Planet Fitness, Inc. (PLNT) Q2 2026 Earnings Call Transcript

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Q2: 2026-08-06 Earnings Summary

Insights

EPS of $0.88 beats by $0.03 | Revenue of $365.22M (7.14% Y/Y) beats by $9.01M

Planet Fitness, Inc. (PLNT) Q2 2026 Earnings Call August 6, 2026 8:00 AM EDT

Company Participants

Colleen Keating - CEO & Director
Sudhanshu Priyadarshi - CFO & President of International
Thomas Fitzgerald - Chief Financial Officer

Conference Call Participants

Brendon Frey - ICR Inc.
Arpine Kocharyan - UBS Investment Bank, Research Division
Randal Konik - Jefferies LLC, Research Division
Simeon Siegel - Guggenheim Securities, LLC, Research Division
Jonathan Komp - Robert W. Baird & Co. Incorporated, Research Division
Rahul Krotthapalli - JPMorgan Chase & Co, Research Division
Maksim Rakhlenko - TD Cowen, Research Division
Joseph Altobello - Raymond James & Associates, Inc., Research Division
Sharon Zackfia - William Blair & Company L.L.C., Research Division
Xian Siew Hew Sam - BNP Paribas, Research Division

Presentation

Operator

Good morning, and thank you for joining today's Planet Fitness Second Quarter Earnings Conference Call. [Operator Instructions]. I would now like to hand the call over to Brendon Frey for opening remarks. Please go ahead.

Brendon Frey
ICR Inc.

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 and President, International, Sudhanshu Priyadarshi. Colleen and Sudhanshu 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.

With that, I'll now turn it over to Colleen.

Colleen Keating
CEO & Director

Thank you, Brendon, and thank you, everyone, for joining us for the Planet Fitness Second Quarter Earnings Call. We are pleased to welcome Sudhanshu Priyadarshi to Planet Fitness, a proven global leader with more than 25 years of experience driving enterprise value creation across consumer-facing businesses. His deep CFO expertise, vast international operating experience and disciplined approach to strategy, execution, margin expansion and capital allocation aligned closely with our strategic growth priorities. I look forward to partnering with him to deliver meaningful value for our members, franchisees, and shareholders.

I also want to thank and recognize Tom Fitzgerald for pausing his retirement to shepherd our finance organization through our period of leadership transition. Tom provided a knowledgeable and steady hand as interim CFO, enabling us to complete a thorough search, and he will remain with us in an advisory capacity through early September. Given this, Tom is joining us on today's call and will be available to provide additional perspective during the Q&A.

Now let me turn to our second quarter performance. During the quarter, we furthered the important work to reignite sustainable member growth, and we are confident that the actions we outlined on our first quarter call are the right ones to achieve this overarching goal. While we are encouraged by our initial progress, several of our key initiatives, particularly with marketing, will take time to fully implement and gain traction.

We finished the quarter with 21.5 million members, up 3.6% to last year. System-wide same club sales increased by 1.7%, and adjusted EBITDA increased 3.5% over Q2 2025, and we opened 23 new clubs. The fitness industry is supported by strong long-term tailwinds as more people recognize the critical role movement plays in physical and mental well-being, disease prevention and living longer, healthier lives.

Against that backdrop, our focus remains clear, broaden our reach to the approximately 70% of the U.S. population not currently paying for a fitness membership, strengthen the relevance of our brand messaging with our core audience and reinforce why Planet Fitness is uniquely positioned to bring people into the category. We appeal to fitness beginners, more casual gym goers or those progressing on their fitness journey who appreciate our strong value proposition and judgment-free environment. One of the reasons why people don't join a gym is intimidation and Planet Fitness is ideally and uniquely positioned for this population.

We know proximity and convenience are also factors and with the Planet Fitness club within an approximate 12-minute drive of 170 million of the U.S. population, our reach and accessibility are unmatched. As we shared on our Q1 earnings call, we are concentrating our efforts this year on two priorities that are central to reigniting net member growth, driving acquisition and reinforcing affordability. I'll discuss our progress to date in key areas supporting these priorities, including our marketing evolution, net member growth trends, pricing architecture and in-club member experience enhancements. I'll also provide an update on global club expansion and franchisee engagement before turning the call over to Sudhanshu.

Let me start with our marketing updates. As we continue to evolve our marketing strategy, our goal is to both target and speak more effectively to the roughly 70% of the U.S. population that doesn't have a gym membership, while reinforcing what makes Planet Fitness differentiated our welcoming, nonintimidating environment. We are approaching this work in phases with our newly engaged creative agency.

To date, we made intentional refinements to our existing creative. So it feels a bit more approachable and supportive, depicting more variety of fitness levels, dialing down sweat levels and brightening the imagery. We will launch interim new creative that takes this a few steps further, featuring a more light-hearted tone aligned to our brand DNA with an intentional emphasis on our unique value proposition and brand differentiation within the HVLP landscape. You will see this new interim creative in market this quarter.

At the same time, we will begin testing creative for an entirely new marketing campaign for our critical Q1 acquisition period, giving us time to read results and make adjustments before the campaign goes live in late December. We are continuing to advance our media optimization efforts. As we refine our creative and optimize our media mix, our goal is to better reach our target audience across social platforms and multiple media channels.

To support that work, our Dynamic Creative Optimization engine remains on track for a rolling launch beginning in September. This will allow us to better tailor creative and our messaging over time as we reach prospective members with greater relevance.

Also in September, we will launch a redesigned Planet Fitness app with updates to make the member experience more personalized, engaging and easier to navigate. This will include a dynamic home screen tailored to in-club workout, enhanced activity tracking, including weight, reps and sets, a redesigned fitness profile with progress metrics and improved crowd meter accuracy.

Additional updates are planned for the balance of the year and into 2027, underscoring our commitment to continually enhancing member experience and supporting retention.

Finally, on the marketing front, we kicked off our High School Summer Pass program in June, which continues to be an important way for us to introduce younger consumers to our brand and reinforce our commitment to making fitness accessible. We're continuing to build momentum with High School Summer pass with more than 12 million workouts completed to date.

This program remains especially valuable as it builds awareness and brand affinity with the next generation of potential members, including Gen Alpha, as they become old enough to join.

Now let me turn to our second quarter net member growth. As I noted earlier, we ended with 21.5 million members, up 3.6% to last year and flat to Q1. For Q2, our average monthly attrition rate was 3.5%, the midpoint of our historical range of 3% to 4%. While we expect it to remain within that range going forward, there will be some fluctuation in future quarters due to seasonality.

In an effort to improve this metric, we are deepening our member retention efforts with our predictive AI churn model integrated in our CRM platform, which is designed to identify early churn indicators. The model is currently in an alpha phase and continues to learn from member behavior. The next capability will be a next best action engine to serve up retention offers.

Also related to our retention efforts, we will kick off components of our first 100-day program with franchisees at our September conference. This will strengthen engagement, both inside and outside our clubs during the critical early period of a member's journey, as most members join online, an opportunity to engage with them shortly after joining can encourage a club visit.

During the visit, our teams can proactively engage, understand the member's goals and connect them with the most relevant areas of the club to provide support and meet their needs. We also recently implemented a mystery shop program to support consistent brand standards, enhanced member satisfaction and operational excellence across our clubs in the U.S. and Canada. The program supplements last year's system-wide NPS rollout to enhance member experience and service delivery in our clubs.

Now moving to our pricing architecture. We have launched several regional and local price tests to better understand consumer responses across different markets. As part of our continued focus on reinforcing affordability and driving member acquisition, we will also test a $10 classic card promotion nationally later this quarter. Offering the Classic Card at $10 for a limited time promotion nationally will help us better understand regional impacts.

We are not running this test to inform a rollback of the classic card price. We want to understand its impact for use in limited promo windows, as well as read the impacts by region.

Turning to member experience. We know from industry data and member feedback that recovery is an important part of fitness. To this end, we expanded our test of new Black Card Spa modalities to 100 clubs across multiple DMAs and began marketing the upgraded features this summer. The broader test is designed to help us understand how these offerings influence total joins, join mix, upgrades and retention. Additionally, based on strong member preference and franchisee enthusiasm, we offered the opportunity to our franchisees to order the Red Light Sauna and the LED red light booth early. We're excited for the test results for the other modalities as we endeavor to make recovery more accessible just as we democratize fitness access more than 30 years ago.

Lastly, turning to development and franchisee engagement. During the second quarter, we opened 23 clubs, five of which were international and included 21 franchise locations and two corporate-owned clubs. We announced this morning that we welcomed a new franchisee to Planet Fitness, seasoned hospitality developer, Ian McClure, CEO of Gulf Coast Hotel Management acquired growth territory on the West Coast of Florida. Ian brings extensive experience in multiunit real estate development, operations and asset management. This is an important milestone and a clear signal of the momentum we are building behind disciplined, long-term system growth.

It reflects the strength of our model the confidence experienced franchisees and operators see in the Planet Fitness brand and our opportunity to capitalize on population shifts in the U.S. by continuing to grow our footprint in markets where our accessible high-value offering can reach more consumers.

Turning to International. In July, we completed the sale of our ownership stake in our Australia franchise. The strong progress we've seen in Australia demonstrates we can deploy capital in a disciplined, focused manner to accelerate Planet Fitness' international expansion. The sale of our stake to Franchise Equity Partners validates this approach, and we appreciate FEP's ambition to scale the Planet Fitness brand and accelerate growth across Australia. We remain steadfastly focused on unit economics and to that end, continued our active engagement with our franchisees during the quarter, including holding several small group luncheons and dinners to hear directly from them. We look forward to furthering this engagement at our franchisee conference in September.

Before I turn it over to Sudhanshu, I want to again thank Tom for stepping in as our Interim CFO and graciously extending his time with us to support a smooth transition. His experience, leadership and partnership have been invaluable. We're grateful for his contributions and wish him the very best as he returns to the Everyday's a Saturday Club.

Now I'll turn it over to Sudhanshu.

Sudhanshu Priyadarshi
CFO & President of International

Thanks, Colleen, and good morning, everyone. It's a privilege to be with you today for my first earnings call as CFO of Planet Fitness. Before I walk through our second quarter results, I want to take a moment to share why I was drawn to this role. Over the course of my career, I have had the opportunity to work across a number of great consumer businesses.

What drew me to Planet fits was its size and reach, over $5 billion in total system-wide sales, nearly 3,000 clubs and 21.5 million members as well as a combination of factors, I don't often see in one company, a brand with real emotional resonance in the judgment free zone, a highly franchised and capital-efficient operating model and a long runway for growth in the U.S. and internationally.

I have spent my career focused on turning strategy into disciplined execution, driving margin expansion, capital efficiency and shareholder value and I see tremendous opportunity to do exactly that here working alongside Colleen and this leadership team while also helping lead our international expansion.

I also want to take a moment to thank Tom. Tom stepped back in at a critical moment for this company and did an excellent job stabilizing the finance organization all while helping set me up for a smooth start. Tom, thank you for your partnership and I'm glad you will remain available to us as an adviser while we complete this transition.

Now to our second quarter results. All of my comments regarding our second quarter performance, we'll be comparing Q2 2026 to Q2 of last year, unless otherwise noted. We opened 23 new clubs in Q2 this year, consistent with the number of openings in the year ago period. We delivered systemwide same club sales growth of 1.7% in the second quarter with franchisee and corporate same club sales, both up 1.7%.

Our Q2 comp increase was entirely driven by rate growth. Black Card penetration was approximately 68% at the end of the quarter, an increase of 210 basis points from the prior year. For the second quarter, total revenue was $365 million compared to $341 million an increase of 7%. The increase was driven by revenue growth across all three segments, a 13% increase in franchisees segment revenue was primarily due to an increase in national ad fund or NAF, higher royalty revenue from increased same club sales as well as new clubs, and franchisee and other fees.

The increase in NAF revenue was primarily due to a 1 percentage point increase in NAF contributions from 2% and to 3% for 2026. For the second quarter, the average royalty rate was 6.7%, which is flat compared to prior year. The 4% increase in revenue in the corporate owned club segment was driven by the sales from new clubs as well as increased same club sales.

As a reminder, we opened 19 new corporate clubs since the end of Q2 last year, 11 of which occurred in the fourth quarter of 2025. Equipment segment revenue increased 4%. The increase was driven by higher revenue from new franchisee-owned club placement sales and higher revenue from replacement equipment sales.

We completed 21 new club placements this quarter compared to 19 last year. For the quarter, replacement equipment accounted for 85% of total equipment revenue compared to 87%. Our cost of revenue, which primarily relates to the cost of equipment sales to franchisees on clubs amounted to $64 million compared to $59 million.

Club operations expense, which relates to our corporate-owned club segment increased 6% to $82 million compared to $77 million. This increase was primarily due to operating expense from 19 new clubs opened since the end of Q2 last year, partially offset by the sale of eight clubs in California. SG&A decreased 3% to $34 million compared to $36 million, while adjusted SG&A was $33 million, a decrease of 2%.

The National advertising fund expense was $33 million compared to $23 million, primarily due to the 1.6% this year in marketing from the local fund to the National Fund. Net income was $67 million, adjusted net income was $68 million and adjusted net income per diluted share was $0.88. Our adjusted net income per share is based on an adjusted weighted diluted average share count of 77.5 million shares compared with 80.1 million in the first quarter of 2026.

The decrease in our share count reflects the open market repurchases made during the second quarter, which I will cover in detail shortly.. Adjusted EBITDA was $153 million, an increase of 3.5% year-over-year, and adjusted EBITDA margin was 41.8% compared to $148 million with adjusted EBITDA margin of 43.3%.

By segment, franchisee adjusted EBITDA was $92 million, and adjusted EBITDA margin decreased from 72.3% to 67.6%, with the change in margin primarily due to the increase in the NAF contribution rate. Excluding NAF, franchisee adjusted EBITDA margins were consistent year-over-year. Corporate club adjusted EBITDA was $57 million, and adjusted EBITDA margin decreased from 40.7% to 40%. Equipment adjusted EBITDA was $24 million, and adjusted EBITDA margin decreased from 32.1% to 28.4%.

The change in equipment adjusted EBITDA margins was due to the timing of replacement equipment discounts. For the first half of 2026, Equipment adjusted EBITDA margins were 29.6%, in line with our expectations.

Now turning to the balance sheet. In Q2 2026, utilizing cash on hand and a $75 million drawdown on one of our variable funding notes, we repurchased approximately 4 million shares at an average price of $50.44 for a total of $200 million. This brought our year-to-date repurchases to $250 million leaving $250 million remaining under the $500 million repurchase program authorized by the Board late last year.

As of June 30, 2026, we had total cash, cash equivalents and marketable securities of $544 million compared to $607 million on December 31, 2025, which included $73 million and $66 million of restricted cash, respectively, in each period.

We plan to utilize a portion of our available cash to repay the $75 million VFN by year-end.

Moving on to our 2026 outlook. Based on our second quarter share repurchase activity, we are raising our view for adjusted net income per diluted share, which is now projected to grow approximately 6%, up from our prior outlook of approximately 4%. This is based on adjusted diluted weighted average shares outstanding of approximately 77 million, down from our prior expectations of approximately 79 million.

The benefit of lower share count is being partially offset by higher interest expense following the drawdown of our $75 million VFN. Interest expense for the year is now expected to be approximately $115 million, up $4 million from our prior guidance, which is requiring us to adjust our adjusted net income guidance slightly to down 3% versus down 2%.

The rest of our outlook remains unchanged. We still expect system-wide same club sales growth to be approximately 1% and revenue to grow approximately 7% and adjusted EBITDA to grow approximately 6%. As we discussed on our Q1 call, we anticipate quarterly same club sales growth to moderate sequentially as we move through the year. This is still the expectation. However, our forecast does not assume that same club sales are negative in either third or fourth quarters.

Moving to unit growth, we still expect to open between 180 and 190 new club system-wide with 150 to 160 equipment placements and anticipate that the cadence of the remaining opening and placement to be weighted to the fourth quarter. We expect that replacement equipment sales will make up approximately 70% of total Equipment segment revenue for the full year.

We expect second half replacement equipment revenue to be slightly lower than the first half with a higher mix in quarter 3. We also expect full year equipment margin rate of approximately 30%. Lastly, we continue to expect capital expenditures to be up 10% to 15% and depreciation and amortization to be up approximately 10%.

In closing, having now had the chance to get closer to the business, over the past 40 days, I am even more convinced of what drew me to Planet Fitness in the first place. This is a highly franchised capital-efficient model, built around a brand that continues to resonate broadly with consumers. And it has tremendous growth prospects domestically and more so internationally, where the TAM is even greater given the lower fitness participation rates outside of the U.S.

As we look to the back half of the year and beyond, we remain focused on disciplined execution of the strategic priorities, Colleen outlined, aimed at driving sustainable growth and generating increased value for our members, franchisees and shareholders.

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 Arpine Kocharyan with UBS.

Arpine Kocharyan
UBS Investment Bank, Research Division

Sudhanshu, welcome to the call. Look forward to working with you. You talked about having completed well. You talked about having completed different pricing tests -- would you be able to share at all some of those initial findings and learnings and what that could mean for your broader pricing structure specifically how you're thinking about maybe introducing a third tier of pricing? Does that even make sense at this point?

And also, is it fair to assume that any update to that lower end pricing or maybe Classic Card pricing or whatever it could be, wouldn't come without a kind of a review of Black Card pricing at this point?

Colleen Keating
CEO & Director

Arpine, thanks for the question. As I indicated, we've got a number of price tests, both regionally and locally to really understand consumer response across a number of different pricing architectures in different markets, many of the tests are still in slate, and we are still reading the results, as you know, due to the subscription nature of our business and our seasonality.

We tend to run tests for a fairly long period of time. We'll evaluate those tests on really reinforcing affordability, driving member acquisition and sustained member growth -- and to your question, we've tested tiers. We've tested different price points and in different regions as well.

Arpine Kocharyan
UBS Investment Bank, Research Division

Great. And part of -- the reason for part of -- latter part of my question is churn is actually coming in pretty steady, right, even when we think about sort of what it was in the prior quarter. It seems like churn is pretty steady. Does that make you sort of rethink the Black Card pricing strategy a little bit? Or would you say that it's going to be viewed holistically more aligned with what you're doing with the rest of the pricing structure?

Colleen Keating

CEO & Director

Yes. Again, we're leaning hard into sustainable net member growth. So as we evaluate any pricing decisions in our architecture, whether they're tiers, regional nuance or something with Black Card. We're going to evaluate the price elasticity in conjunction with join mix as well as total sustainable net member growth and impact on churn.

Operator

Your next question comes from the line of Randy Konik with Jefferies.

Randal Konik

Jefferies LLC, Research Division

Great. Just curious, on churn, again, as mentioned, that's stable on the last question there. Is there any kind of difference you're seeing between churn statistics of Black Card versus the Classic Card at the moment? Just curious on what you're seeing there.

Colleen Keating

CEO & Director

Good morning, Randy, and thanks for the question. With regards to churn, specifically, you're right, but it's within the range that we've typically set an average monthly churn rate between 3% and 4%, and it was solidly in the middle there. we haven't seen a significant difference between classic and Black Card member churn. As we've talked about before, we do see some variance across generational cohorts, but not marked difference between classic and Black Card.

Randal Konik

Jefferies LLC, Research Division

Got it. And I guess just following up here on the $10 Classic Card test -- can you just expand upon that a little bit more in terms of the scope? How long it will be in place if you offer a $10 limited time offer, what does that mean?

And then when you kind of think about that and you put that forth, you said you had some engagement with franchisees, with dinners and stuff like that before the September meeting, any initial impressions from these meetings you've held thus far with franchisees on communicating to them or different pricing architectures, different pricing objectives and what their feedback is and what they've been asking for or what they're kind of focused on right now?

Colleen Keating
CEO & Director

Sure. So specific to the $10 Classic Card promo, it is a promo window. I guess for competitive reasons, we won't indicate the exact dates we're going to run it or exactly how long it will run. But it will be a limited time promotion and we do intend to run it during this quarter.

We have communicated with our franchisees about our intent to test that as a promo, again, a limited time promo nationally and one of the reasons it's important to test it nationally is to read the regional nuances and really understand kind of price elasticity and demand indicators around price point in different markets around the country.

And from a franchisee sentiment standpoint, we've been very communicative with them around our strategic pivots and again, around this promo. As in any franchise organization, we'll have some franchisees that would be completely on board and others that might be a little bit more reticent. But certainly, they understand the outputs that we're seeking to evaluate by running this test nationally.

Operator

Your next question comes from the line of Simeon Siegel with Guggenheim Securities.

Simeon Siegel
Guggenheim Securities, LLC, Research Division

Looking forward to working with you. Colleen, maybe just a follow-up on that. So if someone buys the $10 Classic test, do they get it temporarily? Or does that become their go-forward rate? It just feels like that's a pretty compelling offer now. And so I'm curious how you plan to use that to strategically trigger new ads and also how you ensure it doesn't drive any negative response from anyone who joined at 15 or maybe would have joined a 15 in the future?

And then just curious how you're thinking about the potential impact to franchisee unit economics, do you have offsets to the lower revenue? Do you think it drives incremental members in that offset. Just curious how you're thinking about that full picture.

Colleen Keating
CEO & Director

Simeon, and thanks for the question.. So from a standpoint of pricing, it's a limited time offer, but it's not a limited time. It's not intended to be a limited time rate. So when someone joins at a Classic Card price point, as we've done historically, they -- that's a legacy protected rate. So as long as they remain a member of Planet Fitness, they continue to enjoy the rate at which they joined, and that will be or is intended to be the case with this limited $10 promo.

From a standpoint of unit economics, we do know that the lift of the classic card price from $10 to $15 across the system holistically has been accretive to the AUVs of our franchisees' clubs. There are some franchisees in certain markets who have encouraged us to test the $10 promo pricing. We did it in a very concentrated regional test earlier this summer, late spring and really, again, want to read and better understand the regional nuances and regional price elasticity by running the test nationally. And I think as I indicated, we're not running the test because we're contemplating a rollback of 15 to 10.

Operator

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

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

Colleen, I want to follow up on the marketing pivot that you highlighted. Would you characterize this more as a shift back to the historical Planet playbook? And are you contemplating within the test ways to drive incremental value to members that you could find new ways to monetize? I know there's a lot of discussion about testing different price points. But what about alternative offerings or new ways to add value that you might be able to capture more dues or price from members over time?

Colleen Keating
CEO & Director

Sure. Thanks for the questions. So to your first question about kind of the marketing playbook, and I alluded to it in my remarks a bit -- what you'll see in the campaign, the new campaign that we're developing is certainly a lighter approach. We want to convey approachability and ensure that our messaging resonates with the 70% that is really our our target audience, our core consumer.

So more casual gym goers beginner what this brand has historically done very successfully is bring people into the category. So we want to ensure that we're reaching people with messaging that can base that approachability, judgment-free and welcoming no-gym intimidation environment that makes Planet Fitness unique and special.

As it relates to continuing to enhance the value proposition for our members, we've done a lot over the last period, a couple of periods, few periods to enhance the value proposition for our members. We're seeing it resonate in the increases in our Net Promoter Scores.

Our Net Promoter Scores are up 9 percentage points year-on-year as of the end of Q2. And our feedback about the format optimization and the investments that we've made in equipment on the club floor are telling us that -- member feedback is telling us that they're seeing enhanced value in their relationship with Planet Fitness.

And as you know, more than 2/3 of our members today are Black Card members, and we're making significant enhancements to our recovery offering in the Black Card Spa by having tested it in 13 -- testing new modalities in 13 clubs earlier this year and now this summer moving to 100 club test with the five new Black Card modalities. So we're very focused on continuing to add value for our members, both at the classic and Black Card tiers.

Jonathan Komp

Robert W. Baird & Co. Incorporated, Research Division

Okay. And then just separately, I wanted to ask how we should view capital allocation in light of the pretty significant buyback completed during the quarter? And maybe more broadly, as your business has become more capital intensive over the past several years. Just any broader thoughts on evaluating the current structure, the current ownership rate of your unit base, especially with the new franchise interest you mentioned? Just any broader thoughts there would be helpful.

Sudhanshu Priyadarshi

CFO & President of International

So Jonathan, this is Sudhanshu. First capital allocation will remain what we have today. We are a cash flow generative business. We use a lot of cash to generate value, whether opening clubs, you saw how we recycle capital in Australia or buying back share when we see the value.

At the same time, we will continue to look at international growth opportunities, seem like Australia model where we see growth. But your question about why we having corporate Club, why we have a franchisee. We want to run an asset-light model, that's what we have. We have less than 10% is the Corporate Club. We want to continue to run that model -- that model is working for us.

But overall, we feel that we will look at all our options available to us, management team and board to create shareholder value. That's what we are here for and all of those options we consider regularly. But is driving growth is driving member growth, and we are happy about it. Anything, Colleen, you want to add?

Colleen Keating

CEO & Director

Yes. I'll just say your -- Jon, I know you're aware -- we sold our California clubs last year to an existing franchisee who had infrastructure on the West Coast and could operate them more efficiently than we could because we didn't have a large portfolio on the West Coast, exiting our position in Australia is another example.

We'll use our balance sheet to help fuel and accelerate growth in a healthy way. At the same time, if we have an opportunity to exit a position and recycle that capital we will do that as well. So to date, we've kept the ish 90-10, 90%, 10% franchise versus corporate owned. We see our corporate portfolio is a great test lab for us as we continue to be a test and learn shop and want to invest in kind of R&D.

At the same time, we continue to evaluate opportunities for capital recycling, and that could include other portfolio transactions our currently corporate stores if the right opportunity presented itself. So again, similar to as we did with Australia, California, you know that we've considered our position in Spain as well and at some juncture, intend that we'll either sell the Spain territory or bring a franchisee into that market as well.

Operator

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

Rahul Krotthapalli

JPMorgan Chase & Co, Research Division

Colleen, does it make sense to test weekly membership plans in the system, say it like a lower 499 or 599 White Card or like a 699 and 799 Black Card. Given like mature club capacity still remains. And I know you guys do this in Australia or probably in some other markets. Are you testing these? Or what do you think the impact could be? And I have a follow-up.

Colleen Keating

CEO & Director

Sure. Nice to hear from you. Thanks for the question. You're right, we do have other billing cycles in other geographies, some of the international geographies more because that market and that's what the consumer expects in those geographies. Here domestically, in the U.S. the monthly billing is the most typical billing structure.

So to clearly answer your question, we have not tested and are not currently contemplating a weekly billing test in the U.S. Got it.

Rahul Krotthapalli

JPMorgan Chase & Co, Research Division

And then you shared some details on the upcoming app announcements. Is there an opportunity to provide something on the lines of like a nutrition or a dietary recommendations or partnerships with many networks out there, to your point on like democratizing like even wellness beyond recovery? Any thoughts there?

Colleen Keating

CEO & Director

Sure. So you're asking about the ability to use our app to highlight partnerships -- is that -- am I getting the question clearly?

Rahul Krotthapalli

JPMorgan Chase & Co, Research Division

Partnerships with an index nutrition or dietary recommendations for the existing membership base as an added feature for the wellness?

Colleen Keating
CEO & Director

So we've done some of that to date. We've got a partnership with Factor Meals, which provides prepackaged nutrition, balanced nutrition, meal plan options and had fairly good utilization with that from that -- with our members with that perk.

We have also had a partnership with Ro and Ro provides nutrition and wellness counseling and also GLP-1 access and access to physician support -- and that launched in late Q4 of last year, It's been one of our most successful and most utilized Perks programs to date So we're -- we're always exploring additional opportunities for Perks and partnerships, again, for competitive reasons, I probably won't talk about them with specificity except to talk about the ones that we've recently -- we -- I just highlighted in the real partnership and the fact that we do see an opportunity to utilize the app to bring to bear opportunities for a more holistic more access to other wellness partners through the member relationship with Planet Fitness.

Operator

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

Maksim Rakhlenko
TD Cowen, Research Division

So first, Colleen, can you remind us, historically, the mix of joints that would come during promotion versus non-promotion periods, there are some concerns that this price that you're doing on the Classic Card could eventually become almost the shadow price decrease.

And then separately, how do you maintain the $15 classic card members from not putting and rejoining at $10.

Colleen Keating
CEO & Director

It's nice to hear from you. So we have historically not really deconstructed publicly the promo versus non-promo joined. What I will say is that we will -- we intend to test this promo really national promo really to read, read how it performs across different regions and different geographies. It is again, it's not contemplated to be kind of the new class of card pricing at all.

And then as it relates to kind of trade down, which I think is your question, we ran a localized $10 Classic Card promo a couple of months ago, earlier in the summer, late spring. And one of the things that we were reading from that test before we made the decision to test nationally was trade down, and we did not see significant trade down from 15 to 10 at all.

Thomas Fitzgerald

Chief Financial Officer

Max, it's Tom. I'd add one thing, too. Back when we were testing moving from 10 to 15, we had numerous test cells back in 2024. One of the test cells was at 15 all the time and we would promote to 10 and across multiple promotions on plastic card, we didn't see really anybody. I mean you could count them on one hand, how many people bought a $15 membership, came back in when we went to tend to essentially downgraded just they weren't doing it.

Colleen Keating

CEO & Director

And I think the importance is that very limited time offer so that it doesn't become to use your vernacular shadow pricing.

Maksim Rakhlenko

TD Cowen, Research Division

Got it. That's super helpful. And then in the 150 to 160 franchise placements for this year, what's your expectation for the number of boxes that may open ahead of the ADAs? And then separately, can you just update us on usage of where cure periods are today versus prior periods as we assess any potential risk around opening slowing next year?

Thomas Fitzgerald

Chief Financial Officer

Yes. Max, it's Tom. I'll try that one. So we don't really disclose how many people are ahead of ADAs. I think we've talked historically sort of directionally pre-COVID a number of folks were ahead of their ADAs given where the system was at the time, but we currently don't really disclose that. But I think broadly speaking, most folks are tracking to their ADAs, a couple might be slightly ahead.

And we also -- in terms of the cure periods and sort of which I think to your point is really for those who are unaware the time to get a club open if it's not going to open on time for reasons that are beyond your control like permitting or whatever. We don't really disclose that either. But I would say it's not it's not disproportionately higher or lower than it's been in recent years.

Maksim Rakhlenko

TD Cowen, Research Division

And maybe as a quick follow-up, given that it doesn't seem like you think that there is going to be much of the cell in openings next year? Is that it?

Colleen Keating

CEO & Director

We're not guiding -- we're not guiding next year at this point. We will do that in due course. But we're confident in our -- in where we guided openings for this year and of course, came off a very strong opening year last year. So we're feeling good about the unit opening momentum.

And I think to the kind of the use of cure periods and your earlier question, at the end of the day, our franchisees want to open clubs. We have a -- we're heavily weighted to Q4 openings because they want to open clubs in time for the Q1 acquisition period. And at the end of the day, leaning into the flywheel and the strong economics of our focus on sustained member growth are the things that are going to be most accretive to unit economics and bring people into the system like the new franchisee that we just announced this morning.

Operator

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

Joseph Altobello

Raymond James & Associates, Inc., Research Division

So I understand the plan is not to roll back classic to $10. But if the test does prove successful in certain areas, could you have different pricing across regions, for example, on Classic.

And then to follow up on that, is the plan still to go to $30 nationally on Black Card at some point?

Colleen Keating

CEO & Director

So I'll take that. I'll start that. I've said a couple of times, one of the things that we want to read from the National Classic Card promo at 10 is kind of the regional nuance. And if different regions have a different performance to the $10 price plate. So again, we're not going to talk forward-looking about what our intentions are from a pricing architecture because we still have a lot of things in test. And we consider this $10 national promo also at test. So as we read the test and make decisions, we'll communicate that. But you're right to infer that we're reading regional nuance with this.

And then as far as the Black Card pricing to $30, I'd say we made an appropriate decision given that we're leaning into net member growth very heavily this year because it's the thing that's most accretive to the economic flywheel for our franchisees.

So it was an appropriate decision to pause the nationwide rollout of the Black Card price -- at the same time, we're putting new modalities into the Black Card Spa, continuing to add value, looking at regional nuance -- so at some juncture, we obviously, we see that there'll be an opportunity to move on Black Card pricing exactly where, how much and will it be static nationwide -- those are things that we're continuing to evaluate.

Joseph Altobello

Raymond James & Associates, Inc., Research Division

Got it. Helpful. And just a follow-up on that. What sort of changes have you made to the creative development process to ensure that it resonates with your target customer? Because it seems like you kind of lost your way a little bit, obviously, during this past holiday period.

Colleen Keating

CEO & Director

Yes. What I would say is the last campaign did a lot of what we asked it to do in conveying that you could get strong at Planet Fitness and that we were -- we have top quality equipment -- at the same time, we left some of our customers feeling like we weren't talking to them with regard to the things that make us most unique and special, which is our approachability and our judgment-free environment. So in the new creative and then in the new -- in the interim creative and in the new campaign, you will see us dialing up a bit more a lightheartedness, little bit of humor, more approachability so that we broaden the reach and really ensure that we are marketing to the full 70% that is our deep pool of consumers and unique for Planet Fitness.

As I mentioned in my remarks, you will see later this quarter, some interim new creative that will convey that bit of humor, a bit of lightheartedness, while at the same time, conveying that you can get a great work out at Planet Fitness. And then for the new -- the full new campaign that we'll launch at the end of Q4 and carry us into the critical Q1 join period, member acquisition period. We'll be testing that new campaign and creative throughout the next few months.

Operator

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

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

Colleen, maybe following up on that last question. Can you talk about any changes in the way you're testing the creative relative to last year? Because I know you felt good about the test last year and then when the launch happened, it didn't really meet expectations?

Colleen Keating
CEO & Director

Yes. So for the creative that we were running last year in 2025, we tested that fairly extensively before we launched it. And it was driving increase in joint volume. As you know, we had a 10% lift in that member growth in 2025 versus 2024, despite the two headwinds of the nationwide rollout of click to cancel and the price increase of 50% on the classic card pricing.

At the same time, as we saw traction with that campaign, we dialed it up and I'd say we probably overtorqued dialed up the sweat level, dialed up the size of the muscle and brought talent in that was -- that represented a little bit more of the fit getting fitter versus the 70% that is our target.

So the change in the creative the next creative and the new campaign. You'll see us featuring not only in messaging the approachability, but also in the talent and how we shoot that creative. We will continue to test it with consumers extensively and probably even a little bit more than we've tested in the past.

And that's one of the reasons why we're going to run interim creative that will start this quarter and how we read that will also help inform the full new campaign that we'll launch for Q1.

Operator

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

Xian Siew Hew Sam
BNP Paribas, Research Division

It sounds like summer pass is going well. Maybe could you compare it a little bit to last year? And I know it's important to attract the next generation of gym goers, but maybe could you talk about how that balancing between younger consumers who may be a little bit more gym serious versus more casual or consumers? And is the marketing shift to maybe less kind of sweat less getting better impacting the acquisition of younger consumers and all?

Colleen Keating
CEO & Director

Sure. So high school summer pass last year. So obviously, we're still in the middle of high school summer past this year. But high school summer passed last year, we had a significant increase in participation, more than 30% increase in participation 2025 versus 2024. And saw an increase in the conversion percentage at the end of high school summer pass last year. How we're tracking this year is pretty close in line to the -- to what we had -- what we saw last year. So maintaining that significant increase that we had seen last year we're within a couple of percent of last year's numbers. But again, we're still in the middle of high school summer pass and we won't measure conversion until after the past program ends and then we market for conversion in the fall.

But as I said, we've had 12 million workouts, incredible participation. And it remains a key program for us to attract young consumers into the category. As it relates to the younger consumer, maybe being a bit more fitness minded or fitness aware. We have seen, again, Gen Z as the fastest growing proportion of our membership and also the largest proportion of our joins.

So we know our brand is resonating with Gen Z One of the things we're doing with the DCO engine, the dynamic creative optimization engine that will enable us to tailor our marketing messaging to different target audiences. We've also probably seen enhanced the use of influencers across social channels, and we've seen these influencers resonate with the younger consumer. So we'll ensure that the optimization of our media mix and the use of the DCO engine, which is scheduled to launch in September will enable us to reach across all of our target consumers.

Xian Siew Hew Sam

BNP Paribas, Research Division

And then for maybe the second half same-store sales, I think you mentioned some moderation, but staying positive. Could you maybe give us a little bit more color on how we should think about the mix of rate versus member growth in the second half?

Colleen Keating

CEO & Director

Yes. I could start or you want to take that. Yes, go ahead.

Sudhanshu Priyadarshi

CFO & President of International

So the rate -- we said that in Q2, most of entirely everything was driven by rate. And that was our expectation, and it's reflected the slowdown in net new joints. But it's more than 100% of the comp is driven by rate. It reinforces our focus on prioritizing member growth across entire system. And we recognize that including the membership is what will fuel the Planet Fitness flywheel. And that's our focus area, sustainable long-term growth is basically driven by expanding the member base, complemented by rate growth rather than the other way around. And as Colleen said, we have continued to sharpen and intensify our focus on driving the growth and member acquisition.

Colleen Keating
CEO & Director

I'll just say two additional things perhaps relative to this question. We are not contemplating or anticipating in our guidance a negative comp quarter in either of the two remaining quarters of the year. So we're not projecting a negative quarter in Q3 or Q4. But to Sudhanshu's point, the comp will be driven entirely by rate -- and I'll also say, we increased our Black Card penetration again in Q2 by about 200 basis points over Q2 prior year. We're continuing to get price lift, organic price lift or I should say, average rate lift. -- because of the continuing increase in Black Card penetration.

Operator

We have reached the end of the Q&A session. I will now turn the call back to Colleen Keating, CEO, for closing remarks.

Colleen Keating
CEO & Director

Thank you. In closing, I'd first like to thank our team members for the progress on our priorities to really reignite sustainable member growth and also our franchisees for their support of these endeavors.

We're proud of our leadership position in the fitness industry and our highly profitable business model with durable cash flows. Throughout our history, we've demonstrated our ability to adapt to changing market conditions while remaining focused on long-term growth. We've differentiated ourselves through an accessible high-value offering that has broadened the appeal of fitness to millions of consumers. That same disciplined approach continues to drive our strategy today, and I am confident it will fuel the growth that this brand can deliver. Thank you.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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