through and work to offset in '25. And then as we think about it, we haven't provided long-term guidance at this point. We are expecting to have an Investor Day later in the year, where we will have more color on that.

Colleen Keating

Maybe just to add two other points on that, again, with – if there is greater tariffs impact in other sectors, and building flows in other sectors that could have some favorability, again speculative at this point, but that could have some favorability on construction labor costs, GC cost and trades and subs. And the other thing I will say is we have – this is a pretty low OpEx model, so we are not burdened with a heavy OpEx impact from tariffs. And lastly, the most important thing to unit economics is the top line. And as we are seeing our marketing messaging land, we saw good joint volume coming out of the quarter. And our format – the newly optimized format is resonating with consumers. I think the top line is the most important component. We are keenly focused on that.

Unidentified Analyst

Understood. I appreciate the color there. If I could just, one follow-up on member rejoins. I know over the last few quarters, you have talked about it being strong. So, one, that strength continued through your strong winter season? And two, any comments on how you are seeing Black Card in terms of members rejoining?

Colleen Keating

So, we don't bifurcate, we do internally, but we don't share a bifurcation of Black Card rejoin versus classic rejoin. We shared last year Q3, we had a 38% rejoin rate, Q4, 37% rejoin rate, was a little bit lower in Q1. But keep in mind, it's on a higher base of joins, right. So, still very, very strong mid-30s rejoin rate in Q1.

Unidentified Analyst

Good. Appreciate the color and best of luck going forward.

Colleen Keating

Thank you.

Operator

Our last question comes from the line of Randy Konik from Jefferies. Please go ahead.

Randy Konik

Hi guys. Sorry, I have been dealing with kind of calls this morning. So, I apologize if you kind of addressed this. But maybe Colleen, just talk through, give us an update on not just pain, but just kind of other markets or how you are thinking about international development beyond not just this year, but like in the next few years, how do we think about that part of the model going forward? Thanks.

Colleen Keating

Yes. So, thanks for the question, Randy, and good to hear from you. Our Spain clubs are performing very well. We are seeing ramps on those clubs that are equal to, or in some cases, even slightly favorable to our domestic ramps. So, I am really encouraged about how the brand is resonating in our first European market. So, while we are not ready to talk about which markets will go to next, I guess you can read – you can glean from that, that the brand is performing well in our first European market. We have spent some time in Australia this past quarter and great performance, great club performance there. Participated in a grand opening with the team and had an opportunity to talk to not only some members, but one of the largest retail landlords in Australia, spent some time with a couple of representatives from that organization. And again, brand is resonating really well. Numbers are very strong. So, we continue to see international as part of our growth roadmap.

Randy Konik

Helpful. And then again, I don't know if you addressed this, but I will ask it. We had heard in the pipeline that I think franchisees were happy with – as you change it to white card, to 15, it gets closer from price points to the Black Card, almost encouraging a new member to kind of join the Black Card relative to the White Card given better relative value. Maybe kind of update us on that kind of framework, if that is happening? And if that is, how do you think about the cadence of Black Card price change again over the next few years? How should we think about that? Thanks.

Colleen Keating

Yes. So, I did touch on this a little bit earlier, better than when you were on another call. We will – we are going to anniversary the classic card price increase before we make a decision to move on Black Card. What we have seen, again, looking at what's most accretive to AUVs, we have seen significant favorability in Black Card penetration with the narrowed gap now roughly \$10, \$9.99 between classic and black. We are no longer running the \$27.99 test. In the \$29.99, we have maintained \$29.99 in a number of geographies, we sunset \$27.99 because we weren't seeing a material difference between the \$27.99 and the \$29.99. And the other thing I have touched on is we are looking at the Black Card spa offerings. We have started some things like red light therapy and cryo spray tanning. So, we are continuing to evaluate the Black Card offerings and what's resonating most with consumers. And all of that will help inform when it's the right time to make a move on Black Card pricing. And the other thing, I have said earlier is that we have traditionally taken price on Black Card with more frequency where we have anchored to kind of classic as the entry price point for a longer span. So, you will continue to see us take a look at Black Card pricing and take Black Card pricing on a periodic basis.

Randy Konik

Super helpful. Thanks guys.

Jay Stasz

Thanks Randy.

Operator

Thank you. This concludes our question-and-answer session. I would like to hand the call back over to Colleen for closing remarks.

Colleen Keating

Thank you. Thank you, operator, and thank you for the thoughtful questions. I will just close by saying that I am quite encouraged by our performance during the first quarter of 2025. We continue to be focused on boosting the economic value proposition for all our stakeholders, the franchisor, franchisees and members to ultimately deliver even more value for our shareholders. Thank you.

Operator

This concludes today's conference. You may now disconnect.

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