# 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 June 30, 2019**

**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** | **38-3942097** |
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(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 August 1, 2019 there were 84,011,831 shares of the Registrant's Class A Common Stock, par value $0.0001 per share, outstanding and 8,581,920 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; 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, the following:*

- *our dependence on the operational and financial results of, and our relationships with, our franchisees and the success of their new and existing stores;*
- *risks relating to damage to our brand and reputation;*
- *our ability to successfully implement our growth strategy;*
- *technical, operational and regulatory risks related to our third-party providers' systems and our own information systems;*
- *our and our franchisees' ability to attract and retain members;*
- *the high level of competition in the health club industry generally;*
- *our reliance on a limited number of vendors, suppliers and other third-party service providers;*
- *our substantial increased indebtedness as a result of our refinancing and securitization transactions and our ability to incur additional indebtedness or refinance that indebtedness in the future;*
- *our future financial performance and our ability to pay principal and interest on our indebtedness;*
- *risks relating to our corporate structure and tax receivable agreements; 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, 2018 filed with the Securities and Exchange Commission on March 1, 2019.*

*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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## PART I-FINANCIAL INFORMATION
### 1. Financial Statements

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

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 330,550 | $ 289,431 |
| Restricted cash | 30,576 | 30,708 |
| Accounts receivable, net of allowance for bad debts of $54 and $84 at June 30, 2019 and December 31, 2018, respectively | 26,566 | 38,960 |
| Inventory | 2,513 | 5,122 |
| Restricted assets – national advertising fund | 5,208 | — |
| Prepaid expenses | 10,068 | 4,947 |
| Other receivables | 12,866 | 12,548 |
| Other current assets | 5,776 | 6,824 |
| Total current assets | 424,123 | 388,540 |
| Property and equipment, net of accumulated depreciation of $64,839, as of June 30, 2019 and $53,086 as of December 31, 2018 | 118,517 | 114,367 |
| Right-of-use assets, net | 115,390 | — |
| Intangible assets, net | 231,425 | 234,330 |
| Goodwill | 206,752 | 199,513 |
| Deferred income taxes | 425,647 | 414,841 |
| Other assets, net | 1,613 | 1,825 |
| Total assets | $ 1,523,467 | $ 1,353,416 |
| **Liabilities and stockholders' deficit** | | |
| Current liabilities: | | |
| Current maturities of long-term debt | $ 12,000 | $ 12,000 |
| Accounts payable | 16,277 | 30,428 |
| Accrued expenses | 22,558 | 32,384 |
| Equipment deposits | 7,376 | 7,908 |
| Restricted liabilities – national advertising fund | 112 | — |
| Deferred revenue, current | 27,076 | 23,488 |
| Payable pursuant to tax benefit arrangements, current | 25,506 | 24,765 |
| Other current liabilities | 14,519 | 430 |
| Total current liabilities | 125,424 | 131,403 |
| Long-term debt, net of current maturities | 1,156,792 | 1,160,127 |
| Deferred rent, net of current portion | — | 10,083 |
| Lease liabilities, net of current portion | 113,748 | — |
| Deferred revenue, net of current portion | 29,648 | 26,374 |
| Deferred tax liabilities | 1,874 | 2,303 |
| Payable pursuant to tax benefit arrangements, net of current portion | 408,099 | 404,468 |
| Other liabilities | 2,254 | 1,447 |
| Total noncurrent liabilities | 1,712,415 | 1,604,802 |
| Commitments and contingencies (Note 12) | | |
| Stockholders' equity (deficit): | | |
| Class A common stock, $.0001 par value - 300,000 authorized, 83,995 and 83,584 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively | 8 | 9 |
| Class B common stock, $.0001 par value - 100,000 authorized, 8,582 and 9,448 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively | 1 | 1 |
| Accumulated other comprehensive income | 251 | 94 |
| Additional paid in capital | 24,495 | 19,732 |
| Accumulated deficit | (333,870) | (394,410) |
| Total stockholders' deficit attributable to Planet Fitness Inc. | (309,115) | (374,574) |

| | | | | |
|---|---|---|---|---|
| Non-controlling interests | | (5,257) | | (8,215) |
| Total stockholders' deficit | | (314,372) | | (382,789) |
| Total liabilities and stockholders' deficit | $ | 1,523,467 | $ | 1,353,416 |

*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 June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue: | | | | |
| Franchise | $ 58,225 | $ 45,417 | $ 111,181 | $ 87,579 |
| Commission income | 1,065 | 1,575 | 2,059 | 3,563 |
| National advertising fund revenue | 12,522 | 11,158 | 24,334 | 21,620 |
| Corporate-owned stores | 39,695 | 34,252 | 77,739 | 66,959 |
| Equipment | 70,154 | 48,148 | 115,165 | 82,161 |
| Total revenue | 181,661 | 140,550 | 330,478 | 261,882 |
| Operating costs and expenses: | | | | |
| Cost of revenue | 54,391 | 36,744 | 88,877 | 63,244 |
| Store operations | 20,163 | 18,047 | 41,068 | 36,403 |
| Selling, general and administrative | 18,864 | 17,210 | 37,018 | 34,831 |
| National advertising fund expense | 12,522 | 11,158 | 24,334 | 21,620 |
| Depreciation and amortization | 10,577 | 8,619 | 20,484 | 17,084 |
| Other (gain) loss | (122) | (39) | 246 | 971 |
| Total operating costs and expenses | 116,395 | 91,739 | 212,027 | 174,153 |
| Income from operations | 65,266 | 48,811 | 118,451 | 87,729 |
| Other expense, net: | | | | |
| Interest income | 1,979 | 418 | 3,777 | 455 |
| Interest expense | (14,636) | (9,046) | (29,385) | (17,816) |
| Other expense | (1,444) | (502) | (4,762) | (310) |
| Total other expense, net | (14,101) | (9,130) | (30,370) | (17,671) |
| Income before income taxes | 51,165 | 39,681 | 88,081 | 70,058 |
| Provision for income taxes | 11,338 | 9,263 | 16,615 | 16,146 |
| Net income | 39,827 | 30,418 | 71,466 | 53,912 |
| Less net income attributable to non-controlling interests | 4,983 | 4,544 | 9,213 | 8,157 |
| Net income attributable to Planet Fitness, Inc. | $ 34,844 | $ 25,874 | 62,253 | $ 45,755 |
| Net income per share of Class A common stock: | | | | |
| Basic | $ 0.41 | $ 0.30 | $ 0.74 | $ 0.52 |
| Diluted | $ 0.41 | $ 0.29 | $ 0.74 | $ 0.52 |
| Weighted-average shares of Class A common stock outstanding: | | | | |
| Basic | 84,143 | 87,693 | 83,975 | 87,565 |
| Diluted | 84,835 | 88,105 | 84,639 | 87,931 |

*See accompanying notes to condensed consolidated financial statements.*

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Net income including non-controlling interests | $ 39,827 | $ 30,418 | $ 71,466 | $ 53,912 |
| Other comprehensive income (loss), net: | | | | |
| Unrealized gain on interest rate caps, net of tax | — | 17 | — | 383 |
| Foreign currency translation adjustments | 103 | (34) | 157 | (63) |
| Total other comprehensive income, net | 103 | (17) | 157 | 320 |
| Total comprehensive income including non-controlling interests | 39,930 | 30,401 | 71,623 | 54,232 |
| Less: total comprehensive income attributable to non-controlling interests | 4,983 | 4,543 | 9,213 | 8,214 |
| Total comprehensive income attributable to Planet Fitness, Inc. | $ 34,947 | $ 25,858 | $ 62,410 | $ 46,018 |

*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 six months ended June 30, | |
|---|---|---|
| | **2019** | **2018** |
| Cash flows from operating activities: | | |
| Net income | $ 71,466 | $ 53,912 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 20,484 | 17,084 |
| Amortization of deferred financing costs | 2,664 | 973 |
| Amortization of favorable leases | — | 186 |
| Amortization of asset retirement obligations | 168 | — |
| Amortization of interest rate caps | — | 446 |
| Deferred tax expense | 8,854 | 13,300 |
| Loss (gain) on re-measurement of tax benefit arrangement | 4,852 | (354) |
| Provision for bad debts | (10) | (8) |
| Loss on reacquired franchise rights | — | 350 |
| (Gain) loss on disposal of property and equipment | (54) | 547 |
| Equity-based compensation | 2,279 | 2,687 |
| Changes in operating assets and liabilities, excluding effects of acquisitions: | | |
| Accounts receivable | 12,465 | 22,281 |
| Due to and due from related parties | (461) | 3,375 |
| Inventory | 2,608 | (501) |
| Other assets and other current assets | (9,288) | (3,109) |
| National advertising fund | (5,096) | (1,634) |
| Accounts payable and accrued expenses | (20,831) | (16,884) |
| Other liabilities and other current liabilities | 1,777 | (2,908) |
| Income taxes | 1,987 | 131 |
| Payable to related parties pursuant to tax benefit arrangements | (17,476) | (21,706) |
| Equipment deposits | (532) | 2,503 |
| Deferred revenue | 6,631 | 6,229 |
| Leases and deferred rent | 17 | 1,594 |
| Net cash provided by operating activities | 82,504 | 78,494 |
| Cash flows from investing activities: | | |
| Additions to property and equipment | (18,925) | (8,136) |
| Acquisition of franchises | (14,801) | (28,503) |
| Proceeds from sale of property and equipment | 54 | 134 |
| Net cash used in investing activities | (33,672) | (36,505) |
| Cash flows from financing activities: | | |
| Principal payments on capital lease obligations | (27) | (23) |
| Repayment of long-term debt | (6,000) | (3,592) |
| Proceeds from issuance of Class A common stock | 1,520 | 400 |
| Dividend equivalent payments | (138) | (138) |
| Distributions to Continuing LLC Members | (3,742) | (3,503) |
| Net cash used in financing activities | (8,387) | (6,856) |
| Effects of exchange rate changes on cash and cash equivalents | 542 | (429) |
| Net increase in cash, cash equivalents and restricted cash | 40,987 | 34,704 |
| Cash, cash equivalents and restricted cash, beginning of period | 320,139 | 113,080 |
| Cash, cash equivalents and restricted cash, end of period | $ 361,126 | $ 147,784 |
| Supplemental cash flow information: | | |
| Net cash paid for income taxes | $ 6,530 | $ 2,929 |
| Cash paid for interest | $ 26,923 | $ 16,795 |
| Non-cash investing activities: | | |

| | | | | |
|---|---|---|---|---|
| Non-cash additions to property and equipment | $ | 1,896 | $ | 2,072 |

*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 March 31, 2019 | 84,463 | $ 9 | 8,589 | $ 1 | $ 148 | $ 22,576 | $ (368,714) | $ (8,062) | $ (354,042) |
| Net income | — | — | — | — | — | — | 34,844 | 4,983 | 39,827 |
| Equity-based compensation expense | — | — | — | — | — | 964 | — | — | 964 |
| Exchanges of Class B common stock | 7 | — | (7) | — | — | — | — | — | — |
| Exercise of stock options, vesting of restricted share units and ESPP share purchase | 49 | — | — | — | — | 704 | — | — | 704 |
| Repurchase and retirement of Class A common stock | (524) | (1) | — | — | — | 64 | — | (64) | (1) |
| Tax benefit arrangement liability and deferred taxes arising from exchanges of Class B common stock | — | — | — | — | — | 187 | — | — | 187 |
| Non-cash adjustments to VIEs | — | — | — | — | — | — | — | (214) | (214) |
| Distributions paid to members of Pla-Fit Holdings | — | — | — | — | — | — | — | (1,900) | (1,900) |
| Other comprehensive income | — | — | — | — | 103 | — | — | — | 103 |
| Balance at June 30, 2019 | 83,995 | $ 8 | 8,582 | $ 1 | $ 251 | $ 24,495 | $ (333,870) | $ (5,257) | $ (314,372) |

| | 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 March 31, 2018 | 87,505 | $ 9 | 10,893 | $ 1 | $ (370) | $ 13,011 | $ (120,245) | $ (14,840) | $ (122,434) |
| Net income | — | — | — | — | — | — | 25,874 | 4,544 | 30,418 |
| Equity-based compensation expense | — | — | — | — | — | 1,692 | (3) | — | 1,689 |
| Exchanges of Class B common stock | 413 | — | (413) | — | 1 | (798) | — | 797 | — |
| Retirement of Class B common stock | — | — | (9) | — | — | — | — | — | — |
| Exercise of stock options and vesting of restricted share units | 14 | — | — | — | — | 158 | — | — | 158 |
| Tax benefit arrangement liability and deferred taxes arising from exchanges of Class B common stock | — | — | — | — | — | 681 | — | — | 681 |
| Forfeiture of dividend equivalents | — | — | — | — | — | — | 26 | — | 26 |
| Distributions paid to members of Pla-Fit Holdings | — | — | — | — | — | — | — | (1,769) | (1,769) |
| Other comprehensive income | — | — | — | — | (16) | — | — | (1) | (17) |
| Balance at June 30, 2018 | 87,932 | $ 9 | 10,471 | $ 1 | $ (385) | $ 14,744 | $ (94,348) | $ (11,269) | $ (91,248) |

**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, 2018 | 83,584 | $ 9 | 9,448 | $ 1 | $ 94 | $ 19,732 | $ (394,410) | $ (8,215) | $ (382,789) |
| Net income | — | — | — | — | — | — | 62,253 | 9,213 | 71,466 |
| Equity-based compensation expense | — | — | — | — | — | 2,279 | — | — | 2,279 |
| Exchanges of Class B common stock | 866 | — | (866) | — | — | (1,172) | — | 1,172 | — |
| Exercise of stock options, vesting of restricted share units and ESPP share purchase | 69 | — | — | — | — | 1,209 | — | — | 1,209 |
| Repurchase and retirement of Class A common stock | (524) | (1) | — | — | — | 64 | — | (64) | (1) |
| Tax benefit arrangement liability and deferred taxes arising from exchanges of Class B common stock | — | — | — | — | — | 2,383 | — | — | 2,383 |
| Non-cash adjustments to VIEs | — | — | — | — | — | — | — | (3,621) | (3,621) |
| Distributions paid to members of Pla-Fit Holdings | — | — | — | — | — | — | — | (3,742) | (3,742) |
| Cumulative effect adjustment, net of tax (Note 16) | — | — | — | — | — | — | (1,713) | — | (1,713) |
| Other comprehensive income | — | — | — | — | 157 | — | — | — | 157 |
| Balance at June 30, 2019 | 83,995 | $ 8 | 8,582 | $ 1 | $ 251 | $ 24,495 | $ (333,870) | $ (5,257) | $ (314,372) |

| | 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, 2017 | 87,188 | $ 9 | 11,193 | $ 1 | $ (648) | $ 12,118 | $ (130,966) | $ (17,451) | $ (136,937) |
| Net income | — | — | — | — | — | — | 45,755 | 8,157 | 53,912 |
| Equity-based compensation expense | — | — | — | — | — | 2,690 | (3) | — | 2,687 |
| Exchanges of Class B common stock | 713 | — | (713) | — | — | (1,471) | — | 1,471 | — |
| Retirement of Class B common stock | — | — | (9) | — | — | — | — | — | — |
| Exercise of stock options and vesting of restricted share units | 31 | — | — | — | — | 400 | — | — | 400 |
| Tax benefit arrangement liability and deferred taxes arising from exchanges of Class B common stock | — | — | — | — | — | 1,007 | — | — | 1,007 |
| Forfeiture of dividend equivalents | — | — | — | — | — | — | 58 | — | 58 |
| Distributions paid to members of Pla-Fit Holdings | — | — | — | — | — | — | — | (3,503) | (3,503) |
| Cumulative effect adjustment - ASC 606 | — | — | — | — | — | — | (9,192) | — | (9,192) |
| Other comprehensive income | — | — | — | — | 263 | — | — | 57 | 320 |
| Balance at June 30, 2018 | 87,932 | $ 9 | 10,471 | $ 1 | $ (385) | $ 14,744 | $ (94,348) | $ (11,269) | $ (91,248) |

*See accompanying notes to condensed consolidated financial statements.*

**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 14.0 million members and 1,859 owned and franchised locations (referred to as stores) in 50 states, the District of Columbia, Puerto Rico, Canada, the Dominican Republic, Panama and Mexico as of June 30, 2019 .

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. 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 June 30, 2019 , Planet Fitness, Inc. held 100.0% of the voting interest and 90.7% 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 9.3% 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 and six months ended June 30, 2019 and 2018 are unaudited. The condensed consolidated balance sheet as of December 31, 2018 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, 2018 (the "Annual Report") filed with the SEC on March 1, 2019 . Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

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.

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

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 collects 2% of gross monthly membership dues from franchisees, in accordance with the provisions of the franchise agreements, and uses the amounts received to support our national marketing campaigns, our 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 assets and liabilities in connection with acquisitions, 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 2(d) and 16).

***(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.

The carrying value and estimated fair value of long-term debt as of June 30, 2019 and December 31, 2018 were as follows:

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | **Carrying value** | **Estimated fair value [1]** | **Carrying value** | **Estimated fair value [1]** |
| Long-term debt | $ 1,191,000 | $ 1,237,779 | $ 1,197,000 | $ 1,188,985 |

(1) The estimated fair value of our 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) Recent accounting pronouncements***

In February 2016, the FASB established Topic 842, *Leases* , by issuing ASU No. 2016-02, *Leases* , in February 2016. Topic 842 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient* for Transition to Topic 842; ASU No. 2018-10, *Codification Improvements* to Topic 842, Leases; and ASU No. 2018-11, *Targeted Improvements* . This guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new guidance requires lessees to recognize the assets and liabilities on the balance sheet for the rights and obligations created by leases with lease terms of more than 12 months, amends various other aspects of accounting for leases by lessees and lessors, and requires enhanced disclosures. Leases will be classified as finance or operating, with the classification affecting the pattern and classification of expense recognition within the income statement.

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

The Company adopted the new standard on January 1, 2019 and used the effective date as our date of initial application. Consequently, financial information has not been updated and the disclosures required under the new standard are not provided for dates and periods before January 1, 2019. The new guidance also provides several practical expedients and policies that companies may elect upon transition. The Company has elected the package of practical expedients under which it did not reassess the classification of its existing leases, reevaluate whether any expired or existing contracts are or contain leases or reassess initial direct costs under the new guidance. The Company did not elect the practical expedient pertaining to land easements, as it is not applicable to its leases. Additionally, the Company elected to use the practical expedient that permits a reassessment of lease terms for existing leases using hindsight.

The new standard also provides practical expedients for an entity's ongoing accounting. The Company elected the short-term lease recognition exemption. This means, for those leases that qualify, the Company will not recognize right-of-use ("ROU") assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. The Company also elected the practical expedient to not separate lease and non-lease components.

Upon transition to the new guidance on January 1, 2019, the Company recognized approximately $130,000 of operating lease liabilities. Additionally, the Company recorded ROU assets in a corresponding amount, net of amounts reclassified from other assets and liabilities, including deferred rent, tenant improvement allowances, and favorable lease assets, as specified by the new lease guidance. In connection with the election of the hindsight practical expedient related to reassessing lease terms for existing leases as of January 1, 2019, the Company recorded a cumulative transition adjustment of $1,713 through retained earnings, net of tax.

The FASB issued ASU No. 2017-4, *Intangibles–Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,* in January 2017. This guidance eliminates the requirement to calculate the implied fair value, essentially eliminating step two from the goodwill impairment test. The new standard requires goodwill impairment to be based upon the results of step one of the impairment test, which is defined as the excess of the carrying value of a reporting unit over its fair value. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. This guidance will be effective for fiscal years beginning after December 15, 2019, including interim periods within that year. This new guidance is not expected to have a material impact on the Company's consolidated financial statements.

The FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* , in August 2018. The guidance helps align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This guidance will be effective for fiscal years beginning after December 15, 2019, including interim periods within that year, but allows for early adoption. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

**(3) Variable Interest Entities**

The carrying values of VIEs included in the consolidated financial statements as of June 30, 2019 and December 31, 2018 are as follows:

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| PF Melville | $ 2,762 | $ — | $ 4,787 | $ — |
| MMR | 2,260 | — | 3,563 | — |
| Total | $ 5,022 | $ — | $ 8,350 | $ — |

The Company also has variable interests in certain franchisees mainly through the guarantee of lease agreements. The Company's maximum obligation, as a result of its guarantees of leases, is approximately $10,443 and $732 as of June 30, 2019 and December 31, 2018 , respectively. In 2019, in connection with a real estate partnership, the Company began guaranteeing certain leases of its franchisees up to a maximum period of ten years with earlier expiration dates possible if certain conditions are met.

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

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 ultimate settlement anticipated to be incurred from the Company's involvement with these entities, which is estimated at $0 .

**(4) Acquisitions**

**Maine Acquisition**

On May 30, 2019, the Company purchased from one of its franchisees certain assets associated with four franchisee-owned stores in Maine for a cash payment of $14,801 . The Company financed the purchase through cash on hand. The acquired stores are included in the Corporate-owned stores segment.

The preliminary purchase consideration was allocated as follows:

| | Amount |
|---|---|
| Fixed assets | $ 999 |
| Reacquired franchise rights | 6,740 |
| Customer relationships | 30 |
| Unfavorable leases, net | (140) |
| Other assets | 78 |
| Goodwill | 7,239 |
| Liabilities assumed, including deferred revenues | (145) |
| | $ 14,801 |

The goodwill created through the purchase is attributable to the assumed future value of the cash flows from the stores acquired. The goodwill is amortizable and deductible for tax purposes over 15 years.

The acquisition was not material to the results of operations of the Company.

Certain estimated values for the Maine acquisition, including goodwill and intangible assets, are not yet finalized and are subject to revision as additional information becomes available and more detailed analyses are completed.

**Colorado Acquisition**

On August 10, 2018, the Company purchased from one of its franchisees certain assets associated with four franchisee-owned stores in Colorado for a cash payment of $17,249 . As a result of the transaction, the Company incurred a loss on unfavorable reacquired franchise rights of $10 , which has been reflected in other operating costs in the statement of operations. The loss incurred reduced the net purchase price to $17,239 . The Company financed the purchase through cash on hand. The acquired stores are included in the Corporate-owned stores segment.

The purchase consideration was allocated as follows:

| | Amount |
|---|---|
| Fixed assets | $ 3,873 |
| Reacquired franchise rights | 4,610 |
| Customer relationships | 140 |
| Favorable leases, net | 80 |
| Other assets | 143 |
| Goodwill | 8,476 |
| Liabilities assumed, including deferred revenues | (83) |
| | $ 17,239 |

The goodwill created through the purchase is attributable to the assumed future value of the cash flows from the stores acquired. The goodwill is amortizable and deductible for tax purposes over 15 years.

**Planet Fitness, Inc. and subsidiaries**
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The acquisition was not material to the results of operations of the Company.

**Long Island Acquisition**

On January 1, 2018, the Company purchased from one of its franchisees certain assets associated with six franchisee-owned stores in New York for a cash payment of $28,503 . As a result of the transaction, the Company incurred a loss on unfavorable reacquired franchise rights of $350 , which has been reflected in other operating costs in the statement of operations. The loss incurred reduced the net purchase price to $28,153 . The Company financed the purchase through cash on hand. The acquired stores are included in the Corporate-owned stores segment.

The purchase consideration was allocated as follows:

| | | Amount |
|---|---|---|
| Fixed assets | $ | 4,672 |
| Reacquired franchise rights | | 7,640 |
| Customer relationships | | 1,150 |
| Favorable leases, net | | 520 |
| Reacquired area development rights | | 150 |
| Other assets | | 275 |
| Goodwill | | 14,056 |
| Liabilities assumed, including deferred revenues | | (310) |
| | $ | 28,153 |

The goodwill created through the purchase is attributable to the assumed future value of the cash flows from the stores acquired. The goodwill is amortizable and deductible for tax purposes over 15 years.

The acquisition was not material to the results of operations of the Company.

**(5) Goodwill and Intangible Assets**

A summary of goodwill and intangible assets at June 30, 2019 and December 31, 2018 is as follows:

| June 30, 2019 | Weighted average amortization period (years) | | Gross carrying amount | | Accumulated amortization | | Net carrying Amount |
|---|---|---|---|---|---|---|---|
| Customer relationships | 11.0 | $ | 173,093 | | (105,797) | $ | 67,296 |
| Noncompete agreements | 5.0 | | 14,500 | | (14,500) | | — |
| Order backlog | 0.4 | | 3,400 | | (3,400) | | — |
| Reacquired franchise rights | 7.4 | | 28,089 | | (10,260) | | 17,829 |
| | | | 219,082 | | (133,957) | | 85,125 |
| Indefinite-lived intangible: | | | | | | | |
| Trade and brand names | N/A | | 146,300 | | — | | 146,300 |
| Total intangible assets | | $ | 365,382 | $ | (133,957) | $ | 231,425 |
| Goodwill | | $ | 206,752 | $ | — | $ | 206,752 |

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

| December 31, 2018 | Weighted average amortization period (years) | Gross carrying amount | Accumulated amortization | Net carrying Amount |
|---|---|---|---|---|
| Customer relationships | 11.0 | $ 173,063 | $ (99,439) | $ 73,624 |
| Noncompete agreements | 5.0 | 14,500 | (14,500) | — |
| Favorable leases | 8.0 | 4,017 | (2,345) | 1,672 |
| Order backlog | 0.4 | 3,400 | (3,400) | — |
| Reacquired franchise rights | 7.0 | 21,349 | (8,615) | 12,734 |
| | | 216,329 | (128,299) | 88,030 |
| Indefinite-lived intangible: | | | | |
| Trade and brand names | N/A | 146,300 | — | 146,300 |
| Total intangible assets | | $ 362,629 | $ (128,299) | $ 234,330 |
| Goodwill | | $ 199,513 | $ — | $ 199,513 |

In connection with the adoption of ASC 842, as of January 1, 2019, the Company has derecognized the favorable leases intangible asset, and the favorable leases balance is now included in the ROU asset, net balance (Note 16). The Company determined that no impairment charges were required during any periods presented and the increase to goodwill was due to the acquisition of four franchisee-owned stores on May 30, 2019 (Note 4).

Amortization expense related to the intangible assets totaled $4,019 and $4,012 for the three months ended June 30, 2019 and 2018 , respectively and $ 8,025 and $ 8,025 for the six months ended June 30, 2019 and 2018 , respectively. Included within total amortization expense for the three and six months ended June 30, 2018 is $92 , and $183 related to amortization of favorable leases, respectively. Amortization of favorable leases is recorded within store operations as a component of rent expense in the consolidated statements of operations. The anticipated annual amortization expense related to intangible assets to be recognized in future years as of June 30, 2019 is as follows:

| | Amount |
|---|---|
| Remainder of 2019 | $ 8,320 |
| 2020 | 14,968 |
| 2021 | 15,053 |
| 2022 | 15,280 |
| 2023 | 15,185 |
| Thereafter | 16,319 |
| Total | $ 85,125 |

### (6) Long-Term Debt

Long-term debt as of June 30, 2019 and December 31, 2018 consists of the following:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Class A-2-I notes | $ 570,688 | $ 573,563 |
| Class A-2-II notes | 620,312 | 623,437 |
| Total debt, excluding deferred financing costs | 1,191,000 | 1,197,000 |
| Deferred financing costs, net of accumulated amortization | (22,208) | (24,873) |
| Total debt | 1,168,792 | 1,172,127 |
| Current portion of long-term debt and line of credit | 12,000 | 12,000 |
| Long-term debt, net of current portion | $ 1,156,792 | $ 1,160,127 |

**Planet Fitness, Inc. and subsidiaries**
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Future annual principal payments of long-term debt as of June 30, 2019 are as follows:

| | | Amount |
|---|---|---|
| Remainder of 2019 | $ | 6,000 |
| 2020 | | 12,000 |
| 2021 | | 12,000 |
| 2022 | | 562,563 |
| 2023 | | 6,250 |
| Thereafter | | 592,187 |
| Total | $ | 1,191,000 |

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 "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 "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 "Class A-2-II Notes" and, together with the Class A-2-I Notes, the "Class A-2 Notes") with an initial principal amount of $625,000 . In connection with the issuance of the Class A-2 Notes, the Master Issuer also entered into a revolving financing facility that allows for the issuance of up to $75,000 in Series 2018-1 Variable Funding Senior Notes, Class A-1 (the "Variable Funding Notes" and together with the Class A-2 Notes, the "Series 2018-1 Senior Notes"), and certain letters of credit, all of which was undrawn as of both June 30, 2019 and December 31, 2018 . The Series 2018-1 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 that act as guarantors of the Series 2018-1 Senior Notes and that have pledged substantially all of their assets to secure the Series 2018-1 Senior Notes.

Interest and principal payments on the Class A-2 Notes are payable on a quarterly basis. The requirement to make such quarterly principal payments on the Class A-2 Notes is subject to certain financial conditions set forth in the Indenture. The legal final maturity date of the Class A-2 Notes is in September 2048, but it is anticipated that, unless earlier prepaid to the extent permitted under the Indenture, the Class A-2-I Notes will be repaid in September 2022 and the Class A-2-II Notes will be repaid in September 2025 (together, the "Anticipated Repayment Dates"). If the Master Issuer has not repaid or refinanced the Class A-2 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 Note agreement. 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 extensions. 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 Series 2018-1 Senior Notes, the Company incurred debt issuance costs of $ 27,133 . The debt issuance costs are being amortized to "Interest expense" through the Anticipated Repayment Dates of the Class A-2 Notes utilizing the effective interest rate method.

The Series 2018-1 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 Series 2018-1 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 Class A-2 Notes under certain circumstances, (iii) certain indemnification payments in the event, among other things, the assets pledged as collateral for the Series 2018-1 Senior Notes are in stated ways defective or ineffective, and (iv) covenants relating to recordkeeping, access to information and similar matters. The Series 2018-1 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 Class A-2 Notes on the applicable scheduled Anticipated Repayment Dates. The Series 2018-1 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 Series 2018-1 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.

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

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 Company's Series 2018-1 Senior Notes. As of June 30, 2019 , the Company had restricted cash held by the Trustee of $ 30,576 . 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.

The proceeds from the issuance of the Class A-2 Notes were used to repay all amounts outstanding on the Term Loan B under the Company's prior credit facility. As a result, the Company recorded a loss on early extinguishment of debt of $ 4,570 in August 2018, primarily consisting of the write-off of deferred costs related to the prior credit facility. In connection with the repayment of the Term Loan B, the Company terminated the related interest rate caps with notional amounts totaling $219,837 , which had been designated as a cash flow hedge. See Note 7 for more information on the interest rate caps.

**(7) Derivative Instruments and Hedging Activities**

Prior to the refinancing transactions described in Note 6, the Company used interest-rate-related derivative instruments to manage its exposure related to changes in interest rates on its variable-rate debt instruments. The Company does not enter into derivative instruments for any purpose other than cash flow hedging. The Company does not speculate using derivative instruments.

In order to manage the market risk arising from the previously outstanding term loans, the Company entered into a series of interest rate caps. As of June 30, 2019 , the Company had no interest rate cap agreements outstanding. In connection with the issuance of the Class A-2 Notes, the Company terminated the interest rate caps it had entered into in order to hedge interest expense on its previously outstanding term loans.

The company had no amounts related to interest rate caps recorded within other assets in the condensed consolidated balance sheets as of June 30, 2019 and December 31, 2018 . The Company recorded an increase to the value of its interest rate caps of $17 , net of tax of $5 , within other comprehensive income (loss) during the three months ended June 30, 2018 , and $383 , net of tax of $130 , during the six months ended June 30, 2018 .

**(8) Related Party Transactions**

Amounts due from related parties of $412 as of June 30, 2019 recorded within other receivables on the condensed consolidated balance sheet relate to a potential indemnification reimbursement for an outstanding legal matter, see Note 12.

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Franchise revenue | $ 717 | $ 813 | $ 1,233 | $ 1,557 |
| Equipment revenue | 2,324 | 323 | 2,324 | 323 |
| Total revenue from related parties | $ 3,041 | $ 1,136 | 3,557 | $ 1,880 |

Additionally, the Company had deferred area development agreement revenue from related parties of $299 and $779 as of June 30, 2019 and December 31, 2018 , respectively.

The Company had payables to related parties pursuant to tax benefit arrangements of $55,504 and $ 59,458 , as of June 30, 2019 and December 31, 2018 , respectively (see Note 11).

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The Company provides administrative services to Planet Fitness NAF, LLC (“NAF”) and 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 $695 and $556 for the three months ended June 30, 2019 and 2018 , respectively, and $1,369 and $1,196 for the six months ended June 30, 2019 and 2018 , respectively.

**(9) Stockholder’s 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 six months ended June 30, 2019 , certain existing holders of Holdings Units exercised their exchange rights and exchanged 865,810 Holdings Units for 865,810 newly-issued shares of Class A common stock. Simultaneously, and in connection with these exchanges, 865,810 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 865,810 Holdings Units, increasing its total ownership interest in Pla-Fit Holdings.

As a result of the above transactions, as of June 30, 2019 :

- Holders of our Class A common stock owned 83,994,635 shares of our Class A common stock, representing 90.7% of the voting power in the Company and, through the Company, 83,994,635 Holdings Units representing 90.7% of the economic interest in Pla-Fit Holdings; and
- the Continuing LLC Owners collectively owned 8,581,920 Holdings Units, representing 9.3% of the economic interest in Pla-Fit Holdings, and 8,581,920 shares of our Class B common stock, representing 9.3% of the voting power in the Company.

***Share repurchase program***

On August 3, 2018, our board of directors approved an increase to the total amount of the previously approved share repurchase program to $ 500,000 .

On November 13, 2018, the Company entered into a $ 300,000 accelerated share repurchase agreement (the “ASR Agreement”) with Citibank, N.A. (“the Bank”). Pursuant to the terms of the ASR Agreement, on November 14, 2018, the Company paid the Bank $ 300,000 upfront in cash and received 4,607,410 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 April 30, 2019. At final settlement, the Bank delivered 524,124 additional shares of the Company’s Class A common stock, based on a weighted average cost per share of $58.46 over the term of the 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.

The timing of the purchases and the amount of stock repurchased pursuant to its remaining share repurchase authorization is subject to the Company’s discretion and depends 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 Series 2018-1 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. Planet Fitness is not obligated under the program to acquire any particular amount of stock and can suspend or terminate the program at any time.

**(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.

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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.

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Numerator** | | | | |
| Net income | $ 39,827 | $ 30,418 | $ 71,466 | $ 53,912 |
| Less: net income attributable to non-controlling interests | 4,983 | 4,544 | 9,213 | 8,157 |
| Net income attributable to Planet Fitness, Inc. | $ 34,844 | $ 25,874 | $ 62,253 | $ 45,755 |
| **Denominator** | | | | |
| Weighted-average shares of Class A common stock outstanding - basic | 84,142,975 | 87,693,377 | 83,975,192 | 87,564,596 |
| Effect of dilutive securities: | | | | |
| Stock options | 643,120 | 389,994 | 614,050 | 351,987 |
| Restricted stock units | 49,088 | 21,960 | 49,408 | 14,886 |
| Weighted-average shares of Class A common stock outstanding - diluted | 84,835,183 | 88,105,331 | 84,638,650 | 87,931,469 |
| **Earnings per share of Class A common stock - basic** | $ 0.41 | $ 0.30 | $ 0.74 | $ 0.52 |
| **Earnings per share of Class A common stock - diluted** | $ 0.41 | $ 0.29 | $ 0.74 | $ 0.52 |

Weighted average shares of Class B common stock of 8,585,294 and 10,704,794 for the three months ended June 30, 2019 and 2018 , respectively, and 8,910,315 and 10,828,471 for the six months ended June 30, 2019 and 2018 , respectively, were evaluated under the if-converted method for potential dilutive effects and were not determined to be dilutive. Weighted average stock options outstanding of 72,984 and 164,341 for the three months ended June 30, 2019 and 2018 , respectively, and 36,648 and 82,165 for the six months ended June 30, 2019 and 2018 , 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 1,209 and 579 for the six months ended June 30, 2019 and 2018 , 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 22.2% and 23.3% for the three months ended June 30, 2019 and 2018 , respectively and 18.9% and 23.0% for the six months ended June 30, 2019 and 2018 , respectively. The effective tax rate for the three months ended June 30, 2019 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 interest. The effective tax rate for the six months ended June 30, 2019 differed from the U.S. federal statutory rate of 21% primarily due to the recognition of a tax benefit from the remeasurement of the Company's net deferred tax assets and income attributable to non-controlling interest, partially offset by state and local taxes. The Company was also subject to taxes in foreign jurisdictions. Undistributed earnings of foreign operations were not material for the three and six months ended June 30, 2019 and 2018 .

Net deferred tax assets of $ 423,773 and $ 412,538 as of June 30, 2019 and December 31, 2018 , 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 June 30, 2019 , the Company does not have any material net operating loss carryforwards.

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

As of June 30, 2019 and December 31, 2018 , the total liability related to uncertain tax positions was $ 430 and $ 300 , respectively. The Company recognizes interest accrued and penalties, if applicable, related to unrecognized tax benefits in income tax expense. Interest and penalties for the three and six months ended June 30, 2019 and 2018 were not material.

*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 six months ended June 30, 2019 , 865,810 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 that occurred in conjunction with the exchanges, we recorded a decrease to our net deferred tax assets of $639 during the six months ended June 30, 2019 . As a result of these exchanges, during the six months ended June 30, 2019 , we also recognized deferred tax assets in the amount of $20,040 , and corresponding tax benefit arrangement liabilities of $17,016 , 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 June 30, 2019 and December 31, 2018 , the Company had a liability of $ 433,605 and $ 429,233 , 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 2019 | $ | 7,324 |
| 2020 | | 25,974 |
| 2021 | | 26,594 |
| 2022 | | 27,152 |
| 2023 | | 27,690 |
| Thereafter | | 318,871 |
| Total | $ | 433,605 |

**(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 May 3, 2019, the Company and other defendants received a joint and several judgment against them in the amount of $6,185 , inclusive of accrued interest, in a civil action brought by a former employee. As of June 30, 2019, the Company has estimated its obligation related to this matter to be approximately $1,237 , 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 $1,237 in other receivables on the Company's condensed consolidated balance sheet, of which $412 is due from a related party. As of June 30, there is an additional $4,109 of potential incremental interest being sought by the plaintiff; however the Company does not currently believe the incremental interest is probable and therefore has not recorded such amount as of June 30, 2019.

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

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, the Dominican Republic, Panama and Mexico, including revenues and expenses from the NAF beginning on January 1, 2018 (see Note 15). The Corporate-owned stores segment includes operations with respect to all Corporate-owned stores throughout the United States and Canada. The Equipment segment 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 and six months ended June 30, 2019 and 2018 . 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 June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue | | | | |
| Franchise segment revenue - U.S. | $ 70,221 | $ 57,252 | $ 134,618 | $ 110,697 |
| Franchise segment revenue - International | 1,591 | 898 | 2,956 | 2,065 |
| Franchise segment total | 71,812 | 58,150 | 137,574 | 112,762 |
| Corporate-owned stores - U.S. | 38,592 | 33,125 | 75,541 | 64,697 |
| Corporate-owned stores - International | 1,103 | 1,127 | 2,198 | 2,262 |
| Corporate-owned stores total | 39,695 | 34,252 | 77,739 | 66,959 |
| Equipment segment - U.S. | 70,154 | 48,148 | 115,165 | 82,161 |
| Equipment segment total | 70,154 | 48,148 | 115,165 | 82,161 |
| Total revenue | $ 181,661 | $ 140,550 | $ 330,478 | $ 261,882 |

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

Franchise revenue includes revenue generated from placement services of $5,071 and $3,079 for the three months ended June 30, 2019 and 2018 , respectively, and $7,836 and $5,177 for the six months June 30, 2019 and 2018 , respectively.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Segment EBITDA | | | | |
| Franchise | $ 49,860 | $ 40,041 | $ 97,220 | $ 76,719 |
| Corporate-owned stores | 18,137 | 14,666 | 33,706 | 26,837 |
| Equipment | 16,772 | 11,457 | 27,179 | 18,925 |
| Corporate and other | (10,370) | (9,236) | (23,932) | (17,978) |
| Total Segment EBITDA | $ 74,399 | $ 56,928 | $ 134,173 | $ 104,503 |

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

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Total Segment EBITDA | $ 74,399 | $ 56,928 | $ 134,173 | $ 104,503 |
| Less: | | | | |
| Depreciation and amortization | 10,577 | 8,619 | 20,484 | 17,084 |
| Other expense | (1,444) | (502) | (4,762) | (310) |
| Income from operations | 65,266 | 48,811 | 118,451 | 87,729 |
| Interest income | 1,979 | 418 | 3,777 | 455 |
| Interest expense | (14,636) | (9,046) | (29,385) | (17,816) |
| Other expense | (1,444) | (502) | (4,762) | (310) |
| Income before income taxes | $ 51,165 | $ 39,681 | $ 88,081 | $ 70,058 |

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

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Franchise | $ 351,615 | $ 319,422 |
| Corporate-owned stores | 370,212 | 243,221 |
| Equipment | 185,284 | 210,462 |
| Unallocated | 616,356 | 580,311 |
| Total consolidated assets | $ 1,523,467 | $ 1,353,416 |

The table above includes $1,730 and $1,892 of long-lived assets located in the Company's corporate-owned stores in Canada as of June 30, 2019 and December 31, 2018 , respectively. All other assets are located in the U.S.

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

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Franchise | $ 16,938 | $ 16,938 |
| Corporate-owned stores | 97,148 | 89,909 |
| Equipment | 92,666 | 92,666 |
| Consolidated goodwill | $ 206,752 | $ 199,513 |

**Planet Fitness, Inc. and subsidiaries**
**Notes to Condensed Consolidated financial statements**
**(Unaudited)**
**(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 and six months ended June 30, 2019 and 2018 :

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Franchisee-owned stores:** | | | | |
| Stores operated at beginning of period | 1,730 | 1,497 | 1,666 | 1,456 |
| New stores opened | 53 | 44 | 118 | 91 |
| Stores debranded, sold or consolidated (1) | (4) | (1) | (5) | (7) |
| Stores operated at end of period | 1,779 | 1,540 | 1,779 | 1,540 |
| **Corporate-owned stores:** | | | | |
| Stores operated at beginning of period | 76 | 68 | 76 | 62 |
| Stores acquired from franchisees | 4 | — | 4 | 6 |
| Stores operated at end of period | 80 | 68 | 80 | 68 |
| **Total stores:** | | | | |
| Stores operated at beginning of period | 1,806 | 1,565 | 1,742 | 1,518 |
| New stores opened | 53 | 44 | 118 | 91 |
| Stores acquired, debranded, sold or consolidated (1) | — | (1) | (1) | (1) |
| Stores operated at end of period | 1,859 | 1,608 | 1,859 | 1,608 |

(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.

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

### (15) Revenue recognition

**Contract Liabilities**

Contract liabilities consist of deferred revenue resulting from initial and renewal franchise fees and 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. 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, 2018 and June 30, 2019 .

| | Contract liabilities |
|---|---|
| Balance at December 31, 2018 | $ 49,862 |
| Revenue recognized that was included in the contract liability at the beginning of the year | (18,868) |
| Increase, excluding amounts recognized as revenue during the period | 25,730 |
| Balance at June 30, 2019 | $ 56,724 |

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 June 30, 2019 . 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 2019 | $ 19,848 |
| 2020 | 9,080 |
| 2021 | 2,910 |
| 2022 | 2,748 |
| 2023 | 2,505 |
| Thereafter | 19,633 |
| Total | $ 56,724 |

### (16) 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 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 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, which is similar to the accounting for capital leases under the previous standard. 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.

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

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

For periods prior to January 1, 2019, the Company recognized rent expense related to leases on a straight-line basis over the term of the lease. The difference between rent expense and rent paid, if any, as a result of escalation provisions and lease incentives, such as tenant improvements provided by lessors, was recorded as deferred rent in the Company’s consolidated balance sheets.

| Leases | Classification | June 30, 2019 |
|---|---|---|
| **Assets** | | |
| Operating lease assets | Right of use asset, net | $ 115,390 |
| Finance lease assets | Property and equipment, net of accumulated depreciation | 268 |
| Total lease assets | | $ 115,658 |
| | | |
| **Liabilities** | | |
| Current: | | |
| Operating | Other current liabilities | $ 13,277 |
| Noncurrent: | | |
| Operating | Lease liabilities, net of current portion | 113,748 |
| Financing | Other liabilities | 299 |
| Total lease liabilities | | $ 127,324 |
| | | |
| Weighted-average remaining lease term (years) - operating leases | | 8.2 |
| | | |
| Weighted-average discount rate - operating leases | | 5.0% |

During the three and six months ended June 30, 2019 , the components of lease cost were as follows:

| | Three months ended June 30, 2019 | Six months ended June 30, 2019 |
|---|---|---|
| Operating lease cost | $ 4,951 | $ 9,796 |
| Variable lease cost | 2,033 | 3,973 |
| Total lease cost | $ 6,984 | $ 13,769 |

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 June 30, 2019 | Six months ended June 30, 2019 |
|---|---|---|
| Cash paid for lease liabilities | $ 4,718 | $ 9,365 |
| Operating assets obtained in exchange for operating lease liabilities | $ 2,981 | $ 2,981 |

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

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As of June 30, 2019 , maturities of lease liabilities were as follows:

| | Amount |
|---|---|
| Remainder of 2019 | $ 9,663 |
| 2020 | 19,676 |
| 2021 | 20,026 |
| 2022 | 19,722 |
| 2023 | 18,565 |
| Thereafter | 68,811 |
| Total lease payments | $ 156,463 |
| Less: imputed interest | 29,139 |
| Present value of lease liabilities | $ 127,324 |

As of June 30, 2019 , operating lease payments exclude approximately $50,927 of legally binding minimum lease payments for leases signed but not yet commenced.

As of December 31, 2018, under the previous accounting guidance for leases, approximate annual future commitments under noncancelable operating leases were as follows:

| | Amount |
|---|---|
| 2019 | $ 15,911 |
| 2020 | 15,219 |
| 2021 | 13,454 |
| 2022 | 12,561 |
| 2023 | 11,133 |
| Thereafter | 45,324 |
| Total | $ 113,602 |

## 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 June 30, 2019 , we had more than 14.0 million members and 1,859 stores in all 50 states, the District of Columbia, Puerto Rico, Canada, the Dominican Republic, Panama, and Mexico. Of our 1,859 stores, 1,779 are franchised and 80 are corporate-owned. As of June 30, 2019 , we had commitments to open more than 1,000 new stores under existing ADAs.

### 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, the Dominican Republic, Panama and Mexico, 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 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 unaffiliated customers and do not include intersegment transactions. The tables below summarize the financial information for our segments for the three and six months ended June 30, 2019 and 2018 . "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.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| **(in thousands)** | **2019** | **2018** | **2019** | **2018** |
| Revenue | | | | |
| Franchise segment | $ 71,812 | $ 58,150 | $ 137,574 | $ 112,762 |
| Corporate-owned stores segment | 39,695 | 34,252 | 77,739 | 66,959 |
| Equipment segment | 70,154 | 48,148 | 115,165 | 82,161 |
| Total revenue | $ 181,661 | $ 140,550 | $ 330,478 | $ 261,882 |
| | | | | |
| Segment EBITDA | | | | |
| Franchise | $ 49,860 | $ 40,041 | $ 97,220 | $ 76,719 |
| Corporate-owned stores | 18,137 | 14,666 | 33,706 | 26,837 |
| Equipment | 16,772 | 11,457 | 27,179 | 18,925 |
| Corporate and other | (10,370) | (9,236) | (23,932) | (17,978) |
| Total Segment EBITDA [(1)] | $ 74,399 | $ 56,928 | $ 134,173 | $ 104,503 |

(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.

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 June 30, 2019** | | | | | |
| Income (loss) from operations | $ 47,883 | $ 11,919 | $ 15,509 | $ (10,045) | $ 65,266 |
| Depreciation and amortization | 1,977 | 6,023 | 1,260 | 1,317 | 10,577 |
| Other income (expense) | — | 195 | 3 | (1,642) | (1,444) |
| Segment EBITDA (1) | $ 49,860 | $ 18,137 | $ 16,772 | $ (10,370) | $ 74,399 |
| **Three months ended June 30, 2018** | | | | | |
| Income (loss) from operations | $ 38,092 | $ 9,849 | $ 10,201 | $ (9,331) | $ 48,811 |
| Depreciation and amortization | 1,949 | 4,952 | 1,256 | 462 | 8,619 |
| Other income (expense) | — | (135) | — | (367) | (502) |
| Segment EBITDA (1) | $ 40,041 | $ 14,666 | $ 11,457 | $ (9,236) | $ 56,928 |
| **Six months ended June 30, 2019** | | | | | |
| Income (loss) from operations | $ 93,249 | $ 21,571 | $ 24,656 | $ (21,025) | $ 118,451 |
| Depreciation and amortization | 3,973 | 11,736 | 2,520 | 2,255 | 20,484 |
| Other income (expense) | (2) | 399 | 3 | (5,162) | (4,762) |
| Segment EBITDA (1) | $ 97,220 | $ 33,706 | $ 27,179 | $ (23,932) | $ 134,173 |
| **Six months ended June 30, 2018** | | | | | |
| Income (loss) from operations | $ 72,790 | $ 17,456 | $ 16,412 | $ (18,929) | $ 87,729 |
| Depreciation and amortization | 3,941 | 9,729 | 2,513 | 901 | 17,084 |
| Other income (expense) | (12) | (348) | — | 50 | (310) |
| Segment EBITDA (1) | $ 76,719 | $ 26,837 | $ 18,925 | $ (17,978) | $ 104,503 |

(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, 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.

*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 and six months ended June 30, 2019 and 2018 :

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Franchisee-owned stores:** | | | | |
| Stores operated at beginning of period | 1,730 | 1,497 | 1,666 | 1,456 |
| New stores opened | 53 | 44 | 118 | 91 |
| Stores debranded, sold or consolidated (1) | (4) | (1) | (5) | (7) |
| Stores operated at end of period | 1,779 | 1,540 | 1,779 | 1,540 |
| **Corporate-owned stores:** | | | | |
| Stores operated at beginning of period | 76 | 68 | 76 | 62 |
| New stores opened | — | — | — | — |
| Stores acquired from franchisees | 4 | — | 4 | 6 |
| Stores operated at end of period | 80 | 68 | 80 | 68 |
| **Total stores:** | | | | |
| Stores operated at beginning of period | 1,806 | 1,565 | 1,742 | 1,518 |
| New stores opened | 53 | 44 | 118 | 91 |
| Stores acquired, debranded, sold or consolidated (1) | — | (1) | (1) | (1) |
| Stores operated at end of period | 1,859 | 1,608 | 1,859 | 1,608 |

(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.

*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 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 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.

Consistent with common industry practice, we present same store sales as compared to the same period in the prior year. 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 12 th month after the acquisition or sale. These stores remain in the system-wide same store sales base in all periods.

The following table shows our same store sales for the three and six months ended June 30, 2019 and 2018 :

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Same store sales data** | | | | |
| Same store sales growth: | | | | |
| Franchisee-owned stores | 9.0% | 10.4% | 9.6% | 10.8% |
| Corporate-owned stores | 5.8% | 5.7% | 6.9% | 5.4% |
| Total stores | 8.8% | 10.2% | 9.5% | 10.6% |
| Number of stores in same store sales base: | | | | |
| Franchisee-owned stores | 1,522 | 1,328 | 1,522 | 1,328 |
| Corporate-owned stores | 68 | 58 | 68 | 58 |
| Total stores | 1,598 | 1,392 | 1,598 | 1,392 |

*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 17 th 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 $851 million and $732 million, during the three months ended June 30, 2019 and 2018 , respectively, and $1,649 million and $1,402 million during the six months ended June 30, 2019 and 2018 , 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 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 and six months ended June 30, 2019 and 2018 :

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **(in thousands)** | | | | |
| Net income | $ 39,827 | $ 30,418 | $ 71,466 | $ 53,912 |
| Interest income | (1,979) | (418) | (3,777) | (455) |
| Interest expense | 14,636 | 9,046 | 29,385 | 17,816 |
| Provision for income taxes | 11,338 | 9,263 | 16,615 | 16,146 |
| Depreciation and amortization | 10,577 | 8,619 | 20,484 | 17,084 |
| EBITDA | $ 74,399 | $ 56,928 | $ 134,173 | $ 104,503 |
| Purchase accounting adjustments-revenue (1) | 176 | (30) | 249 | 414 |
| Purchase accounting adjustments-rent (2) | 117 | 168 | 240 | 350 |
| Loss on reacquired franchise rights (3) | — | — | — | 350 |
| Severance costs (4) | — | 352 | — | 352 |
| Pre-opening costs (5) | 194 | 461 | 195 | 483 |
| Tax benefit arrangement remeasurement (6) | 1,479 | 42 | 4,852 | (354) |
| Other (7) | 145 | 460 | 159 | 1,056 |
| Adjusted EBITDA | $ 76,510 | $ 58,381 | $ 139,868 | $ 107,154 |

(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 $44, $77, $88 and $167 in the three and six months ended June 30, 2019 and 2018 , 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 $73, $92, $152 and $183 in the three and six months ended June 30, 2019 and 2018 , 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 the impact of a non-cash loss recorded in accordance with ASC 805 - Business Combinations related to our acquisition of six franchisee-owned stores on January 1, 2018. The loss recorded under GAAP represents the difference between the fair value of the reacquired franchise rights and the contractual terms of the reacquired franchise rights and is included in other (gain) loss on our consolidated statements of operations.

(4) Represents severance expense recorded in connection with an equity award modification.

(5) 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.

(6) Represents gains and losses related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rate.

(7) Represents certain other charges and gains that we do not believe reflect our underlying business performance. In the three and six months ended June 30, 2018 , this amount includes $342 related to the reversal of a tax indemnification receivable. Additionally, in the six months ended June 30, 2018 , this amount includes expense of $590 related to the write off of certain assets that were being tested for potential use across the system.

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.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| **(in thousands, except per share amounts)** | **2019** | **2018** | **2019** | **2018** |
| Net income | $ 39,827 | $ 30,418 | $ 71,466 | $ 53,912 |
| Provision for income taxes, as reported | 11,338 | 9,263 | 16,615 | 16,146 |
| Purchase accounting adjustments-revenue (1) | 176 | (30) | 249 | 414 |
| Purchase accounting adjustments-rent (2) | 117 | 168 | 240 | 350 |
| Loss on reacquired franchise rights (3) | — | — | — | 350 |
| Severance costs (4) | — | 352 | — | 352 |
| Pre-opening costs (5) | 194 | 461 | 195 | 483 |
| Tax benefit arrangement remeasurement (6) | 1,479 | 42 | 4,852 | (354) |
| Other (7) | 145 | 460 | 159 | 1,056 |
| Purchase accounting amortization (8) | 4,009 | 3,920 | 8,008 | 7,841 |
| Adjusted income before income taxes | $ 57,285 | $ 45,054 | $ 101,784 | $ 80,550 |
| Adjusted income taxes (9) | 15,238 | 11,849 | 27,075 | 21,185 |
| Adjusted net income | $ 42,047 | $ 33,205 | $ 74,709 | $ 59,365 |
| Adjusted net income per share, diluted | $ 0.45 | $ 0.34 | $ 0.80 | $ 0.60 |
| Adjusted weighted-average shares outstanding (10) | 93,420 | 98,810 | 93,549 | 98,760 |

(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 $44, $77, $88 and $167 in the three and six months ended June 30, 2019 and 2018 , 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 $73, $92, $152 and $183 in the three and six months ended June 30, 2019 and 2018 , 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 the impact of a non-cash loss recorded in accordance with ASC 805 - Business Combinations related to our acquisition of six franchisee-owned stores on January 1, 2018. The loss recorded under GAAP represents the difference

between the fair value of the reacquired franchise rights and the contractual terms of the reacquired franchise rights and is included in other (gain) loss on our consolidated statements of operations.

(4) Represents severance expense recorded in connection with an equity award modification.

(5) 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.

(6) Represents gains and losses related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rate.

(7) Represents certain other charges and gains that we do not believe reflect our underlying business performance. In the three and six months ended June 30, 2018 , this amount includes $342 related to the reversal of a tax indemnification receivable. Additionally, in the six months ended June 30, 2018 , this amount includes expense of $590 related to the write off of certain assets that were being tested for potential use across the system.

(8) Includes $3,096, $3,096, $6,192 and $6,192 of amortization of intangible assets, other than favorable leases, for the three and six months ended June 30, 2019 and 2018 , respectively, recorded in connection with the 2012 Acquisition, and $913, $825, $1,816 and $1,650 of amortization of intangible assets for the three months ended June 30, 2019 and 2018 , 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.

(9) Represents corporate income taxes at an assumed effective tax rate of 26.6% and 26.3% for the three and six months ended June 30, 2019 and 2018 , respectively, applied to adjusted income before income taxes.

(10) 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 three and six months ended June 30, 2019 and 2018 :

| | For the three months ended June 30, 2019 | | | For the three months ended June 30, 2018 | | |
|---|---|---|---|---|---|---|
| **(in thousands, except per share amounts)** | **Net income** | **Weighted Average Shares** | **Net income per share, diluted** | **Net income** | **Weighted Average Shares** | **Net income per share, diluted** |
| Net income attributable to Planet Fitness, Inc. [1] | $ 34,844 | 84,835 | $ 0.41 | $ 25,874 | 88,105 | $ 0.29 |
| Assumed exchange of shares [2] | 4,983 | 8,585 | | 4,544 | 10,705 | |
| Net Income | 39,827 | | | 30,418 | | |
| Adjustments to arrive at adjusted income before income taxes [3] | 17,458 | | | 14,636 | | |
| Adjusted income before income taxes | 57,285 | | | 45,054 | | |
| Adjusted income taxes [4] | 15,238 | | | 11,849 | | |
| Adjusted Net Income | $ 42,047 | 93,420 | $ 0.45 | $ 33,205 | 98,810 | $ 0.34 |

(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 26.3% for the three and six months ended June 30, 2019 and 2018 , respectively, applied to adjusted income before income taxes.

| (in thousands, except per share amounts) | For the six months ended June 30, 2019 | | | For the six months ended June 30, 2018 | | |
|---|---|---|---|---|---|---|
| | Net income | Weighted Average Shares | Net income per share, diluted | Net income | Weighted Average Shares | Net income per share, diluted |
| Net income attributable to Planet Fitness, Inc. (1) | $ 62,253 | 84,639 | $ 0.74 | $ 45,755 | 87,931 | $ 0.52 |
| Assumed exchange of shares (2) | 9,213 | 8,910 | | 8,157 | 10,829 | |
| Net Income | 71,466 | | | 53,912 | | |
| Adjustments to arrive at adjusted income before income taxes (3) | 30,318 | | | 26,638 | | |
| Adjusted income before income taxes | 101,784 | | | 80,550 | | |
| Adjusted income taxes (4) | 27,075 | | | 21,185 | | |
| Adjusted Net Income | $ 74,709 | 93,549 | $ 0.80 | $ 59,365 | 98,760 | $ 0.60 |

(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 26.3% for the three and six months ended June 30, 2019 and 2018 , 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 and six months ended June 30, 2019 and 2018 :

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue: | | | | |
| Franchise revenue | 32.1 % | 32.3 % | 33.6 % | 33.4 % |
| Commission income | 0.6 % | 1.1 % | 0.6 % | 1.3 % |
| National advertising fund revenue | 6.9 % | 7.9 % | 7.4 % | 8.3 % |
| Franchise segment | 39.6 % | 41.3 % | 41.6 % | 43.0 % |
| Corporate-owned stores | 21.8 % | 24.4 % | 23.6 % | 25.6 % |
| Equipment | 38.6 % | 34.3 % | 34.8 % | 31.4 % |
| Total revenue | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Operating costs and expenses: | | | | |
| Cost of revenue | 29.9 % | 26.1 % | 26.9 % | 24.1 % |
| Store operations | 11.1 % | 12.8 % | 12.4 % | 13.9 % |
| Selling, general and administrative | 10.4 % | 12.2 % | 11.2 % | 13.3 % |
| National advertising fund expense | 6.9 % | 7.9 % | 7.4 % | 8.3 % |
| Depreciation and amortization | 5.8 % | 6.1 % | 6.2 % | 6.5 % |
| Other (gain) loss | (0.1)% | — % | 0.1 % | 0.4 % |
| Total operating costs and expenses | 64.0 % | 65.1 % | 64.2 % | 66.5 % |
| Income from operations | 36.0 % | 34.9 % | 35.8 % | 33.5 % |
| Other income (expense), net: | | | | |
| Interest income | 1.1 % | 0.3 % | 1.1 % | 0.2 % |
| Interest expense | (8.1)% | (6.4)% | (8.9)% | (6.8)% |
| Other expense | (0.8)% | (0.4)% | (1.4)% | (0.1)% |
| Total other expense, net | (7.8)% | (6.5)% | (9.2)% | (6.7)% |
| Income before income taxes | 28.2 % | 28.4 % | 26.6 % | 26.8 % |
| Provision for income taxes | 6.2 % | 6.6 % | 5.0 % | 6.2 % |
| Net income | 22.0 % | 21.8 % | 21.6 % | 20.6 % |
| Less net income attributable to non-controlling interests | 2.7 % | 3.2 % | 2.8 % | 3.1 % |
| Net income attributable to Planet Fitness, Inc. | 19.3 % | 18.6 % | 18.8 % | 17.5 % |

The following table sets forth a comparison of our condensed consolidated statements of operations for the three and six months ended June 30, 2019 and 2018 :

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **(in thousands)** | | | | |
| Revenue: | | | | |
| Franchise revenue | $ 58,225 | $ 45,417 | $ 111,181 | $ 87,579 |
| Commission income | 1,065 | 1,575 | 2,059 | 3,563 |
| National advertising fund revenue | 12,522 | 11,158 | 24,334 | 21,620 |
| Franchise segment | 71,812 | 58,150 | 137,574 | 112,762 |
| Corporate-owned stores | 39,695 | 34,252 | 77,739 | 66,959 |
| Equipment | 70,154 | 48,148 | 115,165 | 82,161 |
| Total revenue | 181,661 | 140,550 | 330,478 | 261,882 |
| Operating costs and expenses: | | | | |
| Cost of revenue | 54,391 | 36,744 | 88,877 | 63,244 |
| Store operations | 20,163 | 18,047 | 41,068 | 36,403 |
| Selling, general and administrative | 18,864 | 17,210 | 37,018 | 34,831 |
| National advertising fund expense | 12,522 | 11,158 | 24,334 | 21,620 |
| Depreciation and amortization | 10,577 | 8,619 | 20,484 | 17,084 |
| Other (gain) loss | (122) | (39) | 246 | 971 |
| Total operating costs and expenses | 116,395 | 91,739 | 212,027 | 174,153 |
| Income from operations | 65,266 | 48,811 | 118,451 | 87,729 |
| Other income (expense), net: | | | | |
| Interest income | 1,979 | 418 | 3,777 | 455 |
| Interest expense | (14,636) | (9,046) | (29,385) | (17,816) |
| Other expense | (1,444) | (502) | (4,762) | (310) |
| Total other expense, net | (14,101) | (9,130) | (30,370) | (17,671) |
| Income before income taxes | 51,165 | 39,681 | 88,081 | 70,058 |
| Provision for income taxes | 11,338 | 9,263 | 16,615 | 16,146 |
| Net income | 39,827 | 30,418 | 71,466 | 53,912 |
| Less net income attributable to non-controlling interests | 4,983 | 4,544 | 9,213 | 8,157 |
| Net income attributable to Planet Fitness, Inc. | $ 34,844 | $ 25,874 | $ 62,253 | $ 45,755 |

***Comparison of the three months ended June 30, 2019 and three months ended June 30, 2018***

*Revenue*

Total revenues were $ 181.7 million in the three months ended June 30, 2019 , compared to $ 140.6 million in the three months ended June 30, 2018 , an increase of $ 41.1 million, or 29.3% .

Franchise segment revenue was $ 71.8 million in the three months ended June 30, 2019 , compared to $ 58.2 million in the three months ended June 30, 2018 , an increase of $ 13.7 million, or 23.5% .

Franchise revenue was $ 58.2 million in the three months ended June 30, 2019 compared to $ 45.4 million in the three months ended June 30, 2018 , an increase of $ 12.8 million or 28.2% . Included in franchise revenue is royalty revenue of $ 48.9 million, franchise and other fees of $ 4.2 million, and placement revenue of $ 5.1 million for the three months ended June 30, 2019 , compared to royalty revenue of $ 38.3 million, franchise and other fees of $ 4.0 million, and placement revenue of $ 3.1 million for the three months ended June 30, 2018 . The $ 10.6 million increase in royalty revenue was primarily driven by $ 3.4 million attributable to a same store sales increase of 9.0% in franchisee-owned stores and $ 3.3 million was attributable to stores opened in 2019 , as well as stores opened in 2018 which were not included in the same store sales base. Additionally, $ 2.6 million was due to higher royalty rates on monthly dues and $ 1.3 million was due to higher royalty rates on annual fees primarily as a result of the franchise agreements that were amended to increase royalty rates by 1.59% in exchange for a decrease in franchise and other fees as well as reduced commission income (the "Rebate to Royalty Amendment").

Commission income, which is included in our franchise segment, was $ 1.1 million in the three months ended June 30, 2019 compared to $ 1.6 million in the three months ended June 30, 2018 . The $ 0.5 million decrease was primarily attributable to the Rebate to Royalty Amendment mentioned above.

National advertising fund revenue was $ 12.5 million in the three months ended June 30, 2019 , compared to $ 11.2 million in the three months ended June 30, 2018 , as a result of the higher store count and same store sales growth. This revenue is offset by national advertising fund expenses below.

Revenue from our corporate-owned stores segment was $ 39.7 million in the three months ended June 30, 2019 , compared to $ 34.3 million in the three months ended June 30, 2018 , an increase of $ 5.4 million, or 15.9% . The increase was due to higher revenue of $ 3.2 million from corporate-owned stores opened or acquired since April 1, 2018, higher same store sales from corporate-owned stores which increased 5.8% in the three months ended June 30, 2019 and contributed incremental revenues of $ 1.6 million, and higher annual fee revenue of $ 0.7 million.

Equipment segment revenue was $ 70.2 million in the three months ended June 30, 2019 , compared to $ 48.1 million in the three months ended June 30, 2018 , an increase of $ 22.0 million, or 45.7% . The increase was driven by an increase in replacement equipment sales to existing franchisee-owned stores, as well as higher equipment sales to new franchisee-owned stores related to 12 incremental new equipment sales in the three months ended June 30, 2019 compared to the three months ended June 30, 2018 .

*Cost of revenue*

Cost of revenue was $ 54.4 million in the three months ended June 30, 2019 compared to $ 36.7 million in the three months ended June 30, 2018 , an increase of $ 17.6 million, or 48.0% . Cost of revenue, which primarily relates to our equipment segment, increase d due to an increase in replacement equipment sales to existing franchisee-owned stores, in addition to 12 incremental equipment sales to new franchisee-owned stores in the three months ended June 30, 2019 , as compared to the three months ended June 30, 2018 .

*Store operations*

Store operation expenses, which relate to our corporate-owned stores segment, were $ 20.2 million in the three months ended June 30, 2019 compared to $ 18.0 million in the three months ended June 30, 2018 , an increase of $ 2.1 million, or 11.7% . The increase was primarily attributable to the acquisition of four franchisee-owned stores on May 30, 2019, the acquisition of four franchisee-owned stores on August 10, 2018, the opening of four corporate-owned stores since April 1, 2018 and expenses related to future openings currently under construction.

*Selling, general and administrative*

Selling, general and administrative expenses were $ 18.9 million in the three months ended June 30, 2019 compared to $ 17.2 million in the three months ended June 30, 2018 , an increase of $ 1.7 million, or 9.6% . The $ 1.7 million increase was primarily due to additional expenses incurred during the three months ended June 30, 2019 to support our growing operations, including additional headcount. With respect to our growing operations, we anticipate that our selling, general and administrative expenses will continue to increase as our franchisee-owned store count continues to grow.

*National advertising fund expense*

National advertising fund expense was $ 12.5 million in the three months ended June 30, 2019 compared to $ 11.2 million in the three months ended June 30, 2018 , as a result of the higher store count and same store sales growth. This expense is offset by national advertising fund revenue as described above.

*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 $ 10.6 million in the three months ended June 30, 2019 compared to $ 8.6 million in the three months ended June 30, 2018 , an increase of $ 2.0 million, or 22.7% . The increase was primarily attributable to the franchisee-store acquisitions and the opening of corporate-owned stores since April 1, 2018.

*Other gain*

Other gain was $ 0.1 million in the three months ended June 30, 2019 and zero in the three months ended June 30, 2018 .

*Interest income*

Interest income was $2.0 million in the three months ended June 30, 2019 , compared to $ 0.4 million in the three months ended June 30, 2018 . The increase was due to the investment of our higher cash and restricted cash balances on our condensed consolidated balance sheets.

*Interest expense*

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

Interest expense was $ 14.6 million in the three months ended June 30, 2019 compared to $ 9.0 million in the three months ended June 30, 2018 . The increase in interest expense in the three months ended June 30, 2019 was due to higher interest expense related to the issuance of $1.2 billion of Class A-2 Notes on August 1, 2018.

*Other expense*

Other expense was $ 1.4 million in the three months ended June 30, 2019 compared to $ 0.5 million in the three months ended June 30, 2018 , an increase of $ 0.9 million. Other expense includes expense of $1.5 million related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rates in the three months ended June 30, 2019 .

*Provision for income taxes*

Income tax expense was $ 11.3 million in the three months ended June 30, 2019 , compared to $ 9.3 million in the three months ended June 30, 2018 , an increase of $ 2.1 million. The increase in the provision for income taxes was primarily attributable to the Company's increased income before taxes, partially offset by the recognition of a tax benefit from the remeasurement of our net deferred tax assets in the three months ended June 30, 2019 .

***Segment results***

*Franchise*

Segment EBITDA for the franchise segment was $ 49.9 million in the three months ended June 30, 2019 compared to $ 40.0 million in the three months ended June 30, 2018 , an increase of $ 9.8 million, or 24.5% . The increase was primarily driven by $ 3.4 million attributable to a same store sales increase of 9.0% in franchisee-owned stores and $ 3.3 million attributable to stores opened in 2019 , as well as stores opened in 2018 which were not included in the same store sales base. Additionally, $ 2.6 million was due to higher royalty rates on monthly dues and $ 1.3 million was due to higher royalty rates on annual fees primarily as a result of the Rebate to Royalty Amendment. Also contributing to the increase in franchise segment EBITDA was $2.0 million of higher equipment placement revenue as a result of the increase in equipment sales. The increase was partially offset by $1.5 million of higher franchise-related selling, general, and administrative expense to support our growing franchise operations, and $ 0.5 million of lower commission income in connection to the Rebate to Royalty Amendment. Depreciation and amortization was $ 2.0 million and $ 1.9 million for the three months ended June 30, 2019 and 2018 , respectively.

*Corporate-owned stores*

Segment EBITDA for the corporate-owned stores segment was $ 18.1 million in the three months ended June 30, 2019 compared to $ 14.7 million in the three months ended June 30, 2018 , an increase of $ 3.5 million, or 23.7% . Of this increase , $2.1 million was from stores included in our same store sales base in the three months ended June 30, 2019 , compared to the three months ended June 30, 2018 . An additional $1.2 million of the increase was attributable to the stores acquired or opened since April 1, 2018. Depreciation and amortization was $ 6.0 million and $ 5.0 million for the three months ended June 30, 2019 and 2018 , respectively. The increase in depreciation and amortization was primarily attributable to the stores acquired and opened since April 1, 2018.

*Equipment*

Segment EBITDA for the equipment segment was $ 16.8 million in the three months ended June 30, 2019 compared to $ 11.5 million in the three months ended June 30, 2018 , an increase of $ 5.3 million, or 46.4% , driven by an increase in replacement equipment sales to existing franchisee-owned stores, in addition to 12 incremental equipment sales to new franchisee-owned stores in the three months ended June 30, 2019 compared to the three months ended June 30, 2018 . Depreciation and amortization was $ 1.3 million for both the three months ended June 30, 2019 and 2018 .

***Comparison of the six months ended June 30, 2019 and six months ended June 30, 2018***

*Revenue*

Total revenues were $330.5 million in the six months ended June 30, 2019 , compared to $261.9 million in the six months ended June 30, 2018 , an increase of $68.6 million, or 26.2% .

Franchise segment revenue was $137.6 million in the six months ended June 30, 2019 , compared to $112.8 million in the six months ended June 30, 2018 , an increase of $ 24.8 million, or 22.0% .

Franchise revenue was $111.2 million in the six months ended June 30, 2019 compared to $87.6 million in the six months ended June 30, 2018 , an increase of $23.6 million or 26.9% . Included in franchise revenue is royalty revenue of $93.7 million, franchise and other fees of $9.7 million, and placement revenue of $7.8 million for the six months ended June 30, 2019 , compared to royalty revenue of $72.7 million, franchise and other fees of $9.7 million, and placement revenue of $5.2 million for the six months ended June 30, 2018 . Of the $21.0 million increase in royalty revenue, $ 7.4 million was attributable to a same store sales increase of 9.6% in franchisee-owned stores and $ 6.3 million was attributable to higher royalties from stores opened in 2019 , as well as stores that opened in 2018 that were not included in the same store sales base. Additionally, $ 4.9 million was due to higher royalty rates on monthly dues and $ 2.4 million was attributable to higher royalty rates on annual fees, primarily as a result of the Rebate to Royalty Amendment. The $ 2.7 million increase in equipment placement revenue was due to higher new and replacement equipment placements in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018 .

Commission income, which is included in our franchise segment, was $2.1 million in the six months ended June 30, 2019 compared to $3.6 million in the six months ended June 30, 2018 . The $1.5 million decrease was primarily attributable to the Rebate to Royalty Amendment mentioned above.

National advertising fund revenue was $24.3 million in the six months ended June 30, 2019 , compared to $ 21.6 million in the six months ended June 30, 2018 , as a result of the higher store count and same store sales growth. This revenue is offset by national advertising fund expenses mentioned below.

Revenue from our corporate-owned stores segment was $77.7 million in the six months ended June 30, 2019 , compared to $67.0 million in the six months ended June 30, 2018 , an increase of $10.8 million, or 16.1% . The increase was due to higher revenue of $ 5.7 million from corporate-owned stores opened or acquired since January 1, 2018, higher revenues of $ 3.7 million from same store sales which increased 6.9% in the six months ended June 30, 2019 , and higher annual fee revenue of $ 1.6 million.

Equipment segment revenue was $115.2 million in the six months ended June 30, 2019 , compared to $82.2 million in the six months ended June 30, 2018 , an increase of $33.0 million, or 40.2% . The increase was driven by an increase in replacement equipment sales to existing franchisee-owned stores, as well as higher equipment sales to new franchisee-owned stores related to 27 incremental new equipment sales in the six months ended June 30, 2019 compared to the six months ended June 30, 2018 .

*Cost of revenue*

Cost of revenue was $88.9 million in the six months ended June 30, 2019 compared to $63.2 million in the six months ended June 30, 2018 , an increase of $ 25.6 million, or 40.5% . Cost of revenue, which primarily relates to our equipment segment, increase d due to an increase in replacement equipment sales to existing franchisee-owned stores, in addition to 27 incremental equipment sales to new franchisee-owned stores in the six months ended June 30, 2019 , as compared to the six months ended June 30, 2018 .

*Store operations*

Store operation expenses, which relate to our corporate-owned stores segment, were $41.1 million in the six months ended June 30, 2019 compared to $36.4 million in the six months ended June 30, 2018 , an increase of $4.7 million, or 12.8% . The increase was primarily attributable to the acquisition of four franchisee-owned stores on May 30, 2019, the acquisition of four franchisee-owned stores on August 10, 2018, the opening of four corporate-owned stores since January 1, 2018 and expenses related to future openings currently under construction.

*Selling, general and administrative*

Selling, general and administrative expenses were $37.0 million in the six months ended June 30, 2019 compared to $34.8 million in the six months ended June 30, 2018 , an increase of $2.2 million, or 6.3% . The $2.2 million increase was primarily due to additional expenses incurred to support our growing operations, including additional headcount. With respect to our growing operations, we anticipate that our selling, general and administrative expenses will continue to increase as our franchisee-owned store count continues to grow.

*National advertising fund expense*

National advertising fund expense was $24.3 million in the six months ended June 30, 2019 compared to $ 21.6 million in the six months ended June 30, 2018 , as a result of the higher store count and same store sales growth. This expense is offset by national advertising fund revenue as described above.

*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 $20.5 million in the six months ended June 30, 2019 compared to $17.1 million in the six months ended June 30, 2018 , an increase of $3.4 million, or 19.9% . The increase was primarily attributable to the acquisition or opening of corporate-owned stores since January 1, 2018.

*Other loss*

Other loss was $0.2 million in the six months ended June 30, 2019 compared to $1.0 million in the six months ended June 30, 2018 .

*Interest income*

Interest income was $3.8 million in the six months ended June 30, 2019 compared to $ 0.5 million in the six months ended June 30, 2018 . The increase was due to the investment of our higher cash and restricted cash balances on our condensed consolidated balance sheets.

*Interest expense*

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

Interest expense was $29.4 million in the six months ended June 30, 2019 compared to $17.8 million in the six months ended June 30, 2018 . The increase in interest expense in the six months ended June 30, 2019 was due to higher interest expense related to the issuance of $1.2 billion of Class A-2 Notes on August 1, 2018.

*Other expense*

Other expense was $4.8 million in the six months ended June 30, 2019 and $0.3 million in the six months ended June 30, 2018 . Other expense includes expense of $4.9 million and a gain of $0.4 million related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rates in the six months ended June 30, 2019 and the six months ended June 30, 2018 , respectively.

*Provision for income taxes*

Income tax expense was $16.6 million in the six months ended June 30, 2019 , compared to $16.1 million in the six months ended June 30, 2018 , an increase of $0.5 million. The increase in the provision for income taxes was primarily attributable to the Company's increased income before taxes, partially offset by the recognition of a tax benefit from the remeasurement of our net deferred tax assets during the six months ended June 30, 2019 .

***Segment results***

*Franchise*

Segment EBITDA for the franchise segment was $97.2 million in the six months ended June 30, 2019 compared to $76.7 million in the six months ended June 30, 2018 , an increase of $20.5 million, or 26.7% . This increase was primarily driven by $ 7.4 million attributable to a franchisee-owned same store sales increase of 9.6% and $ 6.3 million attributable to higher royalties from stores opened in 2019 , as well as stores that opened in 2018 that were not included in the same store sales base. Additionally, $ 4.9 million was due to higher royalty rates on monthly dues and $ 2.4 million was attributable to higher royalty rates on annual fees, primarily as a result of the Rebate to Royalty Amendment. Additionally, $ 2.7 million of the increase is due to higher equipment placement revenue as a result of the increase in equipment sales. The increase in revenue was partially offset by $1.5 million of lower commission income in conjunction with the Rebate to Royalty Amendment mentioned above, and $0.7 million of higher franchise-related selling, general, and administrative expense to support our growing franchise operations. Depreciation and amortization was $4.0 million and $3.9 million for the six months ended June 30, 2019 and 2018 , respectively.

*Corporate-owned stores*

Segment EBITDA for the corporate-owned stores segment was $33.7 million in the six months ended June 30, 2019 compared to $26.8 million in the six months ended June 30, 2018 , an increase of $6.9 million, or 25.6% . Of this increase , $4.3 million was related to stores included in our same store sales base in the six months ended June 30, 2019 , compared to the six months ended June 30, 2018 . An additional $1.5 million of the increase was attributable to the stores acquired or opened since January 1, 2018. Depreciation and amortization was $11.7 million and $9.7 million for the six months ended June 30, 2019 and 2018 , respectively. The increase in depreciation and amortization was primarily attributable the acquisition or opening of corporate-owned stores since January 1, 2018.

*Equipment*

Segment EBITDA for the equipment segment was $27.2 million in the six months ended June 30, 2019 compared to $18.9 million in the six months ended June 30, 2018 , an increase of $ 8.3 million, or 43.6% , primarily driven by an increase in replacement equipment sales to existing franchisee-owned stores, in addition to 27 incremental equipment sales to new franchisee-owned stores in the six months ended June 30, 2019 compared to the six months ended June 30, 2018 . Depreciation and amortization was $2.5 million for both the six months ended June 30, 2019 and 2018 .

**Liquidity and capital resources**

As of June 30, 2019 , we had $ 330.6 million of cash and cash equivalents. In addition, as of June 30, 2019 , we had borrowing capacity of $75.0 million under our Variable Funding Note.

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 and anticipated growth, we believe that with the available cash balance, the cash generated from our operations, and amounts available under our Variable Funding Note 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 experience no growth in sales or profits. 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, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available under our Variable Funding Note or otherwise to enable us to service our indebtedness, including our Class A-2 Notes, or to make anticipated capital expenditures. Our future operating performance and our ability to service, extend or refinance the senior secured credit facility will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

The following table presents summary cash flow information for the six months ended June 30, 2019 and 2018 :

| | Six months ended June 30, | |
|---|---|---|
| **( in thousands )** | **2019** | **2018** |
| Net cash (used in) provided by: | | |
| Operating activities | $ 82,504 | $ 78,494 |
| Investing activities | (33,672) | (36,505) |
| Financing activities | (8,387) | (6,856) |
| Effect of foreign exchange rates on cash | 542 | (429) |
| Net increase in cash | $ 40,987 | $ 34,704 |

***Operating activities***

For the six months ended June 30, 2019 , net cash provided by operating activities was $ 82.5 million compared to $ 78.5 million in the six months ended June 30, 2018 , an increase of $ 4.0 million. Of the increase , $ 21.6 million was due to higher net income after adjustments to reconcile net income to net cash provided by operating activities. This increase was partially offset by $ 17.6 million of unfavorable changes in working capital primarily in accounts receivable, other assets and other current assets, and due from related parties, partially offset by favorable changes in working capital primarily from payables pursuant to tax benefit arrangements and other liabilities and current liabilities in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018 .

***Investing activities***

Cash flow used in investing activities related to the following capital expenditures for the six months ended June 30, 2019 and 2018 :

| | Six months ended June 30, | |
|---|---|---|
| **( in thousands )** | **2019** | **2018** |
| New corporate-owned stores and corporate-owned stores not yet opened | $ 3,918 | $ 2,458 |
| Existing corporate-owned stores | 5,788 | 4,090 |
| Information systems | 8,677 | 1,516 |
| Corporate and all other | 542 | 72 |
| Total capital expenditures | $ 18,925 | $ 8,136 |

For the six months ended June 30, 2019 , net cash used in investing activities was $33.7 million compared to $36.5 million in the six months ended June 30, 2018 , a decrease of $2.8 million. The primary drivers of investing activities included the acquisition of six franchisee-owned stores on January 1, 2018 for $28.5 million and the acquisition of four franchisee-owned stores on May 30, 2019 for $14.8 million. Additionally, the six months ended June 30, 2019 included $ 10.8 million higher cash used for additions to property, plant and equipment as broken out in the table above.

### *Financing activities*

For the six months ended June 30, 2019 , net cash used by financing activities was $8.4 million compared to cash used of $6.9 million in the six months ended June 30, 2018 , an increase of $1.5 million. The increase was primarily due higher quarterly principal payments under the Company's securitized financing facility during the six months ended June 30, 2019 as compared to its Term Loan B financing facility during the six months ended June 30, 2018 . Continuing LLC Owner distributions were $3.7 million in the six months ended June 30, 2019 compared to $3.5 million in the six months ended June 30, 2018 .

### 2018 Refinancing

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 “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 “Class A-2-I Notes”) with an initial principal amount of $575 million and Series 2018-1 4.666% Fixed Rate Senior Secured Notes, Class A-2-II (the “Class A-2-II Notes” and, together with the Class A-2-I Notes, the “Class A-2 Notes”) with an initial principal amount of $625 million. In connection with the issuance of the Class A-2 Notes, the Master Issuer also entered into a revolving financing facility that allows for the issuance of up to $75 million in Series 2018-1 Variable Funding Senior Notes, Class A-1 (the “ Variable Funding Notes ” and together with the Class A-2 Notes, the "Series 2018-1 Senior Notes"), and certain letters of credit, all of which is currently undrawn. The Series 2018-1 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 that act as guarantors of the Series 2018-1 Senior Notes and that have pledged substantially all of their assets to secure the Series 2018-1 Senior Notes.

The legal final maturity date of the Class A-2 Notes is in August 2048, but it is anticipated that, unless earlier prepaid to the extent permitted under the Indenture, the Class A-2-I Notes will be repaid in August 2022 and the Class A-2-II Notes will be repaid in August 2025.

A portion of the proceeds of the Class A-2 Notes was used to repay the remaining $705.9 million of principal outstanding on the then-existing senior secured credit facility. The additional proceeds, net of transaction costs, are being used for general corporate purposes, and may include a return of capital to the Company’s shareholders. See Note 6 for further information related to the Company's refinancing.

### Off-balance sheet arrangements

As of June 30, 2019 , our off-balance sheet arrangements consisted of guarantees of lease agreements for certain franchisees. Our maximum total commitment under these lease guarantee agreements is approximately $ 10.4 million and would only require payment upon default by the primary obligor. The estimated fair value of these guarantees at June 30, 2019 was not material, and no accrual has been recorded for our potential obligation under these arrangements. In 2019, in connection with a real estate partnership, the Company began guaranteeing certain leases of its franchisees up to a maximum period of ten years earlier expiration dates if certain conditions are met.

### 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 issuance of up to $75.0 million of Variable Funding Notes. 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. However, the Company is exposed to interest rate increases on future borrowings under the Variable Funding Notes.

***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 June 30, 2019 , 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 June 30, 2019 , 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.

For a discussion of our potential risks and uncertainties, see the information under the heading "Risk Factors" in the Annual Report.

## 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 June 30, 2019 .

| | Issuer Purchases of Equity Securities | | | |
|---|---|---|---|---|
| Period | Total Number of Shares Purchased | Average Price Paid Per Share [2] | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1,2] | Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs [1] |
| 04/01/19 - 04/30/19 | 524,124 | $ 58.46 | 524,124 | $157,910,178 |
| 05/01/19 - 05/31/19 | — | — | — | 157,910,178 |
| 06/01/19 - 06/30/19 | — | — | — | 157,910,178 |
| Total | 524,124 | $ 58.46 | 524,124 | |

[1] On August 3, 2018, our board of directors approved an increase to the total amount of the previously announced share repurchase program from $100,000,000 to $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.

[2] On November 13, 2018, the Company entered into a $300 million accelerated share repurchase ("ASR") agreement (the “ASR Agreement”) with Citibank, N.A. (the “Bank”). Pursuant to the terms of the ASR Agreement, on November 14, 2018, the Company paid the Bank $300 million in cash and received 4,607,410 shares of the Company’s Class A common stock. The ASR Agreement contains provisions customary for agreements of this type, including provisions for adjustments to the transaction terms, the circumstances generally under which the ASR Agreement may be accelerated, extended or terminated early by the Bank and various acknowledgments, representations and warranties made by the parties to one another. Final settlement of the ASR Agreement occurred on April 30, 2019. At final settlement, the Bank delivered 524,124 additional shares of the Company's Class A common stock based on a weighted average cost per share of $58.46 over the term of the ASR Agreement.

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.

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None.

**ITEM 6. Exhibits**

| | | Description of Exhibit Incorporated Herein by Reference | | | | |
|---|---|---|---|---|---|---|
| **Exhibit Number** | **Exhibit Description** | **Form** | **File No.** | **Filing Date** | **Exhibit Number** | **Filed Herewith** |
| 10.1 | Consulting agreement with Roger Chacko | | | | | 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 | Interactive Data Files pursuant to Rule 405 of regulation S-T (XBRL) | | | | | 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: August 8, 2019 | /s/ Dorvin Lively |
| | Dorvin Lively<br>*President and Chief Financial Officer*<br>*(On behalf of the Registrant and as Principal Financial Officer)* |

planet fitness

www.planetfitness.com

Roger Chacko
***Via electronic delivery***

May 31, 2019

Dear Roger,

This letter agreement (this " **Agreement** ") sets forth the terms and conditions whereby you agree to provide certain services (as described on Schedule 1) to Pla-Fit Franchise, LLC (the " **Company** ").

**1. <u>SERVICES</u> .**

1.1 The Company hereby engages you, and you hereby accept such engagement, as a consultant to provide certain services to the Company on the terms and conditions set forth in this Agreement.

1.2 You shall provide to the Company the services set forth on Schedule 1 (the " **Services** ").

1.3 The Company shall not control the manner or means by which you perform the Services, including but not limited to the time and place you perform the Services.

1.4 Unless otherwise set forth in Schedule 1, you shall furnish, at your own expense, the equipment, supplies and other materials used to perform the Services. The Company shall provide you with access to its premises, systems and equipment to the extent necessary for the performance of the Services.

1.5 To the extent you perform any Services on the Company's premises or using the Company's equipment, you shall comply with all applicable policies of the Company relating to business and office conduct, health and safety, and use of the Company’s facilities, supplies, information technology, equipment, networks, and other resources.

**2. <u>TERM</u> .** The term of this Agreement shall commence on June 1, 2019 and conclude on June 30, 2019, unless earlier terminated in accordance with **Section 10** (the " **Term** "). At the Company’s option, it may extend the duration of the Term to July 31, 2019, on the same terms as set forth in

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this Agreement. Any further extension of the Term will be subject to mutual written agreement between the parties.

**3. FEES AND EXPENSES .**

3.1 As full compensation for the Services and the rights granted to the Company in this Agreement, the Company shall pay you a fixed fee of $35,000 per month (the " **Fees** "), payable each month on completion of the Services to the Company's satisfaction, as detailed in Schedule 1. You acknowledge that you will receive an IRS Form 1099-MISC from the Company, and that you shall be solely responsible for all federal, state, and local taxes, as set out in **Section 4.2** .

3.2 You will not be expected to travel in conjunction with your performance of the Services. However, if you agree to travel in conjunction with your performance of the Services, the Company will reimburse you for travel expenses incurred traveling to Planet Fitness Headquarters at the Company’s request. You are otherwise solely responsible for any travel or other costs or expenses incurred by you in connection with the performance of the Services, and in no event shall the Company reimburse you for any such costs or expenses.

3.3 The Company shall pay all undisputed Fees within 14 days after the Company's receipt of an invoice submitted by you.

**4. RELATIONSHIP OF THE PARTIES .**

4.1 You are an independent contractor of the Company, and this Agreement shall not be construed to create any association, partnership, joint venture, employee, or agency relationship between you and the Company for any purpose. You have no authority (and shall not hold yourself out as having authority) to bind the Company and you shall not make any agreements or representations on the Company's behalf without the Company's prior written consent.

4.2 Without limiting **Section 4.1** , you will not be eligible to participate in any vacation, group medical or life insurance, disability, profit sharing or retirement benefits, or any other fringe benefits or benefit plans offered by the Company to its employees, and the Company will not be responsible for withholding or paying any income, payroll, Social Security, or other federal, state, or local taxes, making any insurance contributions, including for unemployment or disability, or obtaining worker's compensation insurance on your behalf. You shall be responsible for, and shall indemnify the Company against, all such taxes or contributions, including penalties and interest. Any persons employed or engaged by you in connection with the performance of the Services shall be your employees or contractors and you shall be fully responsible for them and indemnify the Company against any claims made by or on behalf of any such employee or contractor.

**5. INTELLECTUAL PROPERTY RIGHTS .**

5.1 The Company is and shall be, the sole and exclusive owner of all right, title, and interest throughout the world in and to all the results and proceeds of the Services performed under this Agreement, including but not limited to the deliverables set out on Schedule 1 (collectively, the " **Deliverables** "), including all patents, copyrights, trademarks, trade secrets, and other intellectual property rights (collectively " **Intellectual Property Rights** ") therein. You agree that the Deliverables are hereby deemed a "work made for hire" as defined in 17 U.S.C. § 101 for the Company. If, for any reason, any of the Deliverables do not constitute a "work made for hire," you hereby irrevocably assign to the Company, in each case without additional consideration, all right, title, and interest throughout the world in and to the Deliverables, including all Intellectual Property Rights therein.

5.2 Any assignment of copyrights under this Agreement includes all rights of paternity, integrity, disclosure, and withdrawal and any other rights that may be known as "moral rights" (collectively, " **Moral Rights** "). You hereby irrevocably waive, to the extent permitted by applicable law, any and all claims you may now or hereafter have in any jurisdiction to any Moral Rights with respect to the Deliverables.

5.3 Upon the reasonable request of the Company, you shall promptly take such further actions, including execution and delivery of all appropriate instruments of conveyance, as may be necessary to assist the Company to prosecute, register, perfect, record, or enforce its rights in any Deliverables. In the event the Company is unable, after reasonable effort, to obtain your signature on any such documents, you hereby irrevocably designate and appoint the Company as your agent and attorney-in-fact, to act for and on your behalf solely to execute and file any such application or other document and do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, or other intellectual property protection related to the Deliverables with the same legal force and effect as if you had executed them. You agree that this power of attorney is coupled with an interest.

5.4 You have no right or license to use, publish, reproduce, prepare derivative works based upon, distribute, perform, or display any Deliverables. You have no right or license to use the Company's trademarks, service marks, trade names, trade names, logos, symbols, or brand names.

5.5 An action that would otherwise count as trade secret misappropriation will be immunized if the disclosure (a) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

**6. CONFIDENTIALITY** .

6.1 You acknowledge that you will have access to information that is treated as confidential and proprietary by the Company, including, without limitation, the existence and terms of this Agreement, trade secrets, technology, and information pertaining to business operations and strategies, customers, pricing, marketing, finances, sourcing, personnel, development, and other information about the Company, its affiliates, or their suppliers or customers, in each case whether spoken, written, printed, electronic, or in any other form or medium (collectively, the " **Confidential Information** "). Any Confidential Information that you develop in connection with the Services, including but not limited to any Deliverables, shall be subject to the terms and conditions of this clause. You agree to treat all Confidential Information as strictly confidential, not to disclose Confidential Information or permit it to be disclosed, in whole or part, to any third party without the prior written consent of the Company in each instance, and not to use any Confidential Information for any purpose except as required in the performance of the Services. You shall notify the Company immediately in the event you become aware of any loss or disclosure of any Confidential Information.

6.2 Confidential Information shall not include information that:

(a) is or becomes generally available to the public other than through your breach of this Agreement; or

(b) is communicated to you by a third party that had no confidentiality obligations with respect to such information.

6.3 You acknowledge that you are aware that the Confidential Information may relate to publicly traded securities and you are aware of the restrictions imposed by applicable securities laws restricting trading in securities while in possession of material non-public information and on communication of such information when it is reasonably foreseeable that the recipient is likely to trade such securities, in reliance on such information. You agree not to trade, either directly or through other persons or entities based on the Confidential Information in a manner that would violate the securities law of any applicable jurisdiction, including, without limitation, the United States securities laws.

6.4 Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. You agree to provide written notice of any such order to an authorized officer of the Company within 2 days of receiving such order, but in any event sufficiently in advance of making any disclosure to permit the Company to contest the order or seek confidentiality protections, as determined in the Company's sole discretion.

**7. REPRESENTATIONS AND WARRANTIES .**

7.1 You represent and warrant to the Company that:

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(a) you have the right to enter into this Agreement, to grant the rights granted herein and to perform fully all of your obligations in this Agreement;

(b) your entering into this Agreement with the Company and your performance of the Services do not and will not conflict with or result in any breach or default under any other agreement to which you are subject;

(c) you have the required skill, experience, and qualifications to perform the Services, you shall perform the Services in a professional and workmanlike manner in accordance with generally recognized industry standards for similar services and you shall devote sufficient resources to ensure that the Services are performed in a timely and reliable manner;

(d) you shall perform the Services in compliance with all applicable federal, state, and local laws and regulations;

(e) the Company will receive good and valid title to all Deliverables, free and clear of all encumbrances and liens of any kind;

(f) all Deliverables are and shall be your original work (except for material in the public domain or provided by the Company) and, to the best of your knowledge, do not and will not violate or infringe upon the intellectual property right or any other right whatsoever of any person, firm, corporation, or other entity.

7.2 The Company hereby represents and warrants to you that:

(a) it has the full right, power, and authority to enter into this Agreement and to perform its obligations hereunder; and

(b) the execution of this Agreement by its representative whose signature is set forth at the end hereof has been duly authorized by all necessary corporate action.

**8. <u>INDEMNIFICATION</u>**.

8.1 You shall defend, indemnify, and hold harmless the Company and its affiliates and their officers, directors, employees, agents, successors, and assigns from and against all losses, damages, liabilities, deficiencies, actions, judgments, interest, awards, penalties, fines, costs, or expenses of whatever kind (including reasonable attorneys' fees) arising out of or resulting from:

(a) bodily injury, death of any person, or damage to real or tangible, personal property resulting from your acts or omissions; and

(b) your breach of any representation, warranty, or obligation under this Agreement.

8.2 The Company may satisfy such indemnity (in whole or in part) by way of deduction from any payment due to you.

**9. <u>INSURANCE</u>**. Not applicable.

**10. <u>TERMINATION</u>**.

10.1 You or the Company may terminate this Agreement without cause upon 14 days' written notice to the other party to this Agreement. In the event of termination pursuant to this clause, the Company shall pay you on a pro-rata basis any Fees then due and payable for any Services completed up to and including the date of such termination.

10.2 You or the Company may terminate this Agreement, effective immediately upon written notice to the other party to this Agreement, if the other party materially breaches this Agreement, and such breach is incapable of cure, or with respect to a material breach capable of cure, the other party does not cure such breach within 10 days after receipt of written notice of such breach.

10.3 Upon expiration or termination of this Agreement for any reason, or at any other time upon the Company's written request, you shall within 5 days after such expiration or termination:

(a) deliver to the Company all Deliverables (whether complete or incomplete) and all hardware, software, tools, equipment, or other materials provided for your use by the Company;

(b) deliver to the Company all tangible documents and materials (and any copies) containing, reflecting, incorporating, or based on the Confidential Information; and

(c) permanently erase all of the Confidential Information from your computer systems.

10.4 The terms and conditions of this clause and **Section 4** , **Section 5** , **Section 6** , **Section 7** , **Section 8** , **Section 12** , and **Section 13** , shall survive the expiration or termination of this Agreement.

**11. <u>OTHER BUSINESS ACTIVITIES</u> .** You may be engaged or employed in any other business, trade, profession, or other activity which does not place you in a conflict of interest with the Company.

**12. <u>ASSIGNMENT</u> .** You shall not assign any rights under this Agreement without the Company's prior written consent. Any assignment in violation of the foregoing shall be deemed null and void. The Company may freely assign its rights and obligations under this Agreement at any time. Subject to the limits on assignment stated above, this Agreement will inure to the benefit of, be binding on, and be enforceable against each of the parties hereto and their respective successors and assigns.

**13. <u>MISCELLANEOUS</u> .**

13.1 You shall not export, directly or indirectly, any technical data acquired from the Company, or any products utilizing any such data, to any country in violation of any applicable export laws or regulations.

13.2 All notices, requests, consents, claims, demands, waivers, and other communications hereunder (each, a " **Notice** ") shall be in writing and addressed to the parties at the addresses set forth on the first page of this Agreement (or to such other address that may be designated by the receiving party from time to time in accordance with this section). All Notices shall be delivered by personal delivery, nationally recognized overnight courier (with all fees pre-paid), facsimile or email (with confirmation of transmission), or certified or registered mail (in each case, return receipt requested, postage prepaid). Except as otherwise provided in this Agreement, a Notice is effective only if (a) the receiving party has received the Notice and (b) the party giving the Notice has complied with the requirements of this Section.

13.3 This Agreement, together with any other documents incorporated herein by reference, and related exhibits and schedules, constitutes the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

13.4 This Agreement may only be amended, modified, or supplemented by an agreement in writing signed by each party hereto, and any of the terms thereof may be waived, only by a written document signed by each party to this Agreement or, in the case of waiver, by the party or parties waiving compliance.

13.5 This Agreement shall be governed by and construed in accordance with the internal laws of the State of New Hampshire without giving effect to any choice or conflict of law provision or rule. Each party irrevocably submits to the exclusive jurisdiction and venue of the federal and state courts located in the County of Rockingham in any legal suit, action, or proceeding arising out of or based upon this Agreement or the Services provided hereunder.

13.6 If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

13.7 This Agreement may be executed in multiple counterparts and by facsimile signature, each of which shall be deemed an original and all of which together shall constitute one instrument.

If this letter accurately sets forth our understanding, kindly execute the enclosed copy of this letter and return it to the undersigned.

*[Remainder of page intentionally left blank.]*

Sincerely,
PLA-FIT FRANCHISE, LLC

By: ______________________________

Kathy Gentilozzi
Chief People Officer

Accepted and Agreed:

Signature: ___________________________
Roger Chacko

Date: _______________________________

**SCHEDULE 1**

**Exhibit 31.1**

**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: August 8, 2019

/s/ Chris Rondeau

Chris Rondeau
*Chief Executive Officer*
(Principal Executive Officer)

**Exhibit 31.2**

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

I, Dorvin Lively, 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: August 8, 2019

/s/ Dorvin Lively

Dorvin Lively
*President and Chief Financial Officer*
(Principal Financial and Accounting Officer)

**Exhibit 32.1**

**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 June 30, 2019 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: August 8, 2019

/s/ Chris Rondeau

Chris Rondeau
*Chief Executive Officer*
(Principal Executive Officer)

**Exhibit 32.2**

**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 June 30, 2019 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dorvin Lively, 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: August 8, 2019

/s/ Dorvin Lively

Dorvin Lively
*President and Chief Financial Officer*
(Principal Financial and Accounting Officer)