Moschovakis Capital

Planet Fitness, Inc.

PLNT

EQUITY RESEARCH REPORT

May 08, 2026

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PLNT — Planet Fitness, Inc.

Report Date: 2026-05-08

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID**
Current Price	$44.01
Fair Value (Base Case)	$52.00
Margin of Safety	~18% (insufficient given risk profile)
Target Entry (if reconsidered)	$32.00

Return Profile	Value
Dividend Yield	0.0% (no dividend)
Expected Dividend Growth	N/A
Expected Price Appreciation	4-6% CAGR
Total Expected Return (Base)	4-6% CAGR
Bear Case Total Return	-8% to -12% CAGR
Bull Case Total Return	12-14% CAGR
Probability-Weighted Return	~3% CAGR

Risk Assessment	Value
Wealth Preservation Score	38 / 100
Downside Protection Score	30 / 100
Quality Score	52 / 100
Risk Level	ELEVATED
Probability of >50% Loss	18-22%
Recession Profile	VULNERABLE

One-Line Thesis:

A growing franchise gym operator with attractive unit economics, but a leveraged balance sheet, no dividend, recession-vulnerable consumer base, and recent 31% drawdown disqualify it from a wealth preservation

mandate.

INVESTMENT THESIS

Planet Fitness runs a capital-light franchise model that converts $10/month memberships into a 44% Adjusted EBITDA margin business with 13% ROIC. The business has compounded revenue at roughly 27% over five years, and the recent Q1 2026 print beat estimates handily. On the surface, this looks like a quality compounder.

The wealth preservation lens tells a different story. PLNT carries roughly $2.3B in net debt against $550M of EBITDA — leverage of 4.1x — most of it in securitized notes backed by U.S. franchise revenue. Interest coverage sits near 3.5x, below our 5x minimum. The company pays no dividend, so total return depends entirely on price appreciation and multiple expansion. The customer base skews to households earning under $75K, which means revenue is highly correlated with consumer discretionary spending and unemployment trends. In 2008 and 2020, the gym industry saw 20-30% membership declines.

The stock fell from ~$94 in March 2026 to $44.01 today — a 53% decline in roughly two months — following Q1 2026 results. That move signals either a thesis-breaking shift the market sees that the bull case ignores, or a sentiment overreaction. Either way, you cannot model this as stable. The bear case shows total return of -8% to -12% CAGR, which fails our absolute requirement that bear case returns be non-negative for capital preservation candidates. Combine that with no dividend cushion, leveraged balance sheet, recession vulnerability, and ongoing class action litigation, and the position fails multiple wealth preservation gates.

You can find better risk-adjusted returns in defensive dividend payers trading at fair valuations. Pass.

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1. BUSINESS QUALITY ASSESSMENT

Sector: Consumer Discretionary — Membership Sports & Recreation Clubs (SIC 7997)

Sector Verdict: CYCLICAL — requires fortress balance sheet AND valuation discount to proceed.

Planet Fitness operates ~2,896 clubs serving 20.8M members. The model is franchise-heavy (~98% franchised), which makes the corporate entity capital-light. PLNT collects royalties (~7% of franchisee revenue), franchise fees, and equipment sales, plus operates ~270 corporate clubs.

Moat Assessment:

- Brand recognition in low-cost gym category
- Scale advantages in equipment purchasing
- Real estate footprint creating local density
- Switching costs are minimal (no contracts)

Moat Durability: MEDIUM. The "low-cost gym" position is not unique. Crunch Fitness, EoS Fitness, and Youfit compete directly on price. Home fitness (Peloton, Tonal, free YouTube content) erodes the floor. Boutique fitness pulls higher-income members. PLNT's pricing power is constrained — they raised the basic tier from $10 to $15 in 2024 and saw measurable churn impact.

Threat Assessment: ELEVATED. Industry penetration declined from 25% pre-COVID to 20% in 2024. Hybrid work reduces gym frequency. The customer base is the most price-sensitive in fitness.

Verdict: Decent business, not a fortress business. Does not meet our preferred profile for cyclical sector exposure.

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2. FINANCIAL FORTRESS ANALYSIS

This is where the thesis breaks for a wealth preservation investor.

Metric	Value	Threshold	Pass/Fail
Debt/EBITDA	4.1x	<3.0x preferred	**FAIL**
Interest Coverage (EBIT/Interest)	3.5x	>5.0x minimum	**FAIL**
Current Ratio	2.08x	>1.5x	PASS
FCF Positive (5 of 5 years)	Yes	4 of 5 minimum	PASS
Debt/Equity	N/M (negative book equity)	<1.0x	**FAIL (structural)**
Cash as % of Total Debt	~25%	>20%	PASS

Securitized Debt Structure: PLNT's debt sits in Planet Fitness Master Issuer LLC, a bankruptcy-remote subsidiary, collateralized by ~all U.S. revenue assets. The Series 2025-1 Class A-2 notes carry covenants tied to debt service coverage. A material decline in system-wide royalties — the kind that happened in 2008 and 2020 — could trigger cash trap provisions or technical defaults.

Recession Stress Test:

If revenue declined 25% (gym industry historical recession decline), EBITDA would compress disproportionately due to fixed corporate-club costs and securitization servicing requirements. Interest coverage could fall below 2.0x, triggering covenant scrutiny. Probability of needing dilutive equity raise in severe recession: 25-30%.

Solvency Assessment: MARGINAL. The company will likely survive a normal recession. A severe downturn (2008-style) creates real risk of forced restructuring or dilutive capital raise. This does not meet the FORTRESS or ADEQUATE bar required for unconditional consideration.

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3. DIVIDEND ANALYSIS

PLNT pays no dividend.

For a wealth preservation mandate, this matters. Total return depends entirely on:

1. Price appreciation (which has just delivered -53% over two months)
2. Multiple expansion (current EV/EBITDA of 13.6x is below 5Y avg of 21x — possible, but not assured)

Without a dividend cushion, every position becomes a directional bet on growth and sentiment. You receive zero return while waiting for the thesis to play out. Against a 4% HYSA baseline that pays you cash quarterly, PLNT

must deliver substantial price appreciation just to match the alternative.

Income Reliability Score: 0/30 points.

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4. VALUATION ANALYSIS

Metric	Current	5Y Avg	vs. History	Assessment
P/E (TTM)	16.8x*	38x	-56%	Cheap
EV/EBITDA	13.6x	21.1x	-36%	Cheap
P/FCF	~22x	37x	-41%	Cheap
EV/Sales	5.7x	7.5x	-24%	Reasonable
P/S	4.7x	6.0x	-22%	Reasonable

*Based on $44.01 price and TTM EPS of ~$2.62

Margin of Safety Calculation:

- Normalized EBITDA: $550M (current)
- Apply 17x EV/EBITDA (modestly below 5Y avg, accounting for slower growth): $9.35B EV
- Less net debt $2.3B = $7.05B equity value
- Per share: ~$84
- vs. current $44.01 = 91% theoretical upside

The math screams "cheap." But there is a reason. The market just took 53% off the price following Q1 2026 results. Either the market is wrong (and you're getting an asymmetric opportunity), or the market sees something — guidance cut, deceleration in same-store sales, member churn acceleration, debt covenant concerns — that the headline beat obscured. Without sitting on the Q1 earnings call and reviewing the just-filed 10-Q in detail, you cannot confidently take the contrarian side.

Valuation Verdict: ATTRACTIVE on metrics, but the recent price action signals undisclosed deterioration in the thesis. Cheapness alone is not a reason to buy in a wealth preservation framework.

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5. SCENARIO ANALYSIS (10-Year Horizon)

BEAR CASE (30% probability):

- Recession triggers 20% revenue decline; member count drops to 17M
- EBITDA compresses to $380M; debt covenants tighten
- Dilutive equity raise at distressed prices
- Multiple compresses to 10x EV/EBITDA
- Price target: $22-26
- Total Return CAGR: **-7% to -10%**

BASE CASE (50% probability):

- Membership grows modestly to 25M by 2030, then plateaus
- Revenue CAGR: 6%
- EBITDA margin holds at 42%
- Multiple recovers to 15x EV/EBITDA
- Price target: $68 in 10 years
- Total Return CAGR: **4.5%**

BULL CASE (20% probability):

- Q1 2026 selloff was sentiment overreaction
- Membership reaches 30M, international expansion succeeds
- Revenue CAGR: 9%, margins expand to 46%
- Multiple re-rates to 20x EV/EBITDA
- Price target: $135 in 10 years
- Total Return CAGR: **12%**

Probability-Weighted Expected Return:

(30% × -8.5%) + (50% × 4.5%) + (20% × 12%) = **2.1% CAGR**

This fails the inflation + 4% hurdle (~7%) by a wide margin and underperforms a 4% HYSA on a risk-adjusted basis.

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6. RISK ASSESSMENT

Maximum Drawdown Estimation:

- Already drew down 53% in two months (March-May 2026)
- Historical max drawdown (10 years): ~65%
- Bear case incremental decline from $44.01: another 40-50%

Key Risks:

1. **Securitized debt covenant trigger** in severe recession — risk of forced refinancing at punitive rates
2. **Member churn acceleration** — already-high 40-50% annual churn could spike in recession
3. **Litigation exposure** — pending class actions on lapse fees with $200M potential exposure
4. **Insider selling pattern** — CEO and CFO sold ~$23M combined in 2024-2025 with no offsetting buys
5. **Pricing power test** — recent price increases have stressed the value proposition with the core demographic
6. **Recession sensitivity** — 70% of members earn <$75K; this is precisely the cohort that cuts gym memberships first

Probability of >50% Permanent Loss: 18-22%. This exceeds our <10% threshold for wealth preservation candidates.

Recession Profile: VULNERABLE. Combination of leverage, low-income customer base, and discretionary spending category.

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7. MANAGEMENT & GOVERNANCE

Capital Allocation Track Record: MIXED. Buybacks have been executed at higher prices ($90+ range), which now look value-destructive given the $44 price. No dividend means shareholders received nothing while management bought back stock at premium valuations.

Insider Activity (Red Flag): CEO Craig Benson sold $15M in 2024-2025; CFO Tom Fitzgerald sold $8M in 2023. No insider buying during the recent 53% decline. Insiders who genuinely believe in the recovery typically buy on dislocations.

Executive Turnover: CFO change in 2023, CMO exit in 2025. Frequent C-suite turnover at a franchise operator raises questions about strategy consistency.

Guidance Track Record: 2024 EPS guidance cut three times (from $2.10 to $1.75). Management's forward visibility is questionable.

Management Quality: ADEQUATE — leans CONCERNING. Not disqualifying alone, but combined with other factors, it weakens the case.

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8. PEER COMPARISON

Dimension	PLNT	Life Time (LTH)	Industry Median
EV/EBITDA	13.6x	~12x	11.9x
Debt/EBITDA	4.1x	3.8x	3.0x
Dividend Yield	0%	0%	1.2%
ROIC	13.1%	9%	8%
Recession Profile	Vulnerable	Vulnerable	Mixed

PLNT screens better than Life Time on returns but worse on leverage. Neither pays a dividend. For wealth preservation, the entire fitness sector is a poor fit. If you need consumer discretionary exposure, McDonald's, Costco, or TJX offer fortress balance sheets with dividends and recession-tested resilience.

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9. KEY METRICS SUMMARY

Category	Score
Balance Sheet Fortress (40 pts)	14/40
Income Reliability (30 pts)	0/30
Capital Efficiency (15 pts)	11/15

Category	Score
Valuation (15 pts)	13/15
Total Quality Score	**38/100**

Composite WP Score	Calculation
Downside Protection	30/100
Return Adequacy	40/100 (base case ~5%, below hurdle)
Quality	38/100
Weighted WP Score	**35.5/100**

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10. MONITORING CHECKLIST (For Watchlist Reconsideration)

Trigger	Threshold	Action
Price decline	Below $30 (offering 50%+ MoS to base case)	Re-evaluate
Insider buying	>$5M aggregate purchases by NEOs	Constructive signal
Debt reduction	Net debt/EBITDA <3.0x	Improves solvency case
Dividend initiation	Any sustainable yield >2%	Changes wealth preservation calculus
Q2 2026 results	Same-club sales remain positive, guidance maintained	Confirms thesis stability
Macro recession	Onset of recession with PLNT membership growth >15%	AVOID confirmed

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EXIT TRIGGERS

Not applicable — recommendation is AVOID. No position to exit.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Disqualifying Factors:

1. Bear case total return of -8% to -12% CAGR fails the absolute requirement of non-negative bear case return
2. Probability-weighted expected return of 2.1% falls below the 4% HYSA baseline
3. Solvency assessment of MARGINAL fails the FORTRESS or ADEQUATE requirement
4. No dividend means zero income cushion during the thesis playout

5. Probability of >50% permanent loss at 18-22% exceeds the 10% threshold

6. Recent 53% drawdown signals undisclosed deterioration that the wealth preservation framework requires you to respect, not contradict

What Would Change This Assessment:

- Price below $30, restoring meaningful margin of safety against bear case
- Net debt/EBITDA below 3.0x
- Dividend initiation with sustainable payout
- Two consecutive quarters of stable same-club sales and reaffirmed guidance
- Insider buying pattern reversal

Better Alternatives: For consumer discretionary exposure with wealth preservation characteristics, consider businesses with fortress balance sheets, dividend track records spanning multiple recessions, and pricing power that does not depend on a single low-income demographic. PLNT may be a fine speculative position for a growth-oriented account. It does not belong in a portfolio mandated to preserve and grow capital with severe downside protection.

ANALYST NOTES

Key Assumptions:

- Q1 2026 selloff reflects real fundamental deterioration the headline beat obscured
- Securitized debt structure performs as designed in normal recessions but creates tail risk in severe downturns
- Member churn and price sensitivity assumptions based on historical industry data
- Multiple normalization to 15x EV/EBITDA in base case is below 5Y average but above industry median

Limitations:

- Did not have direct access to Q1 2026 earnings call transcript or just-filed 10-Q details
- Forward EPS estimates from sources show wide range ($1.86 TTM to $3.38 FY26 guidance)
- Securitized debt covenant specifics require deeper review of indenture documents
- Insider transaction data limited to summary references

Confidence Level: HIGH — The decision to AVOID rests on multiple independent disqualifying factors (no dividend, leveraged balance sheet, vulnerable recession profile, recent severe drawdown). Even if any single factor were resolved favorably, others would remain. The framework's wealth preservation gates are designed precisely to filter out situations like this where attractive valuation is paired with elevated permanent loss probability.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

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