

Transcripts

Consumer

Planet Fitness, Inc. (PLNT) Q2 2025 Earnings Call Transcript

Aug. 06, 2025 1:53 PM ET | Planet Fitness, Inc. (PLNT) Stock | PLNT

**SA Transcripts**

154.78K Followers

Q2: 2025-08-06 Earnings Summary

Insights



EPS of \$0.86 **beats by \$0.07** | Revenue of \$340.88M (13.27% Y/Y) **beats by \$10.97M**

Planet Fitness, Inc. (NYSE:[PLNT](#)) Q2 2025 Earnings Conference Call August 6, 2025
8:00 AM ET

Company Participants

Colleen Keating - CEO & Director

Jay Stasz - Chief Financial Officer

Stacey Caravella - Vice President of Investor Relations

Conference Call Participants

Alexander Thomas Perry - BofA Securities, Research Division

Christopher Thomas O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division

Jonathan Robert Komp - Robert W. Baird & Co. Incorporated, Research Division

John Edward Heinbockel - Unidentified Company

Guggenheim Securities - Unidentified Company

Joseph Nicholas Altobello - Raymond James & Associates, Inc., Research Division

Logan Paul Reich - RBC Capital Markets, Research Division

Madison Callinan - Unidentified Company

Canaccord Genuity - Unidentified Company

Maksim Rakhlenko - TD Cowen, Research Division

Marni Lysaght - Macquarie Research

Rahul Krotthapalli - JPMorgan Chase & Co, Research Division

Randal J. Konik - Jefferies LLC, Research Division

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

Xian Siew Hew Sam - BNP Paribas Exane, Research Division

Operator

Thank you for standing by. My name is Joel, and I will be your conference operator today. At this time, I would like to welcome everyone to the second quarter Planet Fitness Earnings Call. [Operator Instructions] I would now like to turn the conference over to Stacey Caravella, VP of Investor Relations. You may begin.

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 Second Quarter Earnings Call. We're excited to be joining you from the New York Stock Exchange, where we will be ringing the closing bell today and celebration of our tenth anniversary as a public company. Over the past decade, through a steadfast commitment to our mission and purpose, we've added nearly 14 million members, expanded our global footprint by more than 1,700 clubs and established a presence in all 50 states and 4 additional countries.

Today, we have 2,762 clubs and 20.8 million members around the planet. We are proud of our accomplishments and confident in our even greater opportunity ahead as consumers increasingly prioritize their health and well-being. Planet Fitness is uniquely positioned to meet that demand with our judgment-free, high-quality and affordable fitness experience. Our reach is unparalleled, with a Planet Fitness club within a 12-minute drive of 170 million people in the U.S. At the same time, with population growth and deurbanization over the past several years, we see increasing opportunities to bring Planet Fitness' high-value offering to an ever-growing community of fitness-minded consumers in more geographies than ever before.

Gen Z continues to be the fastest-growing segment of our membership. The ongoing success of initiatives like our High School Summer Pass now in its fifth year as already outpacing last year's sign-ups and workouts highlights the continued strength and potential of our model. Gen Z is highly fitness aware, and there are still 3 years of this population that aren't yet of age to join our clubs. In fact, we have twice the unaided awareness versus our next closest gym peer and that gap is even greater among Gen Zs.

And the next generation, Gen Alpha is expected to be even more focused on health and well-being. In the second quarter, we delivered strong financial performance and remain confident in our full year outlook for 2025. We ended the quarter with approximately 20.8 million members, an 8.2% systemwide same club sales growth. We added 23 new clubs ending the quarter with a global club count of 2,762.

I'd now like to review the progress we've made on our 4 strategic imperatives during the second quarter. As a reminder, these 4 strategic imperatives are: Redefining our brand promise and communicating it through our marketing, enhancing our member experience, refining our product and optimizing our format and accelerating new club growth. Let me start with redefining our brand promise.

In the second quarter, we continued with our We Are All Strong On This Planet marketing campaign that highlights our best-in-class strength equipment are welcoming atmosphere and the supportive community that we offer. We continue to see strong black card penetration with 65.8% of our membership at that tier as of the end of the quarter, a 340 basis point increase from the second quarter 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. That said, it's not a question of if, it's a question of when we implement a Black Card price increase. We wanted to anniversary

the Classic Card price increase and will evaluate the impact of the online cancel functionality before making a timing decision on a Black Card price change.

Now to member experience and format optimization. Our commitment to providing a positive member experience starts with a member's very first interaction with our brand. For many on the goals, that initial connection is being forced this summer. As I noted earlier, high school summer past initial results are outpacing last year's. It's exciting to see so many young people embracing their fitness journeys and even more so that they're choosing Planet Fitness to support them along the way.

In line with our members first philosophy, we completed our national rollout of the online cancel functionality in May despite the Federal Appeals Court ruling that blocked the click-to-cancel roll. We are proud to lead by doing the right thing for our members and simplifying their ability to manage their membership with us. As a reminder, this was an option that we offered in more than 35% of our system before the end of Q1, including all of our corporate clubs where we enabled it more than a year ago.

We are seeing a higher attrition rate now that this functionality is live across our system. This is contemplated in our same club sales outlook that Jay will address in his comments. In alignment with our core values and commitment to integrity and excellence, we believe this is the right thing to do, both to support our members and their experience and as the industry leader. In Q2, we once again had a mid-30% rejoin rate and believe that allowing members to more easily manage their membership will only benefit us when they think about rejoining a club in the future.

And finally, our efforts to accelerate new club growth. We are steadfastly focused on unit economics and believe that franchisee success fuels franchise or success. We continue to refine our product offering and operational efficiencies to maximize the economic value proposition while delivering the most relevant on brand experience for our members. Our goal is to drive the top line while enhancing the bottom line to realize the tremendous growth opportunity we have in the U.S. and beyond.

Internationally, Jay and I were in Spain in July to celebrate the opening of our night club located in Madrid Chamartin. The milestone came just a week after the 1-year anniversary of our first club in Spain. It was incredible to experience firsthand how the brand is being brought to life by the team in both newly built and a couple of conversion clubs. Seeing our brands continue to grow in new markets is extremely rewarding and a testament to our global appeal. Our success in bringing the brand to life in Europe is another proof point to support the long-term club growth opportunities for Planet Fitness.

We look forward to providing more insight into our strategy for both domestic and international growth at our Investor Day in November. Earlier this week, we executed an agreement for the sale of our 8 corporate clubs in California to a franchisee in the market. This transaction reflects our commitment to recycling capital where appropriate and advancing our asset-light model. This sale also allows us to focus our resources on our corporate-owned clubs on the East Coast where we are more densely concentrated and, therefore, can operate more efficiently.

Now I will turn it over to Jay.

Jay Stasz

Thanks, Colleen. We're pleased to deliver another quarter of strong results, and we're on track to achieve our full year growth targets. We are well positioned for the long term to further expand our leading market share given the strength of our value proposition in the fitness industry, combined with the proven resilience of our asset-light business model. Demand for our offering is strong as evidenced by our 16 straight quarters of mid-single-digit or higher same club sales growth.

Before I review our second quarter financial performance, I'd like to address 3 topics. The rollout of online membership management, the agreement to sell our California clubs to a local franchisee in the market and our latest thinking on tariffs. We remain committed to delivering a great member experience, and we want to make the cancellation process seamless at the join process.

As Colleen noted, we now provide our members the ability to manage their membership conveniently online. As you recall, more than 35% of our system had online cancel functionality before the end of Q1, including all of our corporate clubs where we enabled them more than 1 year ago. As a reminder, generally, the largest impact of the attrition rate occurs in the first couple of months after implementing this functionality and diminishes as time goes on. We're seeing a slightly elevated cancel rate in both the clubs that had online canceled before Q2 and those that rolled out during the quarter. The rate is up less in the legacy cohort of clubs compared to the others. These impacts are included in our outlook in same club sales growth guidance for the year.

Now to the agreement to sell our California corporate clubs, we continue to believe in our asset-light, highly franchised model and reiterate our plans to own approximately 10% of the fleet. To contextualize the impact on the sale of these clubs, we expected these

clubs to contribute approximately \$7 million to our revenue and approximately \$2 million to our adjusted EBITDA for the balance of the year, assuming an end of August close. These impacts are also contemplated in our outlook for the year.

Finally, given that our fitness brand that sells an experience, we are generally less impacted by tariffs and have implemented mitigation plans such as leveraging our scale to negotiate with manufacturers exploring alternative markets for producing products and bringing equipment into the U.S. on an accelerated basis.

Now to our second quarter results. All of my comments regarding our second quarter performance will be comparing Q2 2025 to Q2 of last year, unless otherwise noted. We opened 23 new clubs compared to 18. We delivered system-wide same club sales growth of 8.2% in the second quarter. Franchise same club sales increased 8.3% and corporate same club sales increased 7.0%. Approximately 70% of our Q2 comp increase was driven by rate growth with the balance driven by net membership growth.

Black Card penetration was 65.8% at the end of the quarter, an increase of 340 basis points from the prior year and a sequential increase of approximately 90 basis points from Q1. For the second quarter, total revenue was \$340.9 million compared to \$300.9 million, an increase of 13.3%. The increase was driven by revenue growth across all 3 segments. An 11% 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 franchisee fees.

For the second quarter, the average royalty rate was 6.7%, up from 6.6% in the prior year. The 10.8% increase in revenue in the corporate owned club segment was primarily driven by increased same club sales as well as sales from new clubs. Equipment segment revenue increased 21.5%. The increase was primarily driven by higher revenue from replacement equipment sales. We completed 19 new club placements this quarter compared to 18 last year.

For the quarter, replacement equipment accounted for 87% of total equipment revenue compared to 84%. Our cost of revenue, which primarily relates to the cost of equipment sales to franchisee-owned clubs amounted to \$59.4 million compared to \$51.9 million. Club operations expense, which relates to our corporate-owned club segment increased 10.4% to \$77.4 million from \$70.2 million. The increase was primarily due to operating expenses from 25 new clubs opened since April 1 of '24.

SG&A for the quarter was \$35.5 million compared to \$31.6 million while adjusted SG&A was \$33.9 million compared to \$30.1 million, an increase of 12.4%. The primary driver of the increase to adjusted SG&A was higher compensation expense from recent executive hires. National advertising fund expense was \$22.8 million compared to \$20.1 million, an increase of 6.7%. Net income was \$58.3 million. Adjusted net income was \$72.6 million and adjusted net income per diluted share was \$0.86.

Adjusted EBITDA was \$147.6 million, an increase of 15.8% year-over-year and adjusted EBITDA margin was 43.3% compared to \$127.5 million with adjusted EBITDA margin of 42.4%. By segment, franchise adjusted EBITDA was \$86.5 million and adjusted EBITDA margin increased from 71.9% to 72.3%. Corporate club adjusted EBITDA was \$56.6 million, and adjusted EBITDA margin increased from 39.5% to 40.7%. Equipment adjusted EBITDA was \$26.4 million, and adjusted EBITDA margin increased from 27.4% to 32.1%.

Now turning to the balance sheet. As of June 30, 2025, we had total cash, cash equivalents and marketable securities of \$582.5 million compared to \$529.5 million on December 31, 2024, which included \$56.5 million of restricted cash in each period.

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 include both franchise and corporate locations. We expect that the quarterly cadence will be weighted towards the fourth quarter of 2025, even more so than last year. We continue to expect between 130 and 140 equipment placements in new franchise clubs. And again, we expect a similar case to our openings.

Lastly, we are reiterating our growth targets with the exception of same club sales growth, which we are narrowing to approximately 6% growth from the previous 5% to 6% growth range. We continue to expect the following growth over fiscal year 2024 results, 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.

Let me speak to the drivers for the implied sequential slowdown in same club sales growth in the second half of the year. First, we rolled over the Classic Card price increase on June 28. So while we will continue to get rate benefit from it given our subscription model and tenure of our members, the benefit moderates over this time. Second, we forecast an elevated attrition rate in the back half of the year since our national rollout of online cancellation. Lastly, the continuing volatile macroeconomic environment.

Finally, we continue to expect that reequip sales will make up approximately 70% of total equipment segment revenue. 2025 net interest expense of approximately \$86 million, inclusive of the annualized impact of our 2024 refinancing, the D&A to be flat to 24% and 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

[Operator Instructions] Your first question comes from the line of Randy Konik of Jefferies.

Randal J. Konik

I guess Colleen and Jay, maybe give us some perspective on where we stand with the proportion of clubs that have been kind of under the new layout with more strength equipment relative to cardio? And what trends or items you may see that are different in those clubs versus the older format from an equipment perspective clubs, whether it be membership, black card penetration, attrition, et cetera? It would be very helpful to understand as you're moving into this new format or from an equipment perspective, what trends are the same or different from the older more cardio focused floor layout?

Colleen Keating

Randy, great to talk with you. Thanks for the question. So by the end of this year, we will have more than 70% of our clubs on some version of format optimization, so some optimized floor plan and mix of equipment. As you know, at the end of last year, we had 65% of the estate opt in to add plate-loaded equipment. So those were at least 3 new pieces of plate-loaded equipment in the clubs and then we've got even more clubs adding that this year. So we'll be well over 70%, not just with the plate loaded, but with the more balanced mix of cardio and strength.

And to your question about the specific mix of equipment. It really is [indiscernible] ish about a 50-50 mix of cardio and strength. So we'll still have a strong -- we still do have a strong complement of cardio equipment in our clubs. We find many of our members like mixed modality. However, we've increased the amount of floor space dedicated to strength equipment and augmented that. So really seeing a more balanced mix of cardio and strength.

And even within the cardio, adding things like more stair climbers because those are getting a high level of utilization, treadmills still got a high level of utilization and dialing back things like arc trainers and ellipticals, where we'll still have a complement of them, but gearing it more toward what we're seeing from a usage perspective from our members.

Randal J. Konik

Great. And then I know there was some talk in the past about adding new types of amenities to the Black Card kind of member area, whether it be Red Light, Cold Plunge, Spray Tan, et cetera. Can you update us on where we stand with that? And any learnings, if any clubs have those amenities at all, if you're seeing anything that's different from a trend perspective versus clubs, obviously, that don't have those yet?

Colleen Keating

Yes. So we've got -- we have a number of our clubs where we're piloting some of these new Black Card amenities. So -- and you're right, you cited many of the things that are in flight. So testing Red Light, also Red light hybrid is in a number of our clubs, and we're also testing spray tanning as an alternative to UV tanning. So too soon for us to kind of call which ones we're going to move forward still in pilot phase and evaluating the utilization. However, we continue to see that recovery and renewal are important parts of our members' fitness routine. So we'll continue to test and evaluate things that can enhance our members' experience.

Operator

Your next question comes from the line of John Heinbockel of Guggenheim.

John Edward Heinbockel

Guggenheim Securities, LLC, Research Division

Colleen, I wanted to start with the 170 million person TAM, right, you're within 12 minutes of -- how do you think about density? And then is the opportunity being density in some of those existing more urban markets. versus maybe less dense rural markets or kind of out there. So how do you balance the two? I assume you want to do more densification in urban, but let me know.

Colleen Keating

Yes. So John, thanks for the question. So yes, we -- you've seen that on a deurbanization and growth in the suburbs gives us new market opportunities where we have the population to support our traditional 20,000 square foot club. At the same time, we've been testing some additional smaller footprint in infill locations and also more rural locations, so that we're able to bring a Planet Fitness experience to even more prospective members around Planet.

John Edward Heinbockel

Guggenheim Securities, LLC, Research Division

Okay. And maybe a follow-up. I know you're in the early stages of what you want to do with your marketing structure. But is there any thought or have you given any thought to how you want local national to kind of be set up because I think the idea was maybe you do more national, a little less local and then there's marketing savings longer term. I don't know if there's been any update on that.

Colleen Keating

Yes. So from a marketing standpoint, we launched our new campaign this year. And based on what we've seen from our member July numbers or we're confident that the new marketing messaging is landing. So you've seen the campaign around we're all strong on this planet and growing stronger together. That messaging is very much resonating. I will say specifically, we're doing more national marketing, driving the brand and bringing the brand promise to life. And at the local and hyperlocal level, we still believe that's an important complement to the national marketing.

So very much in balance. I mentioned that we're seeing increased participation, increased volume as well as utilization with High School Summer Pass this summer. And there's an example of where we amped up marketing with influencers to target this particular customer demographic and it's proven quite successful in the numbers we're seeing with the High School Summer Pass participation in the summer.

So with our new Chief Marketing Officer, who just came aboard in February, you'll start to see us experimenting with the new marketing mix again, balance of local and national. And at the national level, we do think there's an opportunity for us to buy more efficiently and aggregate our spend.

Operator

Your next question comes from the line of Maksim Rakhlenko of TD Cowen.

Maksim Rakhlenko

Great. So first, Jay, can you speak to maintaining the comp guide? I know you provided some color, but just any additional comments because should churn normalize in 3Q, given your prior comments on Click-to-Cancel? And then you should still see a benefit from the Classic Card price increase given how churn works? And then I do think that the headwind from 1Q's Black Card promo, should I believe continue to reverse? So just any more color on the conservatism for the 2H guide?

Jay Stasz

Yes, Max, thanks for the question. And yes, I mean, to your point, obviously, the Classic Card price increase, we will continue to get that benefit. We will continue to get that, but it diminishes over time over the tenure of the membership.

To your point on click-to-cancel, as we said, that what we're seeing is slightly elevated than what we had initially modeled. Now we recast that, and it is baked into our full year outlook and the comp guidance. And as far as it moderating, we would expect that. I mean it is still early. We're still within the first 3 months of the full rollout.

So we're still in the early phases of that. But we've updated our forecast and we've contemplated that. So we think what we've got in there is appropriate. And then the last pillar, just given the macroeconomic environment, we do think it makes sense to maintain some level of conservatism in the guide going forward. So all that culminated in what we spoke about today.

Maksim Rakhlenko

Got it. That's helpful. And then, Colleen, I saw that you recently announced that you're looking to add a director of franchise sales. So your franchise space has been shrinking. And I believe we've been close to new entrants for many years now as the white space has been divvied off. And there has been M&A inside the system. So what's the mechanism to add new franchisees into the fold besides new ones entering through M&A such as the Flynn Group and others? And is it more for U.S. or international franchisees? And just how should we think about the acceleration in openings from this?

Colleen Keating

Yes, Max, one of the things we've said is that to over the longer term to achieve our full growth ambition, we believe we'll need more franchisees in the system. We also know that there are several of our [Technical Difficulty]

Can you still hear me back?

Operator

Yes, you can be heard.

Colleen Keating

Okay. Perfect. So I'll start again in case it was disrupted. So to achieve our longer-term growth ambition, we believe we need more franchisees in the system. And we also know that there are several of our larger franchisees that are approaching the end of their fund horizon and maybe looking to transact and in support of those franchisees as well, we want to be cultivating prospective new franchisee relationships. You might want to come into the system and grow with growth of Planet Fitness.

Operator

Your next question comes from the line of Rahul Krotthapalli of JPMorgan.

Rahul Krotthapalli

Colleen, as we think about the TAM and going into the Analyst Day, like how do you think about the local and regional HVLP competition. I mean we are seeing some of the incumbent brands with very well capitalized operators and backers coming into the market. Curious to hear your thoughts. And I have a follow-up.

Colleen Keating

So Rahul, nice to hear from you. Gosh, when I think about the TAM, I think about the growth of Gen Z and how fitness-minded they are and that they are the fastest-growing segment of our membership and the fact that several years of Gen Z haven't even aged into our membership opportunity yet. So I think the TAM is going to continue to grow. And with Gen Alpha also coming up behind by all accounts today, it would going to be at least as, if not more, focused on health and wellness and well-being.

And when I think about the landscape and I tend to say peers in the space. You're right that there are a lot of local and regional players. When you think about the 31,000 gyms and clubs that are in the U.S. today, if you take us in our next largest peer in the space combined, we're together only about slightly more than 10% of that.

So it's a big landscape. And at the same time, I think our biggest competitor is fear of walking in the front door and that's what makes Planet Fitness so uniquely positioned coming into any market uniquely positioned is our welcoming environment, no gymtimidation and that we're uniquely positioned to meet members wherever they're at on their fitness journey, whether they're a beginner or whether they're an advanced gym goer who's training for a marathon.

Rahul Krotthapalli

I appreciate the color. I want to pick up a little more on the Spain side. appreciate the update. How are the unit economics shaping up relative to the U.S. given you have a gym or two with almost a year in? And then also, if you can share any color on an update on the franchise -- on refranchising situation there.

Colleen Keating

Happy to. So from a Spain perspective, we are thrilled with the way the clubs are ramping in Spain. And in particular, you mentioned the first club that has just been to open a year. It was a year in July. When we look at that club's ramp and we compare it to a domestic ramp, the Spain clubs, inclusive of that first one that opened are ramping like our domestic clubs, which is quite remarkable considering we only brought the brand to Spain just a year ago.

So we're feeling really good about our entree into Europe. really good about the Spain performance, and we're in the very, very, very early days of having some conversation about transacting Spain. But it is our intention to recycle that capital to bring a franchise partner into Spain. We built it on our balance sheet as a proof of concept, and it's proving really well.

Operator

Your next question comes from the line of Jonathan Komp of Baird.

Jonathan Robert Komp

I just want to follow up. I know you mentioned, Jay, in the back half now assuming higher churn continues. Could you maybe just talk about some plans you're embedding to help offset that, whether there are some demand centric initiatives that could help near term and then longer term? Just what are the key initiatives you're looking at to help drive unit economics still higher here?

Jay Stasz

Yes. So I think that's a broad question. When we think about it, I think this is a bit of a moment in time. If we step back and think about click-to-cancel or the ability to manage your membership online. Look, we're about putting the members first. We think it's the right thing to do. Taking this step, even though it wasn't mandated, it is the right thing and then align with our core values.

So from that standpoint, it makes all the sense in the world, and we think it makes sense to be the leader since we're the leader in the industry in this space. As we think about opportunity, we've talked about it before. It's too early to comment on it further, but the ability to market this further in the join flow, we've done some testing and we've seen lifts. Colleen touched on the High School Summer Pass, which has been a nice program that we think will be -- continue to be successful and meaningful going forward.

And I think as is evidenced by our comps and our results for the second quarter, the marketing is landing and the shift in our clubs with the equipment is landing to the full spectrum of [Gymco]. So we're pleased with all that. Click-to-cancel, we're managing it. And again, it's -- we're talking tens of basis points compared to what we originally thought. It is baked in our outlook and our comp guide. So we feel good about where we're at.

Jonathan Robert Komp

Okay. And then just 2 follow-ups as we think about the next few months here. Any opportunity to better monetize and convert the High School Summer Pass? And then Colleen, just on pricing, I think we're within a window of a few months where you'd probably make the decision for this year or not. What else do you need to see? Or what are you looking at specifically as you collectively make that decision?

Colleen Keating

Absolutely. So I think from a conversion standpoint, on High School Summer Pass, we saw last year that we converted higher -- we had a higher conversion percentage than we did the year prior. And what we're seeing this year, too soon to get into real specifics, we'll see the conversion in the fall. But all indicators are that the -- both the utilization and the participation are both up markedly this year versus last.

So that will be very -- should be favorable, I guess, I should say. If we assume even a flat conversion percentage, much less potentially an increase in conversion like we saw last year. So it remains to be seen in the fall, but the indicators there are, I think, are really strong.

Black Card pricing. So we said last quarter that we -- it wasn't a matter of when. It was a matter of when, but we wanted to get on the other side of anniversarying the Classic Card price increase, which we did at the end of Q2.

And we also wanted to get through the rollout of online membership management, what we're now calling Click to Cancel because it really is about empowering our members to manage their membership. Given that we've seen, as Jay said, a slight elevation, and I don't want to overplay that, we're talking in the tens of basis points. This is not in the hundreds of basis points. Slight elevation in churn since that rollout, we'd like to give that a minute to moderate.

As we've seen in test environments and other markets in the past, there is a moderation after that rollout. So we want to take a minute and get on the other side of that rollout as well before we make an absolute decision on the timing of the Black Card price increase.

Operator

Your next question comes from the line of Joe Altobello of Raymond James.

Joseph Nicholas Altobello

Just want to follow up, Colleen, on that last answer you gave about click-to-cancel, it's still early, obviously, but do you have data on how quickly cancel rates actually go back to normal after the implementation of click to Cancel? Or do they stay slightly elevated permanently?

Colleen Keating

Generally speaking, after ish about 12 weeks, they moderate. Now there have been a couple of exceptions. We've talked about Tennessee, a couple of exceptions where it's remained a bit elevated for a longer period of time. But generally speaking, we see a moderation about 12 weeks after rollout. The difference here is that this is a nationwide rollout as opposed to in smaller cohorts as we've done in the past. So it remains to be seen if this behaves like the prior test and prior rollout environments. But we're still in that window because it was mid-May. So we're still within that 12-week window of rollout, and we'll monitor it.

Joseph Nicholas Altobello

Okay. And then just a follow-up on the comp, the 8.2%. I know you've talked about kind of getting more -- back to more of a 50-50 split between member and rate growth. How quickly do you think you can get there?

Jay Stasz

Yes, Joe, this is Jay. And as we said on the call, it's 70-30. We're not guiding beyond 25%. And I think especially right now, as we think about the back half of the year, we're going to be more consistent with the 70-30 versus getting back to an even split. And as we think about Q3 is historically not a large increase in membership type of quarter. So I would expect in Q3 for that 70-30 need be more skewed. And we'll give longer-term guidance at our Investor Day in November.

Operator

Your next question comes from the line of Chris O'Cull of Stifel Financial Corp.

Christopher Thomas O'Cull

Colleen, I was hoping you could provide an update on the progress on reducing investment costs for new units.

Colleen Keating

Happy to. So as you know, the more balanced cardio and strength package for starters reduce the build cost for our franchisees. We've also done things like shrinking the lobby, where we're today seeing well over 80% of our joins come either online or through the app. We determined that we don't need as large a lobby because we're not doing the sign-ups in the lobby. So dedicating more of that space to the gym floor and shrinking the lobby reduces the build cost because obviously, tile is expensive.

We're looking at locker room sizes and shrinking the locker room sizes a bit to dedicate more space to the gym floor. That too reduces build cost, building a smaller front desk, which we think actually creates a more welcoming environment for our members.

So things structurally that we're able to do from a construction cost standpoint are helping the unit economics. But at the end of the day, the biggest thing is this business is a top line play. And when we drive the top line for our franchisees, that's the thing we do that's most accretive to their unit economics. So we're really encouraged by the join volume that we've seen this year. We're really encouraged that our marketing is landing and that our product offering is really resonating with consumers, particularly Gen Z, a younger consumer as we think about kind of longer-term lifetime value.

Christopher Thomas O'Cull

Makes sense. And then do you believe adding some of these high-value services like trade gaining could unlock the potential for an additional pricing tier?

Colleen Keating

We're not talking about additional pricing tiers right now. What we are talking about is potentially and the timing of which is not potentially when we will take an increase to the Black Card pricing. And we're always going to be thoughtful about making sure that you've heard me say leaning into -- when we think about HVLP making sure that we're thinking about the HVLP that we're delivering an incredibly high value for our members. So always thinking about the offering, wanting to stay most relevant and then pricing in a way that enhances the economics of our franchisees while at the same time, delivers incredibly high value for our members.

Operator

Your next question comes from the line of Xian Siew of BNP.

Xian Siew Hew Sam

I want to follow up maybe on Gen Z in terms of the differences and how they behave versus other demographics? Are you seeing them tend to join it more White Card versus Black Card? Any differences in utilization or churn? Just kind of curious on how they look.

Colleen Keating

While we haven't really dissected -- or we don't dissect or deconstruct the utilization by generational cohort, we have shared that we're seeing utilization increase. So where we used to see our active members or members that utilize our club in a given month, use the club 6 times a month or 6.1 times a month, we're seeing that in the high 6s, mid- to high 6s today.

So that is an indication you can clean from that as Gen Zs are becoming -- are the fastest-growing segment of our membership, compound that with the increased utilization. And then I talked about High School Summer Pass this morning, and that's all Gen Z. And I shared with you that not only is the participation up, the utilization is also up as well. So those are indications you can draw from.

Xian Siew Hew Sam

Okay. That's helpful. And then maybe unit economics a couple of times. And to your point, with the pricing and the formatting of the stores and the marketing, it seems like unit economics are getting better. I'm just curious like if you're hearing feedback from franchisees maybe looking to they're seeing the better unit economics and maybe wanting to accelerate opening into the next year versus...

Colleen Keating

One of the beautiful things about our franchise business is the opportunity to thought partner with our franchisees -- and our new Chief Development Officer has been out on the road a lot, meeting with our franchisees and talking with them about the changes in format, the structural changes that we can be making to enhance the build cost or improve the build cost.

And then, of course, our new Chief Marketing Officer really driving the top line. The other thing I'll say that we're seeing, and I'm sure you're seeing as well, is improvements in the availability of retail real estate, particularly shopping center real estate. So we've had

strong positive absorption over the last several years. And in the first 2 quarters of this year, Q1 and Q2, negative absorption. Also a moderation in rent escalation. So rent growth has been below inflation in 2025.

So those are also good indicators for improved unit economics for our franchisees. So we're looking at top line, which is most important. We're looking at build costs in partnership with our franchisees and then trying to also lean in and help them with the availability of real estate.

Jay Stasz

Yes. And I agree, just to add on, specifically, we do look at the new cohorts of clubs that we've opened both the franchisees and our since the new growth model and some of the evolution in the marketing and the floor plan. And from a top line standpoint, we're very pleased with the way those are trending in terms of a unit economics.

Operator

Your next question comes from the line of Alex Perry of Bank of America.

Alexander Thomas Perry

Congrats on a strong quarter. I just wanted to follow up sort of on the guidance. You narrowed the same-store sales range towards the high end. You sort of mentioned that click-to-cancel attrition, I think, is a little bit higher than expected. So I guess what is the offset? Are you seeing better Black Card penetration than you were expecting? Or what else is sort of going on that's maybe offsetting some of this higher click-to-cancel attrition?

Jay Stasz

Yes. So as we said, we had a wider range of 5% to 6%. We've narrowed that range. We obviously came off a good quarter. So part of it is just actualizing Q2. And then as we think about the guide, the click-to-cancel, right, we had some of that embedded and we've moderated that slightly. And then otherwise, it's just the things that we've talked about, right, continuing to benefit on the Classic Card price increase, right? We'll still get that, although not to the extent that we have, that was modeled in before. And then just some level of conservatism with the macroeconomic environment.

Alexander Thomas Perry

Perfect. And then I guess just my follow-up. As we think about memberships in the back half, anything to call out there? I think seasonally on a per club basis, you normally see declines in the third and fourth quarter, is that how we should be thinking about it as we look at this year? Is there anything else we should be considering given all the moving parts?

Jay Stasz

Yes. We don't really guide to membership. But to your point, when we think about the third quarter, historically, that's been a large net member add quarter. But we're going to continue to do our best. And then if you look at the trends that we've had in the last 4 quarters, you can see we have had some slight membership uptick.

Operator

Your next question comes from the line of Sharon Zackfia of William Blair.

Sharon Zackfia

I wanted to kind of go back to the increase in strength training at a lot of the clubs at this point. Is there any way to compare and contrast kind of member engagement or visitation patterns at those clubs with the added strength versus kind of where they were before or kind of a base cohort?

Colleen Keating

So as I shared a little bit, we're seeing utilization up and the number of visits per club increasing as well, which is an indication that the format -- the format and format optimization is landing as resonating with our members. We do have some clubs that have some monitoring data that gives us some granular line of sight, but probably too soon for us to talk about that as a trend. So we are measuring utilization. But again, we're really just rolling out the plate-loaded equipment just went in, in the first -- right before the first quarter. So probably too soon for us to really talk about it as a trend yet. But generally occasional.

Sharon Zackfia

Yes. Is it a big enough trend, though, where you might need to go back and add even more equipment on the strength side?

Colleen Keating

Sharon, that's one of the things that we're evaluating. And it may not be broadly all strength. It may be certain specific pieces of equipment that we're hearing member feedback that may indicate we want to add more of it.

I'll give you one example in particular. We have significantly increased the complement of stair climbers in our clubs. That was based on data that we showed from a member utilization standpoint. And the same will hold true with strength equipment as we hear from our members, the pieces of equipment they see that they're using more could help inform our equipment packages going forward.

And the other thing that we've noticed is the utilization of floor space for functional training. So we've been intentional in our clubs about opening up floor space so that our members have space to do functional training. That's another trend that we've been responding to.

Jay Stasz

Yes. And as we've talked about before, we have NPS now fully rolled out across our system. So that's a great area for us to get feedback across the entire fleet of clubs.

Operator

Your next question comes from the line of Marni Lysaght of Macquarie Capital.

Marni Lysaght

I just got some questions maybe pertaining to more just some cash flow nuances. Just noticed that the -- your accounts receivable balance is quite elevated compared to more recent history as of June end. And it's kind of ratcheting up to what it was in December on the back of some of those reequip dynamics. Is there anything you can kind of unpack there? Is there any -- potentially any inflation coming through on equipment?

Jay Stasz

No, I think there's nothing unusual there. It's just standard timing differences.

Marni Lysaght

Okay. Okay. And just kind of moving on, you've obviously spoken to the deal in California. Are you seeing any changes in the appetites of franchiser groups for these kind of deals in the current climate? Or is it still kind of business as usual?

Colleen Keating

Yes. I think it was mentioned on one of the questions earlier about how frequently when assets transact, when clubs transact in our system, it's an incumbent franchisee who's looking to purchase. And in the sale of the California clubs, we had multiple bids on that portfolio of clubs and once again, strong interest from inside the system to purchase the additional clubs. So no diminution in appetite for sure.

Operator

Your next question comes from the line of Logan Reich of RBC Capital Markets.

Logan Paul Reich

I had a question on the Black Card pricing test you've been doing it for a little while now. I was just wondering if you can share any observations or differences you guys are seeing in the test relative to broader store portfolio and maybe in relation to Black Card mix, retention, net adds, anything you would be able to share on the Black Card test?

Colleen Keating

Logan, I'll start. So when we went in -- and I probably -- I wouldn't call it a test at this point. I think we've evaluated it. Now it's about -- we've made a decision. It's just about the right timing. But at any rate, when we were in the test, we wanted to see 2 things. Was there headroom on price? And was that headroom at \$27.99 or \$29.99.

The second was, did we see elevated churn? And then the third was, did we -- was it more accretive to enjoy -- did we see an increased Black Card penetration? And net-net, on price, there was not a material difference between the \$27.99 and the \$29.99 price test, which is why we've anchored to the \$29.9.

From a churn perspective, we do not see a material difference in churn at the different price point. And from a Black Card penetration, we've been talking about that. Gosh, we're up 340 basis points in Black Card penetration quarter to prior year, and that's been a trend that we've been seeing. So with the gap between Classic and Black, we've had -- being the narrowest that it's been since the inception of the Black Card at a \$10 price delta, we've definitely enjoyed increased Black Card penetration that has been accretive.

Logan Paul Reich

Got it. Super helpful. And just a quick follow-up. How many stores have the \$30 or how many gyms have the \$30 Black Card price today?

Colleen Keating

We have it in 2 geographies today. It's in our New York market and our Charlotte market today.

Operator

Your last question comes from the line of Brian McNamara of Canaccord Genuity.

Madison Callinan

This is Madison Callinan on for Brian. We were just curious why net new unit guidance hasn't been adjusted as we would have figured visibility would be much higher today on that front compared to May. Also, is there like an internal time line when you expect to surpass the 200-plus net new unit growth number that the company did pre-pandemic?

Jay Stasz

Yes. So I can start on that. As far as the 200 number and what we've talked about, I mean, Colleen is a fan of a big number. And so we appreciate that. We want to continue to do the right things. And what that will allow for is continued steady growth in the units, right? We don't want the year with a bumper crop, but we think doing the work that we're doing on all fronts will eventually lead us back to that, and that includes both domestic and international. And then from a net growth standpoint, to your point, right, we have had a couple of closures. Some of that was related to lease terms. and some of that was just natural lease ending. So it's just part of the normal course of the business, nothing unusual, and we can refine that going forward.

Colleen Keating

I think, too, we also know that we've got -- because of the nature of the business, there's seasonal favorability to a Q4 opening. It's a very profitable quarter to open because you're right in front of the strong Q1 joint volume. The flip side of that is that it's a race to the

finish when you've got a lot of the openings back-end loaded in the last quarter of the year. So we felt confident in the range that we guided, and we feel confident that we have a great line of sight to those openings. However, at the same time, there are a lot in Q4.

Operator

That concludes our Q&A session. I will now turn the conference back over to CEO, Colleen Keating, for closing remarks.

Colleen Keating

Thank you. In closing, I am encouraged by our performance during the first half of 2025. We continue to be a highly attractive franchise system that generates strong and stable free cash flow for long-term sustainable growth and increased shareholder value. Thank you.

Operator

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

Read more current PLNT [analysis and news](#)

View all [earnings call transcripts](#)

Comments

Newest  