



NEWS RELEASE

# Planet Fitness, Inc. Announces Second Quarter 2018 Results

8/9/2018

Total Revenue Increased 31.0% to \$140.6 Million

System-Wide Same Store Sales Increased 10.2%

44 New Planet Fitness Stores Opened

HAMPTON, N.H., Aug. 9, 2018 /PRNewswire/ -- Today, Planet Fitness, Inc. (NYSE:PLNT) reported financial results for its second quarter ended June 30, 2018.

## Second Quarter Fiscal 2018 Highlights

- Total revenue increased from the prior year period by 31.0% to \$140.6 million.
- System-wide same store sales increased 10.2%.
- Net income attributable to Planet Fitness, Inc. was \$25.9 million, or \$0.29 per diluted share, compared to net income attributable to Planet Fitness, Inc. of \$12.4 million, or \$0.16 per diluted share in the prior year period.
- Net income was \$30.4 million, compared to net income of \$18.0 million in the prior year period.
- Adjusted net income(1) increased 53.3% to \$33.2 million, or \$0.34 per diluted share, compared to \$21.7 million, or \$0.22 per diluted share in the prior year period.
- Adjusted EBITDA(1) increased 21.8% to \$58.4 million from \$47.9 million in the prior year period.
- 44 new Planet Fitness franchise stores were opened during the period, bringing system-wide total stores to 1,608 as of June 30, 2018.

(1) Adjusted net income and Adjusted EBITDA are non-GAAP measures. For reconciliations of Adjusted EBITDA and

Adjusted net income to U.S. GAAP ("GAAP") net income see "Non-GAAP Financial Measures" accompanying this press release.

"Our second quarter results reaffirm that Planet Fitness is a high growth company," stated Chris Rondeau. "Total revenue increased over 30% with all three operating segments up double-digits, system-wide same store sales grew 10% on top of a 9% gain a year ago, and we added 44 new franchise stores to the system to surpass 1,600 stores in total. More importantly, our unique business model and recent tax reform allowed us to translate our exceptional top-line performance into an even stronger improvement in profitability. While we are very pleased with our many recent accomplishments, we believe the future is even brighter for our Company. There are numerous expansion opportunities for our high value, low cost non-intimidating fitness concept in the U.S. and internationally, we are pursuing exciting ways to enhance the member experience, and our strong cash generation and recent debt refinancing provide us with a high level of flexibility to return capital to shareholders. I am excited about our prospects for continued growth as I look ahead to the second half of 2018 and longer-term."

### Operating Results for the Second Quarter Ended June 30, 2018

For the second quarter 2018, total revenue increased \$33.2 million or 31.0% to \$140.6 million from \$107.3 million in the prior year period. \$11.2 million, or 10.4% of the increase, is national advertising fund revenue and is included in our franchise segment. We began reporting national advertising fund contributions as revenue in 2018 in connection with the adoption of the new U.S. GAAP revenue recognition standard. By segment:

- Franchise segment revenue increased \$20.4 million or 53.9% to \$58.2 million from \$37.8 million in the prior year period, which includes commission income and the above-mentioned \$11.2 million of national advertising fund revenue;
- Corporate-owned stores segment revenue increased \$6.0 million or 21.1% to \$34.3 million from \$28.3 million in the prior year period, \$4.0 million of which is from six franchisee-owned stores acquired on January 1, 2018 and four corporate-owned stores opened in late 2017; and
- Equipment segment revenue increased \$6.9 million or 16.8% to \$48.1 million from \$41.2 million in the prior year period.

System-wide same store sales increased 10.2%. By segment, franchisee-owned same store sales increased 10.4% and corporate-owned same store sales increased 5.7%.

For the second quarter of 2018, net income was \$30.4 million, or \$0.29 per diluted share, compared to net income of \$18.0 million, or \$0.16 per diluted share, in the prior year period. Adjusted net income increased 53.3% to \$33.2 million, or \$0.34 per diluted share, from \$21.7 million, or \$0.22 per diluted share, in the prior year period. Adjusted net income has been adjusted to reflect a normalized federal income tax rate of 26.3% for the current year period

and 39.5% for the comparable prior year period and excludes certain non-cash and other items that we do not consider in the evaluation of ongoing operational performance (see "Non-GAAP Financial Measures").

Adjusted EBITDA, which is defined as net income before interest, taxes, depreciation and amortization, adjusted for the impact of certain non-cash and other items that we do not consider in the evaluation of ongoing operational performance (see "Non-GAAP Financial Measures"), increased 21.8% to \$58.4 million from \$47.9 million in the prior year period.

Segment EBITDA represents our Total Segment EBITDA broken down by the Company's reportable segments. Total Segment EBITDA is equal to EBITDA, which is defined as net income before interest, taxes, depreciation and amortization (see "Non-GAAP Financial Measures").

- Franchise segment EBITDA increased \$7.6 million or 23.3% to \$40.0 million driven by royalties from new franchised stores opened since June 30, 2017, a higher average royalty rate and higher same store sales of 10.4%;
- Corporate-owned stores segment EBITDA increased \$1.8 million or 14.2% to \$14.7 million driven primarily by an increase in same store sales, higher annual fees and the addition of six franchise owned stores acquired January 1, 2018; and
- Equipment segment EBITDA increased by \$1.6 million or 16.8% to \$11.5 million driven by an increase in equipment sales to new stores and an increase in replacement equipment sales to existing franchisee-owned stores.

## Share Repurchase Program

The Company announced that its Board of Directors approved an increase to the total amount of the share repurchase program to \$500 million. The timing of the purchases and the amount of stock repurchased is subject to the Company's discretion and will depend on market and business conditions, the Company's general working capital needs, stock price, applicable legal requirements and other factors. Our ability to repurchase shares at any particular time is also subject to the terms of the indenture governing our outstanding notes. Purchases may be effected through one or more open market transactions, privately negotiated transactions, transactions structured through investment banking institutions, or a combination of the foregoing. Planet Fitness is not obligated under the program to acquire any particular amount of stock and can suspend or terminate the program at any time.

## 2018 Outlook

For the year ending December 31, 2018, the Company expects:

- Total revenue increase of approximately 26% as compared to the year ended December 31, 2017;

- System-wide same store sales growth in the 9% to 10% range; and
- Adjusted net income and adjusted net income per diluted share to increase approximately 33% as compared to the year ended December 31, 2017, which includes the impact of increased interest expense from the Company's recent debt refinancing.

## **Presentation of Financial Measures**

Planet Fitness, Inc. (the "Company") was formed in March 2015 for the purpose of facilitating the initial public offering (the "IPO") and related recapitalization transactions that occurred in August 2015, and in order to carry on the business of Pla-Fit Holdings, LLC ("Pla-Fit Holdings") and its subsidiaries. As the sole managing member of Pla-Fit Holdings, the Company operates and controls all of the business and affairs of Pla-Fit Holdings, and through Pla-Fit Holdings, conducts its business. As a result, the Company consolidates Pla-Fit Holdings' financial results and reports a non-controlling interest related to the portion of Pla-Fit Holdings not owned by the Company.

The financial information presented in this press release includes non-GAAP financial measures such as EBITDA, Segment EBITDA, Adjusted EBITDA, Adjusted net income and Adjusted net income per share, diluted to provide measures that we believe are useful to investors in evaluating the Company's performance. These non-GAAP financial measures are supplemental measures of the Company's performance that are neither required by, nor presented in accordance with GAAP. These financial measures should not be considered in isolation or as substitutes for GAAP financial measures such as net income or any other performance measures derived in accordance with, GAAP. In addition, in the future, the Company may incur expenses or charges such as those added back to calculate Adjusted EBITDA, Adjusted net income and Adjusted net income per share, diluted. The Company's presentation of Adjusted EBITDA, Adjusted net income and Adjusted net income per share, diluted should not be construed as an inference that the Company's future results will be unaffected by similar amounts or other unusual or nonrecurring items. See the tables at the end of this press release for a reconciliation of EBITDA, Adjusted EBITDA, Total Segment EBITDA, Adjusted net income, and Adjusted net income per share, diluted, to their most directly comparable GAAP financial measure.

The non-GAAP financial measures used in our full-year outlook will differ from net income and net income per share, diluted, determined in accordance with GAAP in ways similar to those described in the reconciliations at the end of this press release. We do not provide guidance for net income or net income per share, diluted, determined in accordance with GAAP or a reconciliation of guidance for Adjusted net income and Adjusted net income per share, diluted, to the most directly comparable GAAP measure because we are not able to predict with reasonable certainty the amount or nature of all items that will be included in our net income and net income per share, diluted, for the year ending December 31, 2018. These items are uncertain, depend on many factors and could have a material impact on our net income and net income per share, diluted, for the year ending December 31, 2018.

## Investor Conference Call

The Company will hold a conference call at 4:30 pm (ET) on August 9, 2018 to discuss the news announced in this press release. A live webcast of the conference call will be accessible at [www.planetfitness.com](http://www.planetfitness.com) via the "Investor Relations" link. The webcast will be archived on the website for one year.

## About Planet Fitness

Founded in 1992 in Dover, NH, Planet Fitness is one of the largest and fastest-growing franchisors and operators of fitness centers in the United States by number of members and locations. As of June 30, 2018, Planet Fitness had approximately 12.1 million members and 1,608 stores in 50 states, the District of Columbia, Puerto Rico, Canada, the Dominican Republic, Panama and Mexico. The Company's mission is to enhance people's lives by providing a high-quality fitness experience in a welcoming, non-intimidating environment, which we call the Judgement Free Zone®. More than 95% of Planet Fitness stores are owned and operated by independent business men and women.

## Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the federal securities laws, which involve risks and uncertainties. Forward-looking statements include the Company's statements with respect to expected future performance presented under the heading "2018 Outlook," those attributed to the Company's Chief Executive Officer in this press release and other statements, estimates and projections that do not relate solely to historical facts. Forward-looking statements can be identified by words such as "expect," "goal," plan," "will," "prospects," "future," "strategy" and similar references to future periods, although not all forward-looking statements include these identifying words. Forward-looking statements are not assurances of future performance. Instead, they are based only on the Company's current beliefs, expectations and assumptions regarding the future of the business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of the Company's control. Actual results and financial condition may differ materially from those indicated in the forward-looking statements. Important factors that could cause our actual results to differ materially include risks and uncertainties associated with competition in the fitness industry, the Company's and franchisees' ability to attract and retain new members, changes in consumer demand, changes in equipment costs, the Company's ability to expand into new markets domestically and internationally, operating costs for the Company and franchisees generally, availability and cost of capital for franchisees, acquisition activity, developments and changes in laws and regulations, our substantial increased indebtedness as a result of our refinancing and securitization transactions and our ability to incur additional indebtedness or refinance that indebtedness in the future; our future financial

performance and our ability to pay principal and interest on our indebtedness, our corporate structure and tax receivable agreements, general economic conditions and the other factors described in the Company's annual report on Form 10-K for the year ended December 31, 2017, and the Company's other filings with the Securities and Exchange Commission. In light of the significant risks and uncertainties inherent in forward-looking statements, investors should not place undue reliance on forward-looking statements, which reflect the Company's views only as of the date of this press release. Except as required by law, neither the Company nor any of its affiliates or representatives undertake any obligation to provide additional information or to correct or update any information set forth in this release, whether as a result of new information, future developments or otherwise.

Planet Fitness, Inc. and subsidiaries

Consolidated Statements of Operations

(Unaudited)

(Amounts in thousands, except per share amounts)

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
<b>Revenue:</b>				
Franchise	\$ 45,417	\$ 32,791	\$ 87,579	\$ 63,072
Commission income	1,575	5,003	3,563	11,519
National advertising fund revenue	11,158	—	21,620	—
Corporate-owned stores	34,252	28,285	66,959	55,326
Equipment	48,148	41,237	82,161	68,501
<b>Total revenue</b>	<b>140,550</b>	<b>107,316</b>	<b>261,882</b>	<b>198,418</b>
<b>Operating costs and expenses:</b>				
Cost of revenue	36,744	31,452	63,244	52,576
Store operations	18,047	14,604	36,403	29,788

Selling, general and administrative	17,210	14,768	34,831	28,588
National advertising fund expense	11,158	—	21,620	—
Depreciation and amortization	8,619	7,894	17,084	15,845
Other loss (gain)	(39)	348	971	316
Total operating costs and expenses	91,739	69,066	174,153	127,113
Income from operations	48,811	38,250	87,729	71,305
Other expense, net:				
Interest expense, net	(8,628)	(9,028)	(17,361)	(17,791)
Other expense	(502)	(933)	(310)	(251)
Total other expense, net	(9,130)	(9,961)	(17,671)	(18,042)
Income before income taxes	39,681	28,289	70,058	53,263
Provision for income taxes	9,263	10,285	16,146	17,393
Net income	30,418	18,004	53,912	35,870
Less net income attributable to non-controlling interests	4,544	5,592	8,157	14,616
Net income attributable to Planet Fitness, Inc.	\$ 25,874	\$ 12,412	\$ 45,755	\$ 21,254
Net income per share of Class A common stock:				
Basic	\$ 0.30	\$ 0.16	\$ 0.52	\$ 0.30
Diluted	\$ 0.29	\$ 0.16	\$ 0.52	\$ 0.30
Weighted-average shares of Class A common stock outstanding:				
Basic	87,693	79,154	87,565	71,679
Diluted	88,105	79,193	87,931	71,713

**Planet Fitness, Inc. and subsidiaries**  
**Consolidated Balance Sheets**  
**(Unaudited)**  
(Amounts in thousands, except per share amounts)

	June 30,	December 31,
	2018	2017
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 147,784	\$ 113,080
Accounts receivable, net of allowance for bad debts of \$20 and \$32 at June 30, 2018 and December 31, 2017, respectively	14,932	37,272
Due from related parties	—	3,020
Inventory	3,193	2,692
Restricted assets – national advertising fund	73	499
Deferred expenses – national advertising fund	1,648	—
Prepaid expenses	3,796	3,929
Other receivables	23,343	9,562
Other current assets	5,916	6,947
Total current assets	200,685	177,001
Property and equipment, net of accumulated depreciation of \$44,676, as of June 30, 2018 and \$36,228 as of December 31, 2017	87,570	83,327
Intangible assets, net	237,092	235,657
Goodwill	191,038	176,981
Deferred income taxes	406,699	407,782
Other assets, net	1,637	11,717
Total assets	\$ 1,124,721	\$ 1,092,465
<b>Liabilities and stockholders' deficit</b>		
<b>Current liabilities:</b>		
Current maturities of long-term debt	\$ 7,185	\$ 7,185
Accounts payable	16,268	28,648
Accrued expenses	14,715	18,590

Equipment deposits	9,001	6,498
Restricted liabilities – national advertising fund	73	490
Deferred revenue, current	23,186	19,083
Payable pursuant to tax benefit arrangements, current	25,578	31,062
Other current liabilities	436	474
<b>Total current liabilities</b>	<b>96,442</b>	<b>112,030</b>
Long-term debt, net of current maturities	693,957	696,576
Deferred rent, net of current portion	7,700	6,127
Deferred revenue, net of current portion	23,255	8,440
Deferred tax liabilities	1,389	1,629
Payable pursuant to tax benefit arrangements, net of current portion	391,876	400,298
Other liabilities	1,350	4,302
<b>Total noncurrent liabilities</b>	<b>1,119,527</b>	<b>1,117,372</b>
Stockholders' equity (deficit):		
Class A common stock, \$.0001 par value - 300,000 authorized, 87,932 and 87,188 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	9	9
Class B common stock, \$.0001 par value - 100,000 authorized, 10,471 and 11,193 shares issued and outstanding as of June 30, 2018 December 31, 2017, respectively	1	1
Accumulated other comprehensive loss	(385)	(648)
Additional paid in capital	14,744	12,118
Accumulated deficit	(94,348)	(130,966)
<b>Total stockholders' deficit attributable to Planet Fitness Inc.</b>	<b>(79,979)</b>	<b>(119,486)</b>
Non-controlling interests	(11,269)	(17,451)
<b>Total stockholders' deficit</b>	<b>(91,248)</b>	<b>(136,937)</b>
<b>Total liabilities and stockholders' deficit</b>	<b>\$ 1,124,721</b>	<b>\$ 1,092,465</b>

**Planet Fitness, Inc. and subsidiaries**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**  
(Amounts in thousands, except per share amounts)

For the six months ended June 30,

	2018	2017
<b>Cash flows from operating activities:</b>		
Net income	\$ 53,912	\$ 35,870
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	17,084	15,845
Amortization of deferred financing costs	973	942
Amortization of favorable leases and asset retirement obligations	186	184
Amortization of interest rate caps	446	954
Deferred tax expense	13,300	14,589
Loss on extinguishment of debt	—	79
Third party debt refinancing expense	—	1,021
Gain on re-measurement of tax benefit arrangement	(354)	(541)
Provision for bad debts	(8)	28
Loss on reacquired franchise rights	350	—
Loss (gain) on disposal of property and equipment	547	(323)
Equity-based compensation	2,687	1,012
<b>Changes in operating assets and liabilities, excluding effects of acquisitions:</b>		
Accounts receivable	22,281	11,542
Due to and due from related parties	3,375	(289)
Inventory	(501)	355
Other assets and other current assets	(3,109)	(3,239)
National advertising fund	(1,634)	—

Accounts payable and accrued expenses	(16,884)	(14,144)
Other liabilities and other current liabilities	(2,908)	(33)
Income taxes	131	(406)
Payable to related parties pursuant to tax benefit arrangements	(21,706)	(7,909)
Equipment deposits	2,503	5,390
Deferred revenue	6,229	1,826
Deferred rent	1,594	245
Net cash provided by operating activities	78,494	62,998
Cash flows from investing activities:		
Additions to property and equipment	(8,136)	(14,127)
Acquisition of franchises	(28,503)	—
Proceeds from sale of property and equipment	134	—
Net cash used in investing activities	(36,505)	(14,127)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(23)	—
Repayment of long-term debt	(3,592)	(3,592)
Payment of deferred financing and other debt-related costs	—	(1,278)
Premiums paid for interest rate caps	—	(366)
Proceeds from issuance of Class A common stock	400	26
Dividend equivalent payments	(138)	(139)
Distributions to Continuing LLC Members	(3,503)	(5,592)
Net cash used in financing activities	(6,856)	(10,941)
Effects of exchange rate changes on cash and cash equivalents	(429)	198
Net increase in cash and cash equivalents	34,704	38,128
Cash and cash equivalents, beginning of period	113,080	40,393
Cash and cash equivalents, end of period	\$ 147,784	\$ 78,521
Supplemental cash flow information:		
Net cash paid for income taxes	\$ 2,929	\$ 2,914
Cash paid for interest	\$ 16,795	\$ 15,890

Non-cash investing activities:

Non-cash additions to property and equipment	\$ 2,072	\$ 988
----------------------------------------------	----------	--------

**Planet Fitness, Inc. and subsidiaries**  
**Non-GAAP Financial Measures**  
**(Unaudited)**

(Amounts in thousands, except per share amounts)

To supplement its consolidated financial statements, which are prepared and presented in accordance with GAAP, the Company uses the following non-GAAP financial measures: EBITDA, Total Segment EBITDA, Adjusted EBITDA, Adjusted net income and Adjusted net income per share, diluted (collectively, the "non-GAAP financial measures"). The Company believes that these non-GAAP financial measures, when used in conjunction with GAAP financial measures, are useful to investors in evaluating our operating performance. These non-GAAP financial measures presented in this release are supplemental measures of the Company's performance that are neither required by, nor presented in accordance with GAAP. These financial measures should not be considered in isolation or as substitutes for GAAP financial measures such as net income or any other performance measures derived in accordance with GAAP. In addition, in the future, the Company may incur expenses or charges such as those added back to calculate Adjusted EBITDA, Adjusted net income and Adjusted net income per share, diluted. The Company's presentation of Adjusted EBITDA, Adjusted net income, and Adjusted net income per share, diluted, should not be construed as an inference that the Company's future results will be unaffected by unusual or nonrecurring items.

### **EBITDA, Segment EBITDA and Adjusted EBITDA**

We refer to EBITDA and Adjusted EBITDA as we use these measures to evaluate our operating performance and we believe these measures provide useful information to investors in evaluating our performance. We have also disclosed Segment EBITDA as an important financial metric utilized by the Company to evaluate performance and allocate resources to segments in accordance with ASC 280, Segment Reporting. We define EBITDA as net income before interest, taxes, depreciation and amortization. Segment EBITDA sums to Total Segment EBITDA which is equal to the Non-GAAP financial metric EBITDA. We believe that EBITDA, which eliminates the impact of certain expenses that we do not believe reflect our underlying business performance, provides useful information to investors to assess the performance of our segments as well as the business as a whole. Our Board of Directors

also uses EBITDA as a key metric to assess the performance of management. We define Adjusted EBITDA as net income before interest, taxes, depreciation and amortization, adjusted for the impact of certain additional non-cash and other items that we do not consider in our evaluation of ongoing performance of the Company's core operations. These items include certain purchase accounting adjustments, stock offering-related costs, and certain other charges and gains. We believe that Adjusted EBITDA is an appropriate measure of operating performance in addition to EBITDA because it eliminates the impact of other items that we believe reduce the comparability of our underlying core business performance from period to period and is therefore useful to our investors in comparing the core performance of our business from period to period.

A reconciliation of Adjusted EBITDA to net income, the most directly comparable GAAP measure, is set forth below.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
(in thousands)				
Net income	\$ 30,418	\$ 18,004	\$ 53,912	\$ 35,870
Interest expense, net	8,628	9,028	17,361	17,791
Provision for income taxes	9,263	10,285	16,146	17,393
Depreciation and amortization	8,619	7,894	17,084	15,845
EBITDA	\$ 56,928	\$ 45,211	\$ 104,503	\$ 86,899
Purchase accounting adjustments-revenue(1)	(30)	444	414	780
Purchase accounting adjustments-rent(2)	168	191	350	387
Loss on reacquired franchise rights(3)	—	—	350	—
Transaction fees(4)	—	1,021	—	1,021
Stock offering-related costs(5)	—	329	—	937
Severance costs(6)	352	—	352	—
Pre-opening costs(7)	461	—	483	—
Early lease termination costs(8)	—	719	—	719
Other(9)	502	—	702	(573)

Adjusted EBITDA	\$ 58,381	\$ 47,915	\$ 107,154	\$ 90,170
	_____	_____	_____	_____

---

- (1) Represents the impact of revenue-related purchase accounting adjustments associated with the acquisition of Pla-Fit Holdings on November 8, 2012 by TSG (the "2012 Acquisition"). At the time of the 2012 Acquisition, the Company maintained a deferred revenue account, which consisted of deferred area development agreement fees, deferred franchise fees, and deferred enrollment fees that the Company billed and collected up front but recognizes for GAAP purposes at a later date. In connection with the 2012 Acquisition, it was determined that the carrying amount of deferred revenue was greater than the fair value assessed in accordance with ASC 805—Business Combinations, which resulted in a write-down of the carrying value of the deferred revenue balance upon application of acquisition push-down accounting under ASC 805. These amounts represent the additional revenue that would have been recognized in these periods if the write-down to deferred revenue had not occurred in connection with the application of acquisition pushdown accounting.
- (2) Represents the impact of rent-related purchase accounting adjustments. In accordance with guidance in ASC 805 – Business Combinations, in connection with the 2012 Acquisition, the Company's deferred rent liability was required to be written off as of the acquisition date and rent was recorded on a straight-line basis from the acquisition date through the end of the lease term. This resulted in higher overall recorded rent expense each period than would have otherwise been recorded had the deferred rent liability not been written off as a result of the acquisition push down accounting applied in accordance with ASC 805. Adjustments of \$77, \$104, \$167 and \$207 in the three and six months ended June 30, 2018 and 2017, respectively, reflect the difference between the higher rent expense recorded in accordance with U.S. GAAP since the acquisition and the rent expense that would have been recorded had the 2012 Acquisition not occurred. Adjustments of \$92, \$88, \$183 and \$181 in the three and six months ended June 30, 2018 and 2017, respectively, are due to the amortization of favorable and unfavorable lease intangible assets. All of the rent related purchase accounting adjustments are adjustments to rent expense which is included in store operations on our consolidated statements of operations.
- (3) Represents the impact of a one-time, non-cash loss recorded in accordance with ASC 805 - Business Combinations related to our acquisition of six franchisee-owned stores on January 1, 2018. The loss recorded under GAAP represents the difference between the fair value of the reacquired franchise rights and the contractual terms of the reacquired franchise rights and is included in other (gain) loss on our consolidated statements of operations.
- (4) Represents transaction fees and expenses related to the amendment of our credit facilities.
- (5) Represents legal, accounting and other costs incurred in connection with offerings of the Company's Class A common stock.
- (6) Represents severance expense recorded in connection with an equity award modification.
- (7) Represents costs associated with new corporate-owned stores incurred prior to the store opening, including payroll-related costs, rent and occupancy expenses, marketing and other store operating supply expenses.
- (8) Represents charges and expenses incurred in connection with the early termination of the lease for our previous headquarters.
- (9) Represents certain other charges and gains that we do not believe reflect our underlying business performance. In the three and six months ended June 30, 2018, this amount includes \$342 related to the reversal of a tax indemnification receivable. In the six months ended June 30, 2018 and 2017, this amount includes a gain of \$354 and \$541, respectively, related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rate. Additionally, in the six months ended June 30, 2018, this amount includes expense of \$590 related to the write off of certain assets that were being tested for potential use across the system.

A reconciliation of Segment EBITDA to Total Segment EBITDA is set forth below.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Segment EBITDA				
Franchise	\$ 40,041	\$ 32,487	\$ 76,719	\$ 64,519
Corporate-owned stores	14,666	12,840	26,837	23,533
Equipment	11,457	9,809	18,925	15,904
Corporate and other	(9,236)	(9,925)	(17,978)	(17,057)
Total Segment EBITDA(1)	\$ 56,928	\$ 45,211	\$ 104,503	\$ 86,899

(1) Total Segment EBITDA is equal to EBITDA.

## Adjusted Net Income and Adjusted Net Income per Diluted Share

As a result of the recapitalization transactions that occurred prior to our IPO, the limited liability company agreement of Pla-Fit Holdings that was amended and restated (the "LLC Agreement") designated Planet Fitness, Inc. as the sole managing member of Pla-Fit Holdings. As sole managing member, Planet Fitness, Inc. exclusively operates and controls the business and affairs of Pla-Fit Holdings, LLC. As a result of the recapitalization transactions and the LLC Agreement, Planet Fitness, Inc. now consolidates Pla-Fit Holdings, and Pla-Fit Holdings is considered the predecessor to Planet Fitness, Inc. for accounting purposes. Our presentation of Adjusted net income and Adjusted net income per share, diluted, gives effect to the consolidation of Pla-Fit Holdings with Planet Fitness, Inc. resulting from the recapitalization transactions and the LLC Agreement as if they had occurred on January 1, 2017. In addition, Adjusted net income assumes that all net income is attributable to Planet Fitness, Inc., which assumes the full exchange of all outstanding Holdings Units for shares of Class A common stock of Planet Fitness, Inc., adjusted for certain non-recurring items that we do not believe directly reflect our core operations. Adjusted net income per share, diluted, is calculated by dividing Adjusted net income by the total shares of Class A common stock outstanding plus any dilutive options and restricted stock units as calculated in accordance with GAAP and assuming the full exchange of all outstanding Holdings Units and corresponding Class B common stock as of the beginning of each period presented. Adjusted net income and Adjusted net income per share, diluted, are supplemental measures of operating performance that do not represent, and should not be considered, alternatives to net income and earnings per share, as calculated in accordance with GAAP. We believe Adjusted net

income and Adjusted net income per share, diluted, supplement GAAP measures and enable us to more effectively evaluate our performance period-over-period. A reconciliation of Adjusted net income to net income, the most directly comparable GAAP measure, and the computation of Adjusted net income per share, diluted, are set forth below.

---

(in thousands, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net income	\$ 30,418	\$ 18,004	\$ 53,912	\$ 35,870
Provision for income taxes, as reported	9,263	10,285	16,146	17,393
Purchase accounting adjustments-revenue(1)	(30)	444	414	780
Purchase accounting adjustments-rent(2)	168	191	350	387
Loss on reacquired franchise rights(3)	—	—	350	—
Transaction fees(4)	—	1,021	—	1,021
Stock offering-related costs(5)	—	329	—	937
Severance costs(6)	352	—	352	—
Pre-opening costs(7)	461	—	483	—
Early lease termination costs(8)	—	912	—	1,143
Other(9)	502	—	702	(573)
Purchase accounting amortization(10)	3,920	4,622	7,841	9,244
Adjusted income before income taxes	\$ 45,054	\$ 35,808	\$ 80,550	\$ 66,202
Adjusted income taxes(11)	11,849	14,144	21,185	26,150
Adjusted net income	\$ 33,205	\$ 21,664	\$ 59,365	\$ 40,052
Adjusted net income per share, diluted	\$ 0.34	\$ 0.22	\$ 0.60	\$ 0.41
Adjusted weighted-average shares outstanding(12)	98,810	98,391	98,760	98,459

---

- (1) Represents the impact of revenue-related purchase accounting adjustments associated with the 2012 Acquisition. At the time of the 2012 Acquisition, the Company maintained a deferred revenue account, which consisted of deferred area development agreement fees, deferred franchise fees, and deferred enrollment fees that the Company billed and collected up front but recognizes for GAAP purposes at a later date. In connection with the 2012 Acquisition, it was determined that the carrying amount of deferred revenue was greater than the fair value assessed in accordance with ASC 805—Business Combinations, which resulted in a write-down of the carrying value of the deferred revenue balance upon application of acquisition push-down accounting under ASC 805. These amounts represent the additional revenue that would have been recognized in these periods if the write-down to deferred revenue had not occurred in connection with the application of acquisition pushdown accounting.
- (2) Represents the impact of rent-related purchase accounting adjustments. In accordance with guidance in ASC 805 – Business Combinations, in connection with the 2012 Acquisition, the Company's deferred rent liability was required to be written off as of the acquisition date and rent was recorded on a straight-line basis from the acquisition date through the end of the lease term. This resulted in higher overall recorded rent expense each period than would have otherwise been recorded had the deferred rent liability not been written off as a result of the acquisition push down accounting applied in accordance with ASC 805. Adjustments of \$77, \$104, \$167 and \$207 in the three and six months ended June 30, 2018 and 2017, respectively, reflect the difference between the higher rent expense recorded in accordance with U.S. GAAP since the acquisition and the rent expense that would have been recorded had the 2012 Acquisition not occurred. Adjustments of \$92, \$88, \$183 and \$181 in the three and six months ended June 30, 2018 and 2017, respectively, are due to the amortization of favorable and unfavorable lease intangible assets. All of the rent related purchase accounting adjustments are adjustments to rent expense which is included in store operations on our consolidated statements of operations.
- (3) Represents the impact of a one-time, non-cash loss recorded in accordance with ASC 805 - Business Combinations related to our acquisition of six franchisee-owned stores on January 1, 2018. The loss recorded under GAAP represents the difference between the fair value of the reacquired franchise rights and the contractual terms of the reacquired franchise rights and is included in other (gain) loss on our consolidated statements of operations.
- (4) Represents transaction fees and expenses related to the amendment of our credit facilities.
- (5) Represents legal, accounting and other costs incurred in connection with offerings of the Company's Class A common stock.
- (6) Represents severance expense recorded in connection with an equity award modification.
- (7) Represents costs associated with new corporate-owned stores incurred prior to the store opening, including payroll-related costs, rent and occupancy expenses, marketing and other store operating supply expenses.
- (8) Represents charges and expenses incurred in connection with the early termination of the lease for our previous headquarters. In the three and six months ended June 30, 2017, this amount includes expense of \$193 and \$424, respectively, related to accelerated depreciation expense taken on our headquarters in preparation for moving to a new building.
- (9) Represents certain other charges and gains that we do not believe reflect our underlying business performance. In the three and six months ended June 30, 2018, this amount includes \$342 related to the reversal of a tax indemnification receivable. In the six months ended June 30, 2018 and 2017, this amount includes a gain of \$354 and \$541, respectively, related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rate. Additionally, in the six months ended June 30, 2018, this amount includes expense of \$590 related to the write off of certain assets that were being tested for potential use across the system.
- (10) Includes \$3,096, \$4,086, \$6,192 and \$8,172 of amortization of intangible assets, other than favorable leases, for the three and six months ended June 30, 2018 and 2017, respectively, recorded in connection with the 2012 Acquisition, and \$825, \$536, \$1,650 and \$1,072 of amortization of intangible assets for the three months ended June 30, 2018 and 2017, respectively, recorded in connection with the historical acquisitions of franchisee-owned stores. The adjustment represents the amount of actual non-cash amortization expense recorded, in accordance with U.S. GAAP, in each period.
- (11) Represents corporate income taxes at an assumed effective tax rate of 26.3% and 39.5% for the three and six months ended June 30, 2018 and 2017, respectively, applied to adjusted income before income taxes.
- (12) Assumes the full exchange of all outstanding Holdings Units and corresponding shares of Class B common stock for shares of Class A common stock of Planet Fitness, Inc.

A reconciliation of net income per share, diluted, to Adjusted net income per share, diluted is set forth below for the three and six months ended June 30, 2018 and 2017:

	For the three months ended June 30, 2018			For the three months ended June 30, 2017		
	Net income	Weighted Average Shares	Net income per share, diluted	Net income	Weighted Average Shares	Net income per share, diluted
Net income attributable to Planet Fitness, Inc.(1)	\$ 25,874	88,105	\$ 0.29	\$ 12,412	79,193	\$ 0.16
Assumed exchange of shares(2)	4,544	10,705		5,592	19,198	
Net Income	30,418			18,004		
Adjustments to arrive at adjusted income before income taxes(3)	14,636			17,804		
Adjusted income before income taxes	45,054			35,808		
Adjusted income taxes(4)	11,849			14,144		
Adjusted Net Income	\$ 33,205	98,810	\$ 0.34	\$ 21,664	98,391	\$ 0.22
	<hr/>			<hr/>		

(1) Represents net income attributable to Planet Fitness, Inc. and the associated weighted average shares, diluted of Class A common stock outstanding.

(2) Assumes the full exchange of all outstanding Holdings Units and corresponding shares of Class B common stock for shares of Class A common stock of Planet Fitness, Inc. Also assumes the addition of net income attributable to non-controlling interests corresponding with the assumed exchange of Holdings Units and Class B common shares for shares of Class A common stock.

(3) Represents the total impact of all adjustments identified in the adjusted net income table above to arrive at adjusted income before income taxes.

(4) Represents corporate income taxes at an assumed effective tax rate of 26.3% and 39.5% for the three months ended June 30, 2018 and 2017, respectively, applied to adjusted income before income taxes.

	For the six months ended June 30, 2018			For the six months ended June 30, 2017		
	Net income	Weighted Average Shares	Net income per share, diluted	Net income	Weighted Average Shares	Net income per share, diluted
Net income attributable to Planet Fitness, Inc.(1)	\$ 45,755	87,931	\$ 0.52	\$ 21,254	71,713	\$ 0.30
Assumed exchange of shares(2)	8,157	10,829		14,616	26,746	
Net Income	53,912			35,870		
Adjustments to arrive at adjusted income before income taxes(3)	26,638			30,332		
Adjusted income before income taxes	80,550			66,202		
Adjusted income taxes(4)	21,185			26,150		
Adjusted Net Income	\$ 59,365	98,760	\$ 0.60	\$ 40,052	98,459	\$ 0.41

(1) Represents net income attributable to Planet Fitness, Inc. and the associated weighted average shares, diluted of Class A common stock outstanding.

(2) Assumes the full exchange of all outstanding Holdings Units and corresponding shares of Class B common stock for shares of Class A common stock of Planet Fitness, Inc. Also assumes the addition of net income attributable to non-controlling interests corresponding with the assumed exchange of Holdings Units and Class B common shares for shares of Class A common stock.

(3) Represents the total impact of all adjustments identified in the adjusted net income table above to arrive at adjusted income before income taxes.

(4) Represents corporate income taxes at an assumed effective tax rate of 26.3% and 39.5% for the six months ended June 30, 2018 and 2017, respectively, applied to adjusted income before income taxes.

View original content with multimedia:<http://www.prnewswire.com/news-releases/planet-fitness-inc-announces-second-quarter-2018-results-300695090.html>

SOURCE Planet Fitness, Inc.