

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2021
 OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
 Commission file number: 001-37534

PLANET FITNESS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

38-3942097

(I.R.S. Employer Identification No.)

4 Liberty Lane West, Hampton, NH 03842
 (Address of Principal Executive Offices and Zip Code)
 (603) 750-0001
 (Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.0001 Par Value	PLNT	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of April 30, 2021 there were 83,222,428 shares of the Registrant's Class A Common Stock, par value \$0.0001 per share, outstanding and 3,363,075 shares of the Registrant's Class B Common Stock, par value \$0.0001 per share, outstanding.

PLANET FITNESS, INC.
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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, as well as information included in oral statements or other written statements made or to be made by us, contain statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, and other future conditions. Forward-looking statements can be identified by words such as "anticipate," "believe," "envision," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," "ongoing," "contemplate" and other similar expressions, although not all forward-looking statements contain these identifying words. Examples of forward-looking statements include, among others, statements we make regarding:

- future financial position;
- business strategy;
- budgets, projected costs and plans;
- future industry growth;
- financing sources;
- potential return of capital initiatives;
- the impact of litigation, government inquiries and investigations;
- the impact of the novel coronavirus disease ("COVID-19") and actions taken in response; and
- all other statements regarding our intent, plans, beliefs or expectations or those of our directors or officers.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. Important factors that could cause actual results and events to differ materially from those indicated in the forward-looking statements include, among others, risks and uncertainties associated with the following:

- our business and results of operations have been and are expected to continue to be materially impacted by the ongoing COVID-19 pandemic, and could be impacted by similar events in the future;
- our success depends substantially on the value of our brand, which could be materially and adversely affected by the high level of competition in the health and fitness industry, our ability to anticipate and satisfy consumer preferences, shifting views of health and fitness and our ability to obtain and retain high-profile strategic partnership arrangements;
- our and our franchisees' stores may be unable to attract and retain members, which would materially and adversely affect our business, results of operations and financial condition;
- our intellectual property rights, including trademarks, trade names, copyrights and trade dress, may be infringed, misappropriated or challenged by others;
- we and our franchisees rely heavily on information systems, including the use of email marketing and social media, and any material failure, interruption or weakness may prevent us from effectively operating our business, damage our reputation or subject us to potential fines or other penalties;
- if we fail to properly maintain the confidentiality and integrity of our data, including member credit card, debit card, bank account information and other personally identifiable information, our reputation and business could be materially and adversely affected;
- the occurrence of cyber incidents, or a deficiency in cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of confidential information, and/or damage to our employee and business relationships and reputation, all of which could harm our brand and our business;
- if we fail to successfully implement our growth strategy, which includes new store development by existing and new franchisees, our ability to increase our revenues and operating profits could be adversely affected;
- our planned growth and changes in the industry could place strains on our management, employees, information systems and internal controls, which may adversely impact our business;
- if we cannot retain our key employees and hire additional highly qualified employees, we may not be able to successfully manage our businesses and pursue our strategic objectives;
- economic, political and other risks associated with our international operations could adversely affect our profitability and international growth prospect;
- our financial results are affected by the operating and financial results of, our relationships with and actions taken by our franchisees;
- we are subject to a variety of additional risks associated with our franchisees, such as potential franchisee bankruptcies, franchisee changes in control, franchisee turnover rising costs related to construction of new stores and maintenance of existing stores, which could adversely affect the attractiveness of our franchise model, and in turn our business, results of operations and financial condition;

- we and our franchisees could be subject to claims related to health and safety risks to members that arise while at both our corporate-owned and franchise stores;
- our business is subject to various laws and regulations including, among others, those governing indoor tanning, electronic funds transfer, ACH, credit card, debit card and digital payment options, and changes in such laws and regulations, failure to comply with existing or future laws and regulations or failure to adjust to consumer sentiment regarding these matters, could harm our reputation and adversely affect our business;
- we are subject to risks associated with leasing property subject to long-term non-cancelable leases;
- if we and our franchisees are unable to identify and secure suitable sites for new franchise stores, our revenue growth rate and profits may be negatively impacted;
- opening new stores in close proximity may negatively impact our existing stores' revenues and profitability;
- our franchisees may incur rising costs related to construction of new stores and maintenance of existing stores, which could adversely affect the attractiveness of our franchise model, and in turn our business, results of operations and financial condition;
- our dependence on a limited number of suppliers for equipment and certain products and services could result in disruptions to our business and could adversely affect our revenues and gross profit; and
- the other factors identified under the heading "Risk Factors" in our annual report on Form 10-K for the fiscal year ended December 31, 2020 filed with the Securities and Exchange Commission.

The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this Report. We undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future developments or otherwise.

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Planet Fitness, Inc. and subsidiaries
Condensed consolidated balance sheets
(Unaudited)
(Amounts in thousands, except per share amounts)

	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 445,606	\$ 439,478
Restricted cash	58,327	76,322
Accounts receivable, net of allowance for bad debts of \$6 and \$7 at March 31, 2021 and December 31, 2020, respectively	7,024	16,447
Inventory	468	473
Deferred expenses – national advertising fund	13,721	—
Prepaid expenses	12,804	11,881
Other receivables	13,053	16,754
Income tax receivables	5,191	5,461
Total current assets	<u>556,194</u>	<u>566,816</u>
Property and equipment, net of accumulated depreciation of \$117,871 and \$107,720 at March 31, 2021 and December 31, 2020, respectively	161,731	160,677
Investments	25,000	—
Right-of-use assets, net	161,574	164,252
Intangible assets, net	212,916	217,075
Goodwill	227,821	227,821
Deferred income taxes	517,867	511,200
Other assets, net	1,881	1,896
Total assets	<u>\$ 1,864,984</u>	<u>\$ 1,849,737</u>
Liabilities and stockholders' deficit		
Current liabilities:		
Current maturities of long-term debt	\$ 17,500	\$ 17,500
Accounts payable	14,561	19,388
Accrued expenses	25,145	22,042
Equipment deposits	174	795
Deferred revenue, current	35,909	26,691
Other current liabilities	21,900	25,479
Total current liabilities	<u>115,189</u>	<u>111,895</u>
Long-term debt, net of current maturities	1,673,622	1,676,426
Borrowings under Variable Funding Notes	75,000	75,000
Lease liabilities, net of current portion	166,350	167,910
Deferred revenue, net of current portion	32,203	32,587
Deferred tax liabilities	821	881
Payable pursuant to tax benefit arrangements, net of current portion	496,143	488,200
Other liabilities	2,334	2,511
Total noncurrent liabilities	<u>2,446,473</u>	<u>2,443,515</u>
Commitments and contingencies (Note 12)		
Stockholders' equity (deficit):		
Class A common stock, \$.0001 par value - 300,000 authorized, 83,202 and 82,821 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	8	8
Class B common stock, \$.0001 par value - 100,000 authorized, 3,363 and 3,722 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	1	1
Accumulated other comprehensive income	38	27
Additional paid in capital	48,275	45,673
Accumulated deficit	<u>(745,997)</u>	<u>(751,578)</u>
Total stockholders' deficit attributable to Planet Fitness Inc.	<u>(697,675)</u>	<u>(705,869)</u>
Non-controlling interests	997	196
Total stockholders' deficit	<u>(696,678)</u>	<u>(705,673)</u>
Total liabilities and stockholders' deficit	<u><u>\$ 1,864,984</u></u>	<u><u>\$ 1,849,737</u></u>

See accompanying notes to condensed consolidated financial statements

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,	
	2021	2020
Revenue:		
Franchise	\$ 52,180	\$ 48,910
Commission income	272	390
National advertising fund revenue	11,609	9,229
Corporate-owned stores	37,877	40,516
Equipment	9,939	28,186
Total revenue	111,877	127,231
Operating costs and expenses:		
Cost of revenue	7,985	21,846
Store operations	25,907	26,157
Selling, general and administrative	22,490	16,953
National advertising fund expense	12,753	15,205
Depreciation and amortization	15,474	12,792
Other (gain) loss	(2,138)	11
Total operating costs and expenses	82,471	92,964
Income from operations	29,406	34,267
Other expense, net:		
Interest income	217	1,927
Interest expense	(20,244)	(20,240)
Other income (expense)	165	(687)
Total other expense, net	(19,862)	(19,000)
Income before income taxes	9,544	15,267
Provision for income taxes	3,354	4,884
Net income	6,190	10,383
Less net income attributable to non-controlling interests	609	1,776
Net income attributable to Planet Fitness, Inc.	\$ 5,581	\$ 8,607
Net income per share of Class A common stock:		
Basic	\$ 0.07	\$ 0.11
Diluted	\$ 0.07	\$ 0.11
Weighted-average shares of Class A common stock outstanding:		
Basic	83,084	79,098
Diluted	83,707	79,723

See accompanying notes to condensed consolidated financial statements.

Planet Fitness, Inc. and subsidiaries
Condensed consolidated statements of comprehensive income
(Unaudited)
(Amounts in thousands)

	For the three months ended March 31,	
	2021	2020
Net income including non-controlling interests	\$ 6,190	\$ 10,383
Other comprehensive income (loss), net:		
Foreign currency translation adjustments	11	(609)
Total other comprehensive income (loss), net	11	(609)
Total comprehensive income including non-controlling interests	6,201	9,774
Less: total comprehensive income attributable to non-controlling interests	609	1,776
Total comprehensive income attributable to Planet Fitness, Inc.	<u>\$ 5,592</u>	<u>\$ 7,998</u>

See accompanying notes to condensed consolidated financial statements.

Planet Fitness, Inc. and subsidiaries
Condensed consolidated statements of cash flows
(Unaudited)
(Amounts in thousands)

	For the three months ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 6,190	\$ 10,383
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,474	12,792
Amortization of deferred financing costs	1,571	1,587
Amortization of asset retirement obligations	(21)	7
Deferred tax expense	2,737	4,126
Gain on re-measurement of tax benefit arrangement	(348)	(502)
Provision for bad debts	—	(33)
Equity-based compensation	1,439	947
Other	11	993
Changes in operating assets and liabilities, excluding effects of acquisitions:		
Accounts receivable	9,428	21,409
Inventory	6	(1,943)
Other assets and other current assets	3,708	(250)
National advertising fund	(13,721)	(10,363)
Accounts payable and accrued expenses	(7,677)	6,381
Other liabilities and other current liabilities	(3,876)	(249)
Income taxes	295	(1,315)
Equipment deposits	(621)	2,386
Deferred revenue	8,802	25,992
Leases and deferred rent	126	774
Net cash provided by operating activities	<u>23,523</u>	<u>73,122</u>
Cash flows from investing activities:		
Additions to property and equipment	(6,359)	(9,110)
Proceeds from sale of property and equipment	—	135
Investments	(25,000)	—
Net cash used in investing activities	<u>(31,359)</u>	<u>(8,975)</u>
Cash flows from financing activities:		
Principal payments on capital lease obligations	(53)	(41)
Proceeds from borrowings under Variable Funding Notes	—	75,000
Repayment of long-term debt	(4,375)	(4,375)
Proceeds from issuance of Class A common stock	344	491
Dividend equivalent payments	—	(57)
Distributions to Continuing LLC Members	—	(1,600)
Net cash (used in) provided by financing activities	<u>(4,084)</u>	<u>69,418</u>
Effects of exchange rate changes on cash and cash equivalents	53	(1,640)
Net (decrease) increase in cash, cash equivalents and restricted cash	(11,867)	131,925
Cash, cash equivalents and restricted cash, beginning of period	<u>515,800</u>	<u>478,795</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$ 503,933</u>	<u>\$ 610,720</u>
Supplemental cash flow information:		
Net cash paid for income taxes	\$ 322	\$ 2,071
Cash paid for interest	\$ 18,794	\$ 18,768
Non-cash investing activities:		
Non-cash additions to property and equipment	\$ 7,419	\$ 2,319

See accompanying notes to condensed consolidated financial statements.

Planet Fitness, Inc. and subsidiaries
Condensed consolidated statements of changes in equity (deficit)
(Unaudited)
(Amounts in thousands)

	Class A common stock		Class B common stock		Accumulated other comprehensive (loss) income	Additional paid- in capital	Accumulated deficit	Non- controlling interests	Total (deficit) equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2020	82,821	\$ 8	3,722	\$ 1	\$ 27	\$ 45,673	\$ (751,578)	\$ 196	\$ (705,673)
Net income	—	—	—	—	—	—	5,581	609	6,190
Equity-based compensation expense	—	—	—	—	—	1,439	—	—	1,439
Exchanges of Class B common stock	359	—	(359)	—	—	(415)	—	415	—
Exercise of stock options, vesting of restricted share units and ESPP share purchase	22	—	—	—	—	414	—	—	414
Tax benefit arrangement liability and deferred taxes arising from exchanges of Class B common stock	—	—	—	—	—	1,164	—	—	1,164
Non-cash adjustments to VIEs	—	—	—	—	—	—	—	(223)	(223)
Other comprehensive income	—	—	—	—	11	—	—	—	11
Balance at March 31, 2021	<u>83,202</u>	<u>\$ 8</u>	<u>3,363</u>	<u>\$ 1</u>	<u>\$ 38</u>	<u>\$ 48,275</u>	<u>\$ (745,997)</u>	<u>\$ 997</u>	<u>\$ (696,678)</u>

	Class A common stock		Class B common stock		Accumulated other comprehensive (loss) income	Additional paid- in capital	Accumulated deficit	Non- controlling interests	Total (deficit) equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2019	78,525	\$ 8	8,562	\$ 1	\$ 303	\$ 29,820	\$ (736,587)	\$ (1,299)	\$ (707,754)
Net income	—	—	—	—	—	—	8,607	1,776	10,383
Equity-based compensation expense	—	—	—	—	—	947	—	—	947
Exchanges of Class B common stock	2,061	—	(2,061)	—	—	(956)	—	956	—
Exercise of stock options, vesting of restricted share units and ESPP share purchase	9	—	—	—	—	459	—	—	459
Repurchase and retirement of Class A common stock	(667)	—	—	—	—	—	—	—	—
Tax benefit arrangement liability and deferred taxes arising from exchanges of Class B common stock	—	—	—	—	—	6,190	—	—	6,190
Non-cash adjustments to VIEs	—	—	—	—	—	—	—	(219)	(219)
Distributions paid to members of Pla-Fit Holdings	—	—	—	—	—	—	—	(1,600)	(1,600)
Forfeiture of dividend equivalents	—	—	—	—	—	—	34	—	34
Other comprehensive income	—	—	—	—	(609)	—	—	—	(609)
Balance at March 31, 2020	<u>79,928</u>	<u>\$ 8</u>	<u>6,501</u>	<u>\$ 1</u>	<u>\$ (306)</u>	<u>\$ 36,460</u>	<u>\$ (727,946)</u>	<u>\$ (386)</u>	<u>\$ (692,169)</u>

See accompanying notes to condensed consolidated financial statements.

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Planet Fitness, Inc. and subsidiaries
Notes to Condensed Consolidated financial statements
(Unaudited)
(Amounts in thousands, except share and per share amounts)

(1) Business Organization

Planet Fitness, Inc. (the “Company”), through its subsidiaries, is a franchisor and operator of fitness centers, with more than 14.1 million members and 2,146 owned and franchised locations (referred to as stores) in 50 states, the District of Columbia, Puerto Rico, Canada, Panama, Mexico and Australia as of March 31, 2021.

In March 2020, the Company proactively closed all of its stores system wide in response to the novel coronavirus disease (“COVID-19”) pandemic in order to promote the health and safety of its members, team members and their communities. As of March 31, 2021, 2,110 stores had reopened, of which 2,009 were franchisee-owned stores and 101 were corporate-owned stores.

The Company serves as the reporting entity for its various subsidiaries that operate three distinct lines of business:

- Licensing and selling franchises under the Planet Fitness trade name.
- Owning and operating fitness centers under the Planet Fitness trade name.
- Selling fitness-related equipment to franchisee-owned stores.

The Company was formed as a Delaware corporation on March 16, 2015 for the purpose of facilitating an initial public offering (the “IPO”), which was completed on August 11, 2015 and related transactions in order to carry on the business of Pla-Fit Holdings, LLC and its subsidiaries (“Pla-Fit Holdings”). As of August 5, 2015, in connection with the recapitalization transactions that occurred prior to the IPO, the Company became the sole managing member and holder of 100% of the voting power of Pla-Fit Holdings. Pla-Fit Holdings owns 100% of Planet Intermediate, LLC, which has no operations but is the 100% owner of Planet Fitness Holdings, LLC, a franchisor and operator of fitness centers through its subsidiaries. With respect to the Company, Pla-Fit Holdings and Planet Intermediate, LLC, each entity owns nothing other than the respective entity below it in the corporate structure and each entity has no other material operations.

The Company is a holding company whose principal asset is a controlling equity interest in Pla-Fit Holdings. 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 limited liability company units of Pla-Fit Holdings (“Holdings Units”) not owned by the Company. Unless otherwise specified, “the Company” refers to both Planet Fitness, Inc. and Pla-Fit Holdings throughout the remainder of these notes.

As of March 31, 2021, Planet Fitness, Inc. held 100.0% of the voting interest and 96.1% of the economic interest of Pla-Fit Holdings and the holders of Holdings Units of Pla-Fit Holdings (the “Continuing LLC Owners”) held the remaining 3.9% economic interest in Pla-Fit Holdings.

(2) Summary of Significant Accounting Policies

(a) Basis of presentation and consolidation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, these interim financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented have been reflected. All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated financial statements as of and for the three months ended March 31, 2021 and 2020 are unaudited. The condensed consolidated balance sheet as of December 31, 2020 has been derived from the audited financial statements at that date but does not include all of the disclosures required by U.S. GAAP. These interim condensed consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 (the “Annual Report”) filed with the SEC on March 1, 2021. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

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Planet Fitness, Inc. and subsidiaries
Notes to Condensed Consolidated financial statements
(Unaudited)
(Amounts in thousands, except share and per share amounts)

As discussed in Note 1, Planet Fitness, Inc. consolidates Pla-Fit Holdings. The Company also consolidates entities in which it has a controlling financial interest, the usual condition of which is ownership of a majority voting interest. The Company also considers for consolidation certain interests where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity (“VIE”), is required to be consolidated by its primary beneficiary. The primary beneficiary of a VIE is considered to possess the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the rights to receive benefits from the VIE that are significant to it. The principal entities in which the Company possesses a variable interest include franchise entities and certain other entities. The Company is not deemed to be the primary beneficiary for Planet Fitness franchise entities. Therefore, these entities are not consolidated.

The results of the Company have been consolidated with Matthew Michael Realty LLC (“MMR”), PF Melville LLC (“PF Melville”), and Planet Fitness NAF, LLC (the “NAF”) based on the determination that the Company is the primary beneficiary with respect to these VIEs. MMR and PF Melville are real estate holding companies that derive a majority of their financial support from the Company through lease agreements for corporate stores. See Note 3 for further information related to the Company’s VIEs. The NAF is an advertising fund on behalf of which the Company typically collects 2% of gross monthly membership dues annually from franchisees, in accordance with the provisions of the franchise agreements, and uses the amounts received to support our national marketing campaigns, its social media platforms and the development of local advertising materials.

(b) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although these estimates are based on management’s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Significant areas where estimates and judgments are relied upon by management in the preparation of the consolidated financial statements include revenue recognition, valuation of equity-based compensation awards, the evaluation of the recoverability of goodwill and long-lived assets, including intangible assets, income taxes, including deferred tax assets and liabilities and reserves for unrecognized tax benefits, the liability for the Company’s tax benefit arrangements, and the value of the lease liability and related right-of-use asset recorded in accordance with ASC 842 (see Note 6).

(c) Fair Value

ASC 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1—Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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Planet Fitness, Inc. and subsidiaries
Notes to Condensed Consolidated financial statements
(Unaudited)
(Amounts in thousands, except share and per share amounts)

The carrying value and estimated fair value of certain assets and liabilities as of March 31, 2021 and December 31, 2020 were as follows:

	March 31, 2021			December 31, 2020		
	Carrying value	Estimated fair value ⁽¹⁾	Carrying value	Estimated fair value ⁽¹⁾		
Assets						
Investments - held-to-maturity ⁽¹⁾	\$ 25,000	\$ 25,000	\$ —	\$ —		
Liabilities						
Long-term debt ⁽²⁾	\$ 1,713,125	\$ 1,714,779	\$ 1,717,500	\$ 1,699,749		
Variable Funding Notes ⁽²⁾	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000		

(1) The estimated fair value of the security is determined using unobservable inputs including assumptions by the investee's management including quantitative information such as valuations in recently completed or proposed financings. These inputs are classified as Level 3.

(2) The Company's Variable Funding Notes are a variable rate loan and the fair value of this loan approximates book value based on the borrowing rates currently available for variable rate loans obtained from third party lending institutions. The estimated fair value of our fixed rate long-term debt is estimated primarily based on current bid prices for our long-term debt. Judgment is required to develop these estimates. As such, the fair value of our long-term debt is classified within Level 2, as defined under U.S. GAAP.

(d) Investments

At March 31, 2021, we held preferred shares in certain privately held entities, accounted for under ASC Topic 320, *Investments—Debt Securities*, which are included in Investments in our condensed consolidated balance sheets. As of March 31, 2021, our investments consist of held-to-maturity preferred shares that we have the positive intent and ability to hold to maturity, and which are measured at amortized cost. We review our held-to-maturity securities for estimated credit losses under ASC Topic 326, *Credit Impairment*, noting we did not recognize significant credit losses and the ending allowance for credit losses was immaterial.

The amortized cost of our held-to-maturity debt security investments was \$25,000 and \$0 at March 31, 2021 and December 31, 2020, respectively. There were no unrealized gains or losses for our held-to-maturity debt security investments as of March 31, 2021.

As of March 31, 2021, all of the Company's held-to-maturity debt security investments had a contractual maturity in 2026.

(e) Recent accounting pronouncements

The FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, in December 2019. The amendments in this Update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This guidance is effective for fiscal years beginning after December 15, 2020. The Company adopted the standard beginning January 1, 2021 with no material impact to its financial statements.

(3) Variable Interest Entities

The carrying values of VIEs included in the consolidated financial statements as of March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
PF Melville	\$ 2,483	\$ —	\$ 2,523	\$ —
MMR	2,072	—	2,099	—
Total	\$ 4,555	\$ —	\$ 4,622	\$ —

The Company also has variable interests in certain franchisees mainly through the guarantee of lease agreements up to a maximum period of ten years with earlier expiration dates possible if certain conditions are met. The Company's maximum obligation, as a result of its guarantees of leases, is approximately \$7,349 and \$7,842 as of March 31, 2021 and December 31, 2020, respectively.

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The amount of the Company's maximum obligation represents a loss that the Company could incur from the variability in credit exposure without consideration of possible recoveries through insurance or other means. In addition, the amount bears no relation to the estimated fair value of the guarantees, which is not material.

(4) Goodwill and Intangible Assets

A summary of goodwill and intangible assets at March 31, 2021 and December 31, 2020 is as follows:

	Weighted average amortization period (years)	Gross carrying amount	Accumulated amortization	Net carrying Amount
March 31, 2021				
Customer relationships	11.0	\$ 174,033	\$ (128,105)	\$ 45,928
Reacquired franchise rights	8.0	37,660	(17,272)	20,388
		211,693	(145,377)	66,316
Indefinite-lived intangible:				
Trade and brand names	N/A	146,600	—	146,600
Total intangible assets		\$ 358,293	\$ (145,377)	\$ 212,916
Goodwill		\$ 227,821	\$ —	\$ 227,821

	Weighted average amortization period (years)	Gross carrying amount	Accumulated amortization	Net carrying Amount
December 31, 2020				
Customer relationships	11.0	\$ 174,033	\$ (124,907)	\$ 49,126
Reacquired franchise rights	8.0	37,660	(16,311)	21,349
		211,693	(141,218)	70,475
Indefinite-lived intangible:				
Trade and brand names	N/A	146,600	—	146,600
Total intangible assets		\$ 358,293	\$ (141,218)	\$ 217,075
Goodwill		\$ 227,821	\$ —	\$ 227,821

The Company determined that no impairment charges were required during any periods presented.

Amortization expense related to the intangible assets totaled \$4,159 and \$4,223 for the three months ended March 31, 2021 and 2020, respectively. The anticipated annual amortization expense related to intangible assets to be recognized in future years as of March 31, 2021 is as follows:

	Amount
Remainder of 2021	\$ 12,477
2022	16,728
2023	16,558
2024	14,067
2025	3,066
Thereafter	3,420
Total	<u><u>\$ 66,316</u></u>

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(5) Long-Term Debt

Long-term debt as of March 31, 2021 and December 31, 2020 consists of the following:

	March 31, 2021	December 31, 2020
2018-1 Class A-2-I notes	\$ 560,625	\$ 562,063
2018-1 Class A-2-II notes	609,375	610,938
2019-1 Class A-2 notes	543,125	544,500
Borrowings under Variable Funding Notes	75,000	75,000
Total debt, excluding deferred financing costs	1,788,125	1,792,501
Deferred financing costs, net of accumulated amortization	(22,003)	(23,575)
Total debt	1,766,122	1,768,926
Current portion of long-term debt	17,500	17,500
Long-term debt and borrowings under Variable Funding Notes, net of current portion	<u>\$ 1,748,622</u>	<u>\$ 1,751,426</u>

Future annual principal payments of long-term debt as of March 31, 2021 are as follows:

	Amount
Remainder of 2021	\$ 13,124
2022	568,063
2023	86,750
2024	11,750
2025	591,438
Thereafter	517,000
Total	<u>\$ 1,788,125</u>

On August 1, 2018, Planet Fitness Master Issuer LLC (the “Master Issuer”), a limited-purpose, bankruptcy remote, wholly-owned indirect subsidiary of Pla-Fit Holdings, LLC, entered into a base indenture and a related supplemental indenture (collectively, the “2018 Indenture”) under which the Master Issuer may issue multiple series of notes. On the same date, the Master Issuer issued Series 2018-1 4.262% Fixed Rate Senior Secured Notes, Class A-2-I (the “2018 Class A-2-I Notes”) with an initial principal amount of \$575,000 and Series 2018-1 4.666% Fixed Rate Senior Secured Notes, Class A-2-II (the “2018 Class A-2-II Notes” and, together with the 2018 Class A-2-I Notes, the “2018 Notes”) with an initial principal amount of \$625,000. In connection with the issuance of the 2018 Notes, the Master Issuer also entered into a revolving financing facility that allows for the incurrence of up to \$75,000 in revolving loans and/or letters of credit under the Master Issuer’s Series 2018-1 Variable Funding Senior Notes, Class A-1 (the “Variable Funding Notes”). The Company fully drew down on the Variable Funding Notes on March 20, 2020. Outstanding amounts under the Variable Funding Notes bear interest at a variable rate, which is 2.20% as of March 31, 2021. On December 3, 2019 the Master Issuer issued Series 2019-1 3.858% Fixed Rate Senior Secured Notes, Class A-2 (the “2019 Notes” and, together with the 2018 Notes, the “Notes”) with an initial principal amount of \$550,000. The 2019 Notes were issued under the 2018 Indenture and a related supplemental indenture dated December 3, 2019 (together, the “Indenture”). Together the Notes and Variable Funding Notes will be referred to as the “Securitized Senior Notes”.

The Notes were issued in a securitization transaction pursuant to which most of the Company’s domestic revenue-generating assets, consisting principally of franchise-related agreements, certain corporate-owned store assets, equipment supply agreements and intellectual property and license agreements for the use of intellectual property, were assigned to the Master Issuer and certain other limited-purpose, bankruptcy remote, wholly-owned indirect subsidiaries of the Company that act as guarantors of the Securitized Senior Notes and that have pledged substantially all of their assets to secure the Securitized Senior Notes.

Interest and principal payments on the Notes are payable on a quarterly basis. The requirement to make such quarterly principal payments on the Notes is subject to certain financial conditions set forth in the Indenture. The legal final maturity date of the 2018 Notes is in September 2048, but it is anticipated that, unless earlier prepaid to the extent permitted under the Indenture, the 2018 Class A-2-I Notes will be repaid in September 2022 and the 2018 Class A-2-II Notes will be repaid in September 2025. The legal final maturity date of the 2019 Notes is in December 2049, but it is anticipated that, unless earlier prepaid to the extent permitted under the Indenture, the 2019 Notes will be repaid in December 2029 (together, the “Anticipated Repayment

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Dates"). If the Master Issuer has not repaid or refinanced the Notes prior to the respective Anticipated Repayment Dates, additional interest will accrue pursuant to the Indenture.

As noted above, the Company borrowed the full \$75,000 in Variable Funding Notes on March 20, 2020. The Variable Funding Notes accrue interest at a variable interest rate based on (i) the prime rate, (ii) overnight federal funds rates, (iii) the London interbank offered rate (or "LIBOR") for U.S. Dollars, or (iv) with respect to advances made by conduit investors, the weighted average cost of, or related to, the issuance of commercial paper allocated to fund or maintain such advances, in each case plus any applicable margin and as specified in the Variable Funding Notes. As of March 31, 2021, the applicable borrowing rate is 2.20%. There is a commitment fee on the unused portion of the Variable Funding Notes of 0.5% based on utilization. It is anticipated that the principal and interest on the Variable Funding Notes will be repaid in full on or prior to September 2023, subject to two additional one-year extension options. Following the anticipated repayment date (and any extensions thereof) additional interest will accrue on the Variable Funding Notes equal to 5.0% per year. The Company does not anticipate the expected discontinuation of LIBOR to have a material impact on its financial statements.

In connection with the issuance of the 2018 Notes and 2019 Notes, the Company incurred debt issuance costs of \$27,133 and \$10,577, respectively. The debt issuance costs are being amortized to "Interest expense" through the Anticipated Repayment Dates of the Notes utilizing the effective interest rate method.

The Securitized Senior Notes are subject to covenants and restrictions customary for transactions of this type, including (i) that the Master Issuer maintains specified reserve accounts to be used to make required payments in respect of the Securitized Senior Notes, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified make-whole payments in the case of the Notes under certain circumstances, (iii) certain indemnification payments in the event, among other things, the assets pledged as collateral for the Securitized Senior Notes are in stated ways defective or ineffective, (iv) a cap on non-securitized indebtedness of \$50,000 (provided that the Company may incur non-securitized indebtedness in excess of such amount, subject to the leverage ratio cap described below, under certain conditions, including if the relevant lenders execute a non-disturbance agreement that acknowledges the bankruptcy-remote status of the Master Issuer and its subsidiaries and of their respective assets), (v) a leverage ratio cap incurrence test on the Company of 7.0x (calculated without regard for any indebtedness subject to the \$50,000 cap) and (vi) covenants relating to recordkeeping, access to information and similar matters.

Pursuant to a parent company support agreement, the Company has agreed to cause its subsidiary to perform each of its obligations (including any indemnity obligations) and duties under the Management Agreement and under the contribution agreements entered into in connection with the securitized financing facility, in each case as and when due. To the extent that such subsidiary has not performed any such obligation or duty within the prescribed time frame after such obligation or duty was required to be performed, the Company has agreed to either (i) perform such obligation or duty or (ii) cause such obligations or duties to be performed on the Company's behalf.

The Securitized Senior Notes are also subject to customary rapid amortization events provided for in the Indenture, including events tied to failure to maintain stated debt service coverage ratios, certain manager termination events, an event of default, and the failure to repay or refinance the Notes on the applicable scheduled Anticipated Repayment Dates. The Securitized Senior Notes are also subject to certain customary events of default, including events relating to non-payment of required interest, principal, or other amounts due on or with respect to the Securitized Senior Notes, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties, failure of security interests to be effective, and certain judgments.

In accordance with the Indenture, certain cash accounts have been established with the Indenture trustee (the "Trustee") for the benefit of the trustee and the noteholders, and are restricted in their use. The Company holds restricted cash which primarily represents cash collections held by the Trustee, interest, principal, and commitment fee reserves held by the Trustee related to the Securitized Senior Notes. As of March 31, 2021, the Company had restricted cash held by the Trustee of \$42,319. Restricted cash has been combined with cash and cash equivalents when reconciling the beginning and end of period balances in the consolidated statements of cash flows.

(6) Leases

The Company leases space to operate corporate-owned stores, equipment, office, and warehouse space. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. For leases beginning in 2019 and later, we account for fixed lease and non-lease components together

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as a single, combined lease component. Variable lease costs, which may include common area maintenance, insurance, and taxes are not included in the lease liability and are expensed in the period incurred.

Our corporate-owned store leases generally have remaining terms of one to ten years, and typically include one or more renewal options, with renewal terms that can generally extend the lease term from three to ten years or more. The exercise of lease renewal options is at our sole discretion. The Company includes options to renew in the expected term when they are reasonably certain to be exercised. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

Operating lease ROU assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease ROU assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs and lease incentives. To determine the present value of lease payments not yet paid, we estimate incremental secured borrowing rates corresponding to the maturities of the leases based upon interpolated rates using our Class A-2 Notes.

The Company has certain non-real estate leases that are accounted for as finance leases under ASC 842. These leases are immaterial, and therefore the Company has not included them in them in the tables below, except for their location on the consolidated balance sheet.

Our leases typically contain rent escalations over the lease term. We recognize expense for these leases on a straight-line basis over the lease term. Additionally, tenant incentives used to fund leasehold improvements are recognized when earned and reduce our ROU asset related to the lease. These tenant incentives are amortized as reduction of rent expense over the lease term.

Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Leases	Classification	March 31, 2021	December 31, 2020
Assets			
Operating lease ROU assets	Right of use asset, net	\$ 161,574	\$ 164,252
Finance lease assets	Property and equipment, net of accumulated depreciation	260	306
Total lease assets		<u>\$ 161,834</u>	<u>\$ 164,558</u>
Liabilities			
Current:			
Operating	Other current liabilities	\$ 19,727	\$ 19,544
Noncurrent:			
Operating	Lease liabilities, net of current portion	166,350	167,910
Financing	Other liabilities	277	327
Total lease liabilities		<u>\$ 186,354</u>	<u>\$ 187,781</u>
Weighted-average remaining lease term (years) - operating leases		8.5	8.7
Weighted-average discount rate - operating leases		5.1 %	5.1 %

During the three months ended March 31, 2021 and 2020, the components of lease cost were as follows:

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	Three months ended March 31,	
	2021	2020
Operating lease cost	\$ 6,693	\$ 6,392
Variable lease cost	2,374	2,372
Total lease cost	\$ 9,067	\$ 8,764

The Company's costs related to short-term leases, those with a duration between one and twelve months, were immaterial.

Supplemental disclosures of cash flow information related to leases were as follows:

	Three months ended March 31,	
	2021	2020
Cash paid for lease liabilities	\$ 6,577	\$ 5,798
Operating lease ROU assets obtained in exchange for operating lease liabilities	\$ 4,627	\$ —

As of March 31, 2021, maturities of lease liabilities were as follows:

	Amount
Remainder of 2021	\$ 21,349
2022	28,981
2023	28,555
2024	27,180
2025	26,565
Thereafter	99,399
Total lease payments	\$ 232,029
Less: imputed interest	45,675
Present value of lease liabilities	\$ 186,354

As of March 31, 2021, operating lease payments exclude approximately \$198 of legally binding minimum lease payments for leases signed but not yet commenced.

(7) Revenue recognition

Contract Liabilities

Contract liabilities consist primarily of deferred revenue resulting from initial and renewal franchise fees and area development agreement ("ADA") fees paid by franchisees, as well as transfer fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement, and NAF revenue billed in advance of satisfaction of the Company's performance obligation. Also included are corporate-owned store enrollment fees, annual fees and monthly fees as well as deferred equipment rebates relating to our equipment business. We classify these contract liabilities as deferred revenue in our condensed consolidated balance sheets.

The following table reflects the change in contract liabilities between December 31, 2020 and March 31, 2021.

	Contract liabilities
Balance at December 31, 2020	\$ 59,278
Revenue recognized that was included in the contract liability at the beginning of the year	(13,473)
Increase, excluding amounts recognized as revenue during the period	22,307
Balance at March 31, 2021	\$ 68,112

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The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2021. The Company has elected to exclude short term contracts, sales and usage based royalties and any other variable consideration recognized on an “as invoiced” basis.

Contract liabilities to be recognized in:

	Amount
Remainder of 2021	\$ 34,044
2022	4,718
2023	3,637
2024	3,377
2025	3,025
Thereafter	19,311
Total	68,112

(8) Related Party Transactions

Activity with entities considered to be related parties is summarized below:

	For the three months ended March 31,	
	2021	2020
Franchise revenue	\$ 553	\$ 500
Equipment revenue	—	93
Total revenue from related parties	\$ 553	\$ 593

Additionally, the Company had deferred franchise agreement and area development agreement revenue from related parties of \$173 and \$182 as of March 31, 2021 and December 31, 2020, respectively.

The Company had payables to related parties pursuant to tax benefit arrangements of \$74,347 and \$71,416, as of March 31, 2021 and December 31, 2020, respectively (see Note 11).

The Company provides administrative services to the NAF and typically charges NAF a fee for providing these services. The services provided include accounting services, information technology, data processing, product development, legal and administrative support, and other operating expenses, which amounted to \$499 and \$569 for the three months ended March 31, 2021 and 2020, respectively.

In the three months ended March 31, 2021 and 2020, the Company incurred approximately \$0 and \$49, respectively, which is included within selling, general and administrative expense on the consolidated statements of operations, for corporate travel to a third-party company which is affiliated with our Chief Executive Officer.

In May 2020, the Company provided a short-term loan of approximately \$8,950 to its third party payment processor related to amounts drafted by franchisee-owned stores in March that were not collected as part of the typical monthly process as a result of the impact of COVID-19. The third party payment processor has begun its repayment of this loan and the Company expects repayment will occur over several months. As of March 31, 2021, approximately \$1,797 of the loan balance is outstanding and is included within other receivables on the balance sheet.

(9) Stockholders' Equity

Pursuant to the exchange agreement between the Company and the Continuing LLC Owners, the Continuing LLC Owners (or certain permitted transferees thereof) have the right, from time to time and subject to the terms of the exchange agreement, to exchange their Holdings Units, along with a corresponding number of shares of Class B common stock, for shares of Class A common stock (or cash at the option of the Company) on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends, reclassifications and similar transactions. In connection with any exchange of Holdings Units for shares of Class A common stock by a Continuing LLC Owner, the number of Holdings Units held by the Company is correspondingly increased as it acquires the exchanged Holdings Units, and a corresponding number of shares of Class B common stock are canceled.

During the three months ended March 31, 2021, certain existing holders of Holdings Units exercised their exchange rights and exchanged 358,979 Holdings Units for 358,979 newly-issued shares of Class A common stock. Simultaneously, and in

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connection with these exchanges, 358,979 shares of Class B common stock were surrendered by the holders of Holdings Units that exercised their exchange rights and canceled. Additionally, in connection with these exchanges, Planet Fitness, Inc. received 358,979 Holdings Units, increasing its total ownership interest in Pla-Fit Holdings.

As a result of the above transactions, as of March 31, 2021:

- Holders of our Class A common stock owned 83,202,252 shares of our Class A common stock, representing 96.1% of the voting power in the Company and, through the Company, 83,202,252 Holdings Units representing 96.1% of the economic interest in Pla-Fit Holdings; and
- the Continuing LLC Owners collectively owned 3,363,075 Holdings Units, representing 3.9% of the economic interest in Pla-Fit Holdings, and 3,363,075 shares of our Class B common stock, representing 3.9% of the voting power in the Company.

Share repurchase program

2019 share repurchase program

On November 5, 2019, our board of directors approved a share repurchase program of up to \$500,000.

On December 4, 2019, the Company entered into a \$300,000 accelerated share repurchase agreement (the “2019 ASR Agreement”) with JPMorgan Chase Bank, N.A. (“JPMC”). Pursuant to the terms of the 2019 ASR Agreement, on December 5, 2019, the Company paid JPMC \$300,000 upfront in cash and received 3,289,924 shares of the Company’s Class A common stock, which were retired, and the Company elected to record as a reduction to retained earnings of \$240,000. Final settlement of the ASR Agreement occurred on March 2, 2020. At final settlement, JPMC delivered 666,961 additional shares of the Company’s Class A common stock, based on a weighted average cost per share of \$75.82 over the term of the 2019 ASR Agreement, which were retired. This had been evaluated as an unsettled forward contract indexed to our own stock, with \$60,000 classified as a reduction to retained earnings at the original date of payment.

On March 18, 2020, the Company announced the suspension of its 2019 share repurchase program. If the 2019 share repurchase program is reinstated, the timing of purchases and amount of stock repurchased will be 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 the Securitized Senior 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. The Company may reinstate or terminate the program at any time.

Preferred stock

The Company had 50,000,000 shares of preferred stock authorized and none issued or outstanding for the three months ended March 31, 2021 and 2020.

(10) Earnings Per Share

Basic earnings per share of Class A common stock is computed by dividing net income attributable to Planet Fitness, Inc. by the weighted-average number of shares of Class A common stock outstanding during the same period. Diluted earnings per share of Class A common stock is computed by dividing net income attributable to Planet Fitness, Inc. by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities.

Shares of the Company’s Class B common stock do not share in the earnings or losses attributable to Planet Fitness, Inc. and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B common stock under the two-class method has not been presented. Shares of the Company’s Class B common stock are, however, considered potentially dilutive shares of Class A common stock because shares of Class B common stock, together with the related Holdings Units, are exchangeable into shares of Class A common stock on a one-for-one basis.

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The following table sets forth reconciliations used to compute basic and diluted earnings per share of Class A common stock:

	Three months ended March 31,	
	2021	2020
Numerator		
Net income	\$ 6,190	\$ 10,383
Less: net income attributable to non-controlling interests	609	1,776
Net income attributable to Planet Fitness, Inc.	\$ 5,581	\$ 8,607
Denominator		
Weighted-average shares of Class A common stock outstanding - basic	83,084,096	79,098,468
Effect of dilutive securities:		
Stock options	563,928	574,286
Restricted stock units	59,190	50,614
Weighted-average shares of Class A common stock outstanding - diluted	83,707,214	79,723,368
Earnings per share of Class A common stock - basic	\$ 0.07	\$ 0.11
Earnings per share of Class A common stock - diluted	\$ 0.07	\$ 0.11

Weighted average shares of Class B common stock of 3,471,842 and 7,777,435 for the three months ended March 31, 2021 and 2020, respectively, were evaluated under the if-converted method for potential dilutive effects and were determined to be anti-dilutive. Weighted average stock options outstanding of 44,258 and 114,342 for the three months ended March 31, 2021 and 2020, respectively, were evaluated under the treasury stock method for potential dilutive effects and were determined to be anti-dilutive. Weighted average restricted stock units outstanding of 0 and 2,827 for the three months ended March 31, 2021 and 2020, respectively, were evaluated under the treasury stock method for potential dilutive effects and were determined to be anti-dilutive.

(11) Income Taxes

The Company is the sole managing member of Pla-Fit Holdings, which is treated as a partnership for U.S. federal and certain state and local income taxes. As a partnership, Pla-Fit Holdings is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by Pla-Fit Holdings is passed through to and included in the taxable income or loss of its members, including the Company, on a pro-rata basis.

Planet Fitness, Inc. is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to our allocable share of any taxable income of Pla-Fit Holdings. The Company's effective tax rate was 35.1% and 32.0% for the three months ended March 31, 2021 and 2020, respectively. The effective tax rate for the three months ended March 31, 2021 and 2020 differed from the U.S. federal statutory rate of 21% primarily due to state and local taxes, partially offset by income attributable to non-controlling interests. The Company was also subject to taxes in foreign jurisdictions.

Net deferred tax assets of \$517,046 and \$510,319 as of March 31, 2021 and December 31, 2020, respectively, relate primarily to the tax effects of temporary differences in the book basis as compared to the tax basis of our investment in Pla-Fit Holdings as a result of the secondary offerings, other exchanges, recapitalization transactions and the IPO.

As of March 31, 2021 and December 31, 2020, the total liability related to uncertain tax positions was \$420. The Company recognizes interest accrued and penalties, if applicable, related to unrecognized tax benefits in income tax expense. Interest and penalties for the three months ended March 31, 2021 and 2020 were not material.

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Tax benefit arrangements

The Company's acquisition of Holdings Units in connection with the IPO and future and certain past exchanges of Holdings Units for shares of the Company's Class A common stock (or cash at the option of the Company) are expected to produce and have produced favorable tax attributes. In connection with the IPO, the Company entered into two tax receivable agreements. Under the first of those agreements, the Company generally is required to pay to certain existing and previous equity owners of Pla-Fit Holdings (the "TRA Holders") 85% of the applicable tax savings, if any, in U.S. federal and state income tax that the Company is deemed to realize as a result of certain tax attributes of their Holdings Units sold to the Company (or exchanged in a taxable sale) and that are created as a result of (i) the exchanges of their Holdings Units for shares of Class A common stock and (ii) tax benefits attributable to payments made under the tax receivable agreement (including imputed interest). Under the second tax receivable agreement, the Company generally is required to pay to TSG AIV II-A L.P and TSG PF Co-Investors A L.P. (the "Direct TSG Investors") 85% of the amount of tax savings, if any, that the Company is deemed to realize as a result of the tax attributes of the Holdings Units held in respect of the Direct TSG Investors' interest in the Company, which resulted from the Direct TSG Investors' purchase of interests in Pla-Fit Holdings in 2012, and certain other tax benefits. Under both agreements, the Company generally retains the benefit of the remaining 15% of the applicable tax savings.

During the three months ended March 31, 2021, 358,979 Holdings Units were exchanged by the TRA Holders for newly issued shares of Class A common stock, resulting in an increase in the tax basis of the net assets of Pla-Fit Holdings subject to the provisions of the tax receivable agreements. As a result of the change in Planet Fitness, Inc.'s ownership percentage of Pla-Fit Holdings, we recorded a decrease to our net deferred tax assets of \$258 during the three months ended March 31, 2021. As a result of these exchanges, during the three months ended March 31, 2021, we also recognized deferred tax assets in the amount of \$9,714, and corresponding tax benefit arrangement liabilities of \$8,292, representing approximately 85% of the tax benefits due to the TRA Holders. The offset to the entries recorded in connection with exchanges was to equity.

As of March 31, 2021 and December 31, 2020, the Company had a liability of \$496,143 and \$488,200, respectively, related to its projected obligations under the tax benefit arrangements. Projected future payments under the tax benefit arrangements are as follows:

	Amount
Remainder of 2021	\$ —
2022	9,738
2023	32,359
2024	38,296
2025	47,389
Thereafter	368,361
Total	<u>\$ 496,143</u>

(12) Commitments and contingencies

From time to time, and in the ordinary course of business, the Company is subject to various claims, charges, and litigation, such as employment-related claims and slip and fall cases.

On September 3, 2020, the Company and other defendants, including an officer of the Company who is a related party, received a final amendment to the joint and several judgment against them in a civil action brought by a former employee. As of March 31, 2021, the Company has estimated its obligation related to this matter to be approximately \$2,063, which is included in other current liabilities on the condensed consolidated balance sheet. In connection with 2012 acquisition of Pla-Fit Holdings on November 8, 2012, the sellers are obligated to indemnify the Company related to this specific matter. The Company has therefore recorded an offsetting indemnification receivable of \$2,063 in other receivables on the Company's condensed consolidated balance sheet, for which it has determined to record a full reserve as a result of potential uncertainty around collectability. Due to the joint and several nature of the judgment, the Company has determined that the amount of estimated obligation recorded constitutes a related party transaction. The Company has incurred, and may incur in the future, legal costs on behalf of the defendants in the case, which include a related party. These costs have not been and are not expected to be material in the future.

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(Amounts in thousands, except share and per share amounts)

Mexico Acquisition

On March 19, 2020, a franchisee in Mexico exercised a put option that requires the Company to acquire their franchisee-owned stores in Mexico. The transaction has not closed as of March 31, 2021 as the parties are in dispute over the final terms of the transaction and related matters. The Company analyzed the contract and estimates that the purchase price will approximate fair value of the acquired assets.

The Company is not currently aware of any other legal proceedings or claims that the Company believes will have, individually or in the aggregate, a material adverse effect on the Company's financial position or result of operations.

(13) Segments

The Company has three reportable segments: (i) Franchise; (ii) Corporate-owned stores; and (iii) Equipment.

The Company's operations are organized and managed by type of products and services and segment information is reported accordingly. The Company's chief operating decision maker (the "CODM") is its Chief Executive Officer. The CODM reviews financial performance and allocates resources by reportable segment. There have been no operating segments aggregated to arrive at the Company's reportable segments.

The Franchise segment includes operations related to the Company's franchising business in the United States, Puerto Rico, Canada, Panama, Mexico and Australia, including revenues and expenses from the NAF. The Corporate-owned stores segment includes operations with respect to all corporate-owned stores throughout the United States and Canada. The Equipment segment primarily includes the sale of equipment to our United States franchisee-owned stores.

The accounting policies of the reportable segments are the same as those described in Note 2. The Company evaluates the performance of its segments and allocates resources to them based on revenue and earnings before interest, taxes, depreciation, and amortization, referred to as Segment EBITDA. Revenues for all operating segments include only transactions with unaffiliated customers and include no intersegment revenues.

The tables below summarize the financial information for the Company's reportable segments for the three months ended March 31, 2021 and 2020. The "Corporate and other" category, as it relates to Segment EBITDA, primarily includes corporate overhead costs, such as payroll and related benefit costs and professional services which are not directly attributable to any individual segment.

	Three months ended March 31,	
	2021	2020
Revenue		
Franchise segment revenue - U.S.	\$ 63,344	\$ 57,342
Franchise segment revenue - International	717	1,187
Franchise segment total	64,061	58,529
Corporate-owned stores - U.S.	37,800	39,566
Corporate-owned stores - International	77	950
Corporate-owned stores total	37,877	40,516
Equipment segment - U.S.	9,939	27,695
Equipment segment - International	—	491
Equipment segment total	9,939	28,186
Total revenue	\$ 111,877	\$ 127,231

Franchise segment revenue includes franchise revenue, NAF revenue, and commission income.

Franchise revenue includes revenue generated from placement services of \$779 and \$2,013 for the three months ended March 31, 2021 and 2020, respectively.

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	Three months ended March 31,	
	2021	2020
Segment EBITDA		
Franchise	\$ 41,180	\$ 36,746
Corporate-owned stores	10,691	12,007
Equipment	1,830	6,367
Corporate and other	(8,656)	(8,748)
Total Segment EBITDA	<u>\$ 45,045</u>	<u>\$ 46,372</u>

The following table reconciles total Segment EBITDA to income before taxes:

	Three months ended March 31,	
	2021	2020
Total Segment EBITDA	\$ 45,045	\$ 46,372
Less:		
Depreciation and amortization	15,474	12,792
Other income (expense)	165	(687)
Income from operations	29,406	34,267
Interest income	217	1,927
Interest expense	(20,244)	(20,240)
Other income (expense)	165	(687)
Income before income taxes	<u>\$ 9,544</u>	<u>\$ 15,267</u>

The following table summarizes the Company's assets by reportable segment:

	March 31, 2021	December 31, 2020
Franchise	\$ 188,028	\$ 174,812
Corporate-owned stores	479,177	468,628
Equipment	161,475	171,201
Unallocated	1,036,304	1,035,096
Total consolidated assets	\$ 1,864,984	\$ 1,849,737

The table above includes \$774 and \$828 of long-lived assets located in the Company's international corporate-owned stores as of March 31, 2021 and December 31, 2020, respectively. All other assets are located in the U.S.

The following table summarizes the Company's goodwill by reportable segment:

	March 31, 2021	December 31, 2020
Franchise	\$ 16,938	\$ 16,938
Corporate-owned stores	118,217	118,217
Equipment	92,666	92,666
Consolidated goodwill	\$ 227,821	\$ 227,821

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(Amounts in thousands, except share and per share amounts)

(14) Corporate-Owned and Franchisee-Owned Stores

The following table shows changes in our corporate-owned and franchisee-owned stores for the three months ended March 31, 2021 and 2020:

	For the three months ended March 31,	
	2021	2020
Franchisee-owned stores:		
Stores operated at beginning of period	2,021	1,903
New stores opened	22	38
Stores debranded, sold or consolidated ⁽¹⁾	—	(1)
Stores operated at end of period ⁽²⁾	<u>2,043</u>	<u>1,940</u>
Corporate-owned stores:		
Stores operated at beginning of period	103	98
New stores opened	—	1
Stores acquired from franchisees	—	—
Stores operated at end of period ⁽²⁾	<u>103</u>	<u>99</u>
Total stores:		
Stores operated at beginning of period	2,124	2,001
New stores opened	22	39
Stores acquired, debranded, sold or consolidated ⁽¹⁾	—	(1)
Stores operated at end of period ⁽²⁾	<u>2,146</u>	<u>2,039</u>

(1) The term “debrand” refers to a franchisee-owned store whose right to use the Planet Fitness brand and marks has been terminated in accordance with the franchise agreement. The Company retains the right to prevent debranded stores from continuing to operate as fitness centers. The term “consolidated” refers to the combination of a franchisee’s store with another store located in close proximity with our prior approval. This often coincides with an enlargement, re-equipment and/or refurbishment of the remaining store.

(2) The “stores operated” include stores that have closed temporarily related to the COVID-19 pandemic. All stores were closed in March 2020 in response to COVID-19, and as of March 31, 2021 2,110 were re-opened and operating, of which 2,009 were franchisee-owned stores and 101 were corporate-owned stores.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless the context requires otherwise, references in this report to the "Company," "we," "us" and "our" refer to Planet Fitness, Inc. and its consolidated subsidiaries.

Overview

We are one of the largest and fastest-growing franchisors and operators of fitness centers in the United States by number of members and locations, with a highly recognized national brand. Our 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, where anyone—and we mean anyone—can feel they belong. Our bright, clean stores are typically 20,000 square feet, with a large selection of high-quality, purple and yellow Planet Fitness-branded cardio, circuit- and weight-training equipment and friendly staff trainers who offer unlimited free fitness instruction to all our members in small groups through our PE@PF program. We offer this differentiated fitness experience at only \$10 per month for our standard membership. This exceptional value proposition is designed to appeal to a broad population, including occasional gym users and the approximately 80% of the U.S. and Canadian populations over age 14 who are not gym members, particularly those who find the traditional fitness club setting intimidating and expensive. We and our franchisees fiercely protect Planet Fitness' community atmosphere—a place where you do not need to be fit before joining and where progress toward achieving your fitness goals (big or small) is supported and applauded by our staff and fellow members.

As of March 31, 2021, we had more than 14.1 million members and 2,146 stores in all 50 states, the District of Columbia, Puerto Rico, Canada, Panama, Mexico and Australia. Of our 2,146 stores, 2,043 are franchised and 103 are corporate-owned. As of March 31, 2021, we had commitments to open more than 1,000 new stores under existing ADAs.

COVID-19 Impact

On March 11, 2020, the World Health Organization declared a global pandemic related to the COVID-19 outbreak. The pandemic has caused unprecedented economic volatility and uncertainty, which has negatively impacted our recent operating results. In response to the COVID-19 pandemic, we proactively closed all of our stores system wide in March 2020. Our stores began reopening in early May 2020 as local guidelines allowed, and as of March 31, 2021, 2,110 of our stores were open and operating, of which 2,009 were franchisee-owned stores and 101 were corporate-owned stores. As COVID-19 continues to impact areas in which our stores operate, certain of our stores have had to re-close, and additional stores may have to re-close, pursuant to local guidelines. As previously announced, members have not and will not be charged membership dues while our stores are closed and are credited for any membership dues paid for periods when our stores were closed. We have experienced and continue to expect to experience decreased new store development and remodels, as well as decreased replacement equipment sales for 2021 as a result of the COVID-19 pandemic.

We continue to reopen stores as local authorities issue guidelines authorizing the reopening of fitness centers and we determine it is safe to do so. As stores reopened we have recognized franchise revenue and corporate-owned store revenue associated with any membership dues collected prior to store closures. We continue to defer revenue for stores that have not yet reopened. We may have to defer further revenue in the future for stores that are required to re-close.

The duration of the COVID-19 pandemic and the extent of its impact on our business cannot be reasonably estimated at this time. We anticipate that the COVID-19 pandemic will continue to negatively impact our operating results in future periods. As a result of COVID-19 we have experienced to date, and may continue to experience, a decrease in our net membership base. We are not providing guidance at this time due to continued uncertainty around the duration and impact of COVID-19.

We have taken a number of actions to efficiently manage the business, as well as increase liquidity and financial flexibility in order to mitigate the impact of the COVID-19 pandemic on our business. Although we expect the COVID-19 pandemic to continue to negatively impact the Company's operations and cash flows, based on management's current expectations and currently available information, the Company believes current cash and cash from operations will be sufficient to meet its operating cash requirements, planned capital expenditures and interest and principal payments for at least the next twelve months.

Our segments

We operate and manage our business in three business segments: Franchise, Corporate-owned stores and Equipment. Our Franchise segment includes operations related to our franchising business in the United States, Puerto Rico, Canada, Panama, Mexico and Australia, including revenues and expenses from the NAF. Our Corporate-owned stores segment includes operations with respect to all corporate-owned stores throughout the United States and Canada. The Equipment segment primarily includes the sale of equipment to our United States franchisee-owned stores. We evaluate the performance of our segments and allocate resources to them based on revenue and earnings before interest, taxes, depreciation and amortization, referred to as Segment EBITDA. Revenue and Segment EBITDA for all operating segments include only transactions with

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unaffiliated customers and do not include intersegment transactions. The tables below summarize the financial information for our segments for the three months ended March 31, 2021 and March 31, 2020. “Corporate and other,” as it relates to Segment EBITDA, primarily includes corporate overhead costs, such as payroll and related benefit costs and professional services that are not directly attributable to any individual segment.

(in thousands)	Three months ended March 31,	
	2021	2020
Revenue		
Franchise segment	\$ 64,061	\$ 58,529
Corporate-owned stores segment	37,877	40,516
Equipment segment	9,939	28,186
Total revenue	<u>\$ 111,877</u>	<u>\$ 127,231</u>
Segment EBITDA		
Franchise	\$ 41,180	\$ 36,746
Corporate-owned stores	10,691	12,007
Equipment	1,830	6,367
Corporate and other	(8,656)	(8,748)
Total Segment EBITDA⁽¹⁾	<u>\$ 45,045</u>	<u>\$ 46,372</u>

(1) Total Segment EBITDA is equal to EBITDA, which is a metric that is not presented in accordance with U.S. GAAP. Refer to “—Non-GAAP financial measures” for a definition of EBITDA and a reconciliation to net (loss) income, the most directly comparable U.S. GAAP measure.

A reconciliation of income from operations to Segment EBITDA is set forth below:

(in thousands)	Franchise	Corporate-owned stores	Equipment	Corporate and other	Total
Three months ended March 31, 2021					
Income (loss) from operations	\$ 39,285	\$ 1,380	\$ 637	\$ (11,896)	\$ 29,406
Depreciation and amortization	1,895	9,266	1,261	3,052	15,474
Other income (expense)	—	45	(68)	188	165
Segment EBITDA⁽¹⁾	<u>\$ 41,180</u>	<u>\$ 10,691</u>	<u>\$ 1,830</u>	<u>\$ (8,656)</u>	<u>\$ 45,045</u>
Three months ended March 31, 2020					
Income (loss) from operations	\$ 34,824	\$ 5,679	\$ 5,105	\$ (11,341)	\$ 34,267
Depreciation and amortization	1,927	7,322	1,262	2,281	12,792
Other (expense) income	(5)	(994)	—	312	(687)
Segment EBITDA⁽¹⁾	<u>\$ 36,746</u>	<u>\$ 12,007</u>	<u>\$ 6,367</u>	<u>\$ (8,748)</u>	<u>\$ 46,372</u>

(1) Total Segment EBITDA is equal to EBITDA, which is a metric that is not presented in accordance with U.S. GAAP. Refer to “—Non-GAAP Financial Measures” for a definition of EBITDA and a reconciliation to net income, the most directly comparable U.S. GAAP measure.

How we assess the performance of our business

In assessing the performance of our business, we consider a variety of performance and financial measures. The key measures for determining how our business is performing include the number of new store openings, same store sales for both corporate-owned and franchisee-owned stores, system-wide sales, EBITDA, Adjusted EBITDA, Segment EBITDA, Adjusted net income, and Adjusted net income per share, diluted. See “—Non-GAAP financial measures” below for our definition of EBITDA, Adjusted EBITDA, Adjusted net income, and Adjusted net income per share, diluted and why we present EBITDA, Adjusted EBITDA, Adjusted net income, and Adjusted net income per share, diluted, and for a reconciliation of our EBITDA, Adjusted EBITDA, and Adjusted net income to net income, the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, and a reconciliation of Adjusted net income per share, diluted to net income per share, diluted, the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP.

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Number of new store openings

The number of new store openings reflects stores opened during a particular reporting period for both corporate-owned and franchisee-owned stores. Opening new stores is an important part of our growth strategy and we expect the majority of our future new stores will be franchisee-owned. Before we obtain the certificate of occupancy or report any revenue for new corporate-owned stores, we incur pre-opening costs, such as rent expense, labor expense and other operating expenses. Some of our stores open with an initial start-up period of higher than normal marketing and operating expenses, particularly as a percentage of monthly revenue. New stores may not be profitable and their revenue may not follow historical patterns.

The following table shows the change in our corporate-owned and franchisee-owned store base for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
Franchisee-owned stores:		
Stores operated at beginning of period	2,021	1,903
New stores opened	22	38
Stores debranded, sold or consolidated ⁽¹⁾	—	(1)
Stores operated at end of period ⁽²⁾	2,043	1,940
Corporate-owned stores:		
Stores operated at beginning of period	103	98
New stores opened	—	1
Stores operated at end of period ⁽²⁾	103	99
Total stores:		
Stores operated at beginning of period	2,124	2,001
New stores opened	22	39
Stores acquired, debranded, sold or consolidated ⁽¹⁾	—	(1)
Stores operated at end of period ⁽²⁾	2,146	2,039

- (1) The term “debrand” refers to a franchisee-owned store whose right to use the Planet Fitness brand and marks has been terminated in accordance with the franchise agreement. We retain the right to prevent debranded stores from continuing to operate as fitness centers. The term “consolidated” refers to the combination of a franchisee’s store with another store located in close proximity with our prior approval. This often coincides with an enlargement, re-equipment and/or refurbishment of the remaining store.
- (2) The “stores operated” includes stores that have closed temporarily related to the COVID-19 pandemic. All stores were closed in March 2020 in response to COVID-19, and as of March 31, 2021, 2,110 were re-opened and operating, of which 2,009 were franchisee-owned stores and 101 were corporate-owned stores.

Same store sales

Same store sales refers to year-over-year sales comparisons for the same store sales base of both corporate-owned and franchisee-owned stores. 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.

Several factors affect our same store sales in any given period, including the following:

- the number of stores that have been in operation for more than 12 months;
- the percentage mix and pricing of PF Black Card and standard memberships in any period;
- growth in total net memberships per store;
- consumer recognition of our brand and our ability to respond to changing consumer preferences;
- overall economic trends, particularly those related to consumer spending;
- our ability and our franchisees’ ability to operate stores effectively and efficiently to meet consumer expectations;
- marketing and promotional efforts;
- local competition;
- trade area dynamics; and
- opening of new stores in the vicinity of existing locations.

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Consistent with common industry practice, we present same store sales as compared to the same period in the prior year and which is calculated for a given period by including only sales from stores that had sales in the comparable months of both years. Same store sales of our international stores are calculated on a constant currency basis, meaning that we translate the current year's same store sales of our international stores at the same exchange rates used in the prior year. Since opening new stores will be a significant component of our revenue growth, same store sales is only one measure of how we evaluate our performance.

Stores acquired from or sold to franchisees are removed from the franchisee-owned or corporate-owned same store sales base, as applicable, upon the ownership change and for the 12 months following the date of the ownership change. These stores are included in the corporate-owned or franchisee-owned same store sales base, as applicable, following the 12th month after the acquisition or sale. These stores remain in the system-wide same store sales base in all periods. As a result of the COVID-19 pandemic, membership levels in the current year period were below the levels they were at during the three months ended March 31, 2020, which negatively impacted same store sales in the three months ended March 31, 2021.

The following table shows our same store sales for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
Same store sales data		
Same store sales growth:		
Franchisee-owned stores	(14.7)%	10.0 %
Corporate-owned stores	(18.2)%	7.3 %
Total stores	(14.9)%	9.8 %
Number of stores in same store sales base:		
Franchisee-owned stores	1,605	1,579
Corporate-owned stores	83	67
Total stores	1,688	1,662

Total monthly dues and annual fees from members (system-wide sales)

We define system-wide sales as total monthly dues and annual fees billed by us and our franchisees. System-wide sales is an operating measure that includes sales by franchisees that are not revenue realized by the Company in accordance with GAAP, as well as sales by our corporate-owned stores. While we do not record sales by franchisees as revenue, and such sales are not included in our consolidated financial statements, we believe that this operating measure aids in understanding how we derive royalty revenue and is important in evaluating our performance. We review the total amount of dues we collect from our members on a monthly basis, which allows us to assess changes in the performance of our corporate-owned and franchisee-owned stores from period to period, any competitive pressures, local or regional membership traffic patterns and general market conditions that might impact our store performance. We collect monthly dues on or around the 17th of every month. We collect annual fees once per year from each member based upon when the member signed his or her membership agreement. System-wide sales were \$765 million and \$916 million, during the three months ended March 31, 2021 and 2020, respectively.

Non-GAAP financial measures

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. EBITDA and Adjusted EBITDA as presented in this Quarterly Report on Form 10-Q are supplemental measures of our performance that are neither required by, nor presented in accordance with U.S. GAAP. EBITDA and Adjusted EBITDA should not be considered as substitutes for U.S. GAAP metrics such as net income or any other performance measures derived in accordance with U.S. GAAP. Also, in the future we may incur expenses or charges such as those used to calculate Adjusted EBITDA. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items. 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*. As part of such disclosure in "Our Segments" within Management's Discussion and Analysis of Financial Condition and Results of Operations, the Company has provided a reconciliation from income from operations to Total Segment EBITDA, which is equal to the Non-GAAP financial metric EBITDA.

We define EBITDA as net income before interest, taxes, depreciation and amortization. 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

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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 net income to EBITDA and Adjusted EBITDA is set forth below for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
(in thousands)		
Net income	\$ 6,190	\$ 10,383
Interest income	(217)	(1,927)
Interest expense	20,244	20,240
Provision for income taxes	3,354	4,884
Depreciation and amortization	15,474	12,792
EBITDA	\$ 45,045	\$ 46,372
Purchase accounting adjustments-revenue ⁽¹⁾	69	68
Purchase accounting adjustments-rent ⁽²⁾	117	141
Pre-opening costs ⁽³⁾	365	361
Insurance recovery ⁽⁴⁾	(2,175)	—
Tax benefit arrangement remeasurement ⁽⁵⁾	(348)	(502)
Other ⁽⁶⁾	635	93
Adjusted EBITDA	\$ 43,708	\$ 46,533

- (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 up front 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 \$49 and \$41 in the three months ended March 31, 2021 and 2020, 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 \$68 and \$100 in the three months ended March 31, 2021 and 2020, 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 a probable insurance recovery of previously recognized expenses related to the settlement of legal claims.
- (5) Represents gains related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rate.
- (6) Represents certain other charges and gains that we do not believe reflect our underlying business performance.

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Our presentation of Adjusted net income and Adjusted net income per share, diluted, 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 U.S. 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 U.S. GAAP. We believe Adjusted net income and Adjusted net income per share, diluted, supplement U.S. 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 U.S. 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,	
	2021	2020
Net income	\$ 6,190	\$ 10,383
Provision for income taxes, as reported	3,354	4,884
Purchase accounting adjustments-revenue ⁽¹⁾	69	68
Purchase accounting adjustments-rent ⁽²⁾	117	141
Pre-opening costs ⁽³⁾	365	361
Insurance recovery ⁽⁴⁾	(2,175)	—
Tax benefit arrangement remeasurement ⁽⁵⁾	(348)	(502)
Other ⁽⁶⁾	635	93
Purchase accounting amortization ⁽⁷⁾	4,159	4,213
Adjusted income before income taxes	\$ 12,366	\$ 19,641
Adjusted income tax expense ⁽⁸⁾	3,289	5,264
Adjusted net income	<u>\$ 9,077</u>	<u>\$ 14,377</u>
Adjusted net income per share, diluted	\$ 0.10	\$ 0.16
Adjusted weighted-average shares outstanding ⁽⁹⁾	87,179	87,501

(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 up front 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 \$49 and \$41 in the three months ended March 31, 2021 and 2020, 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 \$68 and \$100 in the three months ended March 31, 2021 and 2020, 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 a probable insurance recovery of previously recognized expenses related to the settlement of legal claims.

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- (5) Represents gains and losses related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rate.
- (6) Represents certain other charges and gains that we do not believe reflect our underlying business performance.
- (7) Includes \$3,096 and \$3,096 of amortization of intangible assets, for the three months ended March 31, 2021 and 2020, recorded in connection with the 2012 Acquisition, and \$1,063 and \$1,117 of amortization of intangible assets for the three months ended March 31, 2021 and 2020, 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.
- (8) Represents corporate income taxes at an assumed effective tax rate of 26.6% and 26.8% for the three months ended March 31, 2021 and 2020, respectively, applied to adjusted income before income taxes.
- (9) 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, 2021 and 2020:

	For the three months ended March 31, 2021			For the three months ended March 31, 2020		
	Net Income	Weighted Average Shares	Net income per share, diluted	Net income	Weighted Average Shares	Net income per share, diluted
(in thousands, except per share amounts)						
Net income attributable to Planet Fitness, Inc. ⁽¹⁾	\$ 5,581	83,707	\$ 0.07	\$ 8,607	79,723	\$ 0.11
Assumed exchange of shares ⁽²⁾	609	3,472		1,776	7,778	
Net income	6,190			10,383		
Adjustments to arrive at adjusted income before income taxes ⁽³⁾	6,176			9,258		
Adjusted income before income taxes	12,366			19,641		
Adjusted income tax expense ⁽⁴⁾	3,289			5,264		
Adjusted net income	<u>\$ 9,077</u>	87,179	\$ 0.10	<u>\$ 14,377</u>	87,501	\$ 0.16

- (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 26.6% and 26.8% for the three months ended March 31, 2021 and 2020, respectively, applied to adjusted income before income taxes.

Results of operations

The following table sets forth our condensed consolidated statements of operations as a percentage of total revenue for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
Revenue:		
Franchise revenue	46.6 %	38.4 %
Commission income	0.2 %	0.3 %
National advertising fund revenue	10.4 %	7.3 %
Franchise segment	57.2 %	46.0 %
Corporate-owned stores	33.9 %	31.8 %
Equipment	8.9 %	22.2 %
Total revenue	100.0 %	100.0 %
Operating costs and expenses:		
Cost of revenue	7.1 %	17.2 %
Store operations	23.2 %	20.6 %
Selling, general and administrative	20.1 %	13.3 %
National advertising fund expense	11.4 %	12.0 %
Depreciation and amortization	13.8 %	10.1 %
Other (gain) loss	(1.9)%	— %
Total operating costs and expenses	73.7 %	73.2 %
Income from operations	26.3 %	26.8 %
Other income (expense), net:		
Interest income	0.2 %	1.5 %
Interest expense	(18.1)%	(15.9)%
Other income (expense)	0.1 %	(0.5)%
Total other expense, net	(17.8)%	(14.9)%
Income before income taxes	8.5 %	11.9 %
Provision for income taxes	3.0 %	3.8 %
Net income	5.5 %	8.1 %
Less net income attributable to non-controlling interests	0.5 %	1.4 %
Net income attributable to Planet Fitness, Inc.	5.0 %	6.7 %

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The following table sets forth a comparison of our condensed consolidated statements of operations for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
(in thousands)		
Revenue:		
Franchise revenue	\$ 52,180	\$ 48,910
Commission income	272	390
National advertising fund revenue	11,609	9,229
Franchise segment	64,061	58,529
Corporate-owned stores	37,877	40,516
Equipment	9,939	28,186
Total revenue	111,877	127,231
Operating costs and expenses:		
Cost of revenue	7,985	21,846
Store operations	25,907	26,157
Selling, general and administrative	22,490	16,953
National advertising fund expense	12,753	15,205
Depreciation and amortization	15,474	12,792
Other (gain) loss	(2,138)	11
Total operating costs and expenses	82,471	92,964
Income from operations	29,406	34,267
Other income (expense), net:		
Interest income	217	1,927
Interest expense	(20,244)	(20,240)
Other income (expense)	165	(687)
Total other expense, net	(19,862)	(19,000)
Income before income taxes	9,544	15,267
Provision for income taxes	3,354	4,884
Net income	6,190	10,383
Less net income attributable to non-controlling interests	609	1,776
Net income attributable to Planet Fitness, Inc.	<u>\$ 5,581</u>	<u>\$ 8,607</u>

Comparison of the three months ended March 31, 2021 and three months ended March 31, 2020

Revenue

Total revenues were \$111.9 million in the three months ended March 31, 2021, compared to \$127.2 million in the three months ended March 31, 2020, a decrease of \$15.4 million, or 12.1%.

Franchise segment revenue was \$64.1 million in the three months ended March 31, 2021, compared to \$58.5 million in the three months ended March 31, 2020, an increase of \$5.5 million, or 9.5%.

Franchise revenue was \$52.2 million in the three months ended March 31, 2021 compared to \$48.9 million in the three months ended March 31, 2020, an increase of \$3.3 million or 6.7%. Included in franchise revenue is royalty revenue of \$46.6 million, franchise and other fees of \$4.8 million, and placement revenue of \$0.8 million for the three months ended March 31, 2021, compared to royalty revenue of \$40.6 million, franchise and other fees of \$6.2 million, and placement revenue of \$2.0 million for the three months ended March 31, 2020. The \$6.0 million increase in franchise royalty revenue was the result of \$8.1 million of lower royalty revenue collections in the three months ended March 31, 2021 primarily due to lower membership levels as a result of COVID-19, offset by a deferral of \$14.1 million of royalty revenue in the three months ended March 31, 2020 that was collected but not recognized because of temporary store closures as a result of COVID-19. The increase in royalty revenue was partially offset by lower placement revenue and franchise and other fees in the three months ended March 31, 2021 as compared to the prior year period.

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Commission income, which is included in our franchise segment, was \$0.3 million in the three months ended March 31, 2021 compared to \$0.4 million in the three months ended March 31, 2020.

National advertising fund revenue was \$11.6 million in the three months ended March 31, 2021, compared to \$9.2 million in the three months ended March 31, 2020. The \$2.4 million increase in national advertising fund revenue was the result of \$2.2 million of lower national advertising fund revenue collections in the three months ended March 31, 2021 primarily due to lower membership levels as a result of COVID-19, offset by a deferral of \$4.6 million of national advertising fund revenue in the three months ended March 31, 2020 that was collected but not recognized as a result of temporary store closures as a result of COVID-19.

Revenue from our corporate-owned stores segment was \$37.9 million in the three months ended March 31, 2021, compared to \$40.5 million in the three months ended March 31, 2020, a decrease of \$2.6 million, or 6.5%. The decrease was primarily due to reduced membership levels and temporary store closures related to COVID-19, partially offset by the opening of five new corporate-owned stores since January 1, 2020 and \$5.9 million of deferred revenue that was collected but not recognized in the three months ended March 31, 2020 as a result of COVID-19 store closures.

Equipment segment revenue was \$9.9 million in the three months ended March 31, 2021, compared to \$28.2 million in the three months ended March 31, 2020, a decrease of \$18.2 million, or 64.7%. The decrease was driven by lower equipment sales to new and existing franchisee-owned stores in the three months ended March 31, 2021 compared to the three months ended March 31, 2020, primarily as a result of providing all franchisees with a 12-month extension for all new store development obligations and an 18-month extension on re-equipment investment obligations, both as a result of COVID-19.

Cost of revenue

Cost of revenue was \$8.0 million in the three months ended March 31, 2021 compared to \$21.8 million in the three months ended March 31, 2020, a decrease of \$13.9 million, or 63.4%. Cost of revenue, which primarily relates to our equipment segment, decreased as a result of lower equipment sales to new and existing franchisee-owned stores in the three months ended March 31, 2021 compared to the three months ended March 31, 2020, primarily as a result of providing all franchisees with a 12-month extension for all new store development obligations and an 18-month extension on re-equipment obligations, both as a result of COVID-19.

Store operations

Store operation expenses, which relate to our corporate-owned stores segment, were \$25.9 million in the three months ended March 31, 2021 compared to \$26.2 million in the three months ended March 31, 2020, a decrease of \$0.3 million, or 1.0%. The decrease was primarily attributable to lower operating and payroll expenses as a result of COVID-19 related closures, partially offset by higher expenses as a result of the opening of five new corporate-owned stores since January 1, 2020.

Selling, general and administrative

Selling, general and administrative expenses were \$22.5 million in the three months ended March 31, 2021 compared to \$17.0 million in the three months ended March 31, 2020, an increase of \$5.5 million, or 32.7%. The \$5.5 million increase was primarily driven by higher incentive and stock-based compensation, local marketing support for our California re-openings, and expenses associated with our mobile app during the three months ended March 31, 2021 compared to the prior year quarter.

National advertising fund expense

National advertising fund expense was \$12.8 million in the three months ended March 31, 2021 compared to \$15.2 million in the three months ended March 31, 2020, due to lower advertising and marketing expenses as a result of lower membership levels due to the COVID-19 pandemic.

Depreciation and amortization

Depreciation and amortization expense consists of the depreciation of property and equipment, including leasehold and building improvements and equipment. Amortization expense consists of amortization related to our intangible assets, including customer relationships and non-compete agreements.

Depreciation and amortization expense was \$15.5 million in the three months ended March 31, 2021 compared to \$12.8 million in the three months ended March 31, 2020, an increase of \$2.7 million, or 21.0%. The increase was primarily attributable to the opening of corporate-owned stores since January 1, 2020 and depreciation of new information systems assets.

Other (gain) loss

Other (gain) loss was a gain of \$2.1 in the three months ended March 31, 2021 compared to zero in the three months ended March 31, 2020. In the three months ended March 31, 2021, this includes a gain of \$2.2 million from a probable insurance recovery related to the settlement of legal claims.

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Interest income

Interest income was \$0.2 million in the three months ended March 31, 2021, compared to \$1.9 million in the three months ended March 31, 2020, primarily as a result of lower interest rates in the three months ended March 31, 2021 compared to the three months ended March 31, 2020.

Interest expense

Interest expense primarily consists of interest on long-term debt as well as the amortization of deferred financing costs.

Interest expense was \$20.2 million in both the three months ended March 31, 2021 and March 31, 2020.

Other income (expense)

Other income was \$0.2 million in the three months ended March 31, 2021 compared to expense of \$0.7 million in the three months ended March 31, 2020.

Provision for income taxes

Provision for income taxes was \$3.4 million in the three months ended March 31, 2021, compared to \$4.9 million in the three months ended March 31, 2020, a decrease of \$1.5 million. The decrease in the provision for income taxes was primarily attributable to lower income before taxes in the three months ended March 31, 2021 as compared to the three months ended March 31, 2020.

Segment results

Franchise

Segment EBITDA for the franchise segment was \$41.2 million in the three months ended March 31, 2021 compared to \$36.7 million in the three months ended March 31, 2020, an increase of \$4.4 million, or 12.1%. The franchise segment EBITDA increase in the three months ended March 31, 2021 as compared to the three months ended March 31, 2020 was primarily due to a \$6.0 million increase in franchise royalty revenue as the result of \$8.1 million of lower royalty revenue collections in the three months ended March 31, 2021 primarily due to lower membership levels as a result of COVID-19, offset by a deferral of \$14.1 million of royalty revenue in the three months ended March 31, 2020 that was collected but not recognized because of temporary store closures as a result of COVID-19. The increase in royalty revenue was partially offset by lower placement revenue and franchise and other fees in the three months ended March 31, 2021 as compared to the prior year period. Depreciation and amortization was \$1.9 million in both the three months ended March 31, 2021 and the three months ended March 31, 2020.

Corporate-owned stores

Segment EBITDA for the corporate-owned stores segment was \$10.7 million in the three months ended March 31, 2021 compared to \$12.0 million in the three months ended March 31, 2020, a decrease of \$1.3 million, or 11.0%. The corporate-owned store segment EBITDA decrease was primarily a result of reduced membership levels and temporary store closures related to COVID-19, partially offset by the opening of five new corporate-owned stores since January 1, 2020 and \$5.9 million of referred revenue that was collected but not recognized in the three months ended March 31, 2020 as a result of COVID-19 store closures. Depreciation and amortization was \$9.3 million and \$7.3 million for the three months ended March 31, 2021 and 2020, respectively. The increase in depreciation and amortization was primarily attributable to the stores opened since January 1, 2020.

Equipment

Segment EBITDA for the equipment segment was \$1.8 million in the three months ended March 31, 2021 compared to \$6.4 million in the three months ended March 31, 2020, a decrease of \$4.5 million, or 71.3%. The decrease was driven by lower equipment sales to new and existing franchisee-owned stores in the three months ended March 31, 2021 compared to the three months ended March 31, 2020, primarily as a result of providing all franchisees with a 12-month extension for all new store development obligations and an 18-month extension on re-equipment obligations, both as a result of COVID-19. Depreciation and amortization was \$1.3 million for both the three months ended March 31, 2021 and 2020.

Liquidity and capital resources

As of March 31, 2021, we had \$445.6 million of cash and cash equivalents.

We require cash principally to fund day-to-day operations, to finance capital investments, to service our outstanding debt and tax benefit arrangements and to address our working capital needs. Based on our current level of operations, we believe that with the available cash balance, the cash generated from our operations, and amounts we have drawn under our Variable Funding Notes will be adequate to meet our anticipated debt service requirements and obligations under the tax benefit arrangements, capital expenditures and working capital needs for at least the next 12 months. We believe that we will be able to meet these obligations even if we continue to experience a reduction in sales and profits as a result of the COVID-19 pandemic. Our ability to continue to fund these items and continue to reduce debt could be adversely affected by the occurrence of any of the events described under "Risk Factors" in the Annual Report. There can be no assurance that our business will generate sufficient cash flows from operations or otherwise to enable us to service our indebtedness, including our Securitized Senior Notes, or to make anticipated capital expenditures. Our future operating performance and our ability to service, extend or refinance our indebtedness will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control, including potential future impacts related to the COVID-19 pandemic.

The following table presents summary cash flow information for the three months ended March 31, 2021 and 2020:

(in thousands)	Three months ended March 31,	
	2021	2020
Net cash (used in) provided by:		
Operating activities	\$ 23,523	\$ 73,122
Investing activities	(31,359)	(8,975)
Financing activities	(4,084)	69,418
Effect of foreign exchange rates on cash	53	(1,640)
Net (decrease) increase in cash	<u>\$ (11,867)</u>	<u>\$ 131,925</u>

Operating activities

For the three months ended March 31, 2021, net cash provided by operating activities was \$23.5 million compared to \$73.1 million in the three months ended March 31, 2020, a decrease of \$49.6 million. Of the decrease, \$3.2 million is due to lower net income after adjustments to reconcile net income to net cash provided by operating activities in the three months ended March 31, 2021 as compared to the three months ended March 31, 2020, and \$46.4 million is due to unfavorable changes in working capital primarily from accounts receivable and equipment deposits due to lower equipment sales as a result of COVID-19 new store development and re-equipment extensions, accounts payable and accrued expenses due to timing of payments in the prior year as a result of COVID-19 shutdowns, and deferred revenue as a result of deferrals as of March 31, 2020 in connection with COVID-19 store closures.

Investing activities

Cash flow used in investing activities related to the following capital expenditures for the three months ended March 31, 2021 and 2020:

(in thousands)	Three months ended March 31,	
	2021	2020
New corporate-owned stores and corporate-owned stores not yet opened	\$ 921	\$ 2,412
Existing corporate-owned stores	3,006	3,147
Information systems	2,432	3,457
Corporate and all other	—	143
Total capital expenditures	<u>\$ 6,359</u>	<u>\$ 9,159</u>

For the three months ended March 31, 2021, net cash used in investing activities was \$31.4 million compared to \$9.0 million in the three months ended March 31, 2020, an increase of \$22.4 million. The primary driver for the increase in cash used in investing activities was an investment in equity securities of 25.0 million in the three months ended March 31, 2021.

Financing activities

For the three months ended March 31, 2021, net cash used for financing activities was \$4.1 million compared to net cash provided by financing activities of \$69.4 million in the three months ended March 31, 2020, a decrease of \$73.5 million. The primary driver of the decrease was the Company's incurrence of \$75.0 million of borrowings under its Variable Funding Notes in the three months ended March 31, 2020.

Securitized Financing Facility

On August 1, 2018, the Master Issuer, a limited-purpose, bankruptcy remote, wholly-owned indirect subsidiary of Pla-Fit Holdings, LLC, entered into the 2018 Indenture under which the Master Issuer may issue multiple series of notes. On the same date, the Master Issuer issued the 2018 Class A-2-I Notes with an initial principal amount of \$575 million and the 2018 Class A-2-II Notes with an initial principal amount of \$625 million. In connection with the issuance of the 2018 Notes, the Master Issuer also entered into the Variable Funding Notes that allow for the incurrence of up to \$75 million in revolving loans and/or letters of credit, which the Company fully drew down on March 20, 2020. On December 3, 2019 the Master Issuer issued the 2019 Notes with an initial principal amount of \$550 million. The 2019 Notes were issued under the Indenture. The Securitized Senior Notes were issued in a securitization transaction pursuant to which most of the Company's domestic revenue-generating assets, consisting principally of franchise-related agreements, certain corporate-owned store assets, equipment supply agreements and intellectual property and license agreements for the use of intellectual property, were assigned to the Master Issuer and certain other limited-purpose, bankruptcy remote, wholly-owned indirect subsidiaries of the Company (the "securitization entities") that act as guarantors of the Securitized Senior Notes and that have pledged substantially all of their assets to secure the Securitized Senior Notes.

Interest and principal payments on the Notes are payable on a quarterly basis. The requirement to make such quarterly principal payments on the Notes is subject to certain financial conditions set forth in the Indenture. The legal final maturity date of the 2018 Notes is in September 2048, but the Anticipated Repayment Dates of the 2018 Class A-2-I Notes and the 2018 Class A-2-II Notes are September 2022 and September 2025 respectively, unless earlier prepaid to the extent permitted under the Indenture. The legal final maturity date of the 2019 Notes is in December 2049, but it is anticipated that, unless earlier prepaid to the extent permitted under the Indenture, the 2019 Notes will be repaid in December 2029. If the Master Issuer has not repaid or refinanced the Notes prior to the respective Anticipated Repayment Dates, additional interest will accrue pursuant to the Indenture.

The Variable Funding Notes will accrue interest at a variable interest rate based on (i) the prime rate, (ii) overnight federal funds rates, (iii) the London interbank offered rate for U.S. Dollars, or (iv) with respect to advances made by conduit investors, the weighted average cost of, or related to, the issuance of commercial paper allocated to fund or maintain such advances, in each case plus any applicable margin and as specified in the Variable Funding Notes. There is a commitment fee on the unused portion of the Variable Funding Notes of 0.5% based on utilization. It is anticipated that the principal and interest on the Variable Funding Notes will be repaid in full on or prior to September 2023, subject to two additional one-year extension options. Following the anticipated repayment date (and any extensions thereof) additional interest will accrue on the Variable Funding Notes equal to 5.0% per year.

In connection with the issuance of the 2018 Notes and 2019 Notes, the Company incurred debt issuance costs of \$27.1 million and \$10.6 million, respectively. The debt issuance costs are being amortized to "Interest expense" through the Anticipated Repayment Dates of the Notes utilizing the effective interest rate method.

The Securitized Senior Notes are subject to covenants and restrictions customary for transactions of this type, including (i) that the Master Issuer maintains specified reserve accounts to be used to make required payments in respect of the Securitized Senior Notes, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified make-whole payments in the case of the Notes under certain circumstances, (iii) certain indemnification payments in the event, among other things, the assets pledged as collateral for the Securitized Senior Notes are in stated ways defective or ineffective, (iv) a cap on non-securitized indebtedness of \$50 million (provided that the Company may incur non-securitized indebtedness in excess of such amount, subject to the leverage ratio cap described below, under certain conditions, including if the relevant lenders execute a non-disturbance agreement that acknowledges the bankruptcy-remote status of the Master Issuer and its subsidiaries and of their respective assets), (v) a leverage ratio cap on the Company of 7.0x (calculated without regard for any indebtedness subject to the \$50 million cap) and (vi) covenants relating to recordkeeping, access to information and similar matters.

Pursuant to a parent company support agreement, we have agreed to cause our subsidiary to perform each of its obligations (including any indemnity obligations) and duties under the Management Agreement and under the contribution agreements entered into in connection with the securitized financing facility, in each case as and when due. To the extent that our subsidiary has not performed any such obligation or duty within the prescribed time frame after such obligation or duty was required to be

performed, we have agreed to either (i) perform such obligation or duty or (ii) cause such obligations or duties to be performed on our behalf.

The Securitized Senior Notes are also subject to customary rapid amortization events provided for in the Indenture, including events tied to failure to maintain stated debt service coverage ratios, certain manager termination events, an event of default, and the failure to repay or refinance the Notes on the applicable scheduled Anticipated Repayment Dates. The Securitized Senior Notes are also subject to certain customary events of default, including events relating to non-payment of required interest, principal, or other amounts due on or with respect to the Securitized Senior Notes, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties, failure of security interests to be effective, and certain judgments.

In accordance with the Indenture, certain cash accounts have been established with the Trustee for the benefit of the trustee and the noteholders, and are restricted in their use. The Company holds restricted cash which primarily represents cash collections held by the Trustee, interest, principal, and commitment fee reserves held by the Trustee related to the Securitized Senior Notes. As of March 31, 2021, the Company had restricted cash held by the Trustee of \$42.3 million. Restricted cash has been combined with cash and cash equivalents when reconciling the beginning and end of period balances in the consolidated statements of cash flows.

Off-balance sheet arrangements

As of March 31, 2021, our off-balance sheet arrangements consisted of guarantees of lease agreements for certain franchisees up to a maximum period of ten years with earlier expiration dates possible if certain conditions are met. Our maximum total obligation under these lease guarantee agreements is approximately \$7.3 million and would only require payment upon default by the primary obligor. The estimated fair value of these guarantees as of March 31, 2021 was not material, and no accrual has been recorded for our potential obligation under these arrangements.

Critical accounting policies and use of estimates

There have been no material changes to our critical accounting policies and use of estimates from those described under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

Interest rate risk

The securitized financing facility includes the Series 2018-1 Senior Class A-2 Notes which are comprised of fixed interest rate notes and the Variable Funding Notes which allow for the incurrence of up to \$75.0 million in revolving loans and/or letters of credit under the Variable Funding Notes, which is fully drawn. The issuance of the fixed-rate Class A-2 Notes has reduced the Company’s exposure to interest rate increases that could adversely affect its earnings and cash flows. An increase in the effective interest rate applied to borrowings under the Variable Funding Notes of 100 basis points would result in a \$0.8 million increase in pre-tax interest expense on an annualized basis.

Foreign exchange risk

We are exposed to fluctuations in exchange rates between the U.S. dollar and the Canadian dollar, which is the functional currency of our Canadian entities. Our sales, costs and expenses of our Canadian subsidiaries, when translated into U.S. dollars, can fluctuate due to exchange rate movement. As of March 31, 2021, a 10% increase or decrease in the exchange rate of the U.S. and Canadian dollar would increase or decrease net income by a negligible amount.

Inflation risk

Although we do not believe that inflation has had a material effect on our income from continuing operations, we have a substantial number of hourly employees in our corporate-owned stores that are paid wage rates at or based on the applicable federal or state minimum wage. Any increases in these minimum wages will subsequently increase our labor costs. We may or may not be able to offset cost increases in the future.

ITEM 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their control objectives.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2021, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

There have been no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION**ITEM 1. Legal Proceedings**

We are currently involved in various claims and legal actions that arise in the ordinary course of business, most of which are covered by insurance. We do not believe that the ultimate resolution of these actions will have a material adverse effect on our business, financial condition, results of operations, liquidity or capital resources nor do we believe that there is a reasonable possibility that we will incur material loss as a result of such actions. However, a significant increase in the number of these claims or an increase in amounts owing under successful claims could have a material adverse effect on our business, financial condition and results of operations.

ITEM 1A. Risk Factors.

None.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information regarding purchases of shares of our Class A common stock by us and our “affiliated purchasers” (as defined in Rule 10b-18(a)(3) under the Exchange Act) during the three months ended March 31, 2021.

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs ⁽¹⁾
01/01/21 - 01/31/21	—	\$ —	—	\$200,000,000
02/01/21 - 02/28/21	—	—	—	200,000,000
03/01/21 - 03/31/21	—	—	—	200,000,000
Total	—	\$ —	—	—

⁽¹⁾On November 5, 2019, our board of directors approved a share repurchase program of \$500,000,000. 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. On March 18, 2020, the Company announced the suspension of its share repurchase program. The Company may reinstate or terminate the program at any time.

In connection with our IPO, we and the existing holders of Holdings Units entered into an exchange agreement under which they (or certain permitted transferees) have the right, from time to time and subject to the terms of the exchange agreement, to exchange their Holdings Units, together with a corresponding number of shares of Class B common stock, for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends, reclassifications and other similar transactions. As an existing holder of Holdings Units exchanges Holdings Units for shares of Class A common stock, the number of Holdings Units held by Planet Fitness, Inc. is correspondingly increased, and a corresponding number of shares of Class B common stock are canceled.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures.

None.

ITEM 5. Other Information.

On May 4, 2021 our board of directors approved an Executive Severance & Change in Control Policy (the “Severance & CIC Policy”) pursuant to which each senior executive of the Company in a position designated as senior vice president or above (each, an “Eligible Employee”), including each of our named executive officers, Christopher Rondeau (Chief Executive Officer), Dorvin Lively (President) Thomas Fitzgerald (Chief Financial Officer), Craig Miller (Chief Digital & Information Officer) and Jeremy Tucker (Chief Marketing Officer) (the “Named Executive Officers”), are eligible to participate to the extent they meet the requirements therein. The Severance & CIC Policy will become effective July 1, 2021 and, unless otherwise provided in therein, is intended to supersede any and all prior severance and change in control plans, policies and/or

practices of the Company, including offer letters or employment contracts that provide for the payment and provision of severance compensation and benefits to the Named Executive Officers. The terms “Cause”, “Good Reason” and “Change in Control” referred to below are defined in the Severance & CIC Policy.

Under the Severance & CIC Policy, an Eligible Employee whose employment is terminated by the Company other than by reason of death or disability or for Cause, or who resigns for Good Reason, in either case other than upon or within 24 months after the consummation of a Change in Control shall be entitled to receive the following severance benefits, subject to certain exceptions:

(a) (i) for the Chief Executive Officer, an amount equal to 200% of his or her then-current base salary; (ii) for the President, an amount equal to 150% of his or her then-current base salary; and (iii) for all other Eligible Employees, an amount equal to 100% of his or her then-current base salary;

(b) (i) an amount equal to the prorated portion of the Participant’s target annual cash bonus for the calendar year in which the termination of employment occurs and (ii) if such termination of employment occurs on or after January 1, but before the payment date of the annual cash bonus for the immediately preceding year, 100% of the annual cash bonus he or she would have received had such termination occurred on or after the payment date for the annual cash bonus;

(c) provided the Participant was eligible for and properly enrolled in a Company sponsored benefit plan, an amount equal to the Company’s monthly portion of the premium for each such enrollment multiplied by 12; and

(d) an additional 12 months of service credit toward vesting for all unvested time-based equity awards.

An Eligible Employee whose employment is terminated by the Company other than by reason of death or disability or for Cause, or who resigns for Good Reason, in either case upon or within 24 months after the consummation of a Change in Control shall be entitled to receive the following severance benefits, subject to certain exceptions:

(a) (i) for the Chief Executive Officer, an amount equal to 300% of his or her then-current base salary; (ii) for the President, an amount equal to 200% of his or her then-current base salary; and (iii) for all other Eligible Employees, an amount equal to 150% of his or her then-current base salary;

(b) an amount equal to 100% of the Participant’s target annual cash bonus for the year in which the Change in Control occurs and (ii) if the termination of employment occurs on or after January 1, but before the payment date of the annual cash bonus for the immediately preceding year, 100% of the annual cash bonus he or she would have received had such termination occurred on or after the payment date for the annual cash bonus;

(c) provided the Participant was eligible for and properly enrolled in a Company sponsored benefit plan, an amount equal to the Company’s monthly portion of the premium for each such enrollment multiplied by 12; and

(d) full vesting of all unvested time-based equity awards and vesting of all performance-based equity awards at target.

Receipt and retention of the severance benefits provided under the Severance & CIC Policy are conditioned on the Eligible Employee signing a separation agreement that contains a release of claims in favor of us and our affiliates and on the Eligible Employee’s continued compliance with all non-competition, non-solicitation and confidentiality obligations contained in the Severance & CIC Policy and in any other agreement between us and the Eligible Employee.

Our board of directors, or the compensation committee of our board of directors, may amend or terminate the Severance & CIC Policy in its sole discretion without the consent of participants, except that the Severance & CIC Policy generally may not be amended or terminated for 24 months following a Change in Control.

The foregoing is only a summary of the Severance & CIC Policy and is qualified in its entirety by reference to the full and complete terms of the Severance & CIC Policy, a copy of which is attached to this Periodic Report on Form 10-Q as Exhibit 10.1 and is incorporated herein by reference.

ITEM 6. Exhibits

Exhibit Number	Exhibit Description	Form	File No.	Filing Date	Description of Exhibit Incorporated Herein by Reference	Exhibit Number	Filed Herewith
10.1	Executive Severance & Change in Control Policy						X
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002						X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002						X
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002						X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002						X
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Changes in Equity (Deficit), and (vi) Notes to Consolidated Financial Statements tagged as blocks of text and including detailed tags						X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)						X

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Planet Fitness, Inc.
(Registrant)

Date: May 7, 2021

/s/ Thomas Fitzgerald
Thomas Fitzgerald
Chief Financial Officer
(On behalf of the Registrant and as Principal Financial Officer)

PLANET FITNESS, INC.
EXECUTIVE SEVERANCE & CHANGE IN CONTROL POLICY

Introduction

The purpose of the Plan is to provide separation pay and other benefits to certain executive and key employees of Planet Fitness, Inc. (the “Company”) and its Affiliates upon a separation of service in connection with an Involuntary Termination or a Change in Control. Accordingly, the Board of Directors of the Company (the “Board”), with the approval of the Compensation Committee of the Board (the “Compensation Committee”), has adopted the Plan, effective on the Effective Date.

Unless otherwise provided herein, the Plan supersedes any and all severance plans, policies and/or practices of the Company and its Affiliates in effect for Eligible Employees that provide for severance payments under the circumstances described herein including offer letters or employment contracts that provide for the payment and provision of severance compensation and benefits to the Eligible Employee. The Severance Benefits payable under the Plan shall apply to Involuntary Terminations on and after the Effective Date. In no event shall a Participant receive severance compensation and benefits under the Plan and under any other severance plan, policy or practice of the Company or any Affiliate or under any employment, severance-benefit, change in control or similar agreement with the Company or any of its Affiliates. The Severance Benefits are intended to be supplemental unemployment benefits and are not intended to be deferred compensation.

The Company, as the Plan sponsor, has the sole discretion to determine whether an employee may be considered eligible for Severance Benefits under the Plan. The Plan is unfunded, has no trustee, and is administered by the Compensation Committee.

All capitalized terms in this Introduction not otherwise defined shall have the meaning ascribed to them in Article 2 below.

Article I. Establishment, Term and Purpose

1.1 Establishment of the Plan. The Company has established the Severance Plan, effective as of the Effective Date. The Plan is intended to be an “employee welfare benefit plan” (within the meaning of section 3(1) of ERISA) maintained for the purpose of providing benefits for a select group of management or highly compensated employees and it shall be administered and construed accordingly.

1.2 Term of the Plan. The Plan, as set forth herein, is effective as of the Effective Date and will continue until terminated or amended by action of the Board or the Compensation Committee in accordance with Section 12.8.

1.3 Purpose of the Plan. The purpose of the Plan is to provide Severance Benefits to Eligible Employees in the event of an Involuntary Termination.

Article II. Definitions

When used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized.

2.1 “Accrued Compensation” means (i) an Eligible Employee’s Base Salary earned or accrued but unpaid through the Eligible Employee’s Separation Date; (ii) reimbursement for reasonable business expenses incurred in the ordinary course of the Eligible Employee’s duties and unreimbursed prior to the Eligible Employee’s Separation Date and payable in accordance with Company policies as in effect from time to time; *provided, however,* that claims for such reimbursement are submitted to the Company or an Affiliate within 30 days following the Eligible Employee’s Separation Date; and (iii) payment for all vested benefits pursuant to the terms of any applicable benefit plans and programs as in effect, and as amended from time to time, as of the Separation Date.

2.2 “Administrator” means the Compensation Committee, except that the Compensation Committee may delegate (i) to one or more of its members (or one or more other members of the Board, including the full Board) such of its duties, powers and responsibilities as it may determine; (ii) to one or more officers of the Company the power to exercise some or all of its authority in administering the Plan in accordance with the terms of the Plan; and (iii) to such employees or other persons as it determines such ministerial tasks as it deems appropriate. In the event of any delegation described in the preceding sentence, the term “Administrator” shall include the person or persons so delegated to the extent of such delegation.

2.3 “Affiliates” means any corporation or other entity that stands in a relationship to the Company that would result in the Company and such corporation or other entity being treated as one employer under Section 414(b) and Section 414(c) of the Code.

2.4 “Base Salary” means an Eligible Employee’s annual base salary at the rate in effect on the Separation Date (or in the event that an Eligible Employee terminates his or her employment with Good Reason as a result of a material reduction in Base Salary, the annual base salary at the rate in effect immediately prior to such reduction).

2.5 “Beneficiary” means the Participant’s estate.

2.6 “Cause” means: (i) a material breach by the Eligible Employee of his or her employment agreement with the Company or an Affiliate of the Company, or any material written policy of the Company or its Affiliates generally applicable to similarly situated employees of the Company or its Affiliates; (ii) the material failure by the Eligible Employee to reasonably and substantially perform his or her duties to the Company or any of its Affiliates, other than by reason of death, Disability, illness or incapacity; (iii) the Eligible Employee’s willful misconduct or gross negligence that could reasonably be expected to be injurious to the Company or an Affiliate of the Company; (iv) an act or omission by the Eligible Employee that involves fraud, material dishonesty, or moral turpitude, in each case to the detriment of the Company or an Affiliate; or (v) the Eligible Employee commits, is indicted or convicted of, plea guilty or nolo contendre to a felony or other serious crime involving moral turpitude. In the case of clauses (i), (ii) and (iii) above, the Company shall permit the Eligible Employee no less than 30 days to cure such breach or failure if reasonably susceptible to cure.

2.7 “Change in Control” means the first to occur of any of the following events:

- (a) an event in which any “person” as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than (i) the Company, (ii) any subsidiary of the Company, (iii) any employee benefit plan of the Company or a subsidiary of the Company or any trustee or other

fiduciary holding securities under an employee benefit plan of the Company or of any subsidiary of the Company, and (iv) any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), is or becomes the “beneficial owner” (as defined in Section 13(d) of the Exchange Act), together with all affiliates and associates (as such terms are used in Rule 12b-2 of the General Rules and Regulations under the Exchange Act) of such person, directly or indirectly, of securities of the Company representing 40% or more of the combined voting power of the Company’s then outstanding securities;

- (b) the consummation of the merger or consolidation of the Company with any other company, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, more than 60% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation and (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) after which no “person” “beneficially owns” (with the determination of such “beneficial ownership” on the same basis as set forth in clause (a) of this definition) securities of the Company or the surviving entity of such merger or consolidation representing 40% or more of the combined voting power of the securities of the Company or the surviving entity of such merger or consolidation;
- (c) if during any period of two consecutive years (not including any period prior to the date the Plan was initially adopted), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has conducted or threatened a proxy contest, or has entered into an agreement with the Company to effect a transaction described in clause (a), (b) or (d) of this definition) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office, who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof; or
- (d) the complete liquidation of the Company or the sale or disposition by the Company of all or substantially all of the Company’s assets.

Notwithstanding the foregoing, to the extent any amount constituting “nonqualified deferred compensation” subject to Code Section 409A would become payable under the Plan, or the time or form of payment under the Plan would be affected, by reason of a Change in Control or a termination of employment following a Change in Control, to the extent necessary to avoid adverse tax consequences under Code Section 409A, a Change in Control shall not be deemed to have occurred unless the event or circumstances constituting the Change in Control would also constitute a change in the ownership or effective control of the Company, or a change in the ownership of a substantial portion of the Company’s assets, within the meaning of subsection Code Section 409A(a)(2)(A)(v) and the Treasury Regulations thereunder.

2.8 “COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as from time to time amended and in effect.

2.9 “**Code**” means the U.S. Internal Revenue Code of 1986, as from time to time amended and in effect, or any successor statute as from time to time in effect.

2.10 “**Confidential Information**” means all non-public information, trade secrets, and proprietary information of the Company and its Affiliates, including financial information, plans and strategy, research, franchisee, consumer and marketing information, and any other such information the Company deems confidential from time to time.

2.11 “**Disability**” means a physical or mental incapacity or disability of an Eligible Employee that renders the Eligible Employee unable to substantially perform his or her duties and responsibilities to the Company and its Affiliates (with or without any reasonable accommodation) (i) for 120 days in any 12-month period or (ii) for a period of 90 consecutive days in any 12-month period. If any question arises as to whether an Eligible Employee has a Disability, then at the request of the Administrator the Eligible Employee shall submit to a medical examination by a qualified third-party health care provider selected by the Administrator to whom the Eligible Employee or his or her duly appointed guardian, if any, has no reasonable objection to determine whether the Eligible Employee has a Disability and such determination shall be conclusive of the issue for the purposes of the Plan. If such question shall arise and the Eligible Employee shall fail to submit to such medical examination, the Administrator’s determination of the issue shall be conclusive of the issue for the purposes of the Plan.

2.12 “**Effective Date**” means July 1, 2021.

2.13 “**Eligible Employee**” means each senior executive of the Company in a position designated as Senior Vice President or above who meets the eligibility requirements of Article 3.

2.14 “**ERISA**” means the Employee Retirement Income Security Act of 1974, as from time to time amended and in effect.

2.15 “**Exchange Act**” means the Securities Exchange Act of 1934, as from time to time amended and in effect.

2.16 “**Good Reason**” means the occurrence, without the Eligible Employee’s express written consent, of any of the events or conditions described herein, provided that, the Eligible Employee shall deliver written notice to the Company or the employing Affiliate of the occurrence of Good Reason within 90 days following the date on which the Eligible Employee first knew of such occurrence and the Company or applicable Affiliate shall not have fully corrected the situation within 30 days following delivery of such notice. The following occurrences shall constitute Good Reason for purposes of the Plan: (i) a material reduction in the Eligible Employee’s Base Salary or target annual cash bonus opportunity, (ii) a material diminution in the nature and scope of the Eligible Employee’s responsibilities, duties, authority or status or (iii) a relocation that would result in the Eligible Employee’s principal location of employment being moved 60 miles or more away from the Eligible Employee’s principal location of employment as in effect immediately prior to such relocation; *provided, however,* that “Good Reason” shall cease to exist for an event (i) on the 90th day following the date on which the Eligible Employee knew or reasonably should have known of such event and failed to give notice as described above, or (ii) on the 30th day following the expiration of the 30-day cure period if the Company or the applicable Affiliate failed to correct the event or condition and the Eligible Employee has not terminated his or her employment as of such date.

2.17 “Involuntary Termination” means the termination of an Eligible Employee’s employment (i) by the Company or an Affiliate for any reason other than death, Disability or Cause or (ii) by the Eligible Employee with Good Reason. An Eligible Employee shall not be treated as having an Involuntary Termination if his or her employment with the Company or an Affiliate terminates solely by reason of a sale, spin-off, transfer of business, or other disposition; provided that he or she (i) continues employment, or is otherwise offered continued employment, with his or her employer or a successor thereto immediately after such sale, spin-off, or other disposition occurs, under terms that are materially comparable in the aggregate to the terms in effect immediately before such sale, spin-off, or other disposition..

2.18 “Participant” means an Eligible Employee who has satisfied and continues to satisfy the conditions for participation in Article 3 and thereby becomes and continues to be eligible to receive and retain Severance Benefits under the Plan.

2.19 “Person” means an individual, a corporation, a limited liability company, an association, a partnership, an estate, a trust and any other entity or organization, other than the Company or any of its Affiliates.

2.20 “Plan” means this Executive Change in Control Severance Plan, as amended from time to time (to the extent permitted herein).

2.21 “Separation Agreement” means a separation agreement in a form acceptable to the Company.

2.22 “Separation Date” means the later of an Eligible Employee’s “separation from service” (as defined in Treasury regulation section 1.409A-1(h)) or the date the Eligible Employee’s right to Severance Benefits under this Plan ceases to be subject to a substantial risk of forfeiture (generally the Eligible Employee’s last active day of employment with the Company and its Affiliates (or any successor thereto), as specified by the Company in the Separation Agreement).

2.23 “Severance Benefits” means the payment and provision of severance compensation and benefits as provided in Section 4.1 and Section 4.2 herein.

2.24 “Severance Period” means the number of months equal to 12 times the percentage of Base Salary that the Participant is eligible to receive under Section 4.1(a) and 4.2(a), as applicable.

2.25 “Voluntary Resignation” means any retirement or resignation of employment that is initiated by the Eligible Employee without Good Reason.

Article III. Participation and Eligibility

3.1 Participant. Each Eligible Employee who (i) experiences an Involuntary Termination, (ii) complies with the conditions set forth in Article 6, (iii) satisfies the conditions of Section 3.2 regarding the execution and nonrevocation of the Separation Agreement, and (iv) complies in all respects with the terms and conditions set forth in the Separation Agreement, shall be a Participant and shall be entitled to receive and retain the Severance Benefits described in the Plan.

3.2 Separation Agreement. As a condition of receiving benefits hereunder, an Eligible Employee who otherwise meets the requirements for participation under Section 3.1 shall be required to enter into an effective and irrevocable Separation Agreement with the Company or the

employing Affiliate, which agreement shall include a release of all claims against the Company, its Affiliates, and its and their subsidiaries, employees, officers, directors, agents, and representatives. The Separation Agreement must be executed within the time period requested by the Company or Affiliate, and must become effective and irrevocable not later than the eighth day following the date of execution. Provided that the Eligible Employee complies in all respects with the terms and conditions of the Separation Agreement and the Plan, the Eligible Employee shall become and remain a Participant and the Company or an Affiliate shall provide the Participant with the payments and benefits set forth in Section 4.1 or Section 4.2, as applicable. An Eligible Employee's continued compliance with the conditions contained in the Plan and with the terms and conditions set forth in the Separation Agreement shall be an express condition to the Eligible Employee's status as a Participant and to his or her right to receive and retain the payments and benefits provided in Section 4.1 or 4.2, as applicable.

Article IV. Severance and Change of Control Benefits

4.1 Severance Benefits. An Eligible Employee who becomes a Participant due to an Involuntary Termination that does not occur upon or within 24 months after the consummation of a Change in Control shall be entitled to receive from the Company or an Affiliate, in addition to the Accrued Compensation, the following Severance Benefits:

(a) Base Salary:

- (i) for the Chief Executive Officer an amount equal to 200% of the Participant's Base Salary;
- (ii) for the President an amount equal to 150% of the Participant's Base Salary; and
- (iii) for all other Eligible Employees an amount equal to 100% of the Participant's Base Salary.

(b) an amount equal to the prorated portion of the Participant's target annual cash bonus (or in the event that an Eligible Employee terminates his or her employment with Good Reason as a result of a material reduction in Base Salary, the target annual cash bonus at the rate in effect immediately prior to such reduction, in all cases as determined pursuant to the Company's annual bonus plan or any successor or similar plan), for the calendar year in which the Termination occurs. If the Termination occurs on or after January 1, but before the payment date of the annual cash bonus for the immediately preceding year, the Eligible employee shall also receive 100% of the annual cash bonus he or she would have received had the Termination occurred on or after the payment date for the annual cash bonus;

(c) provided the Participant was eligible for and properly enrolled in a Company sponsored benefit plan, an amount equal to the Company's monthly portion of the premium for each such enrollment multiplied by 12; *provided, however,* that if the payments or benefits to be provided pursuant to this Section 4.1(c) would subject the Company (or an Affiliate) or the Participant to adverse penalties or excise taxes, the Company or an Affiliate shall arrange to provide the Participant (or his or her qualified beneficiaries) with an alternative payment or benefit that avoids the penalty or excise tax;

(d) the Participant shall receive 12 additional months of service credit toward vesting for all unvested time-based equity awards, subject to complying with all obligations under such awards except for the requirement to continue working for such 12 months. All unvested time-based equity awards that do not become vested as a result of the 12 additional

months described in the immediately preceding sentence shall be forfeited. All performance-based equity awards shall be forfeited immediately upon the Separation Date; *provided, however,* that if the Separation Date is after the performance period associated with such performance-based equity award, but before the performance-based equity award is paid, then the Participant shall retain the right to be paid in accordance with the terms of the award. Except as expressly provided herein, the treatment of equity awards shall be governed by the terms of the applicable equity incentive plan and award agreement under which the award was granted. Without limiting the generality of the foregoing, all equity awards that become vested shall be paid at the time prescribed by the applicable award agreement; and

- (e) Except as expressly noted, participation in all Company employee benefit plans will end as of the Separation Date.

4.2 Change In Control Severance Benefits. An Eligible Employee who becomes a Participant due to an Involuntary Termination that occurs upon or within 24 months after the consummation of a Change in Control shall be entitled to receive from the Company or an Affiliate, in addition to the Accrued Compensation, the following Severance Benefits:

- (a) Base Salary:

- (i) for the Chief Executive Officer an amount equal to 300% of the Participant's Base Salary;
- (ii) for the President an amount equal to 200% of the Participant's Base Salary; and
- (iii) for all other Eligible Employees an amount equal to 150% of the Participant's Base Salary.

(b) an amount equal to 100% of the Participant's target annual cash bonus (or in the event that an Eligible Employee terminates his or her employment with Good Reason as a result of a material reduction in Base Salary, the target annual cash bonus at the rate in effect immediately prior to such reduction, in all cases as determined pursuant to the Company's annual bonus plan or any successor or similar plan), for the year in which the Change in Control occurs. If the Termination occurs on or after January 1, but before the payment date of the annual cash bonus for the immediately preceding year, the Eligible employee shall also receive 100% of the annual cash bonus he or she would have received had the Termination occurred on or after the payment date for the annual cash bonus;

(c) provided the Participant was eligible for and properly enrolled in a Company sponsored benefit plan, an amount equal to the Company's monthly portion of the premium for each such enrollment multiplied by 12; *provided, however,* that if the payments or benefits to be provided pursuant to this Section 4.2(c) would subject the Company (or an Affiliate) or the Participant to adverse penalties or excise taxes, the Company or an Affiliate shall arrange to provide the Participant (or his or her qualified beneficiaries) with a substantially similar benefit;

(d) All unvested time-based equity awards shall vest immediately upon the Separation Date. All performance-based equity awards shall vest at target immediately upon the Separation Date; *provided, however,* that if the Separation Date is after the performance period associated with such performance-based equity award, but before the performance-based equity award is paid, then the Participant shall retain the right to be paid in accordance with the terms of the award. Except as expressly provided herein, the treatment of equity awards shall be governed by the terms of the applicable equity incentive plan and award

agreement under which the award was granted. Without limiting the generality of the foregoing, all equity awards that become vested shall be paid at the time prescribed by the applicable award agreement; and

- (e) Except as expressly noted, participation in all Company employee benefit plans will end as of the Separation Date.

4.3 Timing of Payments. Except as otherwise provided in Article 9 (Code Section 409A) or elsewhere herein, and provided that the Participant has complied with the terms and conditions of the Separation Agreement and the Plan, any payments due to the Participant shall be paid as follows:

(a) Payments due under Section 4.1(a), shall be payable as a salary continuation in accordance with the Company's normal payroll practices, with each payment being due and payable on each scheduled payroll date, beginning within 60 days following the Separation Date, as soon as administratively practicable following the date on which the Separation Agreement becomes effective, with the first payment to include any payments that would have been paid during such period had payment started on the first scheduled payroll date after the Separation Date. Notwithstanding the foregoing, if the Separation Date occurs in one taxable year and the date that is 60 days following the Separation Date occurs in a second taxable year, to the extent required by Code Section 409A, such payments shall not be made prior to the first day of the second taxable year.

(b) Payments due pursuant to Sections 4.1(b) and 4.2(b) shall be paid in a lump sum no later than the payment date for the annual cash bonus to the Company's employees for the year in which the Involuntary Termination occurs. To the extent that the Termination occurs after the payment date for the annual cash bonus, any payments due pursuant to Sections 4.1(b) and 4.2(b) shall be made within [60] days following the Separation Date.

(c) Payments due pursuant to Sections 4.1 (c), 4.2(a) and 4.2(c) shall be paid in a lump sum no later than [30] days from the Separation Date.

(d) For the avoidance of doubt, if an Eligible Employee does not execute a Separation Agreement within the period specified in Section 3.2 or if an Eligible Employee or Participant subsequently revokes or breaches an executed Separation Agreement, the Eligible Employee shall not become a Participant, shall not be entitled to any Severance Benefits, and neither the Company nor any of its Affiliates shall have any further obligations to the Eligible Employee under the Plan. To the extent such breach occurs after an Eligible Employee becomes a Participant, the payment of Severance Benefits shall immediately cease and any Severance Benefits already paid shall be subject to clawback by the Administrator. Unless otherwise subject to clawback pursuant to the Company's Executive Compensation Recoupment Policy, regardless of whether the Eligible Employee executes or revokes the Separation Agreement, the Eligible Employee is entitled to receive the Accrued Compensation.

4.4 Voluntary Resignation; Termination for Death or Disability. If an Eligible Employee's employment terminates for any reason other than an involuntary termination, then the Eligible Employee shall not be entitled to receive Severance Benefits under the Plan and shall be entitled only to receive his or her Accrued Compensation. Except as described in this Section 4.4, neither the Company nor any of its Affiliates shall have any further obligations to the Eligible Employee under the Plan.

4.5 Termination for Cause. If an Eligible Employee's employment terminates on account of termination by the Company or an Affiliate for Cause, or if after an Involuntary Termination, circumstances that would have given rise to termination for Cause are discovered, the Eligible Employee shall not be entitled to receive Severance Benefits and shall be entitled only to receive his or her Accrued Compensation. Except as described in this Section 4.3, neither the Company nor any of its Affiliates shall have any further obligations to such Eligible Employee or Participant as applicable under the Plan. Nothing in this Plan shall limit the Company's and Affiliates' rights to damages and other remedies in the event of misconduct that constitutes Cause.

4.6 Severance Benefits in the Event of Death of a Participant. If a Participant dies while any amount would still be payable to him or her hereunder had he or she continued to live, all such amounts, unless otherwise provided herein, shall be paid to the Participant's Beneficiary within the time period provided for under Section 4.1 or 4.2, as applicable.

4.7 Non-duplication.

(a) No provision of this Plan shall require (or be interpreted to require) the Company or any Affiliate to duplicate any payment or other compensation or benefit that a Participant is entitled to receive under any employment agreement or other plan, program, policy or other arrangement (each an "Other Arrangement").

(b) The amount of any salary continuation or bonus payment that is required by the Plan for a pay period shall be reduced dollar-for-dollar (but not below zero) by the amount of any severance or similar payment that the Participant is entitled to receive for such period pursuant to an Other Arrangement. If the Plan or an Other Arrangement provides for payment of an amount in a form other than installments over the Severance Period, in accordance with the schedule contemplated by Section 4.3(a), such amount shall be expressed for purposes of applying this Section 4.7 as an equivalent benefit payable in installments over the Severance Period in accordance with Section 4.3(a). For example, a lump-sum severance payment equal to 12 months' base salary shall be treated as if it were paid in installments over 12 months, with a pro-rated amount payable on each scheduled payroll date;

(c) The amount payable in respect of benefits under Section 4.1(c) or 4.2(c) shall be reduced dollar-for-dollar (but not below zero) by the amount of any reimbursement or allowance for comparable benefits, or the value of Company-subsidized benefits for the applicable period.

(d) Unless otherwise expressly provided, no Other Arrangement involving a Participant that is executed after the Participant becomes covered by the Plan shall be interpreted to change the form or time of payment of any benefits that such Participant had a legally binding right to receive under the Plan before execution of such Other Arrangement.

Subject to this Section 4, the benefits provided under the Plan (after reduction pursuant to subsections (b) and (c) above) shall be in addition to any compensation or benefits the Participant is eligible to receive under an Other Arrangement. Benefits under the Plan shall in all cases be calculated consistently with the intent that the aggregate amount payable under the Plan and all Other Arrangements equals the amount payable under this Plan.

Article V. Code Section 4999 Excise Tax.

Anything in the Plan to the contrary notwithstanding, in the event that it shall be determined that any payment or benefit made or provided, or to be made or provided, by the Company or any of

its Affiliates (or any successor thereto) to or for the benefit of a Participant, whether pursuant to the terms of the Plan, any other agreement, plan, program or arrangement of or with the Company or any of its Affiliates (or any successor thereto) or otherwise (any such payment or benefit, individually, the “**Payment**” and collectively, the “**Payments**”), will be subject to the excise tax imposed by Code Section 4999 or any comparable tax imposed by any replacement or successor provision of United States tax law (the “**Excise Tax**”), then such Participant shall be entitled to receive (a) the amount of such Payments, reduced such that no portion thereof shall fail to be tax deductible under Code Section 280G (the “**Limited Amount**”), or (b) the full Payments, whichever results in the greatest after-tax proceeds to the Participant. Any amount paid under Article 5 shall be subject to normal federal, state and local tax withholding requirements. In the event that it is determined that the aggregate amount of the Payments will be reduced in accordance with this Article 5, the Payments shall be reduced on a nondiscretionary basis in such a way as to minimize the reduction in the economic value deliverable to the Participant. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Code Section 409A, and where more than one payment has the same value for this purpose and they are payable at different times, they will be reduced on a pro-rata basis. All determinations to be made under this Article 5 shall be made by the nationally recognized independent public accounting firm or valuation firm selected by the Company in its reasonable discretion (“**Accounting Firm**”), which Accounting Firm shall provide its determinations and any supporting calculations to the Administrator and the Participant within 10 days of the Separation Date. Any such determination by the Accounting Firm shall be binding upon the Company, its Affiliates and the Participant. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Article 5 shall be borne solely by the Company or an Affiliate.

Article VI. Conditions to Receipt and Retention of Severance Benefits

Receipt and retention of Severance Benefits is expressly conditioned upon each Eligible Employee’s continued compliance with all non-competition, non-solicitation and/or confidentiality obligations contained in this policy and any other applicable agreement between the Eligible Employee and the Company and/or any of its Affiliates or their respective subsidiaries, both before and after becoming a Participant. In the event such an individual fails to comply with any of these conditions: (i) the individual shall cease to be entitled to receive any Severance Benefits, (ii) the individual shall return any Severance Benefits previously paid to or for him or her, and (iii) the Company shall be entitled to recover any such Severance Benefits not returned by the individual.

6.1 Non-Competition. During an Eligible Employee’s employment with the Company or an Affiliate, and for the Severance Period following his or her Separation Date, such Eligible Employee shall not, without prior written consent from the Company, directly or indirectly, whether as owner, partner, investor, consultant, agent, employee, co-venturer or otherwise, compete with the Company or its Affiliates in any markets where the Company or its Affiliates do business, or plan to do business, as of the Separation Date. Competitors include any entity in the business of owning, operating or franchising high value low cost fitness centers, digital fitness subscriptions or the sale and distribution of fitness equipment (other than a Planet Fitness business). The foregoing shall not prevent the Eligible Employee from owning up to five percent (5%) of the outstanding securities of a publicly held corporation that may compete with the Company.

6.2 Non-Solicitation.

(a) During an Eligible Employee’s employment with the Company or an Affiliate, and for the Severance Period following his or her Separation Date, such Eligible Employee shall not, directly or indirectly (a) solicit or encourage any franchisee of the Company or its Affiliates to terminate or diminish its relationship with it or them; or (b) seek to persuade any such franchisee or prospective franchisee of the Company or its Affiliates to

conduct with anyone else any business or activity which such franchisee or prospective franchisee conducts with the Company or its Affiliates.

(b) During an Eligible Employee's employment with the Company or an Affiliate, and for the Severance Period following his or her Separation Date, such Eligible Employee may not, and will not assist any other party to, (a) hire or solicit for hiring any employee of the Company or its Affiliates or seek to persuade any employee of the Company or its Affiliates to discontinue employment or (b) solicit or encourage any independent contractor or vendor providing services to the Company or its Affiliates to terminate or diminish its relationship with them. For purposes hereof, general solicitations not directed at a particular person or advertising in media directed at the general public shall not provide the basis for a claim by the Company that a Participant violated this provision.

(c) For avoidance of doubt, this Section 6.2 shall not apply to any period following separation from service with the Company or an Affiliate with respect to any Eligible Employee who declines to enter into a Separation Agreement unless they have otherwise executed a Non-Compete/Non-Solicitation/Confidentiality Agreement.

6.3 Non-Disparagement. During an Eligible Employee's employment with the Company or an Affiliate, and continuing after the Separation Date shall not, directly or indirectly, by any manner or means, in public or in private, disparage orally or in writing the Company or its affiliates' business, management, products or services, and will not otherwise do or say anything that could disrupt the good morale of employees of the Company or any of its Affiliates or harm the interests or reputation of the Company or any of its Affiliates. Nothing in this paragraph shall prohibit an Eligible Employee from providing truthful information in response to a legal proceeding.

6.4 Confidentiality. Other than as required by applicable law or for the proper performance of his or her duties and responsibilities to the Company or any of its Affiliates during his or her employment with the Company or any of its Affiliates, no Eligible Employee shall disclose to any Person or use any Confidential Information obtained by such individual incident to his or her employment or other association with the Company or any of its Affiliates. As of the Separation Date, Eligible Employees must return all such Confidential Information to the Company, materials that incorporate or reference such Confidential Information, and all copies thereof. The confidentiality condition under this Section 6.3 shall not apply to information which is generally known or readily available to the public at the time of disclosure or becomes generally known through no wrongful act on the part of the Eligible Employee or any other Person having an obligation of confidentiality to the Company or any of its Affiliates. Notwithstanding the foregoing, nothing in the Plan limits, restricts or in any other way affects an Eligible Employee's communicating with any governmental agency or entity, or communicating with any official or staff person of a governmental agency or entity, concerning matters relevant to the governmental agency or entity, or requires an Eligible Employee to provide prior notice to the Company of the same. An Eligible Employee cannot be held criminally or civilly liable under any federal or state trade secret law for disclosing a trade secret (a) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or (b) in a complaint or other document filed under seal in a lawsuit or other proceeding. Notwithstanding this immunity from liability, an Eligible Employee may be held liable if he or she unlawfully accesses trade secrets by unauthorized means.

Article VII. Withholding of Taxes; Funding

7.1 Withholding of Taxes; Taxes. The Company and any Affiliate shall be entitled to withhold from any amounts payable under the Plan all taxes as legally shall be required (including,

without limitation, any United States federal taxes, and any other state, city, or local taxes). Regardless of the amount withheld or reported, each Eligible Employee shall be solely responsible for the payment of all taxes that become due as a result of a payment or other rights (including imputed income) to the Participant under the Plan.

7.2 Funding. The Plan shall be funded out of the general assets of the Company or an Affiliate as and when Severance Benefits are payable under the Plan. All Participants shall be solely general creditors of the Company and Affiliates.

Article VIII. Successors and Assignment

8.1 Successors to the Company. The Company or an Affiliate will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Company or an Affiliate or of any division or subsidiary thereof to expressly assume and agree to perform the Company's or an Affiliate's obligations under the Plan in the same manner and to the same extent that the Company or the Affiliate would be required to perform them if no such succession had taken place.

8.2 Assignment by Eligible Employee or Participant. Except in the event of death, an Eligible Employee or Participant does not have the power to transfer, assign, anticipate, mortgage or otherwise encumber any rights or any amounts payable under the Plan; nor will any such rights or amounts payable under the Plan be subject to seizure, attachment, execution, garnishment or other legal or equitable process, or for the payment of any debts, judgments, alimony, or separate maintenance, or be transferable by operation of law in the event of bankruptcy, insolvency, or otherwise. In the event an Eligible Employee or Participant attempts to assign, transfer or dispose of such right, or if an attempt is made to subject such right to such process, such assignment, transfer or disposition will be null and void.

Article IX. Code Section 409A

9.1 The Plan is intended to comply with the requirements of Code Section 409A, to the extent applicable, and this Plan shall be interpreted consistently with the intent to avoid any tax under Code Section 409A. For the avoidance of doubt, however, no provision of this Plan shall transfer liability for taxes under Code Section 409A from the Eligible Employee or Participant to the Company, any Affiliate, or any other Person.

Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with Code Section 409A and, if necessary, any such provision shall be deemed amended to comply with Code Section 409A and the regulations thereunder. If any payment or benefit cannot be provided or made at the time specified herein without incurring any accelerated or additional tax under Code Section 409A, then such benefit or payment shall be provided in full at the earliest time thereafter when such accelerated or additional tax will not be imposed, and vice versa. All payments to be made upon a separation, termination of employment, or similar event under the Plan may only be made upon a "separation from service" (as defined in Treasury regulation section 1.409A-1(h), after giving effect to the presumptions contained therein) to the extent required under Code Section 409A. For purposes of Code Section 409A, each payment made under the Plan shall be treated as a separate payment. In no event may an Eligible Employee or Participant, directly or indirectly, designate the calendar year of payment of any severance benefit payable hereunder.

9.2 Reimbursements provided under the Plan, if any, shall be made or provided in accordance with the requirements of Code Section 409A including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during a limited period of time specified in the Plan; (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the

expenses eligible for reimbursement in any other calendar year; (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (iv) the right to reimbursement is not subject to liquidation or exchange for another benefit.

9.3 To the maximum extent permitted under Code Section 409A, the Severance Benefits payable under the Plan are intended to comply with the “short-term deferral exception” under Treas. Reg. §1.409A-1(b)(4), and any remaining amount is intended to comply with the “separation pay exception” under Treas. Reg. §1.409A-1(b)(9)(iii). Any portion of the Severance Benefits that are payable under the Plan to a Participant during the six-month period following the Participant’s Separation Date that does not qualify within either of the foregoing exceptions and constitutes deferred compensation subject to the requirements of Code Section 409A shall hereinafter be referred to as the **“Excess Amount”**. If at the time of the Participant’s separation from service, the Company’s (or any entity required to be aggregated with the Company under Code Section 409A) stock is publicly traded on an established securities market or otherwise and the Participant is a “specified employee” (as defined in Code Section 409A and determined in the sole discretion of the Company (or any successor thereto) in accordance with the Company’s (or any successor thereto) “specified employee” determination policy), then the Company shall postpone the commencement of the payment of the portion of the Excess Amount that is payable within the six-month period following the Participant’s Separation Date for six months following the Participant’s Separation Date. The delayed Excess Amount shall be paid in a lump sum to the Participant within 10 days following the date that is six months following the Participant’s Separation Date and any remaining installments shall continue to be paid to the Participant in accordance with the original schedule provided herein. If the Participant dies during such six-month period and prior to the payment of the portion of the Excess Amount that is required to be delayed on account of Code Section 409A, such Excess Amount shall be paid to the personal representative of the Participant’s Beneficiary within 60 days after the Participant’s death.

Article X. Claims Procedures

10.1 Claims. (a) Any request or claim for benefits under the Plan shall be deemed to be filed when a written request is made by the claimant or the claimant’s authorized representative which is reasonably calculated to bring the claim to the attention of the Administrator.

(a) The Administrator, or its designee, shall advise the claimant, or such claimant’s representative, in writing or in electronic form, of its decision within 90 days of receipt of the claim for Severance Benefits under the Plan, unless special circumstances require an extension of such 90-day period for not more than an additional 90 days. Where such extension is necessary, the claimant shall be given written notice of the delay before the expiration of the initial 90-day period, which notice shall set forth the reasons for the delay and the date the Administrator expects to render its decision.

(b) The Administrator’s response to a claim shall (i) be in writing or in electronic form; and (ii) in the case of an adverse benefit determination: (A) set forth the reason(s) for the denial of benefits; (B) contain references to Plan provisions on which the denial is based; (C) describe the additional material and information, if any, necessary for the claim for benefits to be perfected and an explanation of why such material or information is necessary; and (D) describe the Plan’s review procedures and the time limits applicable to such procedures, including a statement of the claimant’s right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.

10.2 Appeals. (a) If the claimant or the claimant's authorized representative fails to appeal the Administrator's adverse benefit determination, in writing, within 60 days after its receipt by the claimant, the Administrator's determination shall become final and conclusive.

(a) If the claimant or the claimant's authorized representative appeals the Administrator's adverse benefit determination in a timely fashion, the Administrator shall reexamine all issues relevant to the original denial of benefits. Any such claimant or his or her duly authorized representative may review any relevant documents, records and other information, free of charge, including documents and records that were relied upon in making the benefit determination, documents submitted, considered or generated in the course of making the benefit determination (even if such documents were not relied upon in making the benefit determination), and documents that demonstrate compliance, in making the benefit determination, with the Plan's required administrative processes and safeguards. In addition, the claimant or his or her duly authorized representative may submit written comments, documents, records and other information relating to such claim for benefits. In the course of the review, the Administrator shall take into account all comments, documents, records and other information submitted by the claimant or his or her duly authorized representative relating to such claim, regardless of whether it was submitted or considered as part of the initial benefit determination.

(b) The Administrator shall advise the claimant or such claimant's representative, in writing or in electronic form, of its decision within 60 days of receipt of the written appeal, unless special circumstances require an extension of such 60-day period for not more than an additional 60 days. Where such extension is necessary, the claimant shall be given written notice of the delay before the expiration of the initial 60-day period, which notice shall set forth the reasons for the delay and the date the Administrator expects to render its decision. If the extension is necessary because the claimant has failed to submit the information necessary to decide the claim, the Administrator's period for responding to such claim shall be tolled from the date on which the notification of the extension is sent to the claimant until the date on which the claimant responds to the request for additional information. In the event of an adverse benefit determination on appeal, the Administrator shall advise the claimant, in a manner calculated to be understood by the claimant of: (i) the reason(s) for the adverse benefit determination; (ii) the Plan provisions on which the decision was based; (iii) the claimant's right to receive, upon request and free of charge, and have reasonable access to, copies of all documents, records and other information relevant to such claim; and (iv) a statement describing any voluntary appeals procedures offered by the Plan, the claimant's right to obtain information about such procedures, and a statement of the claimant's right to bring an action under section 502(a) of ERISA.

10.3 Exhaustion. No person may bring an action for any alleged wrongful denial of Plan benefits in a court of law unless the claims procedures set forth above are exhausted and a final determination is made by the Administrator. Any challenge to a If a Participant or other interested person challenges a decision of the Administrator, such challenge must be filed in the court of law no later than within one year after the earliest of (i) the date the first payment under the Plan was made, (ii) the date the first payment under the Plan was allegedly due, or (iii) the date the Company or an Affiliate first repudiated the alleged obligation to provide such benefit. following the denial of the appeal described in Section 10.2(c), and If the one-year period expires during the time that a request for review of the claim pursuant to this Article X is pending, such period shall be extended until the 60th calendar day following final denial (including a deemed denial) of such claim on administrative review (but the period for filing a new claim or requesting administrative review shall not be extended). The foregoing limitations period shall supersede and replace any limitations period that might otherwise be deemed applicable under state or federal law in the absence of this Section 10.3. a Before a Change in Control: (I) a A review by the court of law will be limited to the facts, evidence and issues presented to the Administrator during the claims procedure set forth above, and shall be

subject to an abuse of discretion standard of review; (II). F facts and evidence that become known to the Participant or other interested person after having exhausted the claims procedure shall not be taken into account unless timely must be brought to the attention of the Administrator for reconsideration of the claims determination; and. (III) I issues not raised with the Administrator will be deemed waived. After a Change in Control, the standard of review by a court shall be de novo and shall take into account all facts presented.

Article XI. Administration

11.1 The Committee will be the administrator of the Plan. The Committee may, however, delegate to any person, committee or entity any of its power or duties under the Plan. The Administrator will be the sole judge of the application and interpretation of the Plan, and will have the discretionary authority to construe the provisions of the Plan and to resolve disputed issues of fact. The Administrator will have the sole authority to make determinations regarding eligibility for benefits. Subject to Section 10.3, the decisions of the Administrator in all matters relating to the Plan that are within the scope of its authority (including, but not limited to, eligibility for benefits, Plan interpretations, and disputed issues of fact) will be final and binding on all parties. The Administrator will have such powers as may be necessary to discharge its duties, including but not limited to, the following:

- (a) To construe and interpret the Plan, decide all questions of eligibility and determine the amount, manner and time of payment of any benefits under the Plan;
- (b) To prescribe procedures to be followed by claimants filing applications for benefits;
- (c) To prepare and distribute, in such manner as the Administrator determines to be appropriate, information explaining the Plan;
- (d) To receive from the Company and from Participants and employees such information as will be necessary for the proper administration of the Plan;
- (e) To furnish the Company, upon request, such annual reports with respect to the administration of the Plan as are reasonable and appropriate;
- (f) To receive, review and keep on file (as it deems convenient and proper) reports of benefit payments by the Company and reports for disbursements of expenses directed by the Administrator;
- (g) To appoint and compensate persons to assist in the administration of the Plan and any other agents it deems advisable, including legal counsel; and
- (h) To make all appropriate filings with governmental agencies on behalf of the Plan.

Article XII. Miscellaneous

12.1 Employment Status. Except as may be provided under any other agreement between an Eligible Employee and the Company or an Affiliate, all employment with the Company and its Affiliates is “at will”, and may be terminated by either the Eligible Employee or the Company or an Affiliate at any time, subject to applicable law. Nothing contained herein shall constitute an employment contract or guarantee of employment or confer any other rights except as set forth herein. Nothing in the Plan will be construed to create any right to employment or re-employment with the Company.

12.2 Other Payments. Except as otherwise provided in the Plan, no Eligible Employee shall be entitled to any cash payments or other Severance Benefits under any of the Company's or any Affiliate's then current severance pay policies or under any individual employment, severance or similar agreement for a termination that is covered by the Plan for the Eligible Employee. Except as otherwise provided in the Plan, acceptance of benefits under the Plan constitutes a waiver of any other separation or Severance Benefits from the Company, including without limitation any separation or Severance Benefits offered under a Participant's employment agreement or offer letter. In the event a Participant receives a judgment for or relating to any other separation benefits from the Company, the amounts paid out under the Plan will be reduced by such judgment.

12.3 No Mitigation. Participants shall not be required to mitigate the amount of any Severance Benefit provided for in the Plan by seeking other employment or otherwise, nor shall the amount of any Severance Benefit provided for herein be reduced by any compensation earned by other employment or otherwise, except in the event the Participant is re-employed by the Company or an Affiliate, in which case Severance Benefits shall cease upon the date of reemployment.

12.4 Overpayments. If a Participant receives payments in excess of the amounts specified in Section 4, the Company, at its sole discretion, may elect to deduct such overpayments from any future payments to the Participant. If all payments have been made to the Participant, the Participant will be obligated to repay any overpayments upon demand from the Company.

12.5 Conflicts. The Plan document is the sole authority for any disputes regarding the Plan. In the event there is any conflict between the terms of the Plan and any other document or oral statements describing the terms of the Plan, the Plan document will control.

12.6 No Oral Promises. No person has the authority to modify or waive or vary the terms of the Plan. No oral promise of benefits or payments under or relating to the Plan will create a right in favor of any employee or impose any obligation on the Company or the Plan. Any interpretation of the Plan or obligation under or relating to the Plan must be in writing and signed by the Administrator or its designee to be binding.

12.7 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular, and the singular shall include the plural.

12.8 Amendment or Termination. The Board or the Committee may, in their sole discretion, amend or terminate the Plan, in whole or in part, at any time and for any reason or no reason without the consent of Participants; provided that the Plan may not be amended or terminated during the period commencing on the Change in Control and ending on the [24]-month anniversary of such Change in Control, except for amendments that are required to comply with any changes in applicable law, and provided further that no amendment to the Plan may discontinue or change any payments to a Participant who has entered into an effective Separation Agreement under the Plan prior to the effective date of the amendment or termination of the Plan. If the Plan is terminated, no Severance Benefits will be payable under the Plan to any Eligible Employee who has not entered into an effective Separation Agreement under the Plan prior to the effective date of such termination. For the avoidance of doubt, any Separation Agreement that took effect prior to the date the Plan is amended or terminated shall remain in full force and effect in accordance with its terms.

12.9 Governing Law. To the extent not preempted by the laws of the United States, the Plan shall be construed and enforced under and be governed in all respects by the laws of the State of New Hampshire, without regard to the conflict of laws principles thereof. The sole and exclusive jurisdiction for any dispute or claim arising from this Agreement shall be the United States Federal District Court for the District of New Hampshire.

12.10 Liability. No member of the Committee, no Administrator, and no officer, director or employee of the Company or any Affiliate shall be personally liable for any inaction with respect to his or her functions under the Plan unless such action or inaction is adjudged to be due to gross negligence, willful misconduct or fraud. Further, no member of the Committee or Administrator shall be personally liable merely by virtue of any instrument executed by him or her or on his or her behalf as a member of the Committee or as an Administrator.

12.11 Indemnification. The Company shall indemnify, to the fullest extent permitted by law and its Certificate of Incorporation and By-laws (but only to the extent not covered by insurance) its officers and directors (and any employee involved in carrying out the functions of the Company under the Plan), each member of the Committee and each Administrator against any expenses, including amounts paid in settlement of a liability, which are reasonably incurred in connection with any legal action to which such person is a party by reason of his or her duties or responsibilities with respect to the Plan, except with regard to matters as to which he or she shall be adjudged in such action to be liable for gross negligence, willful misconduct or fraud in the performance of his or her duties.

12.12 Headings. The headings of the Plan are inserted for convenience of reference only and shall have no effect upon the meaning of provisions hereof.

12.13 Incompetency. In the event that the Administrator finds that a Participant is unable to care for his or her affairs because of illness or accident, then benefits payable hereunder, unless claim has been made therefor by a duly appointed guardian, committee, or other legal representative, may be paid in such manner as the Administrator shall determine, and the application thereof shall be a complete discharge of all liability for any payments or benefits to which such Participant was or would have been otherwise entitled under the Plan.

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Chris Rondeau, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Planet Fitness, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 7, 2021

/s/ Christopher Rondeau

Christopher Rondeau
Chief Executive Officer
 (Principal Executive Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Thomas Fitzgerald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Planet Fitness, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 7, 2021

/s/ Thomas Fitzgerald

Thomas Fitzgerald
Chief Financial Officer
 (Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Planet Fitness, Inc. (the “Company”) on Form 10-Q for the fiscal quarter ended March 31, 2021 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Chris Rondeau, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: May 7, 2021

/s/ Christopher Rondeau

Christopher Rondeau

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Planet Fitness, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended March 31, 2021 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas Fitzgerald, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: May 7, 2021

/s/ Thomas Fitzgerald

Thomas Fitzgerald
Chief Financial Officer
(Principal Financial Officer)