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Xponential Fitness, Inc. (XPOF) Q3 2026 Earnings Call Transcript

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Q3: 2026-11-05 Earnings Summary

Insights

EPS of $0.04 misses by $0.11 | Revenue of $62.26M (-21.01% Y/Y) misses by $738.94K

Xponential Fitness, Inc. (XPOF) Q3 2026 Earnings Call November 5, 2026 4:30 PM EST

Company Participants

Michael Nuzzo - CEO & Director
Jennifer Ryu - Chief Financial Officer
Robert Julian

Conference Call Participants

Patricia Nir - ADDO Investor Relations
John Heinbockel - Guggenheim Securities, LLC, Research Division
Kiyan Phelps

Presentation

Operator

Greetings, and welcome to the Xponential Fitness Third Quarter 2026 Earnings Call. [Operator Instructions] As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Patricia Nir at ADDO IR. You may begin.

Patricia Nir
ADDO Investor Relations

Thank you, operator. Good afternoon, and thank you all for joining our conference call to discuss Xponential Fitness' Third Quarter 2026 Financial Results. I am joined by Mike Nuzzo, Chief Executive Officer; Jennifer Ryu, Chief Financial Officer; and Robert Julian, Interim Chief Financial Officer. A recording of this call will be posted on the Investors section of our website at investor.xponential.com.

We remind you that during this conference call, we will make certain forward-looking statements, including discussions of our business outlook and financial projections. These forward-looking statements are based on management's current expectations and involve risks and uncertainties that could cause our actual results to differ materially from such expectations.

For a more detailed description of these risks and uncertainties, please refer to the earnings release issued today, our most recent annual report on Form 10-K for the year ended December 31, 2025, filed with the SEC and our subsequent filings with the SEC. We assume no obligation to update the information provided on today's call, except as required by law. In addition, we will be discussing non-GAAP financial measures in this conference call.

We use non-GAAP measures because we believe they provide useful information about our operating performance that could be considered by investors in conjunction with GAAP measures that we provide. A reconciliation of these non-GAAP measures to the most directly comparable GAAP measures is included in the earnings release issued earlier today and in the investor presentation, both of which are available on our website at investor.xponential.com.

We are not able to provide quantitative reconciliation of forward-looking non-GAAP measures without unreasonable efforts to the most directly comparable GAAP measure due to the high variability, complexity and low visibility with respect to certain items. Please also note that all numbers reported in today's prepared remarks refer to global figures, unless otherwise noted. As a reminder, in order to ensure period-over-period comparability and consistency with our reporting method since IPO, we present all KPIs on a pro forma basis, meaning for full KPI history presented, we only include brands that are under our ownership as of the current reporting period for the period ended September 30, 2026. This includes BFT, Club Pilates, Pure Barre, StretchLab, and YogaSix.. I will now turn the call over to Mike Nuzzo, CEO of Xponential Fitness.

Michael Nuzzo
CEO & Director

Thanks, Patricia. Good afternoon, and thank you all for joining today. First, I'd like to take a moment to officially welcome Jen Ryu as our new Chief Financial Officer. Jen brings extensive experience and a strong track record across finance, capital allocation and Investor Relations as well as a disciplined data-driven approach. I'm excited to have her on our leadership team and look forward to partnering with her as we continue to strengthen our business and drive shareholder value. Welcome to the team, Jen.

Jennifer Ryu
Chief Financial Officer

Thanks, Mike. I'm thrilled to join Xponential as CFO. What attracted me to the company was a differentiated portfolio of brands, scaled platform and exceptionally talented team. Over the past few weeks, I've had the opportunity to spend time with Mike, Robert and the broader leadership team, learning more about the business, our franchise system and our financial priorities. I'm excited to be here and look forward to connecting with many of you.

Michael Nuzzo
CEO & Director

Thanks, Jen. I would also like to take this time to thank Robert Julian for his tenure as Interim CFO. Robert's leadership and steady hand on all things finance and accounting have been invaluable for our company. Congratulations, Robert, on an outstanding career. And on behalf of the entire team, I wish you and your family all the best.

Turning to the quarter. I am confident that we are focused on the right initiatives to build a stronger exponential fitness for our franchisees and members. We are seeing early progress in several key areas as we improve capabilities across the business, and the entire executive team is aligned and focused on translating initiatives into measurable results.

Our priorities are clear across the organization, improve franchisee and studio level economics, support healthy and disciplined unit expansion, both domestically and internationally, strengthen Xponential's financial performance and elevate our member experience across our portfolio. To do this, we are concentrating our efforts on 4 areas where we can have the greatest impact: marketing, brand operations, technology and financial performance. Importantly, several key initiatives we discussed earlier this year are now being implemented and starting to positively impact our business.

Our objective is to demonstrate continued progress across these areas and build a stronger foundation for improved performance. Let me now turn to a more detailed discussion of the quarter. We ended Q3 with 3,185 open studios globally. Domestically, we delivered net unit growth of 1 and 40 year-to-date. We have streamlined our new studio development process and expect to increase new studio openings and equipment installs in Q4. We also began implementing our Club Pilates refresh program, which is intended to modernize the member experience at our older studios. Internationally, we delivered net unit growth of 19 in the quarter and 48 year-to-date.

We continue to view international expansion led by Club Pilates as an important long-term unit growth opportunity with Australia, Spain, France and Portugal reaching new unit opening milestones in Q3. Turning to studio performance. Same studio sales were down 7.5% overall and down 5.6% for Club Pilates.

Our comp was also pressured by lower merchandise sales, which remain challenged due to the outsourced logistics partner transition issues we discussed last quarter. Work is underway to meaningfully improve our merchandise offering and fulfillment. While performance is below our expectations, sustained retention and early website conversion progress that I will discuss shortly are encouraging signs.

And for Club Pilates, our AUVs continue to be industry-leading and support new unit growth. Across boutique fitness, credit card data also showed a Q3 slowdown compared with the first half of 2026, suggesting a more challenging market backdrop. Nevertheless, we are concentrating on what we can control, generating higher-quality leads, converting more prospects, keeping members engaged longer and supporting stronger execution at the studio level. As we enter Q4, we have strengthened our capabilities across marketing, technology and brand operations. We will continue to evaluate these initiatives based on measurable operating and financial outcomes.

In marketing, we enhanced digital, social and creative outreach to prospective members, lowering cost per lead. We introduced a new innovative AI SEO capability that combines technology to target the best platform placement with a dedicated content production team. Since its launch late in Q3, Club Pilates articles such as Pilates for Beginners" and "How Club Pilates Membership Works" have driven an increase in organic engagement. We began rolling out a restructured local marketing platform that better leverages Meta to improve prospect targeting and is more cost effective for franchisees.

And we started a new influencer platform that optimizes social media content, a critical element of our brand positioning. In technology, we launched the new Club Pilates website at the end of September. Its design reflects the strength and relevance of the brand as it approaches its 20th anniversary. We believe the new platform will elevate the member journey, streamline studio discovery and drive new member acquisition.

Beyond branding and visual aesthetics, the site offers significantly improved navigation. Since its launch, we have seen a double-digit percent increase in lead form submission and first-class appointment conversion and expect these results to continue to improve as we refine the online journey.

We began implementing the same website transformation across our other brands with Pure Barre next and expect similar conversion improvements. We invested in all studios Google listings, which we believe will help each studio rank higher in local Google searches and improve the accuracy of information, so nearby prospects can easily find and choose our locations.

And lastly, we introduced new digital outreach that uses video messaging, including member and instructor testimonials to highlight the value of our brand experiences to potential new members across their journey. And within brand operations, we refined and focused our field team efforts, including performance dashboards and training targeting the studio cohorts with the greatest opportunity to improve lead conversion and membership performance.

Our highest performing studios continue to demonstrate the potential of our brands, and our focus is on narrowing the performance gap between those studios and our lower-performing cohorts. We also introduced new equipment classes, promotions and member engagement programs across our brand portfolio. At YogaSix, recently introduced programs have contributed to a recent increase in average member tenure and improved new member trends.

Beyond these initiatives, we are focused on 4 key elements that we expect will also contribute to financial performance. First, we have a strong long-term domestic and international growth opportunity in Club Pilates with our industry-leading AUVs. Domestically, we have an established network of franchisees eager to expand and our long-term objective is to grow Club Pilates to more than 2,000 locations in the next 5 years. Internationally, we continue to build a healthy pipeline of master and sub-franchisee partners with robust development plans for Club Pilates.

The brand resonates with members across countries and cultures, and our international studios continue to see strong average unit volumes. As we pursue this opportunity, we will prioritize responsible development, partner quality and sustainable unit economics. Second, we will continue to assess opportunities across the rest of our brand portfolio to support each brand's potential and strengthen its contribution to our overall business. Third, one of Jen's initial focus areas will be to assess our cost structure to identify new ways to improve operating efficiency. This review will include evaluating our use of technology and AI in close partnership with Erik, our CIO, as well as opportunities with some of our long-time vendors. And fourth, we have made significant progress putting key legal matters behind us, an important step in improving our cash flow profile.

Our goal is to be a high-performing franchisor that supports the entrepreneurial spirit of our franchisees and delivers a differentiated experience for our members. We have certainly made progress in 2026, and we'll continue building on that foundation as we look ahead. I want to thank our franchisees for their resilience, their passion for our brands and continued commitment to providing the best member experience. Every time we walk into our studios, we are reminded of the meaningful role our brands and teams contribute to the ongoing health and wellness of our members.

We will continue to set the standard, evolve the experience and drive value and positive change. Before I hand the call over to Robert, I want to comment on our strategic alternatives review. As we shared in April, our Board initiated this review to explore alternatives to maximize shareholder value, led by our independent directors and supported by Jefferies as financial adviser.

The Board remains actively engaged in a review of strategic alternatives designed to maximize long-term shareholder value, including strategic, financial and operational alternatives. The process may include a sale of the company, a merger or another strategic or financial transaction. Because the process is ongoing, we do not intend to comment further until it has concluded. We ask that you keep your questions during Q&A focused on the quarter. With that, I will turn the call over to Robert for one last time for a financial review of the quarter. Robert?

Robert Julian

Thank you, Mike. I appreciate the kind words and have really enjoyed working with the entire Xponential team over these past 8 months. I also have great confidence in Jen and know the finance organization is in very capable hands under her leadership going forward. I'll now begin with an overview of our third quarter results before turning to our 2026 guidance. I'd also like to mention that unless otherwise stated, all financial remarks refer to the third quarter of 2026, and all comparisons will be year-over-year comparisons versus the third quarter of 2025. With that, let's turn to the results.

We ended the quarter with 3,185 global open studios, opening 54 gross new studios, 28 in North America and 26 internationally. There were 34 global studio closures, in line with historical trends and concentrated primarily within StretchLab, BFT and Pure Barre. We sold 58 licenses globally during Q3, including 43 internationally and 15 in North America. As of September 30, 2026, we had 618 licenses contractually obligated to open in North America and 741 international master franchise obligations. We also expect to continue pursuing terminations of inactive licenses.

Third quarter North America system-wide sales of $424 million were down 2% year-over-year, and same-store sales were negative 7.5%, both on a pro forma basis, adjusting for divestitures. As Mike discussed, improving performance across the existing studio base remains a key focus, and we have a number of initiatives underway to drive performance.

On a consolidated basis, revenue for the quarter was $62.3 million, down $16.6 million or 21% compared to $78.8 million in Q3 2025. Franchise revenue was down $8.5 million or 16%, primarily due to a $7.1 million decline in franchise territory revenue, driven by lower revenue recognized from franchise agreement terminations.

Royalty fees were also lower, reflecting the decrease in same-store sales and the brand divestitures in 2025. and technology and training fees declined as well. Equipment revenue declined $3.2 million, primarily due to a decrease in global equipment installations, driven by a decrease in studio openings compared to the prior year period. Merchandise revenue declined $4.4 million compared to the prior year.

The decline reflects the change in how merchandise revenue is recorded following the transition to our new business model as well as previously mentioned operational, structural and execution challenges associated with that transition. Adjusted EBITDA was $24.3 million in the third quarter, down $9.2 million or 27% compared to Q3 2025. Turning to the balance sheet. As of September 30, 2026, cash, cash equivalents and restricted cash were $27.2 million compared to $41.5 million as of September 30, 2025. And as we've discussed, we've made significant progress addressing the vast majority of our regulatory matters, allowing us to focus our attention and resources on driving long-term growth.

During the third quarter, we paid $4.0 million related to our agreed settlements in the FTC case. For Q4 2026, we anticipate approximately $3.4 million in total payments related to the settlement of the franchisee case. As a reminder, our franchise disclosure documents have also now been substantially refreshed with registration pending only in Maryland.

Total long-term debt was $521.1 million as of September 30, 2026, compared to $376.4 million as of September 30, 2025. The increase in total long-term debt primarily reflects borrowings incurred in connection with the retirement of the convertible preferred stock during the fourth quarter of 2025.

We also had $10.0 million outstanding under our $25.0 million revolving credit facility as of September 30, 2026, with $15.0 million of undrawn capacity. We remain comfortable with the company's liquidity position. Turning to our full year 2026 guidance. We now expect full year global net new studio openings to range from 124 to 130. We expect North America system-wide sales to range from $1.70 billion to $1.75 billion, unchanged from prior guidance. We expect total 2026 revenue to range from $250 million to $260 million, also unchanged from prior guidance. Full year adjusted EBITDA is now expected to range from $91 million to $94 million.

Before we open the call for questions, I would like to say a few parting words as this will be my last earnings call with Xponential. I want to thank Mike, our Board and the entire Xponential team for their support as well as our franchisees who are at the heart of this system. I'd also like to thank our analysts and investors for their engagement over the past 8 months. I especially want to thank and recognize the Xponential finance and accounting teams. You are a talented and dedicated group, and it's been a pleasure and an honor to be your leader these last 8 months. I'm confident Jen and this team are well positioned for future success. I look forward to following Xponential's progress going forward. Thank you all for your time today. We will now open the call for any questions. Operator?

Question-and-Answer Session

Operator

Our first question comes from the line of John Heinbockel with Guggenheim Partners.

John Heinbockel
Guggenheim Securities, LLC, Research Division

Mike, can you talk through the Club Pilates comp? I'm curious, is that largely the product of lower members? Maybe some per member spend, changing membership and packages. But maybe talk through that. The -- I know you're working on some marketing things, but sort of the path back to maybe flat results. And I think you've said in the past, you can -- given the AUVs, you can live with a low single-digit, very modest increase in Club Pilates. Is that still true for you and the franchisees?

Michael Nuzzo
CEO & Director

Yes, that's correct. I think the biggest focus is on the new members. So I think we've talked about that in previous calls. Obviously, in a more competitive environment, the battle for new members is front and center for everybody. So that's the big focus relative to the comp. But you make a really good point, and I want to emphasize the point you're calling out, which is Club Pilates reached over $1 million in AUV, which, again, I've said this, looking at the economics and the performance of that, you seldom see performance like that, that drives profitability at a studio level in franchising in consumer.

And so we expected a level of moderation off of that, what I would call sort of a record-breaking level of AUV. So that also obviously contributes to some negative comps. But it's from a development standpoint and from a profitability standpoint, we're still talking about an incredibly healthy model with a lot of room to grow.

John Heinbockel
Guggenheim Securities, LLC, Research Division

Maybe just a follow-up to that, right? So what's the level? Obviously, if you've got existing franchisees opening Club Pilates, they're probably okay cannibalizing some of their units. What's the level of growth there or flatness they're okay with. And as a franchisor, if Club Pilates was sort of flat comps or even maybe slight declines, does that work economically for you, given your role?

Michael Nuzzo
CEO & Director

Yes. I mean, I guess what I would say is when we model with our franchisees new locations, the expectation around the AUV to start is relatively modest compared to where they are performing today. So -- and the economics that, that produces for the franchisee is very, very healthy. I think we've talked about our presale process being one of the best in the industry. We come out of the gates really fast with a big build in membership.

And so that sets the foundation for really healthy AUVs go forward. So that's how our franchisees think about expansion and the AUV dynamics. And even from a comp standpoint, they're not getting caught up in a particular comp result in any given quarter because they look at it as a total AUV dynamic, total studio profitability and the ability to continue to add units that are incredibly healthy.

And I would say that to answer your question directly, John, does it work for Xponential with a lower AUV and same studio sales? Absolutely. It works. As long as we're continuing to grow total studios, total system-wide sales will increase and total royalty revenue will increase.

Operator

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

Unknown Analyst

This is [Derin] on for Arpine. Could you talk about the same-store sales dynamics at Club Pilates specifically and including what you're seeing so far in the fourth quarter?

Michael Nuzzo
CEO & Director

Yes. We don't talk about the current quarter. But I think as I was talking to John about the big dynamic, and this is not just for Club Pilates, but this is the focus across our brands is really on driving that new member conversion. We have talked about our retention being incredibly strong and sustained. The loyalty to our brands is very strong. And so we have focused our programs and our initiatives on driving new member leads and new member conversion.

And when we were talking about the website, that's an important additional tool that we'll have now for driving better lead conversion. and first-time appointment conversion. So again, I think we're focused on the right things from a comp standpoint and obviously, really happy and continue to be happy with the AUVs that we're seeing out of that brand.

Unknown Analyst

And more broadly, what do you think is driving the same-store sales decline across the portfolio?

Michael Nuzzo
CEO & Director

Yes. I think we've talked about in the past some of the drivers of that. We have identified organic traffic and organic leads as a major focus for us. There have been changes in dynamics with digital marketing. And so that is the area that we are most focused on and have really targeted from a comp improvement standpoint.

Operator

[Operator Instructions] Your next question comes from the line of Owen Rickert with Northland Capital Markets.

Kiyan Phelps

This is Kenan Phelps on for Owen Rickert. Just a quick one from us. North American sales and the guidance were unchanged. Revenue was unchanged. I guess, can you kind of just help us understand adjusted EBITDA guide being lowered?

Michael Nuzzo
CEO & Director

Yes. I would characterize it, Owen, as we have narrowed the guide range. And I think we took a pretty thoughtful approach to Q4. So we modeled in sales similar to Q3 and taking into account October. We've got some natural cost savings in the quarter. We shifted the convention. We spent more in marketing last year around an awareness campaign. And then we got really good insight into the expectations around openings, refreshes and merchandise. So it gave us the ability to get more focused on our EBITDA range.

Kiyan Phelps

Perfect. That's helpful. Yes. And then just one, if I can sneak an extra one in here. Looking at the net new studio openings, that was lowered as well. I guess looking at that, is there a difference between new franchisees delaying openings? Or are these some existing franchisees delaying openings?

Michael Nuzzo
CEO & Director

Yes. It's -- most of our new openings are in Club Pilates. And I would call out 2 factors. And the first one, I think, has been reported by a few other players out there. But Mid-year, we were seeing that the real estate environment was getting a little bit more difficult, especially for the 2,000 square foot spaces that we look for in good strip centers. So slower to find spaces, slower to get to LOI, leases, all of that. So no reflection of the intent of franchisees to open new locations.

And then the other piece, which I think is a really healthy thing is we've improved our analytics around assessing locations. And we think that this is going to be a net positive and allow us to select locations that ensure consistent opening success. So we're being more selective. We've turned down sites that we may have gone with in the past. I think that's a good thing. So I think both of these factors don't really impact the long-term growth trajectory of Club Pilates. And as I said, the intent is still there and motivation around getting more openings for the brand. So that's how I would characterize it.

Operator

This now concludes our question-and-answer session. I would like to turn the floor back over to Mike Nuzzo, the CEO, for closing comments.

Michael Nuzzo
CEO & Director

Just want to thank everybody for participating on the call today, and we look forward to updating you in the future. Thanks.

Operator

Ladies and gentlemen, thank you for your participation. This does conclude today's teleconference. You may disconnect your lines, and have a wonderful day.

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