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Planet Fitness, Inc. (PLNT) Q3 2024 Earnings Call Transcript

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Q3: 2024-11-07 Earnings Summary

Play Call



Press Release



10-Q

EPS of \$0.64 **beats by \$0.06** | Revenue of \$292.25M (5.29% Y/Y) **beats by \$6.99M**Planet Fitness, Inc. (NYSE:[PLNT](#)) Q3 2024 Earnings Conference Call November 7, 2024 8:00 AM ET

Company Participants

Stacey Caravella – Vice President-Investor Relations

Colleen Keating – Chief Executive Officer

Jay Stasz – New Chief Financial Officer

Tom Fitzgerald – Chief Financial Officer

Conference Call Participants

Simeon Siegel – BMO Capital Markets

Sharon Zackfia – William Blair

Jonathan Komp – Baird

Rahul Krotthapalli – JPMorgan

Megan Clapp – Morgan Stanley

John Heinbockel – Guggenheim Partners

Joe Altobello – Raymond James

Max Rakhlenko – TD Cowen

Randy Konik – Jefferies

Operator

Thank you for standing by. My name is Kayla, and I will be your conference operator today. At this time, I would like to welcome everyone to the Q3 Planet Fitness Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

I would now like to turn the call over to Stacey Caravella, Vice President 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, Tom Fitzgerald. Also joining us is Jay Stasz, our newly appointed CFO effective on November 15. They will all 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 Q3 earnings call. I'm thrilled to be here speaking with you this morning to talk about our quarterly results and the strength of our business. During the third quarter, we grew same club sales by 4.3%, delivered 5.3% revenue growth and increased adjusted EBITDA by 10%. We ended the quarter with approximately 19.6 million members. I'm proud of our performance and of the important work our team has done to execute on our near-term focus areas while laying the foundation for our longer term ambitions.

We also announced last week that we appointed Jay Stasz, as Chief Financial Officer effective November 15. Jay joined us on Monday and is working with Tom to ensure a smooth transition. Tom will be staying with us through the end of December and will remain as a consultant until the end of the first quarter. Jay brings more than 25 years of experience developing high-performing collaborative finance team and supporting meaningful growth and value creation.

I'm eager to work closely with Jay to support our team members and franchisees as we provide high quality and accessible fitness experiences for our members and to ultimately increase value for shareholders.

Before I address our Q3 performance, I'd like to give Jay a chance to introduce himself. Jay?

Jay Stasz

Thanks, Colleen. I'm very excited to be a part of the Planet Fitness team. It's a strong brand with a clear mission and value proposition for its members as well as a compelling business model. I look forward to leveraging my skills and experience to support the company and its franchisees as it enters a new phase of growth. I'm also eager to partner with all our stakeholders, including our investors and analyst community.

Now back to Colleen.

Colleen Keating

Thanks, Jay. I wanted to step back and share a few of my thoughts and observations from my first few months as CEO. During the quarter, we held our franchisee conference. It was my first opportunity to address our franchise system in person and share my strategic imperatives with them to align our goals as they assess their capital deployment plans for 2025 and beyond.

In my first 100 days, I visited more than 50 Planet Fitness clubs putting into action one of my core principles of feet on the street. I heard from our franchisees, managers and team members and gathered my own observations about how our members are experiencing our clubs. I've seen a lot of gyms in my day, and when you're in one of our clubs, you know you're in a Planet Fitness. They're bright, clean and energizing with a friendly welcoming and approachable feel.

Yet what really excites me is that we have an opportunity to build on our quality and modernize our experience to ensure our equipment, layout and floor plan consistently deliver for our members today and keep us relevant for tomorrow. Early consumer data and testing validates this opportunity. Another thing that continues to stand out to me is that our members made the important decision to join a Planet Fitness Club, which is very different than a store that has transactions with customers. This is where our members feel a sense of belonging and support, which is why we're putting renewed emphasis on the club and our members.

And importantly, we are all committed to delivering a high value member experience including our corporate team. This renewed focus informed a few changes we've implemented to communicate our culture of shared accountability, renaming our corporate headquarters to the Club Support Center, transitioning our corporate e-mail addresses and using clubs instead of stores when referring to a Planet Fitness location. A notable milestone during the quarter is that we raised the price of our classic card membership for all new members to \$15. Adjusted for inflation, the \$10 price in 1998 when we introduced it, would be about \$20 today.

In other words, the \$15 classic card price is an even better value than \$10 was when it was established more than 25 years ago. We felt it was prudent to implement the price increase ahead of Q3 to leave time for the market to absorb it before Q1, which has historically been our highest quarter for member growth.

We believe the long-term benefits from the new price will outweigh any near-term softness in net member growth. Based on what we saw during our test, we expect that existing clubs will see a low to mid single-digit percentage increase to their top line after approximately a year of the price increase being in place.

Our price increase applies to new joins only and classic card members who joined prior to the increase maintain the legacy \$10 pricing, which could have favorability on our churn rate. At the same time, we believe the price increase will have an even greater impact for new clubs as most of their classic card members will be paying \$15 per month.

Tom will address the impact of the increase on Q3 later in his remarks. Additionally, we wrapped up our annual High School Summer Pass program during Q3 and nearly 3 million high school students participated, collectively logging more than 12 million workouts. We've invested more than \$300 million in waived membership dues to promote use health and wellness during the four years that we've run the program.

We're incredibly proud to have had a meaningful impact on the lives of millions of teens as we introduce them to positive health and fitness habits and build brand loyalty with this important generation.

Let me now turn to a recap of our four strategic imperatives that will guide us during our next phase of growth. We're making several important pivots to evolve our brand to focus on what matters most to our members and to ensure that we maintain our industry leadership. First is to redefine our brand strategy and pull it through our marketing. Second is enhancing our member experience. Third is refining our product and optimizing our format. And fourth is accelerating new club growth.

I'll start with redefining our brand strategy. We're evolving our strategy to go beyond getting people off the couch. We're broadening our audience to include current and previous members, non-members and competitive members. We continue to see a significant percentage of our joins who are former fitness members. So we want to convey that we welcome beginners and returning gym-goers.

In a recent consumer survey that we conducted, including both members and non-members, there was a proportion of respondents who did not see Planet Fitness as a place where they can progress or advance on their fitness journey presenting a clear area of opportunity for us. We are doubling down on our efforts to establish Planet Fitness as the club that welcomes all fitness levels from beginners to more advanced, whether they're starting a fitness journey or running another marathon. We're the club for anyone who is seeking a fitness community with no gymtimidation, where members support each other to fulfill the promise of growing stronger together.

We believe this is the right evolution at the right time for our brands. This focus was part of our marketing messaging for our Strong Choice October sale. We ran a social media campaign in late summer that compared our 75-pound dumbbell to a higher priced gym's dumbbell of equal weight which demonstrated value while evolving our humor to convey that we take fitness seriously, but we don't take ourselves too seriously.

We're beginning the shift to communicating the high value of a Planet Fitness membership versus primarily focusing on our low price and using our marketing to demonstrate the breadth of high quality top-tier equipment in our clubs.

Looking ahead, our first quarter marketing plans are well underway and we're actively working on new creative assets with our agency partners. We're also excited to be returning for our tenth year as the presenting sponsor of the Times Square New Year's Eve celebration. Lastly, on brand strategy, we're encouraged by the progress we're making in our ongoing search for a Chief Marketing Officer, and we look forward to providing an update in the future.

Now to our second imperative, enhancing member experience. We want members to know that the value of their Planet Fitness membership goes beyond the four walls of the club. We're using technology to enhance the member experience and drive value and engagement. Planet Fitness is the most downloaded fitness app on the App Store. This gives us a great opportunity to deliver content to support our members on their wellness and fitness journey even when they're not in one of our clubs, whether that's doing workouts on the PF app or taking advantage of discounts through our PF Perks program.

Deals and discounts with relevant partners can enhance the member value proposition beyond the club experience and potentially help to reduce churn. Year-to-date, our members have saved a total of approximately \$7 million with an average of more than \$50 per redemption through our Perks program.

So we know there's significant potential as we continue to grow the offerings in the PF app. We're also rolling out a more uniform way to collect member feedback on a system-wide basis. Many of our franchisees have consumer feedback systems in place but now we're implementing a standardized system to analyze this information across our state. This will give us better line of sight and enable us to be faster to respond to member feedback about their experiences in our clubs.

We're also confident that enhancing our member experience will further improve AUVs. This leads to our third strategic imperative, refining our product and optimizing our format. This is about updating our experience to meet the needs of today's consumer. We're not putting something in a club just because we've always done it that way. We're modernizing our offerings based on what consumers' value today while being mindful of our franchisees' P&Ls and capital obligations. Preserving our efficient operating model remains an important aspect of our business.

For example, we've moved from a large span of cardio equipment to a more balanced footprint of cardio and strength. Two years ago, the standard was roughly 100 pieces of cardio and today, it's about 70. We did this based on industry trends that showed consumer preference for strength as well as how we observed members using the equipment in our clubs. This saves our franchisees money on new builds and re-equiPs, while making our clubs more relevant for today's member, so they don't feel like they need to graduate to another gym.

In collaboration with our franchisees, we rolled out a program to add additional pieces of strength equipment in existing clubs before it becomes a standard for new builds and re-equiPs in 2025. More than 60% of our clubs or more than 1,700 will have the additional pieces of strength equipment in place by the end of this year through voluntary opt-in by our franchisees. The uptake greatly exceeded our expectations, which will drive equipment sales up in Q4 beyond what was included in our outlook. Tom will address how this impacts our full year guidance.

We're also working to optimize the space within existing clubs. Removing some of the less utilized cardio equipment frees up floor space, allowing franchisees to move the equipment from the 30 minute workout area to other places on the club floor. This provides additional floor space for members to grab a mat and weights and do their workout in an open area in the club, a need we observed when visiting our clubs and speaking with our club managers. This is a great example of a format optimization pivot we were able to make quickly that does not add any cost to our franchisees.

Finally, our fourth imperative is accelerating new club growth. We have a responsibility to put club economics in the sight line of everything we do. Our goal is to drive the top line, while enhancing the bottom line and reduce capital cost to enable our system to turn up the afterburners on growth.

Before I joined Planet Fitness, two critical pieces were in place to enhance what were already strong club level returns, the new growth model and the decision to increase the Classic Card Price. While we've been discussing the new growth model for several quarters now, it's important to note that clubs that were built or underwent an equipment replacement cycle in Q2 and Q3 were the first to see the cost benefits from this initiative. Clubs that opened in Q3 also had the added benefit of the price increase. While these are meaningful changes, we are continuing to look for ways to reduce the new club build cost to further enhance the economics for our franchisees.

Looking ahead, we have a tremendous opportunity to grow domestically in both new and existing markets across the country. Our long-term target of 5,000 clubs in the U.S. is based primarily on our 20,000 square foot traditional Planet Fitness. At the same time, we continue to work on smaller footprint clubs for infill locations and for less populated areas, which would further our domestic opportunity.

We also have plans to grow internationally in strategic markets where we can achieve scale, density, and market leadership. We will continue to build our presence in newer markets such as Mexico, Spain, and Australia. We're also excited about the progress we're making in our search for a Chief Development Officer and will provide updates when appropriate.

In closing, during our recent franchisee conference, there was palpable enthusiasm for continued growth with Planet Fitness. We laid out our plans to redefine our brand positioning and brand promise and showed an early peek at some of the marketing in the works to drive joins. We also shared tools and initiatives to enhance our member experience and reduce churn, including some cool tech enhancements on the horizon. And we reiterated our commitment to refining our product offering to stay relevant for today's member, while being mindful of build costs. We are invigorated by the spirit of excitement across our system and look forward to discussing updates on our progress and our 2025 outlook on our call in February.

Now I will turn it over to Tom.

Tom Fitzgerald

Thanks, Colleen. Before I get to our third quarter results, I'd like to address the power of our asset light franchise model and its ability to generate significant free cash flow.

Our model enables us to continuously assess the best use of our cash and how we can leverage our balance sheet to enhance shareholder value. Since 2017, we have returned more than \$1.3 billion to shareholders via share repurchases. Most recently, during the quarter, we completed a \$280 million accelerated share repurchase agreement that we entered into following our \$800 million securitized debt transaction in Q2. At the conclusion of the ASR agreement, a new \$500 million share repurchase authorization went into place. Today, we have five tranches of fixed rate securitized debt of \$2.2 billion at a blended rate of approximately 4.5% and our net leverage ratio of 3.7x is about where it was last year, despite the debt upside. We believe the combination of our asset light franchise model and strong club economics sets us up to take advantage of our long-term growth opportunities and continue to enhance shareholder value.

Now to our third quarter results. All of my comments regarding our quarter performance will be comparing Q3 2024 to Q3 of last year unless otherwise noted. We opened 21 new clubs compared to 26. We delivered system-wide same club sales growth of 4.3% in the third quarter. Franchisee same club sales increased 4.5% and corporate same club sales increased 3.4%. Approximately 50% of our Q3 comp increase was driven by net member growth with the balance being rate growth.

63.1% of our membership are Black Card members compared to 62.1%. As Colleen noted earlier, the results in Q3 are consistent with and slightly better than what we expected after increasing the price of our Classic Card from \$10 to \$15 in late June. Our expectations were based on our extensive testing of the price increase across several markets. Now typically there's not a lot of net member growth in the third quarter of any given year. With the Classic Card price increase in June, we expected a slight decline in membership in Q3, which was more than offset by the rate improvement on Classic Card and higher Black Card mix.

For the third quarter, total revenue was \$292.2 million compared to \$277.6 million. The increase was driven by revenue growth across the Franchise and Corporate-Owned segments. The 4.3% increase in Franchise segment revenue was primarily due to increases in royalties, new clubs, and national ad fund revenue.

For the third quarter the average royalty rate was 6.7%, up from 6.6%. The 13.1% increase in revenue in Corporate-Owned Club segment was primarily driven by same club sales growth, annual and other fees, as well as new clubs.

Equipment Segment revenue decreased 6.7%. The decrease was primarily driven by lower revenue from equipment sales to new franchisee-owned clubs, which was due to fewer new club placements as well as the shift to more strength equipment versus cardio.

As we noted last quarter, the shift in the equipment mix brings down the overall equipment sales on a per club basis. Now as a reminder, we are keeping our profit dollars neutral. We completed 15 new club placements this quarter compared to 22 last year. For the quarter, replacement equipment accounted for 85% of total equipment revenue compared to 79.

Our cost of revenue, which primarily relates to the cost of equipment sales to franchisee-owned clubs was \$45.7 million compared to \$53.8 million, a decrease of 15%. Cost of revenue decreased at a higher rate than revenue primarily due to the equipment mix shift I just described. Club operation expenses, which relate to our Corporate-Owned Club segment increased to \$71.6 million from \$63.1 million.

SG&A for the quarter was \$32.6 million compared to \$33.3 million. Adjusted SG&A was \$31.3 million, which includes a \$1.3 million adjustment for CEO transition related expenses compared to \$30.7 million, which included \$2.5 million for CEO transition related expenses.

National advertising fund expense was \$19.7 million compared to \$17.6 million. Net income was \$42.4 million. Adjusted net income was \$54.7 million and adjusted net income per diluted share was \$0.64. Adjusted EBITDA was \$123.1 million and adjusted EBITDA margin was 42.1% compared to \$111.9 million with adjusted EBITDA margin of 40.3%.

By segment, franchise adjusted EBITDA was \$72.8 million and adjusted EBITDA margin was 71.1%. Corporate club adjusted EBITDA was \$50.4 million and adjusted EBITDA margin was 39.3%. Equipment adjusted EBITDA was \$18.5 million and adjusted EBITDA margin was 30%.

Now turning to the balance sheet. As of September 30, 2024 we had total cash, cash equivalents, and marketable securities of \$530.7 million compared to \$447.9 million on December 31, 2023, which included \$67.8 million and \$46.3 million of restricted cash respectively in each period. In Q3 2024, we retired approximately 700,000 shares of the approximately 4 million retired in total year-to-date upon final settlement of the ASR.

Finally, our outlook for 2024. We're reiterating our new club growth targets and continue to expect between 140 and 150 new clubs, which includes both franchise and corporate locations as well as between 120 and 130 equipment placements in new franchise clubs.

Now I'll discuss our outlook revisions. With only two months remaining in the year, we're tightening our range for same club sales growth to 4% to 5% from 3% to 5%. Now, as Colleen noted, our franchisees purchased additional pieces of strength equipment that we are placing in clubs during Q4. We expect an additional approximately \$20 million to our Equipment segment revenue in the fourth quarter as a result.

Additionally, this drives up the percentage of Equipment segment revenue from re-equipped sales to approximately 70% for the full year. We've also made the decision to make a couple of investments in Q4 to set ourselves up for a successful 2025, which will flow through our SG&A.

Therefore, we now expect the following targets that represent growth over fiscal year 2023 results. Revenue to grow in the 8% to 9% range, up from 4% to 6%, adjusted EBITDA will grow in the 8% to 9% range, which was previously 7% to 9%, adjusted net income to increase in the 8% to 9% range, up from 4% to 6%, and adjusted earnings per diluted share to grow in the 11% to 12% range, up from 7% to 9% based on adjusted diluted weighted average shares outstanding of approximately 86.5 million inclusive of the shares repurchased as part of the ASR agreement.

We also continue to expect 2024 net interest expense of approximately \$75 million, excluding the write-off of deferred financing costs associated with our debt refinancing transaction. Lastly, we now expect CapEx to be up approximately 20% and D&A to be up approximately 10%.

Finally, I'd like to thank all of the investors and analysts whom I've interacted with over my five years here. It has been a privilege to serve as your CFO at Planet Fitness and work alongside such a dedicated and passionate team. I will miss these calls and the interactions with our analysts and shareholders, but I can't think of a better way to end my career than working for a brand that does so well, but also does so much good.

I'm proud of the work we've done here as a team to deliver value for our franchisees and our shareholders, and I'm excited to see the results from the growth initiatives that Colleen and the team are working on, which I believe will create even more value for all stakeholders for the years to come.

I'll now turn the call back to Colleen.

Colleen Keating

On behalf of the entire Planet Fitness team, I want to thank Tom for his contributions and dedication to Planet Fitness since joining the company in 2020. I'm incredibly appreciative of Tom extending his retirement date and remaining as CFO throughout the search process and for working with Jay to ensure a smooth transition. Tom has been a great partner to me since I joined the company and we wish him all the best as he joins the Everyday Is Saturday Club.

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

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from the line of Simeon Siegel with BMO Capital Markets. Your line is open.

Simeon Siegel

Thanks. Hey everyone, congrats on the ongoing momentum. Really nice to see. Welcome, Jay, Looking forward to working with you. And then Tom, thanks again for everything, just sending best wishes on your next chapter. Hope you don't miss us too much.

Great here about the returning gym members. Colleen, any color you can share on what percentage of gross ads, maybe our reactivated members? Maybe can you speak to the broader opportunity you might see there as you look at the currently lapsed members?

And then just any further color you'd be willing to share on customer and then also perhaps the franchisee response to the higher Classic Card price and then maybe the impact on potential opportunity in Black Card. Thank you.

Colleen Keating

Yes, I'll start with kind of the returning members. We typically see about a third of our joins are returning members this past quarter was a bit higher. We had about 38% of our joints this past quarter were returning members. And I think the second the build on that was, do we see more opportunity? Again, we continue to market to former members and invite them back and think that the welcoming experience that we provide at Planet and our unique and differentiated offering is, why we see such a high proportion of members rejoining.

And I touched in my remarks, we're quite focused on member experience and making sure that we're evolving our format so that we're attractive to returning gym goers and also to folks who have – who have, who've been members of our clubs or other clubs in the past. So again, not just a beginner gym.

And then I think the next part was response to the price increase from our members and our franchisees. Again, I think as I mentioned, we thought the timing was right to kind of seed the new pricing in front of a quarter that's not our highest join quarter and give our market an opportunity to kind of adjust to the new pricing before we get into Q1. Yet we see strong momentum. And as I mentioned in my remarks, the \$15 price point today represents an even greater value than \$10 was when we established that price point 25 years ago. More than 25 years ago.

And the response from our franchisees has been quite supportive and we see it accretive to AUVs, at the 12 month mark for existing clubs and quite favorable for new clubs, new club openings, as they'll have a majority of their joins at that minimum threshold.

Simeon Siegel

Great, thank you so much. Best of luck for the rest of the year and into the New Year.

Colleen Keating

Thank you.

Tom Fitzgerald

Thanks, Simeon.

Operator

And your next question comes from the line of Sharon Zackfia with William Blair. Your line is open.

Sharon Zackfia

Hi, good morning. I guess, I wanted to follow up, Tom, by the way, I can't wait to join The Never-Ending Vacation club or whatever it was referred to.

Tom Fitzgerald

Every day is a Saturday.

Sharon Zackfia

Every day is a Saturday. I can't wait to put that on LinkedIn. So on SG&A, I think you talked about some investments in the fourth quarter. Obviously to get to the new guidance on that revenue jump, there's got to be a really big increase in SG&A kind of year-over-year. Can you quantify that for the fourth quarter and what those investments are as you're looking towards feeding more growth in 2025?

Tom Fitzgerald

Yes, I'll start. And maybe Colleen will add. So, as you know, Sharon, we don't give a lot of quarterly guidance. But what I would say is, as we looked at the strategic initiatives that Colleen has had the team focused on here since she arrived and some of the marketing activity that she's discussed in evolving the brand, the brand's position coming into Q1. We wanted to make sure that we were investing behind that as well as some IT investments to really set up 2025 to be a strong year.

So I think we thought it was prudent given where we were, might be a touch conservative as well in terms of how we thought about it, but wanted to make sure we were thinking about the near term and the long term.

Sharon Zackfia

And is there anything there for incremental efforts to stimulate franchise development or is that not an element of the SG&A spend?

Tom Fitzgerald

No, other than member growth. Always helps with that aspect of it, as you know.

Sharon Zackfia

Okay, great. Thank you.

Tom Fitzgerald

Super. You bet.

Operator

And your next question comes from the line of Jonathan Komp with Baird. Your line is open.

Jonathan Komp

Yeah. Good morning. Thank you. Colleen, it's interesting to see the system move so quickly on the shift of the equipment and the strength equipment you mentioned. Just as you think about the other strategic priorities you laid out, could you maybe talk a little bit more about phasing or timeline or what we should expect, especially coming up on the all important Q1 period around marketing. Just any more context around phasing of some of the other initiatives?

Colleen Keating

Yes, I think as it relates to the brand positioning and marketing, we're coming down the home stretch on the brand work and our brand positioning and we've already started a bit of testing with some of our new marketing messaging, and we're developing the creative that will launch for Q1. We've used a lot of consumer data and a lot of customer insights to help inform that messaging.

And I think important to know that we will strike the balance of bringing through the brand positioning, which we're calling YPF and also marrying that with marketing messaging that is compelling and drives joins. So we call that YPF now. So we'll use both the brand positioning and the communication of our evolution from strength in our mix and format while also highlighting the price value that we offer and making sure that that's also well communicated in the marketing messaging.

So I'd say that's an urgency, I'd say, underpinning all of it. I touched on a couple of the new roles. Making sure that we've got the right team, and I call it the blue-ribbon team, making sure we're building our blue-ribbon team, I'm leaning in very heavily on the recruitment of the CMO and the CDO, we're making excellent progress there and have really strong slates of candidates. So that's a focus between now and year end. And you heard me talk about the execution already on the things that are affecting member experience.

So getting the format optimization, floor plan optimization, right. The support that we've received from our franchisees in that endeavor has been really quite encouraging. And I think again as I mentioned in my remarks, it's about delivering that in a way that's also, that's accretive to the member experience and also favorable from a unit economic standpoint and an operating cost standpoint for our franchisees. And as it relates to accelerating growth, driving joins, enhancing, increasing membership, enhancing the member experience and being mindful of franchisee economics, those are the things that culminate in our ability to accelerate growth.

Jonathan Komp

Yes, that's great. We'll look forward to progress on those fronts. Just one follow up then on units. Could you maybe just talk about in the short-term visibility around Q4? It looks like you need a little bit of an uptick from the Q4 opening pace last year. So just confidence and visibility there, and then, I know it's too early to understand the economics for new builds that are opening up here. But just given the initiatives, given morale in the system, given international, should we think that 2024, the floor on the pace of openings or any other directional color as we look forward. Thanks again.

Tom Fitzgerald

Hey, John, it's Tom. I'll take that. So in terms of Q4, you're right, it is more weighted than it was last year to Q4, but still well below what we've done historically. We've done more than 100. I think it was back in 2019, we were north of 100. So the implied openings that we have for this year is still below that. But to your point, it's up a little bit from last year. So we feel confident the team tracks that rigorously with our franchisees. And that's why we felt good about reaffirming where we said we would be.

And appreciate your wanting to understand where 2024 lands and what that means in terms of it being a floor. I think, Colleen, we'll get to 2025. Colleen and Jay will on our next call. But we certainly think we have all the elements in place to in terms of the strategic initiatives as well as the new growth model and the Classic Card pricing that we put in place here in the last 12 months to create the right momentum around new unit growth. Whether what that number ends up being in 2025 and beyond will come to that. But we certainly feel good about all the activity that we've put in place to accelerate the growth of new units both domestically and internationally.

Jonathan Komp

Great. Thank you. And thank you, Tom.

Tom Fitzgerald

Oh, thank you, Jon. It's been a pleasure.

Operator

And your next question comes from the line of Rahul Krotthapalli with JPMorgan. Your line is open.

Rahul Krotthapalli

Good morning, guys. Thanks for the detailed update, Colleen. And Tom, I'll definitely miss you more than you think. I have a two part question. The first one is on a lot of retail store closures were seen recently that came into the market. I think almost like more than 4,000 boxes. How are you and franchises taking advantage of this to see if any of the supply can be used for repurposing into a Planet Fitness gym? And will this supply directionally give us more confidence for the system's ability to accelerate store openings next year? And I have a follow-up.

Colleen Keating

Yes, I'll start and maybe Tom can build on that. I think you're right. We – I read a recent study that said there were about 5,300 closures last year and there will be north of 6,000 closures this year. And we do see that as an opportunity for Planet Fitness and to work in partnership with our franchisees.

Our real estate team is engaged with brokers on a very regular basis to have line of sight to where space maybe becoming available and then partnering with our franchisees on that availability where there's an opportunity to develop a new club. So I think you're spot on. And we're seeing the same trends. We know that's market specific. It's not in every market, but there's a lot of space coming online.

And I think the other thing we've talked about it a little bit but have an opportunity to talk about it more is really the resilience of our business and the durability of our cash flows. When you think about even coming through a once in a lifetime global pandemic where our clubs were closed for in some municipalities for extended periods of time. We did not have one club permanent closure during COVID for financial reasons. I think that absolutely speaks to the resilience of our business and should make us very attractive to developers and landlords when space becomes available because of their confidence in our ability to fulfill lease terms. So we see that as certainly a potential tailwind.

Rahul Krotthapalli

Perfect. Thanks for that. And the follow-up is on the FTC's the new click-to-cancel ruling update we saw recently. Can you remind us what percentage of clubs today have this feature activated across the franchisees? And how should we think about the churn trends given some of the trends we have seen in the past with Tennessee and California and some other states you guys rolled out before?

Colleen Keating

Yes, I'll start and then if Tom maybe can build on it. So today all of our corporate clubs have click-to-cancel available and have had it in place for roughly a year. And across the estate, about 35% of our membership is in clubs or geographies where they have, where click-to-cancel is available to them. What we've seen generally is that in some cases, there's a small initial spike in churn rather, however, that churn rate moderates and then particularly in our corporate clubs, we've returned to normal churn rate. And as I said, they've had click-to-cancel in place for about a year. There is one exception to that. That's the state of Tennessee where the churn rate has remained elevated. But again that's one state out of 10. And again it's really moderated back to normal and across most of the estate.

Tom, do you want to add anything?

Tom Fitzgerald

No, I think that's right.

Rahul Krotthapalli

Perfect. Thanks guys.

Tom Fitzgerald

Thanks, Rahul.

Operator

And your next question comes from the line of Megan Clapp with Morgan Stanley. Your line is open.

Megan Clapp

Hi, thanks. Good morning. Thanks for taking our questions. And Tom, thanks again, as everyone said, for everything [ph]. And maybe a question for you, Tom. I think that the change in the revenue guide does seem to be mostly driven by this extra equipment that you're seeing franchisees, maybe pull forward here. But you also did take up that comp guide. So wanted to see if you could just talk more about the drivers there and what's driving the better outlook for the comp? Is it churn? Is it better elasticity following the price increase? What you're seeing as it relates to Black Card penetration? Understand there's kind of a lot of puts and takes and there's been a lot going on this year. So was just hoping you could maybe give a finer point as to what's coming in a bit better than your expectations on the comp outlook? Thank you.

Tom Fitzgerald

Yes. Sure, thanks. So you're right and it wasn't really an equipment pull forward, Megan. It was an incremental investment that our franchisees made and will become part of the standard package going forward. So we're quite encouraged, as Colleen said, that they saw that they are aligned with the strategic move to have more strength equipment as part of our mix and to put some of these pieces in pretty quickly to signal that for the all important Q1. So we – and you're right, that is the lion's share of the revenue uptick in terms of the outlook.

In terms of our same club sales, we tighten that range to the high end for the reasons that we discussed on the call in the prepared remarks. But and I think we don't get too specific when we talk about the elements of what we saw in the testing and what we have experienced here now in Q3. But I think suffice it to say that the acquisition side was a little stronger than what we saw in our testing in that first quarter of testing, so to speak, compared to what we saw in Q3. And the Black Card mix was also favorable as we saw in the testing. So – but the lion's share was really on the acquisition side to allow us to tighten the guide. And that's a component of the revenue improvement for the full year, but the bigger piece was the equipment piece.

Megan Clapp

Okay. And maybe bigger picture, what you're seeing is obviously great that you're seeing a better uptick in Black Card penetration obviously drives better flow through for the franchisees. But I think historically you've talked about that churn on Black Card penetration or Black Card members is higher than White Card. So I guess when you think about going forward and the model and that low- to mid-single digit uptick you're talking about, like how does the higher churn on Black Card members play into that? And I guess how are you thinking about maybe initiatives to drive better Black Card retention related to that?

Tom Fitzgerald

Yes. So in our history, recent history for last few years that I've been here, the Black Card attrition rate is very in line with our Classic Card attrition rate. There's virtually no difference. So – and I think that speaks to despite the price increases that we've taken, the attrition has remained in line with Classic Card back when the Classic Card was \$10. And so it's quite a testament to the value that people get with the Black Card. And we've talked about, you've probably heard us talk about this Megan that when we advertise the lion's, I keep using lion's share, I'll use a different phrase, but the vast majority of our marketing dollars go to support the Classic Card price at \$10 and now still a heck of a value at \$15.

But when people sign up now more online, way more online than we had seen historically, six out of 10 or plus are taking the higher priced Black Card even though they probably thought they were signing up for used to be \$10 and now \$15 and they're signing up for \$24.99. So it's really encouraging to think that all the amenities and elements of the Black Card create such a value that it retains its membership very much in line with Classic Card.

Megan Clapp

Okay, great. That's helpful. Thank you so much.

Tom Fitzgerald

My pleasure.

Operator

And your next question comes from the line of John Heinbockel with Guggenheim Partners. Your line is open.

John Heinbockel

Hey Colleen, I wanted to start with sort of bridging the brand message right between new joins off the couch and experienced people maybe talk about that. Were you guys seeing churn rates increase of more serious fitness members? I don't know, maybe to go to somewhere else and then if you're going to get more engagement, right, sort of more visits per person. How do you think about capacity in the clubs, particularly in the busiest times?

Colleen Keating

Yes, so I think I'll talk to the marketing messaging first and then I'll speak to kind of capacity in the club. I think we – in our consumer testing that we've been doing over the last several months to help inform kind of the brand messaging, brand promise, we still see a tremendous opportunity to welcome a first time gym goer, a first time club goer in our environment of no gymtimidation. At the same time, some of the consumer testing told us that we had an opportunity to shift the mix. So again, it's – we're still – we're not endeavoring to be a club for lungs [ph].

We are endeavoring to meet the needs of a broad base of members wherever they're at on their fitness journey. And we think that the 80% is a bit different today. You can't look at a news feed without reading something about health and well being, the importance of strength. We know that Gen Zs and Millennials are the largest proportion of our joins and they've kind of grown up seeing their parents go to the gym and have fitness as part of their lifestyle. So the 80% is a bit more educated about fitness and wellness today and we want to make sure that the format in the club and the mix of equipment is enabling us to be attractive to that broader consumer base.

And then as it relates to capacity, I think one of the things we are looking at in our format optimization and one of the things I have experienced even in spending time in our clubs, talking with our club managers and better understanding how our members are utilizing our clubs is that we build capacity with increasing the complement of strength and with opening up floor space with the shift in, for instance, in the 30-minute circuit that I spoke to. That's enabling today's member to achieve the workout that they're looking to achieve inside our club. So we think we're building capacity with our format optimization.

Tom Fitzgerald

Yes, and I might just add to that, John. Today, we have – pre-COVID we had over 7,000 members per club. And in any given 30-day period, about 50% of the members used the club and those that did came in about 5x or so. Now we have 40% of the folks who use it in a 30-day period. They're coming in a little more often 6x, six plus times. But as you know, we have quite a few clubs across the country, including some of our corporate clubs that have well over 10,000 members in them. So there's still and once it gets to about 12,000, some franchisee or corporate club needs to build another club to alleviate the capacity issue.

So they're still on average a lot of room even during the peak periods of the early part of the week, and particularly in Q1 where there's for the most part, capacity is not a macro issue across our system.

Colleen Keating

I think there was a study done and it was really around high school summer pass, but it was peak utilization month is March. And even in the peak utilization month of March, most clubs don't approach 75% of available capacity. So generally we see we've got headroom on capacity.

Tom Fitzgerald

Perfect. Thanks, John.

John Heinbockel

Yes. And then the quick follow up was the Black Card pricing test. Right. I think it's still in test mode. Is it fair to say you want to keep it there until the Black Card, the White Card increase has kind of worked its way through the system or now?

Tom Fitzgerald

Yes. John, what we've told the franchisees in that test is we'd like to run that based on where we sit today, we'd like to run that through Q1 to see how it plays out in the important period of membership growth with the Classic Card price now at 15. So I think, as you know, with our tests, they run longer and it is important to factor in or to let it run through Q1 often. So that's what we're doing.

John Heinbockel

Thank you.

Tom Fitzgerald

Got it.

Operator

And your next question comes from the line of Joe Altobello with Raymond James. Your line is open.

Joe Altobello

Thanks. Good morning. Some of them might have been asked and answered, but I did want to ask about the economic model franchisees. Are you guys contemplating any additional changes to that? I think, Colleen, you mentioned that you're looking for other ways to reduce club build costs, and I wasn't sure how impactful those might be.

Colleen Keating

Yes, I'll touch on it. And Tom – if Tom can build on it. We've made a couple of changes. One, of course, is the Classic Card price increase. However, with the new growth model, we anticipated reducing build cost by about 10%, the shift in mix from cardio to strength, the reduction of about 30% of the cardio equipment, the longer re-equip lifecycle for both equipment, both strength and cardio equipment, and the fact that the lifecycle is longer on strength. All of those are accretive to the unit economics.

At the same time, we're continuing to look at ways we can reduce the front-end cost, the build cost of the club, without any denigration in member experience. So we're continuing to look at front desk format for example. We've got a smaller front desk format now that most of our joins are online. We don't need a big front desk to accommodate, people signing up at the front desk. More than 80% of our joins are online today. So that reduces cost, but it is no denigration to the member experience. That's but one example. So continuing to look at build out costs to find ways to enhance the economics for our franchisees.

Tom Fitzgerald

And Joe, I think the other testament to the model is, we still have transactions in our system where people are coming in from the outside to invest in franchisees because the returns are attractive. So attractive.

Joe Altobello

Absolutely. Just to follow up on that, you mentioned the October sale. Could you give us a little bit of insight into how that went versus expectations and maybe versus other sales you've done around this time of year given the higher Classic Card?

Tom Fitzgerald

Yes, I'll take that Joe. It's because it is in the quarter, we typically don't go into a lot of detail on our sales but given it's in the quarter, we're just keeping our comments confined to Q3.

Joe Altobello

Okay, understood. Thank you.

Operator

And your next question comes from the line of Max Rakhlenko with TD Cowen. Your line is open.

Max Rakhlenko

Great. Thanks a lot and congrats on the nice quarter. And Tom, you're always welcome at ICR if you want to come join us in January.

Tom Fitzgerald

All right, thank you, Max.

Max Rakhlenko

All right Tom, so can't let you go without one last modeling question. But when you talk about the low to mid-single digit lift from the Classic Card price increase, just how should we think about that mix in terms of the split between price and members? And just how conservative do you think that that outlook is for now? And then separately, can you just remind us what the new gym waterfall looks like as well?

Tom Fitzgerald

Yes. So Max, the based on the testing we ran, we called the ball low to mid-single digits and some of that does is impacted by the actual mix of the existing club in terms of Classic Card and Black Card. If you're coming from a higher place in Black Card mix, it's going to be different than if you have a relatively low mix in Black Card. So it does sort of vary there.

And I think the ramps that we see in our new clubs is, as we've said through the years of COVID it has continued to improve as COVID is further in there or the worst of COVID is in the rearview mirror. So we're sort of back in that the first year of comps it's in the, 40% plus range and then so we put it in comp, in the comp base after 12 months. Then after that it's in low to mid-teens and then it's sort of mid-single digits and then low to mid-single digits after that. So, very similar to what we had seen before. Not quite all the way back to where it was, but pretty darn close.

Max Rakhlenko

Got it. That's helpful. And then just quickly, how are you guys thinking about the mix between corporate and franchise gyms? Is 10% still the right mix that we should think about, or is there a preference to gravitate lower or potentially higher?

Tom Fitzgerald

Yes, I think our thinking on that Max hasn't changed. We like the 10% and you've probably heard us say, based on our development and franchisee development, if that one gets ahead of the other in any given year and it's 9% or 11% or we do a small tuck-in acquisition or get rid of a few clubs here or there, that may move. But 10%, plus or minus is still the sweet spot for how we see it.

Max Rakhlenko

Got it. Thanks a lot.

Tom Fitzgerald

I appreciate the invite to ICR and I would like an oz bag if I could get one.

Max Rakhlenko

We'll do our best.

Tom Fitzgerald

Okay, thanks again.

Operator

And your next question comes from the line of Randy Konik with Jefferies. Your line is open.

Randy Konik

Yes, thanks guys. I got on the call late here, so I apologize. We had a lot of earnings this morning. Have you guys contemplated or thought about any type of taking the White Card price to 15 across the board like Netflix does? Have you thought about that at all? I mean, you did have a little bit of a membership reduction, but it's not all that much. And I just want to get your thoughts on that kind of pricing policy. Have you contemplated that? Thanks.

Tom Fitzgerald

Yes. Hey, Randy, I'll start that. And we've always thought that that's an important element for us. If somebody has decided to join and we get it's different and we think that's a positive. And we think if somebody joins us and has been with us for a few years and in the case of the Classic Card is paying \$10 or we still have people with the Black Card who are paying \$19.99. We think that we want them to remain as members and therefore we don't want to take their price up. We're in the volume game, not the rate game when it comes to growth. That's how we think about same club sales and the sustainability of that over time.

So, it doesn't mean. And some of our agreements do have the flexibility more recently to take the price up on members, but we have yet to do that because we think our past practice is more important to have that lifelong. And I think that's another element where we can get more credit for the value that we provide. But it is something that we think has been an important component for our growth over the last, 20 years.

Randy Konik

Got it. And I guess just the last follow up here is just expanding again upon international kind of aspirations. I think you spoke about Mexico, Spain, Australia. Why those markets, of those markets is there one or two that would be more pressing than the others to kind of expand more quickly? Just how do we think about the global story here? Beyond what's already been built out in Canada and et cetera, what can be more? What could be like the third biggest country in your opinion? Fourth biggest country in the next few years as you look at it. Thanks.

Tom Fitzgerald

Yes, I'll start that, Randy. So I think, you've probably heard us say we feel good about how the model translates.

It's done well in Canada. The membership levels when we open a new club in Mexico are, orders of magnitude greater than they are in the U.S. so it's, we think the reason why it resonates is because it's a simple model, it's an incredible value.

And a lot of people in these countries don't have access because either the locations, there's not enough locations or more importantly the price is just too high. And so what we see and we alter the model a little bit based on the country, but very little. And it's not like a brand and been around other brands, you probably follow them where, whether it's food or apparel or something, there's a lot more to tweak to make the entry into the new country successful because tastes are different, styles are different, fits are different, palates are different.

For us, it's not you're going to run on a treadmill. That treadmill is the same no matter what time zone you're in or what continent you're on. So it's a model that translates well. And we think for, for the most part, brands in those countries serve people who are already in the market. They're not really trying to bring people into the market. And we've seen that we have the ability to do that in every country we've entered.

So that's what's exciting about it for us. I think we want to measure our pace and progress. But we think countries like Mexico and Canada and Australia and now Spain; they're big countries that can have a meaningful impact to the brand as we build out our footprint over time.

Randy Konik

Super helpful. Thanks, guys.

Tom Fitzgerald

You got it.

Operator

At this time, I would like to turn the call back over to the CEO, Colleen Keating.

Colleen Keating

Well, thank you, everyone, for your thoughtful questions and your shared enthusiasm for Planet Fitness. I'm so excited for the opportunity to lead this brand. As we enter our next chapter of growth, we're focused on boosting the economic value proposition for all our stakeholders, franchisees, members, and ultimately delivering even more value for our shareholders. Thank you for joining us today.

Operator

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

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