



Planet Fitness Analysis:

Ticker: PLNT

Stock Price: \$46.73

Performance: +35% YTD, down 12.7% in October, and up 192% since its IPO in Aug 2015

Market Cap: \$4.1B

Fundamentals:

- 8.1x Forward EV/Sales
- 7.2x Forward Price/Sales
- 20.1x Forward EV/EBITDA
- 1.9 PEG
- 38.6x Forward P/E
- Net Income Margin: 12.2%

Do those look like tech valuation multiples? Yeah, we're not going to lie. PLNT is a tough stock to make a call on and here is why:

- 11.8M members, 22% compounded annual growth rate (CAGR)
- 10.2% growth in same-store sales Y/Y
- 31% rev growth in most recent quarter Y/Y
- 27% EBITDA CAGR and EBITDA margins are now 43% vs. 34% back in 2015
- \$10/month avg subscription is below \$60/month average and their Black Card membership is \$21.99
- Net Income grew 53.3% in most recent quarter Y/Y
- Opened 44 stores in recent quarter to 1,608 total
- Company believes they can have as much as 4,000 total to be fully saturated in US
- Black card membership grew from 52% of subs to 60%
- Average royalty rate they charge on their franchise was bumped up from 5% to 7%
- Franchise margins are 84% and 20% CAGR on franchises
- 29% of their subs make less than \$50K a year

Their gyms are considered no judgement zones. The way they advertise and the core principles they have make them the go-to and preferred location for those battling weight issues. With this in mind, we felt it would be smart to analyze the obesity rate in the US.

- 16.1% of children ages 10-17 are obese
- 14.8% of high schoolers are obese
- Obesity rate in those between 10-19 has grown 4x since 1980

I cite the youth because those are going to be the potential future customers that PLNT will be eyeing. These numbers are absolutely terrifying and the \$10/mo subscription is not only super cheap, but if the members don't go to the gym it's not enough to care about and cancel. It's more like oh maybe ill go next week but even if they don't they dont feel like they are wasting money. Also, PLNT has tanning beds and ill speak from my own experiences, my mom and sister have subscriptions to PLNT just for that reason alone because it is significantly cheaper than BeachBum and stuff. Thought that's also an interesting point that should be made.

Technically speaking, the pullback looks like an opportunity for those wanting to jump in. The company has plenty of liquidity and an awesome track record and as you can see above it is most certainly priced in. If they truly believe they could open another 2,500 location in the US and 300 in CAN then look out. Bollinger bands point to some solid support at \$44.19.



We're going to watch the earnings report that comes out November 6th from the sidelines and see how things look