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Planet Fitness, Inc. (PLNT) Q3 2025 Earnings Call Transcript

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Q3: 2025-11-06 Earnings Summary

Insights



EPS of \$0.80 **beats by \$0.06** | Revenue of \$330.35M (13.04% Y/Y) **beats by \$6.92M**

Planet Fitness, Inc. ([PLNT](#)) Q3 2025 Earnings Call November 6, 2025 8:00 AM EST

Company Participants

Stacey Caravella - Vice President of Investor Relations

Colleen Keating - CEO & Director

Jay Stasz - Chief Financial Officer

Conference Call Participants

John Heinbockel - Guggenheim Securities, LLC, Research Division
Sharon Zackfia - William Blair & Company L.L.C., Research Division
Jonathan Komp - Robert W. Baird & Co. Incorporated, Research Division
Joseph Altobello - Raymond James & Associates, Inc., Research Division
Randal Konik - Jefferies LLC, Research Division
Rahul Krotthapalli - JPMorgan Chase & Co, Research Division
Christopher O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division
Maksim Rakhlenko - TD Cowen, Research Division
Logan Reich - RBC Capital Markets, Research Division
Madison Callinan
John-Paul Wollam - ROTH Capital Partners, LLC, Research Division
Arpine Kocharyan - UBS Investment Bank, Research Division
Marni Lysaght - Macquarie Research

Presentation

Operator

Thank you for standing by. My name is Van and I will be your conference operator today. At this time, I would like to welcome everyone to the Q3 Planet Fitness Earnings Call.
[Operator Instructions]

I would now like to turn the call over to Stacey Caravella, Vice President of Investor Relations. Please go ahead.

Stacey Caravella

Vice President of Investor Relations

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

Before I turn the call over to Colleen, I'd like to remind everyone that the language on forward-looking statements included in our earnings release also applies to our comments made during this 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*CEO & Director*

Thank you, Stacey and thank you, everyone, for joining us for the Planet Fitness third quarter earnings call. In the first 9 months of the year, we made considerable progress in executing our strategic imperatives and are feeling energized to capture even greater opportunities in the evolving fitness landscape. Our strong financial performance in the third quarter is indicative of that progress and allows us to raise elements of our 2025 outlook, which Jay will touch on in greater detail.

As consumers increasingly prioritize their health and well-being, we are pleased to have ended the quarter with approximately 20.7 million members and 6.9% system-wide same club sales growth. We added 35 new clubs and ended the quarter with a global club count of 2,795. Our reach is unparalleled. At the same time, with population growth and deurbanization over the past several years, we see increased opportunities to bring our high-value offering to an ever-growing community of fitness-minded consumers in more geographies than ever before. In September, we announced record-breaking participation in our 2025 High School Summer Pass program with more than 3.7 million teens completing over 19 million free workouts in our clubs. Participation was up roughly 30% from last year, reflecting teens' desire to stay active and prioritize their well-being during a critical time when school is out. We believe that the marketing emphasis on our expanded product offering, including more strength equipment, is resonating with younger consumers.

We also shifted our marketing approach this year by increasing the number of influencers we use to promote the Summer Pass and we prioritized platforms that drive participation such as TikTok. This year alone, we've invested nearly \$170 million in waived membership dues. Historically, we've converted mid-single-digit percentages of the participants to paying members over time. To reach these highs in the fifth year of the program speaks volumes about Gen Z's commitment to their health and wellness. Key findings from this year's participants are particularly affirming with 93% of surveyed participants reporting that the program helped them create sustainable fitness routines and 78% feeling more confident.

Let's now turn to the progress we've made on our 4 strategic imperatives during the third quarter. As a reminder, the 4 strategic imperatives are redefining our brand promise and communicating it through our marketing, enhancing our member experience, refining our product and optimizing our format and accelerating new club growth. I'll start with redefining our brand promise. In the third quarter, we continued with our "we are all strong on this planet" marketing campaign that highlights our best-in-class equipment, our welcoming atmosphere and the supportive community we offer. Our strong join trend has continued, and our member count at the end of Q3 was in line with our expectations. We also saw increased Black Card penetration in the quarter with 66.1% of our total membership now at the higher tier, a 300 basis point increase from the same quarter last year. Consumers continue to recognize the value of the Black Card with the smallest price gap between our 2 membership tiers since we launched the Black Card.

As many of you know, we held off on increasing the price of our Black Card membership until we got on the other side of the Classic Card price increase anniversary. After thoughtful consideration, significant testing and data analysis, we've made the decision to raise the Black Card price to \$29.99 after our peak join season in 2026. We're also continuing to test new Black Card amenities such as dry cold plunge and red light technology that would add even more value to our Black Card offering. We unveiled several of these potential new offerings to our franchisees last week at our annual franchisee meeting and they were met with great enthusiasm. We look forward to sharing our plans to modernize the Black Card Spa at our Investor Day next week.

Finally, we're excited to announce that we'll be sponsoring New Year's Rockin' Eve next month in Times Square for our 11th consecutive year. This is a high visibility event that continues to put Planet Fitness on a global stage and keeps our brand top of mind for consumers as they think about prioritizing their health and fitness goals in the New Year. Now to member experience and format optimization. We know that establishing a relationship with our members is important to their engagement and retention. And utilization matters as people tend to be more loyal to brands that they use regularly. It's an indication of the value they find in their Planet Fitness membership, which is why we're pleased to see utilization rates continue to increase, a leading indicator of member stickiness.

We're partnering with our franchisees to put the member at the core of everything we do, along with the team members in our clubs who play a critical role in personally welcoming every member. We see time and time again when club team members greet our members by name and provide personal recognition, it enhances the experience for both the member and the team member. Our goal is to create a deeper sense of loyalty and emotional connection to drive retention and ultimately, revenue. A recent consumer insights study showed that Planet Fitness outperformed several other fitness brands on feel welcomed. This is an important emotional equity when we consider that gymtimidation can be a barrier to gym membership and usage.

We also saw strong positive associations for Planet Fitness with convenient location, value for money, price, easy access and machine variety and availability. These are strong associations for our brand. Member experience goes beyond a welcoming atmosphere. It includes providing members with the ideal equipment mix in a club with a format optimized layout so they can achieve their workouts their way. To this end, we gave franchisees who are developing or renovating clubs this year the opportunity to build a traditional layout or one of the new format optimized clubs and 95% elected to build one of the newer club formats. By the end of 2025, close to 80% of clubs system-wide will have some version of an optimized format. That's nearly 4 out of 5 clubs. We will share more about this next week at our Investor Day.

And finally, our efforts to accelerate new club growth. We continue to refine our product offering and enhance operational efficiencies to maximize the economic value proposition for our franchisees while delivering the most relevant on-brand experience for today's members. That said, we're a top line-driven business and we are keenly focused on driving unit economics through top line growth. In August, our franchisees voted to shift 1 percentage point of the marketing funding from the local advertising fund to the national ad fund. This change will enable us to unlock new marketing opportunities to drive consideration and conversion, spend our dollars more efficiently and ultimately, fuel member growth.

Our goal is to drive top line revenue as it is the key driver of unit economics. We do this through more effective marketing while enhancing the bottom line through greater marketing efficiency and the flow-through on incremental revenue in this high-margin business. We're grateful to our franchisees for this vote of confidence in our marketing leadership and strategy. Finally, we proudly received 2 notable honors recently. First, we were named to Fortune's 2025 100 Fastest-Growing Companies list. And second, we were recognized as #22 in this year's Franchise Times Top 400 as the top-rated fitness concept. These honors illustrate the strength of our brand and are a testimonial to the dedication of our esteemed team members and franchisees.

Now I'll turn it over to Jay.

Jay Stasz

Chief Financial Officer

Thanks, Colleen. We're very pleased to deliver another quarter of strong results. And as Colleen mentioned, we're raising our full year '25 outlook. Now to our third quarter results. All of my comments regarding our third quarter performance will be comparing Q3 of '25 to Q3 of last year, unless otherwise noted. We opened 35 new clubs compared to 21. Included in our openings are 5 locations where a franchisee acquired and converted regional gyms to Planet Fitness clubs. This is a strategy that we will use as another option to accelerate new club growth. These clubs, in many cases, open with a built-in membership base, giving franchisees a jump on top line ramp. We delivered system-wide same club sales growth of 6.9% in the third quarter. Franchisee same club sales increased 7.1% and corporate same club sales increased 6.0%.

Approximately 80% of our Q3 comp increase was driven by rate growth, in line with our expectations with the balance driven by net membership growth. Black Card penetration was 66.1% at the end of the quarter, an increase of 300 basis points from the prior year and a sequential increase of approximately 30 basis points from Q2. Our Q3 ending member count of approximately 20.7 million members was in line with our expectations as the third quarter is typically not a quarter with significant membership change. Our join trends during the quarter were strong, including conversions to paying members from our High School Summer Pass program. Attrition rates, while elevated on a year-over-year basis, were not out of line with historical levels and we started to see moderation late in the quarter. For the third quarter, total revenue was \$330.3 million compared to \$292.2 million, an increase of 13%. The increase was driven by revenue growth across all 3 segments, including an 11% increase in franchise segment revenue and a 7.6% increase in our corporate-owned club segment.

For the third quarter, the average royalty rate was 6.7%, flat to the prior year. Equipment segment revenue increased 27.8%. The increase was driven by higher revenue from equipment sales, including both new equipment and reequips. We completed 27 new club placements this quarter compared to 15 last year. For the quarter, replacement equipment accounted for 82% of total equipment revenue compared to 85% last year. Our cost of revenue, which primarily relates to the cost of equipment sales to franchisee-owned clubs was \$58.2 million, an increase of 27.3% compared to \$45.7 million last year. Corporate club operation expense increased 11.4% to \$79.8 million. The increase was driven by operating expenses from 30 new clubs opened since July 1 of '24, including 10 in Spain. SG&A for the quarter was \$30.5 million compared to \$32.6 million, while adjusted SG&A was \$30 million or 9.1% of total revenue compared to \$31.3 million or 10.7% of total revenue, a decrease of 4.2%.

National advertising fund expense was \$21.4 million compared to \$19.7 million, an increase of 8.7%. Net income was \$59.2 million, adjusted net income was \$67 million and adjusted net income per diluted share was \$0.80. Adjusted EBITDA was \$140.8 million, an increase of 14.4% and adjusted EBITDA margin was 42.6% compared to \$123.1 million with adjusted EBITDA margin of 42.1%. Now turning to the balance sheet. As of September 30 of '25, we had total cash, cash equivalents and marketable securities of \$577.9 million compared to \$529.5 million on December 31, '24, which included \$56.4 million of restricted cash in each period. During the quarter, we used approximately \$100 million of cash on hand to repurchase and retire approximately 950,000 shares of our stock. Moving on to our revised '25 outlook, which we provided in our press release this morning. With 2 months remaining in the calendar year, we are confident in our ability to open between 160 and 170 new clubs, which includes both franchise and corporate locations.

We recognize that we have a lot of clubs to open during the fourth quarter but this is standard business practice and we've completed this number of openings in prior fourth quarters. We are also confident that we can complete the 130 to 140 equipment placements in new franchise clubs. Given our strong results in Q3 and the overall strength in the business, we are increasing our outlook for '25. We now expect the following: same club sales growth of approximately 6.5%, up from 6%; revenue to grow approximately 11%, up from 10%; adjusted EBITDA to grow approximately 12%, up from 10%; adjusted net income to increase in the 13% to 14% range, up from 8% to 9%; adjusted net income per diluted share to grow in the 16% to 17% range, up from 11% to 12% based on adjusted diluted weighted average shares outstanding of approximately 84.2 million shares, inclusive of the impact of the shares we have repurchased throughout the third quarter. We expect net interest expense of approximately \$86 million and D&A to be approximately \$155 million with CapEx to be up approximately 20%.

In closing, we are excited by the momentum in the business and evidence that our strategic imperatives are producing results. We had a highly successful High School Summer Pass program as we continue to build loyalty with Gen Zs. And our franchisees are investing in opening, remodeling and adding strength equipment as they see the benefits of our work to reposition our brand and optimize our layouts, putting the member at the core of what we do.

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

Question-and-Answer Session

Operator

[Operator Instructions] And your next question -- or your first question comes from the line of John Heinbockel with Guggenheim Securities.

John Heinbockel

Guggenheim Securities, LLC, Research Division

Colleen, your thought on holistically this marketing split, right, between local and national. I know the 1% shift that adds maybe, I guess, \$50 million to the national piece. How do you want to spend that? Where do you think that goes over time, right? And what's sort of the right level? I guess you would think as you get larger, right, maybe you end up spending closer to in total, 7% of sales as opposed to something higher. What's the thought on that?

Colleen Keating*CEO & Director*

So I'll speak to the shift of the 1 percentage point from the local ad fund to the national ad fund. I won't get super granular for competitive reasons, of course, but this will enable us to augment some of the marketing that we're doing digitally, use AI and augment our CRM, digital content optimization and a number of other things that, again, will give us the opportunity to have greater reach with each of those marketing dollars. It will also enable us to buy media more efficiently on a national basis. So again, really get more mileage out of every dollar that we're spending.

John Heinbockel*Guggenheim Securities, LLC, Research Division*

Okay. And maybe a follow-up. I know, right, you've got this 5,000 store or club target in the U.S. Just remind us how you thought about that in terms of density. And then when you think about -- as you referenced geographies, is there a bigger opportunity than you thought for smaller markets, less dense? And does that require to make the economics work or how much smaller of a club do you need to make that work?

Colleen Keating*CEO & Director*

So there's a couple of questions in there and I'll start maybe with the first one on the opportunity and density. As you know, we are more dense on the East Coast, so Northeast, East Coast, Southeast, less dense Midwest, West. And at the same time, where there has been population growth, job growth, deurbanization, new home construction, which, again, demographically meets the demand coming from millennials as forming households. We think there's opportunity where we're less dense to increase our penetration. And we think that some of the demographic shifts that have occurred with that deurbanization and population growth over the last several years complement that very well.

And we've had several studies done to opportunity size the domestic landscape that supports that growth. Generally speaking, those growth numbers are supported with 20,000 or traditional 20,000 square foot club. At the same time, I think we've talked before, we're developing prototypes that are a bit smaller than the 20,000 square foot club that will enable us to go into markets that maybe don't have quite the population density but might be underserved from a fitness standpoint today.

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

Sharon Zackfia

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

I wanted to actually double-click maybe on the churn. There was a lot of chatter kind of within the quarter amongst investors that maybe the click-to-cancel churn was much more elevated than what you expected but it doesn't seem like that was the case. So I wanted to check on that. And you mentioned moderation. Are you kind of back to normal levels of churn? And should we expect member growth to sequentially resume again in the fourth quarter?

Jay Stasz

Chief Financial Officer

Sharon, this is Jay and I'll respond to that to start. And we don't guide to the membership growth, so I'm not going to comment on that. But we're pleased, right, as we said, the 20.7 million members was right in line with our expectations. And in regards to attrition, the rates were elevated on a year-over-year basis. But when we take a multiyear view, they were not out of line with what we've seen historically. And to your point, we did see some moderation late in the quarter. So what we have in our outlook and what we've modeled is continued elevation on a year-over-year basis. And that's very consistent with the way we thought about it in -- on the last call for Q2 and now this call and that's what we've modeled. It's included in our outlook that we've guided. So we're pleased with what we're seeing in the underlying trends in the business.

Sharon Zackfia

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

And Jay, can I just follow up? Is that continued elevation just the tail from click-to-cancel? Or is it something you're seeing that's more macro?

Jay Stasz

Chief Financial Officer

No, we think it's driven by the click-to-cancel tail.

Operator

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

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

I want to just follow up. Could you maybe talk a little more directly when you look at the guidance raise for the year, combined with the confidence to commit to the Black Card pricing after your peak period coming up? Could you maybe just talk about more directly what's driving your increasing confidence to announce both of those today?

Jay Stasz*Chief Financial Officer*

So I can start with those items. I think, look, from a guidance standpoint, we had good results in our third quarter. So obviously, that is nice to see and gives us confidence. When we think about some of the drivers in the increase for the year, we have obviously some nice momentum in our equipment business, right? The franchisees, they are leaning in on these new formats, not only with the new clubs but certainly reequips and adders as we call them. So we've got some nice trends there. From an SG&A standpoint, we called out on the call, obviously, we had a decrease in the quarter. And some of that was driven by a annual franchisee conference that we're -- we were lapping last year that was pushed into the fourth quarter this year. But taking that out, we are seeing nice trends on SG&A. And we're also carrying forward, obviously, the upside that we had on the sales in the third quarter, pushing that into the full year guide.

So all of those components are resulting in the guidance that we gave. We think that's a nice trend, seeing some separation between revenue, getting some leverage and driving EBITDA growth. In terms of the Black Card price increase, so as we said, we've tested this, we've analyzed it and made the decision to go to \$29.99. When we've tested that, obviously, we've had -- it's been accretive to the AUV. So we're not going to really comment on the impacts for next year. We'll get to that when we actually do the price increase. But historically, what we have seen when we've made a change on the Black Card price is that the acquisition rate on Black Card does decrease for a period of time but usually rebounds within the year so that the penetration of Black Card gets back to where it was. The wrinkle and the difference now is that we've had the Classic Card price increase. So that increase is an element that we haven't had historically. So we'll have to wait and see on that. But again, we would expect for that Black Card price increase to be accretive to AUV.

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

Okay. That's great. And then maybe just a follow-up, Colleen. I know there's quite a bit of -- quite a few positives in today's announcements but it's unique that you have an Investor Day coming up next week. So could you maybe just share at a high level, maybe what we should expect to hear or the plans that you hope to share going into next week directionally just to set the stage.

Colleen Keating

CEO & Director

Yes, sure. Happy to. We'll give you a bit more granular detail on the progress that we're making on our strategic imperatives. And we'll also give you a multiyear view of what you can expect from a growth trend standpoint. So you'll get some numbers beyond, obviously, just a single year. So some multiyear projections from us.

Operator

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

Joseph Altobello

Raymond James & Associates, Inc., Research Division

I guess first question on the competitive landscape. Curious if you're seeing any shifts at all, whether it be from low-priced, high-value competitors or even some of the more higher-priced competitors in the space.

Colleen Keating

CEO & Director

I'll start and just say for the quarter and year-to-date, we've been quite pleased with the join trends and the join volume. So again, as I've said before, I think our biggest competition is fear of walking in the front door. And our marketing is really resonating with consumers today, both the strength equipment and the ability to get strong at Planet Fitness but also conveying the sense of community at Planet Fitness. So again, feeling very good about the join trends.

Joseph Altobello

Raymond James & Associates, Inc., Research Division

Helpful. And maybe just to follow up on that, in terms of new store openings for next year, I know, obviously, there's not a ton of visibility at this point. But what does the availability of real estate look like? And could we see more acquisitions and conversions like you did this past quarter?

Colleen Keating
CEO & Director

So we're not obviously guiding next year yet. But what I will talk about a little bit is -- and I have before, the real estate landscape and the fact that this year, for the first time in several years, we're seeing negative absorption specifically of shopping center retail space. So enclosed malls have had negative absorption but shopping center retail space, the type of space that we're looking for, for a Planet Fitness, negative absorption for the first time in several years year-to-date this year. And also a moderation in rent escalation where rents were going up quite dramatically in this year, the first half of this year, both quarters, they were below the rate of inflation. So we think those are positive indicators. And of course, the retail bankruptcies that have been occurring, store closures and even seeing grocery stores demising space and going to a smaller footprint, all of that is -- those are positive indicators for increased availability of retail space for clubs.

Operator

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

Randal Konik
Jefferies LLC, Research Division

Colleen, back to you. I think the question was asked what you're going to share at the Analyst Day next week. You gave a brief answer. Maybe give us some perspective on -- based on the content you plan to share next week, some of the kind of key themes or takeaways you want us on the buy and sell side to kind of take away about the Planet story, Planet business model as we go to the -- ahead of the meeting next week.

Colleen Keating
CEO & Director

Absolutely. Happy to do that and thanks for the question. So I know that many are looking for kind of the puts and takes to an algorithm to help project our business. But I think, most importantly, we want to really convey the kind of the macro tailwinds for this industry. The -- I've said we're in the golden age of fitness and I believe that's very much true. The demand for the offering that we provide, people are more fitness-minded than ever before. There's an incredible addressable landscape for fitness-minded consumers and our ability to answer that call. So we'll get into some specifics on that next week. So really kind of secular tailwinds, macro. And then the other thing is we've been talking about building our Blue Ribbon team. And we've had a couple of great new leader additions and then had some of our seasoned team members take on expanded roles and want to give everyone an opportunity to meet and hear from them. So marketing, development, operations, including the international opportunity. And you'll hear from a number of our new team members, our team members with expanded roles next week as well.

Randal Konik

Jefferies LLC, Research Division

And then finally, just on how you're thinking about the globalization of the brand. Give us some perspective on how you're thinking about kind of telling that story for us next week. Do you think about taking Spain and kind of pushing that each year into a new country or another couple of countries each year beyond that? Or do you think about potential acquisitions ever? Just how do you think about the globalization of the brand, i.e., Planet taking over the planet?

Colleen Keating

CEO & Director

Absolutely. So I'm going to save a couple of things for next week but we absolutely will talk about the global expansion opportunity and the success that we have -- the success that we've enjoyed in Spain, the strong performance of our brand there. It was -- we launched Spain really as a kind of proof of concept and it's been wildly successful. So we'll give you some very specific data on Spain on how we define that wildly successful. And then also talk about where we see additional opportunities for growth and what the cadence of global growth could look like as a component or as one of the building blocks to the kind of the multiyear outlook for unit growth.

Operator

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

Rahul Krotthapalli*JPMorgan Chase & Co, Research Division*

Colleen, can you discuss your thoughts on the strategic brand partnerships with like either large retail or consumer brands, hotels, airlines, whatever you're free to talk about and given the efforts around ramping the marketing strategy and the strong membership base you have? And I have a follow-up.

Colleen Keating*CEO & Director*

So we've launched a number of partnerships and brand partnerships already that have inured to the benefit of our members. And we've had year-to-date well over \$7 million of perks redemptions for our consumers. And that -- those redemption rates have been on a growth curve over the last 5 years because we're focusing on expanding that offering for our members. We do see additional opportunities for brand partnerships and we have some that we're cultivating today. Again, for competitive reasons, I won't speak to specific brands until we're ready to go to market with the partnership.

But you're right that, that's something that we've been focused on. We've seen good utilization from our members where we've had partnerships in the past, again, with a new high watermark this year in redemption. And more opportunity. One of the things that Brian Povinelli brings from his prior experience is one of the absolute leading membership and loyalty programs in the hospitality space, rebranding that and relaunching that after a merger. So he's got a lot of experience with that and has brought perspective. So you'll see more of that to come.

Rahul Krotthapalli*JPMorgan Chase & Co, Research Division*

Perfect. And just on -- tacking on to the membership retention. You guys have lot of data, 20.7 million members. Can you give a preview under the hood on how you plan on utilizing AI and other technology tools you would like to invest in to improve membership retention and utilization?

Colleen Keating*CEO & Director*

Yes. So from an AI perspective, I touched on it a little bit in marketing at a pretty high level. So think about AI-enabled CRM, think about AI-enabled marketing with digital content. So serving up content that is more targeted to a consumer. But again, I won't get into a ton of granular detail just for competitive reasons. And then I think you'll see it embedded in our app. We've talked about kind of the revitalization of our app, our app being one of the most downloaded, if not the most downloaded fitness app on the App Store and the opportunity to leverage AI to more personalize the experience for our members when they're utilizing the app and can enhance the in-club experience and out-of-club experience.

Operator

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

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

Colleen, I know the company has been testing additional services in the Black spa -- Black Card Spa area like red light therapy and spray tanning, among others. But what are you learning about the value of those services to members?

Colleen Keating

CEO & Director

We're measuring utilization and also surveying our members for feedback. And as you know, we rolled out NPS earlier this year across the company, which is giving us immediate real-time feedback and the ability to capture more consumer data. So we also shared the potential Black Card amenities with our franchisees last week at our franchisee huddle and the franchisees were quite enthusiastic. We had a number of the vendors that were there and they were saying -- our franchisees were asking when can I get this? So we want to do the right amount of testing to make sure that we're really optimizing the Black Card Spa offering. At the same time, that data will help inform where we go to market with some new offerings to continue to invigorate the Black Card Spa.

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

Great. And then I believe last year, you had some incremental marketing investment in the fourth quarter. So I was just hoping, could you maybe share or elaborate on how you plan to lap that this year? I'm assuming it may be safe to assume that year-over-year spend will at least be in line with the total spend last year.

Colleen Keating

CEO & Director

So keep in mind that as our revenue grows, so too does the marketing fund. So a big part of the marketing fund is influenced by the capture or the percentage capture on the growing revenue. At the same time, without being specific about Q4 kind of promo intentions, what I will say is we've -- we used to think about Q1 as the join quarter and what we've come to realize is that they're all join quarters and we know that we can put marketing to work in all quarters of the year and have favorable benefits.

Operator

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

Maksim Rakhlenko

TD Cowen, Research Division

Great job, everyone. Very nice quarter. So first, you recently ran a perk, which was a discount on a workout planning app. I'm not sure if that was new or not. But with an increase in popularity in many of these digital personal training or workout planning apps, are there bigger opportunities to embed this sort of technology into the Black Card membership? There was previously a push in the personal training and something that some of your HVLP peers are doing. So just curious, is leveraging technology an opportunity to both unlock revenues as well as provide a better member experience?

Colleen Keating

CEO & Director

So certainly and I touched on this a little bit when Rahul asked about AI, use of AI and we do see an opportunity to use AI or leverage AI to more personalize the experience for our members. And one of the ways we could use it is in personalizing workout plans for our members as well. So all of that is on the AI road map as well as the app revitalization road map.

Maksim Rakhlenko

TD Cowen, Research Division

Got it. That's helpful. And then can you just unpack the implied 4Q comps guide for us as there are some puts and takes and how we should think about that versus 3Q's 6.9% and just comments around sort of better churn, especially exiting the quarter, just how we should think about mix and member rate as well.

Jay Stasz

Chief Financial Officer

Yes, Max, this is Jay. And the way we're thinking about it and we don't want to get too granular but it should be relatively consistent quarter-over-quarter. Obviously, the big driver there is as we anniversary the Classic Card price increase that we did last -- at the end of June last year, right? As we've said, we do get a rate benefit from that but it diminishes over the tenure of our membership. So that rate benefit is decreasing, which is driving the decrease in the comp comparing Q3 to Q4.

Operator

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

Logan Reich

RBC Capital Markets, Research Division

Congrats on a strong quarter. My question was on the High School Summer Pass. I mean, up 30% is a really impressive number and you guys talked about the strength of equipment and the marketing. I guess my question was more on the conversion rate to paying members that's in the mid-single digits. Just any more color you guys can give on that just on the timing of when those high school pass users convert, kind of the shape of that? And any sense on if that number could potentially be higher than historical levels, just given participation is up a lot. Just curious if that translates to upside to your conversion rate as well?

Colleen Keating

CEO & Director

Sure. I'll start. So we'll report on conversion at the end of the fourth quarter because we continue to convert through September, October, even a little bit in November because they are able to utilize the pass through the end of August and then we see this kind of surge in conversion in September, October, a bit into the fourth quarter as well. So we'll give you more data on that at the end of Q4. And when I think about the number of paid members converted out of summer pass, obviously, it's a bigger denominator. So even at a similar conversion rate, the numerator is going to be larger. But what we're seeing so far is fairly similar conversion percentage and really encouraged by the overall strength of the program.

Operator

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

Madison Callinan

This is Madison Callinan. I'm on for Brian. First, are we now behind the lion's share of expected click-to-cancel impact? And do you expect any positive impact on rejoins next year as a result?

Jay Stasz

Chief Financial Officer

Yes. So we're not giving guidance outside of this quarter right now. Of course, we'll be meeting next week and giving long-term targets and more color there. And from an attrition standpoint, as we said, right, consistent is that we have seen elevation in the attrition rate year-over-year. When we look at it at a multiyear lens, it is more consistent with what we've seen historically. We have modeled the elevated attrition rate into Q4 and that is included in our outlook.

Colleen Keating

CEO & Director

Yes. Can I also just add, one of the things that we have seen and we saw it in the test environment, a couple of test environments previously. One thing that has proven true is that where we are now able to say one click to cancel or cancel any time in the join flow, we are seeing it give us a lift in the join conversion.

Madison Callinan

And then I know that you touched earlier on rate. But with 80% Q2 comp driven by rate and a Black Card increase coming next year, when should we expect volume to return to be the primary driver of comp growth again as it has been historically? And would you expect Black Card penetration to return to its historical 60% penetration levels after that price increase goes into effect?

Jay Stasz

Chief Financial Officer

We'll talk more about that next week. And certainly, from a Black Card standpoint, we'll get into specifics on that more when we do the price increase.

Operator

Your next question comes from the line of JP Wollam with ROTH Capital Partners.

John-Paul Wollam

ROTH Capital Partners, LLC, Research Division

If we could just start first on kind of franchisee returns. A lot has been done in the last few years with the new growth model to really improve those franchisee IRRs. So I'm just wondering, are there maybe 1 or 2 data points you can share about kind of just some accelerating license sales or maybe interest in new licenses that you can share?

Jay Stasz

Chief Financial Officer

I'll start. Yes. I mean we're not probably going to talk about ADA or license sales or franchise agreement sales. But what I can speak to the IRRs and how we think about it. We track, certainly our more recent club openings post the new growth model post the Classic Card price increase and we're tracking those from a top line basis to see if we're hitting kind of our internal hurdle rate for the IRRs, which obviously are shared with ourselves and the franchisees' lens. So we're pleased to report that those are tracking right in line. So we're seeing the lift as we would expect from those initiatives. And that's a top line lens.

Obviously, part of the new growth model was giving some more flexibility on the CapEx reequipped timing schedules. So that's positive as well. And I think to your point, with Chip now here as the CDO, he continues the effort to value engineer the club build-out costs and we spoke about that to the franchisee group last week at our huddle. We've also, as part of our fit for strategy structure, established a formal procurement team under the finance org, under my org. And we've started some initiatives there where we think we can save the franchisees' money.

Colleen Keating*CEO & Director*

Yes, I'll chime in on that, too. I think a couple of things. One data point I'd point to is franchisee same club sales growth coming out of the quarter at 7.1%. The franchisees are definitely feeling the strength of the join volume, the marketing landing. And then I think a couple of other proof points that we have talked about, real estate availability having been a bit of a headwind on development and I talked a little bit about earlier about that easing. I think another proof point is, we've had a franchisee last year and this year buy a couple of few conversion clubs and several conversion clubs. And those were conversions that enabled them to bring additional clubs into the system quickly. And that's a strong signal that franchisees are excited to continue to grow with us.

I think the third is that in every case where we've had portfolios transact, certainly, in my tenure here, in every case, we've had incumbent franchisees at the table wanting to buy additional territory or additional clubs when they become available. So that -- I think that's another proof point of franchisee confidence in the system. At the same time, we're not letting up on enhancing franchisee economics, all of the things that Jay talked about and the things we're doing in build cost and trying to bring build costs down for our franchisees while also protecting the member experience.

John-Paul Wollam*ROTH Capital Partners, LLC, Research Division*

Perfect. And then just one quick follow-up and I think fairly straightforward. But I assume most of the unit openings coming in the fourth quarter are largely through a lot of maybe permitting and municipal processes. And I would assume it's largely all on a local basis. But anything in terms of the government shutdown that would be a potential risk to unit openings in the fourth quarter?

Colleen Keating*CEO & Director*

We've not heard about government -- the government -- the federal government shutdown having any impact on openings. And you're right, a lot of permitting is done early in the build cycle. And then, of course, there's -- there are municipal inspections late in the build cycle like final COs and sign-offs. And those are done at the local municipal level, not at a federal level.

Operator

Your next question comes from the line of Arpine Kocharyan with UBS.

Arpine Kocharyan

UBS Investment Bank, Research Division

Could you talk to the general trends you saw in terms of gross adds for the quarter? What you saw in Q3 and what you're seeing into Q4 as we see churn kind of normalize a bit here? And you saw slightly lower membership in Q3 versus Q2, which is, I think, in line with what you saw last year quarter-to-quarter. But last year, you were going through the price increase on Classic Cards. So maybe if you could talk to the gross adds versus underlying attrition trends in the quarter? And then I have a quick follow-up.

Jay Stasz

Chief Financial Officer

Yes. And I -- you broke up for the back part of that question. So I heard the part about the gross joins. Could you repeat the back half of your question, please?

Arpine Kocharyan

UBS Investment Bank, Research Division

Yes. Just your membership is slightly lower in Q3 versus Q2, which is, I think, in line with what you saw last year quarter-over-quarter. But last year, you were going through the price increase on Classic Cards. So maybe if you could talk to the sort of gross adds versus underlying attrition trends in the quarter that you saw would be helpful.

Jay Stasz

Chief Financial Officer

Yes. Well, I can start. And right, we don't speak to the gross joins or cancels. But I mean, we did see strong join trends and we commented that on the prepared remarks. Those join trends were offset by the elevated attrition rate that we talked about. And the attrition rate was elevated year-over-year. Again, when we look on a multiyear basis, it is more consistent with what we've seen historically. And the third quarter, generally speaking, is not a high net add quarter, right? It could be flat or slightly down. We've seen that before. That's what we experienced this quarter and it was in line with our expectations. And again, we think those trends will continue going forward on both fronts, right? We have nice trends in the strong join side and we do -- and we've modeled continued elevated attrition on a year-over-year basis. And both of those are included in our outlook for the year.

Colleen Keating*CEO & Director*

And I think also important to note that as we've said in the past, where we rolled out click-to-cancel previously, after about-ish about 12 weeks, we started to see it moderate. Given when we rolled out click-to-cancel in Q2, we were within that expected elevated attrition window in the beginning of Q3. And as Jay indicated, we started to see that -- we start to see that moderate. And then we've also continued to have very strong rejoin rates. So in the mid-30s again from a rejoin rate standpoint throughout the quarter. And our marketing is very effectively driving join volume and we're also retargeting lapsed members and that's helping to drive the strong rejoin rate.

Arpine Kocharyan*UBS Investment Bank, Research Division*

That's super helpful. And then just a really quick follow-up. Maybe just a bit of a bigger picture question. It seems like some of the demographic shifts you're seeing is younger customer that is maybe using the clubs more at a higher frequency, which should be good for structural retention, I would say, in longer term but maybe more wear and tear for the equipment. Does that mean more frequent replacement of that equipment longer term? And what implications that has for franchisee returns?

Colleen Keating*CEO & Director*

Do you want to start?

Jay Stasz*Chief Financial Officer*

Well, yes, I'll start. I mean part of the strength of this brand is the quality of our equipment and the way we maintain it. So it is high-grade durable equipment and we would not expect any changes to the replacement timing because of wear and tear.

Colleen Keating*CEO & Director*

I think the fact that we pushed out the reequip schedules by a year with the new growth model last year and the fact that also strength equipment does have a longer life than cardio, the utilization of strength actually is a piece of equipment that has a longer life. So there's no expectation that we're going to pull forward reequip schedules for our franchisees. And yet at the same time, we know that the consistency of our replacement cycles and the quality of our equipment is something that our members appreciate at Planet Fitness.

Operator

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

Marni Lysaght*Macquarie Research*

I think recent more topical matters such as churn, et cetera, have been well covered in prior questions. But my question is mainly concern -- or just in terms of like your outlook for rollout, can you kind of give us a bit of color or maybe it's more of an appropriate topic to discuss next week at the Analyst Day. But just about when you're competing for space and you talked earlier about prototypes for smaller formats, how do we think about franchise groups and yourself looking at those sites and who you may be competing with for that space?

Colleen Keating*CEO & Director*

Yes. I think one of the things that our real estate team is doing in partnership with our franchisees is getting ahead of space availability and talking with the large landlords and brokers to make sure that we articulate the value proposition of putting Planet Fitness in a center, particularly we skew heavy female. We contribute to traffic to the center because we don't have classes, we're not taking up significant amounts of parking at a given time and we also contribute traffic to a center during off-peak times because most retail centers are getting heavy traffic on the weekend and our heaviest traffic is weekday, in the early part of the week.

So it's really about making sure that we highlight why Planet Fitness is a prospective great tenant and also the resiliency of our business, the durability of our cash flows, the fact that we came through COVID with a number of temporary club closures for municipal reasons but not one club permanently closing for financial reasons. And compare that to the retail closures and retail bankruptcies, we should be a very attractive tenant. So it's really about promoting the value of having Planet Fitness in the center.

Marni Lysaght

Macquarie Research

Understood. Another question I have is just more about like the split of how you think about rate growth. So I think you said back at the prior results, 70-30 for the back half of this year to be driven by rates and volume. And you previously alluded to like a 50-50 split, just given the nuances here about your members coming in line with your internal expectations and some of the other dynamics at the moment, what's the correct way to be thinking about that?

Jay Stasz

Chief Financial Officer

Yes. So we'll guide into that for future periods, we'll talk -- we won't guide into it but we'll talk about it next week from -- as we kind of lay out the growth algorithm. And really, what we talked about given the dynamics this year was kind of a 75-25 or an 80-20 split. This quarter landed right in line with our expectations and we don't think that's going to change dramatically in Q4.

Colleen Keating

CEO & Director

Yes. I will say, historically, when we've taken Black Card pricing in the past, we have seen a little diminution on the Black Card penetration but not on the join volume. So taking Black Card pricing in the past was not a headwind to join volume. It was just a little bit of a diminution on the Black Card penetration, the mix.

Operator

[Audio Gap]

further questions. I will now turn the call back over to Colleen Keating for closing remarks.

Colleen Keating

CEO & Director

Well, first, I'd like to thank our team members and our franchisees for delivering such a strong -- such a solid quarter. I'm very encouraged by the momentum that we're carrying through into the fourth quarter to complete a strong 2025. We look forward to providing more insight into our long-term growth opportunity at our Investor Day next Thursday. Thank you, everyone.

Operator

Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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