



NEWS RELEASE

Planet Fitness, Inc. Announces First Quarter 2020 Results and Provides COVID-19 Update

5/5/2020

HAMPTON, N.H., May 5, 2020 /PRNewswire/ -- Today, Planet Fitness, Inc. (NYSE: PLNT) reported financial results for its first quarter ended March 31, 2020 and provided a further update on its response to COVID-19.

"We entered 2020 with very good momentum and the new fiscal year got off to a strong start," said Chris Rondeau, Chief Executive Officer. "The outbreak of COVID-19 in the U.S. has significantly disrupted our business as well as everyday life. In an effort to protect our members, team members and communities, we and our franchisees made the decision to temporarily close all Planet Fitness stores mid-March. We also took several actions to further strengthen our financial liquidity and flexibility during these unprecedented times. We are working closely with our franchisees and assessing recommendations from state and local governments and health authorities on plans for safely reopening our stores. While there is still uncertainty about the ultimate impact COVID-19 will have on our industry and the overall economy, I am confident that Planet Fitness will emerge from this period well-positioned to further expand its leadership role in the fitness industry."

COVID-19 Update

The majority of stores remain temporarily closed and will reopen when local authorities issue guidelines authorizing the reopening of fitness centers, which has begun to happen in certain localities. Below is a summary of the current status of Planet Fitness and the actions taken to mitigate the financial impact of COVID-19 and preserve liquidity to-date.

- Board of Director and Executive Compensation: The Company's Chief Executive Officer, President, Chief

Financial and Chief Digital and Information Officers have significantly reduced their base salaries. In addition, the base salaries of other members of senior management were reduced in graduated amounts. The Board of Directors has suspended payment of the annual cash retainer to non-employee directors.

- Corporate-owned stores: We have temporarily furloughed all employees except the store manager at each corporate-owned store location while the store remains closed. These employees are able to continue receiving benefits from the Company.
- Corporate Office: Our corporate headquarters remains closed and our employees are working remotely to ensure their well-being.
- Credit Facility: We fully drew down our \$75.0 million Variable Funding Notes to provide additional liquidity.
- Share Repurchase: We have suspended share repurchases to preserve liquidity and flexibility.
- Capital Expenditures: Capital expenditures have been deferred, including new corporate-owned store openings and investments in existing corporate-owned stores.

We have not recognized first quarter revenue related to monthly membership dues collected in March before stores closed due to COVID-19 because as previously announced, members will be credited for any membership dues paid for periods when our stores were closed. We expect to recognize franchise revenue and corporate-owned store revenue associated with those membership dues as stores reopen. Those deferrals have had a significant impact on our first quarter financial results. In addition to these first quarter impacts we expect decreased new store development and remodels, as well as decreased replacement equipment sales for 2020 as a result of the COVID-19 pandemic.

First Quarter Fiscal 2020 results

- Total revenue decreased from the prior year period by 14.5% to \$127.2 million.
- System-wide same store sales increased 9.8%.
- Net income attributable to Planet Fitness, Inc. was \$8.6 million, or \$0.11 per diluted share, compared to net income attributable to Planet Fitness, Inc. of \$27.4 million, or \$0.32 per diluted share in the prior year period.
- Net income decreased 67.2% to \$10.4 million, compared to net income of \$31.6 million in the prior year period.
- Adjusted net income(1) decreased 56.0% to \$14.4 million, or \$0.16 per diluted share, compared to \$32.7 million, or \$0.35 per diluted share in the prior year period.
- Adjusted EBITDA(1) decreased 26.6% to \$46.5 million from \$63.4 million in the prior year period.
- 39 new Planet Fitness stores were opened during the period, bringing system-wide total stores to 2,039 as of March 31, 2020.
- Cash and cash equivalents as of March 31, 2020 was \$547.5 million.

(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.

Operating Results for the First Quarter Ended March 31, 2020

For the first quarter 2020, total revenue decreased \$21.6 million or 14.5% to \$127.2 million from \$148.8 million in the prior year period which included system-wide same store sales growth of 9.8%. By segment:

- Franchise segment revenue decreased \$7.2 million or 11.0% to \$58.5 million from \$65.8 million in the prior year period, and franchise segment same store sales increased 10.0%. The \$58.5 million of franchise segment revenue for the first quarter 2020 does not reflect \$18.7 million of deferred royalty and national advertising fund revenue that was collected but not recognized as a result of temporary store closures related to COVID-19;
- Corporate-owned stores segment revenue increased \$2.5 million or 6.5% to \$40.5 million from \$38.0 million in the prior year period, and corporate-owned store same store sales increased 7.3%. The \$2.5 million increase was driven by higher revenue of \$5.5 million from corporate-owned stores opened or acquired since January 1, 2019, partially offset by lower revenue of \$3.0 million from corporate-owned stores included in the same store sales base. The \$40.5 million corporate-owned stores revenue for the first quarter 2020 does not reflect \$5.9 million of deferred revenue that was collected but not recognized as a result of temporary store closures related to COVID-19; and
- Equipment segment revenue decreased \$16.8 million or 37.4% to \$28.2 million from \$45.0 million in the prior year period, due to lower equipment sales to new and existing franchisee-owned stores in the three months ended March 31, 2020 compared to the three months ended March 31, 2019. Included in the decrease is \$10.0 million of lower revenue due to COVID-19.

For the first quarter of 2020, net income attributable to Planet Fitness, Inc. was \$8.6 million, or \$0.11 per diluted share, compared to net income attributable to Planet Fitness, Inc. of \$27.4 million, or \$0.32 per diluted share in the prior year period. Net income was \$10.4 million in the first quarter of 2020 compared to \$31.6 million in the prior year period. Adjusted net income decreased 56.0% to \$14.4 million, or \$0.16 per diluted share, from \$32.7 million, or \$0.35 per diluted share in the prior year period. Adjusted net income has been adjusted to reflect a normalized federal income tax rate of 26.8% for the current year period and 26.6% 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"), decreased 26.6% to \$46.5 million from \$63.4 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 decreased \$10.6 million or 22.4% to \$36.7 million. Franchise segment EBITDA for the first quarter 2020 does not reflect \$18.7 million of deferred royalty and national advertising fund revenue that was collected but not recognized as a result of temporary store closures related to COVID-19.
- Corporate-owned stores segment EBITDA decreased \$3.6 million or 22.9% to \$12.0 million. Corporate-owned stores segment EBITDA for the first quarter 2020 does not reflect \$5.9 million of deferred revenue that was collected but not recognized as a result of temporary store closures related to COVID-19; and
- Equipment segment EBITDA decreased by \$4.0 million or 38.8% to \$6.4 million driven by lower equipment sales lower equipment sales to new and existing franchisee-owned stores. Included in the decrease was approximately \$2.5 million due to COVID-19 related closures and travel restrictions.

2020 Outlook

For the year ending December 31, 2020, the Company previously withdrew guidance as a result of uncertainty due to the COVID-19 pandemic. The Company is not providing an update at this time.

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.

Same store sales refers to year-over-year sales comparisons for the same store sales base of both corporate-owned and franchisee-owned stores, which is calculated for a given period by including only sales from stores that had sales in the comparable months of both years. We define the same store sales base to include those stores that have been open and for which monthly membership dues have been billed for longer than 12 months. We measure same store sales based solely upon monthly dues billed to members of our corporate-owned and franchisee-owned stores. As a result of COVID-19, 130 franchisee-owned stores and nine corporate-owned stores that would have been in the same store sales base closed prior to the March draft and did not draft in March. These stores were excluded from the same store sales base for March in the same store sales calculation for the three months ended March 31, 2020.

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, 2020. 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, 2020.

Investor Conference Call

The Company will hold a conference call at 4:30 pm (ET) on May 5, 2020 to discuss the news announced in this press release. A live webcast of the conference call will be accessible at 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 March 31, 2020, Planet Fitness had more than 15.5 million members and 2,039 stores in 50 states, the District of Columbia, Puerto Rico, Canada, the Dominican Republic, Panama, Mexico and Australia. 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 "2020 Outlook," those attributed to the Company's Chief Executive Officer in this press release, the Company's statements about its share repurchase program and its actions to mitigate the effects of COVID-19, and other statements, estimates and projections that do not relate solely to historical facts. Forward-looking statements can be identified by words such as "believe," "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 the duration and impact of COVID-19, which has resulted in store closures and may give rise to or heighten one or more of the other risks and uncertainties described herein, competition in the fitness industry, the Company's and franchisees' ability to attract and retain new members, the Company's and franchisees' ability to identify and secure suitable sites for new franchise stores, 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, failures, interruptions or security breaches of the Company's information systems or technology, general economic conditions and the other factors described in the Company's annual report on Form 10-K for the year ended December 31, 2019, 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
Condensed Consolidated Statements of Operations
(Unaudited)

(Amounts in thousands, except per share amounts)

	For the three months ended March 31,	
	2020	2019
Revenue:		
Franchise	\$ 48,910	\$ 52,956
Commission income	390	994
National advertising fund revenue	9,229	11,812
Corporate-owned stores	40,516	38,044
Equipment	28,186	45,011
Total revenue	127,231	148,817
Operating costs and expenses:		
Cost of revenue	21,846	34,486
Store operations	26,157	20,905
Selling, general and administrative	16,953	18,154
National advertising fund expense	15,205	11,812
Depreciation and amortization	12,792	9,907
Other loss	11	368
Total operating costs and expenses	92,964	95,632
Income from operations	34,267	53,185
Other expense, net:		
Interest income	1,927	1,798

Interest expense	(20,240)	(14,749)
Other expense	(687)	(3,318)
Total other expense, net	<u>(19,000)</u>	<u>(16,269)</u>
Income before income taxes	<u>15,267</u>	<u>36,916</u>
Provision for income taxes	4,884	5,277
Net income	<u>10,383</u>	<u>31,639</u>
Less net income attributable to non-controlling interests	1,776	4,230
Net income attributable to Planet Fitness, Inc.	<u>\$ 8,607</u>	<u>\$ 27,409</u>
Net income per share of Class A common stock:		
Basic	\$ 0.11	\$ 0.33
Diluted	\$ 0.11	\$ 0.32
Weighted-average shares of Class A common stock outstanding:		
Basic	79,098	83,806
Diluted	79,723	84,425

Planet Fitness, Inc. and subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

(Amounts in thousands, except per share amounts)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 547,494	\$ 436,256
	63,226	42,539

Restricted cash	21,082	42,268
Accounts receivable, net of allowance for bad debts of \$79 and \$111 at March 31, 2020 and December 31, 2019, respectively	2,820	877
Inventory	10,363	—
Deferred expenses – national advertising fund	7,263	8,025
Prepaid expenses	9,969	9,226
Other receivables	2,253	947
Other current assets	<u>664,470</u>	<u>540,138</u>
Total current assets		
Property and equipment, net of accumulated depreciation of \$81,585 and \$73,621 at March 31, 2020 and December 31, 2019, respectively	145,114	145,481
Right of use assets, net	150,284	155,633
Intangible assets, net	229,709	233,921
Goodwill	227,821	227,821
Deferred income taxes	456,322	412,293
Other assets, net	1,916	1,903
	<u>\$ 1,875,636</u>	<u>\$ 1,717,190</u>
Total assets		
Liabilities and stockholders' deficit		
Current liabilities:		
	\$ 17,500	\$ 17,500
Current maturities of long-term debt	37,640	21,267
Accounts payable	21,063	31,623
Accrued expenses	5,394	3,008
Equipment deposits	53,593	27,596
Deferred revenue, current	26,468	26,468
Payable pursuant to tax benefit arrangements, current	18,506	18,016
Other current liabilities	<u>180,164</u>	<u>145,478</u>
Total current liabilities		
Long-term debt, net of current maturities	<u>1,684,727</u>	<u>1,687,505</u>
Borrowings under Variable Funding Notes	75,000	—
Lease liabilities, net of current portion	148,006	152,920
Deferred revenue, net of current portion	34,193	34,458
Deferred tax liabilities	1,139	1,116

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization	12,792	9,907
Amortization of deferred financing costs	1,587	1,356
Amortization of asset retirement obligations	7	221
Deferred tax expense	4,126	2,165
Loss (gain) on re-measurement of tax benefit arrangement	(502)	3,373
Provision for bad debts	(33)	2
Equity-based compensation	947	1,315
Other	993	(269)

Changes in operating assets and liabilities, excluding effects of acquisitions:

Accounts receivable	21,409	20,032
Inventory	(1,943)	1,677
Other assets and other current assets	(250)	(2,648)
National advertising fund	(10,363)	(6,500)
Accounts payable and accrued expenses	6,381	(14,640)
Other liabilities and other current liabilities	(249)	214
Income taxes	(1,315)	1,768
Equipment deposits	2,386	4,594
Deferred revenue	25,992	3,668
Leases and deferred rent	774	60
	<u>73,122</u>	<u>57,934</u>

Net cash provided by operating activities

Cash flows from investing activities:

Additions to property and equipment	(9,110)	(7,471)
Proceeds from sale of property and equipment	135	21
Net cash used in investing activities	<u>(8,975)</u>	<u>(7,450)</u>

Cash flows from financing activities:

Principal payments on capital lease obligations	(41)	(12)
Proceeds from borrowings under Variable Funding Notes	75,000	—
Repayment of long-term debt	(4,375)	(3,000)
Proceeds from issuance of Class A common stock	491	607

Dividend equivalent payments	(57)	(20)
Distributions to Continuing LLC Members	(1,600)	(1,842)
Net cash (used in) provided by financing activities	<u>69,418</u>	<u>(4,267)</u>
Effects of exchange rate changes on cash and cash equivalents	<u>(1,640)</u>	<u>250</u>
Net increase in cash, cash equivalents and restricted cash	<u>131,925</u>	<u>46,467</u>
Cash, cash equivalents and restricted cash, beginning of period	478,795	320,139
Cash, cash equivalents and restricted cash, end of period	<u>\$ 610,720</u>	<u>\$ 366,606</u>
Supplemental cash flow information:		
Net cash paid for income taxes	\$ 2,071	\$ 1,479
Cash paid for interest	\$ 18,768	\$ 13,477
Non-cash investing activities:		
Non-cash additions to property and equipment	\$ 2,319	\$ 4,151

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 March 31,	
	2020	2019
(in thousands)		
Net income	\$ 10,383	\$ 31,639
Interest income	(1,927)	(1,798)
Interest expense	20,240	14,749
Provision for income taxes	4,884	5,277
Depreciation and amortization	12,792	9,907

EBITDA	\$ 46,372	\$ 59,774
	68	74
Purchase accounting adjustments-revenue(1)	141	123
Purchase accounting adjustments-rent(2)	361	1
Pre-opening costs(3)	(502)	3,373
Tax benefit arrangement remeasurement(4)	93	14
Other(5)		
Adjusted EBITDA	\$ 46,533	\$ 63,359

- (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 ADA fees, deferred franchise fees, and deferred enrollment fees that the Company billed and collected upfront but recognizes for U.S. 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 \$41 and \$44 in the three months ended March 31, 2020 and 2019, 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 \$100 and \$79 in the three months ended March 31, 2020 and 2019, respectively, are due to the amortization of favorable and unfavorable leases. 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 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.
- (4) Represents gains and losses related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rate.
- (5) Represents certain other charges and gains that we do not believe reflect our underlying business performance.

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

Three months ended March 31,

(in thousands)	2020	2019
Segment EBITDA		
Franchise	\$ 36,746	\$ 47,360
Corporate-owned stores	12,007	15,569
Equipment	6,367	10,407
Corporate and other	(8,748)	(13,562)
	<u>\$ 46,372</u>	<u>\$ 59,774</u>
Total Segment EBITDA(1)		

(1) Total Segment EBITDA is equal to EBITDA.

Adjusted Net Income and Adjusted Net Income per Diluted Share

Our presentation of 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 March 31,	
	2020	2019
Net income	\$ 10,383	\$ 31,639
Provision for income taxes, as reported	4,884	5,277
	68	74
Purchase accounting adjustments-revenue(1)	-	-

	141	123
Purchase accounting adjustments-rent(2)	361	1
Pre-opening costs(3)	(502)	3,373
Tax benefit arrangement remeasurement(4)	93	14
Other(5)	4,213	3,999
Purchase accounting amortization(6)		
Adjusted income before income taxes	<u>\$ 19,641</u>	<u>\$ 44,500</u>
	5,264	11,837
Adjusted income taxes(7)		
Adjusted net income	<u>\$ 14,377</u>	<u>\$ 32,663</u>
Adjusted net income per share, diluted	<u>\$ 0.16</u>	<u>\$ 0.35</u>
Adjusted weighted-average shares outstanding(8)	87,501	93,664

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- (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 ADA fees, deferred franchise fees, and deferred enrollment fees that the Company billed and collected upfront but recognizes for U.S. 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 \$41 and \$44 in the three months ended March 31, 2020 and 2019, 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 \$100 and \$79 in the three months ended March 31, 2020 and 2019, respectively, are due to the amortization of favorable and unfavorable leases. 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 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.
- (4) Represents gains and losses related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rate.
- (5) Represents certain other charges and gains that we do not believe reflect our underlying business performance.
- (6) Includes \$3,096 of amortization of intangible assets, other than favorable leases, for the three months ended March 31, 2020 and 2019, recorded in connection with the 2012 Acquisition, and \$1,117 and \$904 of amortization of intangible assets for the three months ended March 31, 2020 and 2019, respectively, recorded in connection with 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.
- (7) Represents corporate income taxes at an assumed effective tax rate of 26.8% and 26.6% for the three months ended March 31, 2020 and 2019, respectively, applied to adjusted income before income taxes.
- (8) 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 months ended March 31, 2020 and 2019:

(in thousands, except per share amounts)	For the three months ended March 31, 2020			For the three months ended March 31, 2019		
	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)	\$ 8,607	79,723	\$ 0.11	\$ 27,409	84,425	\$ 0.32
	1,776	7,778		4,230	9,239	
Assumed exchange of shares(2) Net Income	10,383			31,639		
	9,258			12,861		
Adjustments to arrive at adjusted income before income taxes(3) Adjusted income before income taxes	19,641			44,500		
	5,264			11,837		
Adjusted income taxes(4) Adjusted Net Income	\$ 14,377	87,501	\$ 0.16	\$ 32,663	93,664	\$ 0.35

(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 26.8% and 26.6% for the three months ended March 31, 2020 and 2019, respectively, applied to adjusted income before income taxes.

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