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 September 30, 2017

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:

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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	☐ (Do not check if a small reporting company)	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 November 1, 2017 there were 85,783,274 shares of the Registrant's Class A Common Stock, par value $0.0001 per share, outstanding and 12,580,088 shares of the Registrant's Class B Common Stock, par value $0.0001 per share, outstanding.

PLANET FITNE SS, INC.
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Cautionary Note Regarding F orward-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;*
- *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;*
- *the substantial indebtedness of our subsidiary, Planet Fitness Holdings, LLC;*
- *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, 2016 filed with the Securities and Exchange Commission.*

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

PART I-FINANCIA L INFORMATION

ITEM 1. Financial Statements

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

	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 93,267	$ 40,393
Accounts receivable, net of allowance for bad debts of $95 and $687 at September 30, 2017 and December 31, 2016, respectively	16,358	26,873
Due from related parties	2,984	2,864
Inventory	550	1,802
Restricted assets – national advertising fund	3,014	3,074
Other receivables	10,768	7,935
Other current assets	8,623	8,284
Total current assets	135,564	91,225
Property and equipment, net of accumulated depreciation of $33,546 as of September 30, 2017 and $30,987 as of December 31, 2016	72,426	61,238
Intangible assets, net	239,741	253,862
Goodwill	176,981	176,981
Deferred income taxes	731,131	410,407
Other assets, net	10,177	7,729
Total assets	$ 1,366,020	$ 1,001,442
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Current maturities of long-term debt	$ 7,185	$ 7,185
Accounts payable	12,826	28,507
Accrued expenses	13,357	19,190
Equipment deposits	8,121	2,170
Restricted liabilities – national advertising fund	3,008	134
Deferred revenue, current	17,124	17,780
Payable to related parties pursuant to tax benefit arrangements, current	24,487	8,072
Other current liabilities	438	235
Total current liabilities	86,546	83,273
Long-term debt, net of current maturities	697,876	702,003
Deferred rent, net of current portion	5,289	5,108
Deferred revenue, net of current portion	8,180	8,351
Deferred tax liabilities	751	1,238
Payable to related parties pursuant to tax benefit arrangements, net of current portion	702,906	410,999
Other liabilities	4,111	5,225
Total noncurrent liabilities	1,419,113	1,132,924
Commitments and contingencies (note 11)		
Stockholders' equity (deficit):		
Class A common stock, $.0001 par value - 300,000 shares authorized, 85,682 and 61,314 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	9	6
Class B common stock, $.0001 par value - 100,000 shares authorized, 12,682 and 37,185 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	1	4
Accumulated other comprehensive loss	(1,013)	(1,174)
Additional paid in capital	11,693	34,467
Accumulated deficit	(127,513)	(164,062)
Total stockholders' deficit attributable to Planet Fitness Inc.	(116,823)	(130,759)
Non-controlling interests	(22,816)	(83,996)
Total stockholders' deficit	(139,639)	(214,755)
Total liabilities and stockholders' deficit	$ 1,366,020	$ 1,001,442

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 September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Revenue:				
Franchise	$ 31,413	$ 23,046	$ 94,485	$ 70,042
Commission income	4,149	4,179	15,668	14,338
Corporate-owned stores	28,560	26,675	83,886	78,756
Equipment	33,374	33,107	101,875	98,686
Total revenue	97,496	87,007	295,914	261,822
Operating costs and expenses:				
Cost of revenue	25,819	25,925	78,395	77,365
Store operations	15,551	15,181	45,339	45,673
Selling, general and administrative	14,071	12,244	42,659	36,470
Depreciation and amortization	8,137	7,745	23,982	23,127
Other loss (gain)	(36)	(241)	280	(406)
Total operating costs and expenses	63,542	60,854	190,655	182,229
Income from operations	33,954	26,153	105,259	79,593
Other expense, net:				
Interest expense, net	(8,920)	(6,291)	(26,711)	(18,819)
Other (expense) income	408	(204)	157	30
Total other expense, net	(8,512)	(6,495)	(26,554)	(18,789)
Income before income taxes	25,442	19,658	78,705	60,804
Provision for income taxes	6,540	4,795	23,933	11,504
Net income	18,902	14,863	54,772	49,300
Less net income attributable to non-controlling interests	3,557	11,438	18,173	38,374
Net income attributable to Planet Fitness, Inc.	$ 15,345	$ 3,425	$ 36,599	$ 10,926
Net income per share of Class A common stock:				
Basic	$ 0.18	$ 0.08	$ 0.48	$ 0.28
Diluted	$ 0.18	$ 0.08	$ 0.48	$ 0.28
Weighted-average shares of Class A common stock outstanding:				
Basic	85,663	44,669	76,391	39,394
Diluted	85,734	44,686	76,435	39,397

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 September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Net income including non-controlling interests	$ 18,902	$ 14,863	$ 54,772	$ 49,300
Other comprehensive income (loss), net:				
Unrealized gain (loss) on interest rate caps, net of tax	374	193	730	(469)
Foreign currency translation adjustments	20	11	25	(84)
Total other comprehensive income (loss), net	394	204	755	(553)
Total comprehensive income including non-controlling interests	19,296	15,067	55,527	48,747
Less: total comprehensive income attributable to non-controlling interests	3,631	11,572	18,384	37,964
Total comprehensive income attributable to Planet Fitness, Inc.	$ 15,665	$ 3,495	$ 37,143	$ 10,783

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 nine months ended September 30,	
	2017	**2016**
Cash flows from operating activities:		
Net income	$ 54,772	$ 49,300
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,982	23,127
Amortization of deferred financing costs	1,439	1,114
Amortization of favorable leases and asset retirement obligations	260	297
Amortization of interest rate caps	1,552	459
Deferred tax expense	21,344	11,062
Loss on extinguishment of debt	79	—
Third party debt refinancing expense	1,021	—
Gain on re-measurement of tax benefit arrangement	(541)	—
Provision for bad debts	44	44
Gain on disposal of property and equipment	(357)	(347)
Equity-based compensation	1,800	1,373
Changes in operating assets and liabilities, excluding effects of acquisitions:		
Accounts receivable	11,099	4,898
Due to and due from related parties	(580)	8,494
Inventory	1,253	3,798
Other assets and other current assets	(2,413)	(1,635)
Accounts payable and accrued expenses	(16,985)	(10,172)
Other liabilities and other current liabilities	(724)	(30)
Income taxes	(1,462)	(7,543)
Payable to related parties pursuant to tax benefit arrangements	(7,909)	(6,007)
Equipment deposits	5,951	(1,609)
Deferred revenue	(958)	(1,264)
Deferred rent	361	379
Net cash provided by operating activities	93,028	75,738
Cash flows from investing activities:		
Additions to property and equipment	(23,229)	(9,266)
Proceeds from sale of property and equipment	166	402
Net cash used in investing activities	(23,063)	(8,864)
Cash flows from financing activities:		
Principal payments on capital lease obligations	—	(37)
Repayment of long-term debt	(5,388)	(3,825)
Payment of deferred financing and other debt-related costs	(1,278)	—
Premiums paid for interest rate caps	(366)	—
Proceeds from issuance of Class A common stock	172	79
Repurchase and retirement of Class B common stock	—	(1,583)
Dividend equivalent payments	(1,322)	—
Distributions to Continuing LLC Members	(9,308)	(27,071)
Net cash used in financing activities	(17,490)	(32,437)
Effects of exchange rate changes on cash and cash equivalents	399	87
Net increase in cash and cash equivalents	52,874	34,524
Cash and cash equivalents, beginning of period	40,393	31,430
Cash and cash equivalents, end of period	$ 93,267	$ 65,954
Supplemental cash flow information:		
Net cash paid for income taxes	$ 3,769	$ 8,121
Cash paid for interest	$ 23,637	$ 17,187
Non-cash investing activities:		
Non-cash additions to property and equipment	$ 482	$ 127

See accompanying notes to condensed consolidated financial statements.

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

	Class A common stock		Class B common stock		Accumulated other comprehensive (loss) income	Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total (deficit) equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2016	61,314	$ 6	37,185	$ 4	$ (1,174)	$ 34,467	$ (164,062)	$ (83,996)	$ (214,755
Net income	—	—	—	—	—	—	36,599	18,173	54,772
Equity-based compensation expense	—	—	—	—	—	1,834	(34)	—	1,800
Exchanges of Class B common stock	24,353	3	(24,353)	(3)	(383)	(50,870)	—	51,253	—
Retirement of Class B common stock	—	—	(150)	—	—	—	—	—	—
Exercise of stock options	15	—	—	—	—	173	—	—	173
Tax benefit arrangement liability and deferred taxes arising from secondary offerings and other exchanges	—	—	—	—	—	26,089	—	—	26,089
Forfeiture of dividend equivalents	—	—	—	—	—	—	32	417	449
Distributions paid to members of Pla-Fit Holdings	—	—	—	—	—	—	(48)	(8,874)	(8,922
Other comprehensive income	—	—	—	—	544	—	—	211	755
Balance at September 30, 2017	85,682	$ 9	12,682	$ 1	$ (1,013)	$ 11,693	$ (127,513)	$ (22,816)	$ (139,639

See accompanying notes to condensed consolidated financial statements.

(1) Business organization

Planet Fitness, Inc. (the "Company"), through its subsidiaries, is a franchisor and operator of fitness centers, with more than 10.5 million members and 1,432 owned and franchised locations (referred to as stores) in 49 states, the District of Columbia, Puerto Rico, Canada and the Dominican Republic as of September 30, 2017.

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.

Subsequent to the IPO and the related recapitalization transactions, 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.

In March 2017, the Company completed a secondary offering ("March Secondary Offering") of 15,000,000 shares of its Class A common stock at a price of $20.44 per share. All of the shares sold in the March Secondary Offering were offered by certain existing holders of Holdings Units and TSG AIV II-A L.P and TSG PF Co-Investors A L.P. ("Direct TSG Investors"), funds affiliated with TSG Consumer Partners, LLC ("TSG"). The Company did not receive any proceeds from the sale of shares of Class A common stock offered by the Direct TSG Investors and the participating holders of Holdings Units. The shares sold in the March Secondary Offering consisted of (i) 4,790,758 existing shares of Class A common stock held by the Direct TSG Investors and (ii) 10,209,242 newly-issued shares of Class A common stock issued in connection with the exercise of the exchange right by the holders of Holdings Units that participated in the March Secondary Offering. Simultaneously, and in connection with the exchange, 10,209,242 shares of Class B common stock were surrendered by the holders of Holdings Units that participated in the March Secondary Offering and canceled. Additionally, in connection with the exchange, Planet Fitness, Inc. received 10,209,242 Holdings Units, increasing its total ownership interest in Pla-Fit Holdings.

In May 2017, the Company completed a secondary offering ("May Secondary Offering") of 16,085,510 shares of its Class A common stock at a price of $20.28 per share. All of the shares sold in the May Secondary Offering were offered by certain existing holders of Holdings Units and the Direct TSG Investors, funds affiliated with TSG. The Company did not receive any proceeds from the sale of shares of Class A common stock offered by the Direct TSG Investors and the participating holders of Holdings Units. The shares sold in the May Secondary Offering consisted of (i) 5,215,691 existing shares of Class A common stock held by the Direct TSG Investors and (ii) 10,869,819 newly-issued shares of Class A common stock issued in connection with the exercise of the exchange right by the holders of Holdings Units that participated in the May Secondary Offering. Simultaneously, and in connection with the exchange, 10,869,819 shares of Class B common stock were surrendered by the holders of Holdings Units that participated in the May Secondary Offering and canceled. Additionally, in connection with the exchange, Planet Fitness, Inc. received 10,869,819 Holdings Units, increasing its total ownership interest in Pla-Fit Holdings.

In addition to the March Secondary Offering and May Secondary Offering, during the nine months ended September 30, 2017, certain existing holders of Holdings Units have exercised their exchange rights and exchanged 3,273,955 Holdings Units for 3,273,955 newly-issued shares of Class A common stock. Simultaneously, and in connection with these exchanges, 3,273,955 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 3,273,955 Holdings Units, increasing its total ownership interest in Pla-Fit Holdings.

Following the completion of the M arch Secondary Offering, May Secondary Offering and other exchanges described above, and as of September 30, 2017, Planet Fitness, Inc. held 100% of the voting interest and 87.1% of the economic interest of Pla-Fit Holdings and the holders of Holdings Unit s of Pla-Fit Holdings (the "Continuing LLC Owners") held the remaining 12.9% economic interest in Pla-Fit Holdings. As future exchanges of Holdings Units occur, Planet Fitness, Inc.'s economic interest in Pla-Fit Holdings will increase.

(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 nine months ended September 30, 2017 and 2016 are unaudited. The condensed consolidated balance sheet as of December 31, 2016 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, 2016 (the "Annual Report") filed with the SEC on March 6, 2017 . 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, as a result of the recapitalization transactions, Planet Fitness, Inc. consolidates Pla-Fit Holdings. The Company also consolidates entities in which it has a controlling financial interest, the usual condition of which is ownership of a majority voting interest. The Company also considers for consolidation certain interests where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity ("VIE"), is required to be consolidated by its primary beneficiary. The primary beneficiary of a VIE is considered to possess the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the rights to receive benefits from the VIE that are significant to it. The principal entities in which the Company possesses a variable interest include franchise entities and certain other entities. The Company is not deemed to be the primary beneficiary for Planet Fitness franchise entities. Therefore, these entities are not consolidated.

The results of the Company have been consolidated with Matthew Michael Realty LLC ("MMR") and PF Melville LLC ("PF Melville") based on the determination that the Company is the primary beneficiary with respect to these VIEs. These entities 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.

(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, and the liability for the Company's tax benefit arrangements.

(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 table below presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2017 and December 31, 2016:

	Total fair value at September 30, 2017	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate caps	$ 194	$ —	$ 194	$ —

	Total fair value at December 31, 2016	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate caps	$ 306	$ —	$ 306	$ —

(d) Recent accounting pronouncements

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* , in September 2014. This guidance requires that an entity recognize revenue to depict the transfer of a promised good or service to its customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for such transfer. This guidance also specifies accounting for certain costs incurred by an entity to obtain or fulfill a contract with a customer and provides for enhancements to revenue specific disclosures intended to allow users of the financial statements to clearly understand the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 for public companies. The Company expects to adopt this new guidance in fiscal year 2018 utilizing the cumulative effect method. The Company expects the adoption of the new guidance to change the timing of recognition of area development agreement and initial franchise fees. Currently, these fees are generally recognized upfront upon either a store opening or upon execution of the property lease for an area development agreement, and upon execution of a lease and delivery of training for franchise fees. The new guidance will generally require these fees to be recognized over the contractual terms of the related franchise license. The Company does not currently expect this new guidance to materially impact the recognition of royalty income. The Company also expects the adoption of this new guidance to change the reporting of national advertising fund contributions from franchisees and the related national advertising fund expenditures, which are not currently included in the consolidated statements of operations. The Company expects the new guidance to require these advertising fund contributions and expenditures to be reported on a gross basis in the consolidated statements of operations. We expect this change to have a material impact to our total revenues and expenses. However, we expect such contributions and expenditures to be largely offsetting and are continuing to evaluate the impact on our reported net income. The Company is continuing to evaluate the impact the adoption of this new guidance will have on all revenue transactions.

The FASB issued ASU No. 2016-02, *Leases* , in February 2016. 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. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public companies. Early application of the amendments in this update is permitted for all entities. The Company anticipates that adoption of this guidance will bring all current operating leases onto the statement of financial position as a right of use asset and related rent liability, and is currently evaluating the effect that implementation of this guidance will have on its consolidated statement of operations.

The FASB issued ASU No. 2016-09, *Stock Compensation* , in March 2016. This guidance is intended to simplify several aspects of the accounting for share-based payment award transactions. This guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within that year. The Company has adopted the guidance as of January 1, 2017 on a modified retrospective basis, noting no material impact to the consolidated financial statements.

The FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments* , in August 2016. This guidance is intended to reduce diversity in practice of the classification of certain cash receipts and cash payments. This guidance will be effective for fiscal years beginning after December 15, 2017, including interim periods within that year. The Company does not expect the adoption of the standard to have a material impact on its consolidated financial statements.

The FASB issued ASU No. 2017-04, *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 consoli dated financial statements.

The FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,* in August 2017. The guidance simplifies the application of hedge accounting in certain situations and amends the hedge accounting model to enable entities to better portray the economics of their risk management activities in the financial statements. This guidance will be effective for fiscal years beginning after December 15, 2018, including interim periods within that year. 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 September 30, 2017 and December 31, 2016 are as follows:

	September 30, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
PF Melville	$ 4,333	$ —	$ 4,071	$ —
MMR	3,309	—	3,156	—
Total	$ 7,642	$ —	$ 7,227	$ —

The Company also has variable interests in certain franchisees mainly through the guarantee of certain debt and lease agreements by the Company and by certain related parties to franchisees. The Company's maximum obligation, as a result of its guarantees of leases and debt, is approximately $1,039 and $1,350 as of September 30, 2017 and December 31, 2016, respectively.

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) Goodwill and intangible assets

A summary of goodwill and intangible assets at September 30, 2017 and December 31, 2016 is as follows:

September 30, 2017	Weighted average amortization period (years)	Gross carrying amount	Accumulated amortization	Net carrying Amount
Customer relationships	11.1	$ 171,782	(83,179)	$ 88,603
Noncompete agreements	5.0	14,500	(14,201)	299
Favorable leases	7.5	2,935	(1,898)	1,037
Order backlog	0.4	3,400	(3,400)	—
Reacquired franchise rights	5.8	8,950	(5,448)	3,502
		201,567	(108,126)	93,441
Indefinite-lived intangible:				
Trade and brand names	N/A	146,300	—	146,300
Total intangible assets		$ 347,867	$ (108,126)	$ 239,741
Goodwill		$ 176,981	$ —	$ 176,981

December 31, 2016	Weighted average amortization period (years)	Gross carrying amount	Accumulated amortization	Net carrying Amount
Customer relationships	11.1	$ 171,782	$ (72,655)	$ 99,127
Noncompete agreements	5.0	14,500	(12,027)	2,473
Favorable leases	7.5	2,935	(1,643)	1,292
Order backlog	0.4	3,400	(3,400)	—
Reacquired franchise rights	5.8	8,950	(4,280)	4,670
		201,567	(94,005)	107,562
Indefinite-lived intangible:				
Trade and brand names	N/A	146,300	—	146,300
Total intangible assets		$ 347,867	$ (94,005)	$ 253,862
Goodwill		$ 176,981	$ —	$ 176,981

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

Amortization expense related to the intangible assets totaled $4,697 and $4,940 for the three months ended September 30, 2017 and 2016 , respectively, and $14,122 and $14,820 for the nine months ended September 30, 2017 and 2016, respectively. Included within these total amortization expense amounts are $75 and $97 related to amortization of favorable and unfavorable leases for the three months ended September 30, 2017 and 2016 , respectively, and $255 and $292 for the nine months ended September 30, 2017 and 2016, respectively. Amortization of favorable and unfavorable leases is recorded within store operations as a component of rent expense in the consolidated statements of operations. The anticipated annual amortization expense to be recognized in future years as of September 30, 2017 is as follows:

	Amount
Remainder of 2017	$ 4,093
2018	14,583
2019	14,215
2020	12,517
2021	12,422
Thereafter	35,611
Total	$ 93,441

(5) Long-term debt

Long-term debt as of September 30, 2017 and December 31, 2016 consists of the following:

	September 30, 2017	December 31, 2016
Term loan B requires quarterly installments plus interest through the term of the loan, maturing March 31, 2021. Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the election of the borrower (4.26% at September 30, 2017 and 4.33% at December 31, 2016)	$ 711,266	$ 716,654
Revolving credit line, requires interest only payments through the term of the loan, maturing March 31, 2019. Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the election of the borrower (6.00% at both September 30, 2017 and December 31, 2016)	—	—
Total debt, excluding deferred financing costs	$ 711,266	716,654
Deferred financing costs, net of accumulated amortization	(6,205)	(7,466)
Total debt	705,061	709,188
Current portion of long-term debt and line of credit	7,185	7,185
Long-term debt, net of current portion	$ 697,876	$ 702,003

On May 26, 2017, the Company amended the credit agreement governing its senior secured credit facility to reduce the applicable interest rate margin for term loan borrowings by 50 basis points, with an additional 25 basis point reduction in applicable interest rate possible in the future so long as the Total Net Leverage Ratio (as defined in the credit agreement) is less than 3.50 to 1.00. The amendment to the credit agreement also reduced the interest rate margin for revolving loan borrowings by 25 basis points. In connection with the amendment to the credit agreement, during the three months ended June 30, 2017, the Company capitalized deferred financing costs of $257, recorded ex pense of $1,021 related to certain third party fees included in other expense on the consolidated statement of operations, and a loss on extinguishment of debt of $79 included in interest expense on the consolidated statement of operations. Term loan B pay ments are payable in quarterly installments with the final scheduled principal payment on the outstanding term loan borrowings due on March 31, 2021.

Future annual principal payments of long-term debt as of September 30, 2017 are as follows:

	Amount
Remainder of 2017	$ 1,796
2018	7,185
2019	7,185
2020	7,185
2021	687,915
Total	$ 711,266

(6) Derivative instruments and hedging activities

The Company utilizes 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.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is an asset, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is a liability, the Company owes the counterparty and, therefore, the Company is not exposed to the counterparty's credit risk in those circumstances. The Company minimizes counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is higher than A1/A+ at the inception of the derivative transaction. The derivative instruments entered into by the Company do not contain credit-risk-related contingent features.

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The Company assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Company monitors interest rate risk attributable to both the Company's outstanding or forecasted debt obligations as well as the Company's offsetting hedge positions.

In order to manage the market risk arising from the outstanding term loans, the Company has entered into a series of interest rate caps. The Company entered into two additional interest rate caps effective March 31, 2017 and terminating on March 31, 2019 with variable notional amounts in order to hedge one month LIBOR greater than 2.5%. As of September 30, 2017, the Company had interest rate cap agreements with notional amounts of $175,000 outstanding that were entered into in order to hedge three month LIBOR greater than 1.5%, and interest rate cap agreements with notional amounts of $181,531 that were entered into in order to hedge one month LIBOR greater than 2.5%.

The interest rate cap balances of $194 and $306 were recorded within other assets in the condensed consolidated balance sheets as of September 30, 2017 and December 31, 2016, respectively. These amounts have been measured at fair value and are considered to be a Level 2 fair value measurement. The Company recorded an increase to the value of its interest rate caps of $356, net of tax of $145 and $193, net of tax of $45, within other comprehensive income (loss) during the three months ended September 30, 2017 and 2016, respectively, and an increase to the value of its interest rate caps of $730, net of tax of $344 and a reduction to the value of its interest rate caps of $469, net of tax of $83, within other comprehensive income (loss) during the nine months ended September 30, 2017 and 2016, respectively.

As of September 30, 2017, the Company does not expect to reclassify any amounts included in accumulated other comprehensive income (loss) into earnings during the next 12 months. Transactions and events expected to occur over th e next 12 months that could necessitate reclassifying these derivatives' loss to earnings include the re-pricing of variable-rate debt.

(7) Related party transactions

Amounts due from related parties of $2,984 and $2,864 as of September 30, 2017 and December 31, 2016, respectively, primarily relate to currently due or potential reimbursements for certain taxes accrued or paid by the Company (see Note 10).

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Franchise revenue	$ 344	$ 359	$ 1,174	$ 1,174
Equipment revenue	4	3	577	770
Total revenue from related parties	$ 348	$ 362	$ 1,751	$ 1,944

Additionally, the Company had deferred area development agreement revenue from related parties of $257 and $422 as of September 30, 2017 and December 31, 2016, respectively.

As of September 30, 2017, the Company had $727,393 payable to related parties pursuant to tax benefit arrangements (see Note 10).

The Company provides administrative services to the Planet Fitness NAF, LLC ("NAF") and charges NAF a fee for providing those services. These services include accounting services, information technology, data processing, product development, legal and administrative support, and other operating expenses, which amounted to $643 and $438 for the three months ended September 30, 2017 and 2016, respectively, and $1,645 and $1,313 for the nine months ended September 30, 2017 and 2016, respectively.

(8) 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 by a Continuing LLC Owner of Holdings Units for shares of Class A common stock, 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 cancelled.

In March 2017, the Company completed the March Secondary Offering of 15,000,000 shares of its Class A common stock at a price of $20.44 per share. All of the shares sold in the March Secondary Offering were offered by certain existing holders of Holdings Units and the Direct TSG Investors. The Company did not receive any proceeds from the sale of shares of Class A common stock offered by the Direct TSG Investors and the participating holders of Holdings Units. The shares sold in the March Secondary Offering consisted of (i) 4,790,758 existing shares of Class A common stock held by the Direct TSG Investors and (ii) 10,209,242 newly-issued shares of Class A common stock issued in connection with the exercise of the exchange right by the holders of Holdings Units that participated in the March Secondary Offering. Simultaneously, and in connection with the exchange, 10,209,242 shares of Class B common stock were surrendered by the holders of Holdings Units that participated in the March Secondary Offering and canceled. Additionally, in connection with the exchange, Planet Fitness, Inc. received 10,209,242 Holdings Units, increasing its total ownership interest in Pla-Fit Holdings.

In May 2017, the Company completed the May Secondary Offering of 16,085,510 shares of its Class A common stock at a price of $20.28 per share. All of the shares sold in the May Secondary Offering were offered by certain existing holders of Holdings Units and the Direct TSG Investors. The Company did not receive any proceeds from the sale of shares of Class A common stock offered by the Direct TSG Investors and the participating holders of Holdings Units. The shares sold in the May Secondary Offering consisted of (i) 5,215,691 existing shares of Class A common stock held by the Direct TSG Investors and (ii) 10,869,819 newly-issued shares of Class A common stock issued in connection with the exercise of the exchange right by the holders of Holdings Units that participated in the May Secondary Offering. Simultaneously, and in connection with the exchange, 10,869,819 shares of Class B common stock were surrendered by the holders of Holdings Units that participated in the May Secondary Offering and canceled. Additionally, in connection with the exchange, Planet Fitness, Inc. received 10,869,819 Holdings Units, increasing its total ownership interest in Pla-Fit Holdings.

In addition to the March Secondary Offering and May Secondary Offering, during the nine months ended September 30, 2017, certain existing holders of Holdings Units exercised their exchange rights and exchanged 3,273,955 Holdings Units for 3,273,955 newly-issued shares of Class A common stock. Simultaneously, and in connection with these exchanges, 3,273,955 shares of Class B common stock were surren dered by the holders of Holdings Units that exercised their exchange rights and canceled. Additionally, in connection with these exchanges, Planet Fitness, Inc. received 3,273,955 Holdings Units, increasing its total ownership interest in Pla-Fit Holdings.

As a result of these transactions, as of September 30, 2017:

- Holders of our Class A common stock owned 85,681,634 shares of our Class A common stock, representing 87.1% of the voting power in the Company and, through the Company, 85,681,634 Holdings Units representing 87.1% of the economic interest in Pla-Fit Holdings;
- the Continuing LLC Owners collectively owned 12,681,728 Holdings Units, representing 12.9% of the economic interest in Pla-Fit Holdings and 12,681,728 shares of our Class B common stock, representing 12.9% of the voting power in the Company.

(9) Earnings per share

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Numerator				
Net income	$ 18,902	$ 14,863	$ 54,772	$ 49,300
Less: net income attributable to non-controlling interests	3,557	11,438	18,173	38,374
Net income attributable to Planet Fitness, Inc.	$ 15,345	$ 3,425	$ 36,599	$ 10,926
Denominator				
Weighted-average shares of Class A common stock outstanding - basic	85,662,650	44,668,875	76,391,277	39,394,318
Effect of dilutive securities:				
Stock options	66,610	12,539	38,524	138
Restricted stock units	5,196	4,282	5,018	3,030
Weighted-average shares of Class A common stock outstanding - diluted	85,734,456	44,685,696	76,434,819	39,397,486
Earnings per share of Class A common stock - basic	$ 0.18	$ 0.08	$ 0.48	$ 0.28
Earnings per share of Class A common stock - diluted	$ 0.18	$ 0.08	$ 0.48	$ 0.28

Weighted average shares of Class B common stock of 12,693,076 and 53,902,808 for the three months ended September 30, 2017 and 2016, respectively, and 22,010,095 and 59,221,157 for the nine months ended September 30, 2017 and 2016, 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 466,278 and 250,141 for the three months ended September 30, 2017 and 2016, respectively, and 423,870 and 230,633 for the nine months ended September 30, 2017 and 2016, respectively, were evaluated under the treasury stock method for potential dilutive effects and were determined to be anti-dilutive. Weighted average RSUs outstanding of 2,924 and 0 for the three months ended September 30, 2017 and 2016, respectively, and 985 and 518 for the nine months ended September 30, 2017 and 2016, respectively, were evaluated under the treasury stock method for potential dilutive effects and were determined to be anti-dilutive.

(10) 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 is also subject to taxes in foreign jurisdictions.

The Company incurs U.S. federal and state income taxes on its pro rata share of income flowed through from Pla-Fit Holdings. Our effective tax rate on such income was approximately 39.5% for the three and nine months ended September 30, 2017 and 2016. The provision for income taxes also reflects an effective state tax rate of 2.1% for the three and nine months ended September 30, 2017 and 2016, applied to non-controlling interests, representing the remaining percentage of income before taxes, excluding income from variable interest entities, related to Pla-Fit Holdings. Undistributed earnings of foreign operations were not material for the three and nine months ended September 30, 2017 and 2016.

Net deferred tax assets of $731,131 and $410,407 as of September 30, 2017 and December 31, 2016, 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 IPO. As of September 30, 2017, the Company does not have any material net operating loss carryforwards.

As of September 30, 2017 and December 31, 2016, the total liability related to uncertain tax positions was $2,608. The Company recognizes interest accrued and penalties, if applicable, related to unrecognized tax benefits in income tax expense. As of September 30, 2017, the Company anticipates that the liability for unrecognized tax benefits could decrease by up to $2,608 within the next 12 months due to the expiration of certain statutes of limitation or the settlement of examinations or issues with tax authorities. Interest and penalties for the three and nine months ended September 30, 2017 and 2016 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 sales 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 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.

In connection with the March Secondary Offering, May Secondary Offering, and related and other exchanges during the nine months ended September 30, 2017, 24,353,016 Holdings Units were redeemed 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 $22,538 during the nine months ended September 30, 2017. As a result of these exchanges, during the nine months ended September 30, 2017, we also recognized deferred tax assets in the amount of $365,399, and corresponding tax benefit arrangement liabilities of $316,772, representing 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 September 30, 2017 and December 31, 2016, the Company had a liability of $727,393 and $419,071, 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 2017	$ 3,507
2018	29,972
2019	35,740
2020	35,503
2021	36,548
Thereafter	586,123
Total	$ 727,393

(11) 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. The Company is not currently aware of any 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.

(12) 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 and the Dominican Republic. 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 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 nine months ended September 30, 2017 and 2016. 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 September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue				
Franchise segment revenue - U.S.	$ 35,025	$ 26,940	$ 108,470	$ 83,312
Franchise segment revenue - International	537	285	1,683	1,068
Franchise segment total	35,562	27,225	110,153	84,380
Corporate-owned stores - U.S.	27,414	25,591	80,597	75,595
Corporate-owned stores - International	1,146	1,084	3,289	3,161
Corporate-owned stores total	28,560	26,675	83,886	78,756
Equipment segment - U.S.	33,374	33,107	101,875	98,686
Equipment segment total	33,374	33,107	101,875	98,686
Total revenue	$ 97,496	$ 87,007	$ 295,914	$ 261,822

Franchise segment revenue includes franchise revenue and commission income.

Franchise revenue includes revenue generated from placement services of $2,433 and $2,224 for the three months ended September 30, 2017 and 2016, respectively, and $7,410 and $6,952 for the nine months ended September 30, 2017 and 2016, respectively.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Segment EBITDA				
Franchise	$ 29,925	$ 22,814	$ 94,444	$ 71,308
Corporate-owned stores	12,046	10,550	35,579	30,259
Equipment	7,683	7,153	23,587	21,330
Corporate and other	(7,155)	(6,823)	(24,212)	(20,147)
Total Segment EBITDA	$ 42,499	$ 33,694	$ 129,398	$ 102,750

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Total Segment EBITDA	$ 42,499	$ 33,694	$ 129,398	$ 102,750
Less:				
Depreciation and amortization	8,137	7,745	23,982	23,127
Other (income) expense	408	(204)	157	30
Income from operations	33,954	26,153	105,259	79,593
Interest expense, net	(8,920)	(6,291)	(26,711)	(18,819)
Other (income) expense	408	(204)	157	30
Income before income taxes	$ 25,442	$ 19,658	$ 78,705	$ 60,804

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

	September 30, 2017	December 31, 2016
Franchise	$ 237,682	$ 202,580
Corporate-owned stores	155,533	153,761
Equipment	184,012	208,809
Unallocated	788,793	436,292
Total consolidated assets	$ 1,366,020	$ 1,001,442

The table above includes $2,638 and $2,795 of long-lived assets located in the Company's corporate-owned stores in Canada as of September 30, 2017 and December 31, 2016, respectively. All other assets are located in the U.S.

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

	September 30, 2017	December 31, 2016
Franchise	$ 16,938	$ 16,938
Corporate-owned stores	67,377	67,377
Equipment	92,666	92,666
Consolidated goodwill	$ 176,981	$ 176,981

(13) Corporate-owned and franchisee-owned stores

The following table shows changes in our corporate-owned and franchisee-owned stores for the three and nine months ended September 30, 2017 and 2016:

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Franchisee-owned stores:				
Stores operated at beginning of period	1,345	1,148	1,255	1,066
New stores opened	31	37	122	121
Stores debranded or consolidated (1)	(2)	(1)	(3)	(3)
Stores operated at end of period	1,374	1,184	1,374	1,184
Corporate-owned stores:				
Stores operated at beginning of period	58	58	58	58
New stores opened	—	—	—	—
Stores operated at end of period	58	58	58	58
Total stores:				
Stores operated at beginning of period	1,403	1,206	1,313	1,124
New stores opened	31	37	122	121
Stores debranded or consolidated (1)	(2)	(1)	(3)	(3)
Stores operated at end of period	1,432	1,242	1,432	1,242

(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.

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 September 30, 2017, we had more than 10.5 million members and 1,432 stores in 49 states, the District of Columbia, Puerto Rico, Canada and the Dominican Republic. Of our 1,432 stores, 1,374 are franchised and 58 are corporate-owned. As of September 30, 2017, we had commitments to open more than 1,000 new stores under existing area development agreements.

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 and the Dominican Republic. 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 nine months ended September 30, 2017 and 2016. "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 September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
(in thousands)				
Revenue				
Franchise segment	$ 35,562	$ 27,225	$ 110,153	$ 84,380
Corporate-owned stores segment	28,560	26,675	83,886	78,756
Equipment segment	33,374	33,107	101,875	98,686
Total revenue	$ 97,496	$ 87,007	$ 295,914	$ 261,822
Segment EBITDA				
Franchise	$ 29,925	$ 22,814	$ 94,444	$ 71,308
Corporate-owned stores	12,046	10,550	35,579	30,259
Equipment	7,683	7,153	23,587	21,330
Corporate and other	(7,155)	(6,823)	(24,212)	(20,147)
Total Segment EBITDA [1]	$ 42,499	$ 33,694	$ 129,398	$ 102,750

(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 September 30, 2017:					
Income from operations	$ 27,801	$ 7,729	$ 6,024	$ (7,600)	$ 33,954
Depreciation and amortization	2,140	4,038	1,552	407	8,137
Other income (expense)	(16)	279	107	38	408
Segment EBITDA (1)	$ 29,925	$ 12,046	$ 7,683	$ (7,155)	$ 42,499
Three months ended September 30, 2016:					
Income from operations	$ 20,662	$ 6,715	$ 5,602	$ (6,826)	$ 26,153
Depreciation and amortization	2,142	3,913	1,551	139	7,745
Other income (expense)	10	(78)	-	(136)	(204)
Segment EBITDA (1)	$ 22,814	$ 10,550	$ 7,153	$ (6,823)	$ 33,694
Nine months ended September 30, 2017:					
Income from operations	$ 88,045	$ 23,358	$ 18,826	$ (24,970)	$ 105,259
Depreciation and amortization	6,424	11,722	4,654	1,182	23,982
Other income (expense)	(25)	499	107	(424)	157
Segment EBITDA (1)	$ 94,444	$ 35,579	$ 23,587	$ (24,212)	$ 129,398
Nine months ended September 30, 2016:					
Income from operations	$ 64,951	$ 18,313	$ 16,678	$ (20,349)	$ 79,593
Depreciation and amortization	6,395	11,667	4,652	413	23,127
Other income (expense)	(38)	279	-	(211)	30
Segment EBITDA (1)	$ 71,308	$ 30,259	$ 21,330	$ (20,147)	$ 102,750

(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 nine months ended September 30, 2017 and 2016:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Franchisee-owned stores:				
Stores operated at beginning of period	1,345	1,148	1,255	1,066
New stores opened	31	37	122	121
Stores debranded or consolidated (1)	(2)	(1)	(3)	(3)
Stores operated at end of period	1,374	1,184	1,374	1,184
Corporate-owned stores:				
Stores operated at beginning of period	58	58	58	58
New stores opened	-	-	-	-
Stores operated at end of period	58	58	58	58
Total stores:				
Stores operated at beginning of period	1,403	1,206	1,313	1,124
New stores opened	31	37	122	121
Stores debranded or consolidated (1)	(2)	(1)	(3)	(3)
Stores operated at end of period	1,432	1,242	1,432	1,242

(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 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 for all stores that have been open and for which monthly membership dues have been billed for longer than 12 months, beginning with the 13 th month and thereafter, as applicable. Same store sales of our international stores are calculated on a constant currency basis, meaning that we translate the current year's same store sales of our international stores at the same exchange rates used in the prior year. Since opening new stores will be a significant component of our revenue growth, same store sales is only one measure of how we evaluate our performance.

Stores acquired from or sold to franchisees are removed from the franchisee-owned or corporate-owned same store sales base, as applicable, upon the ownership change and for the 12 months following the date of the ownership change. These stores are included in the corporate-owned or franchisee-owned same store sales base, as applicable, following the 12th month after the acquisition or sale. These stores remain in the system-wide same store sales base in all periods.

The following table shows our same store sales for the three and nine months ended September 30, 2017 and 2016:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Same store sales data				
Same store sales growth:				
Franchisee-owned stores	9.6%	10.3%	10.1%	8.4%
Corporate-owned stores	5.1%	5.4%	4.6%	5.0%
Total stores	9.3%	10.0%	9.8%	8.2%
Number of stores in same store sales base:				
Franchisee-owned stores	1,170	975	1,170	975
Corporate-owned stores	58	58	58	58
Total stores	1,228	1,033	1,228	1,033

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, severance 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. Four-wall EBITDA is an assessment of store-level profitability for stores included in the same-store-sales base, which adjusts for certain administrative and other items that we do not consider in our evaluation of individual store-level performance.

A reconciliation of net income to EBITDA and Adjusted EBITDA is set forth below for the three and nine months ended September 30, 2017 and 2016:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
(in thousands)				
Net income	$ 18,902	$ 14,863	$ 54,772	$ 49,300
Interest expense, net	8,920	6,291	26,711	18,819
Provision for income taxes	6,540	4,795	23,933	11,504
Depreciation and amortization	8,137	7,745	23,982	23,127
EBITDA	42,499	33,694	129,398	102,750
Purchase accounting adjustments-revenue (1)	336	450	1,116	458
Purchase accounting adjustments-rent (2)	174	202	561	664
Transaction fees (3)	-	-	1,021	-
Stock offering-related costs (4)	41	1,078	977	2,105
Severance costs (5)	-	-	-	423
Pre-opening costs (6)	421	-	421	-
Equipment discount (7)	(107)	-	(107)	-
Early lease termination costs (8)	-	-	719	-
Other (9)	-	-	(573)	72
Adjusted EBITDA	$ 43,364	$ 35,424	$ 133,533	$ 106,472

(1) Represents the impact of revenue-related purchase accounting adjustments associated with the acquisition of Pla-Fit Holdings on November 8, 2012 by TSG (the "2012 Acquisition") . At the time of the 2012 Acquisition, the Company maintained a deferred revenue account, which consisted of deferred area development agreement fees, deferred franchise fees, and deferred enrollment fees that the Company billed and collected up front but recognizes for 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 Com binations, 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. Adjustmen ts of $100, $105, $306, and $372 in the three and nine months ended September 30, 2017 and 2016 , respectively, reflect the difference between the higher rent expense recorded in accordance with U.S. GAAP since the acquisition and the rent expense that woul d have been recorded had the 2012 Acquisition not occurred. Adjustments of $75, $97, $255, and $292 for the three and nine months ended September 30, 2017 and 2016 , respectively, are due to the amortization of favorable and unfavorable lease intangible ass ets which were recorded in connection with the 2012 Acquisition and the acquisition of eight franchisee-owned stores on March 31, 2014. All of the rent related purchase accounting adjustments are adjustments to rent expense which is included in store opera tions on our consolidated statements of operations.

(3) Represents transaction fees and expenses related to the amendment of our credit facility in May of 2017.

(4) Represents legal, accounting and other costs incurred in connection with offerings of the Company's Class A common stock.

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

(6) 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.

(7) Represents a gain recorded in connection with the write-off of a previously accrued deferred equipment discount that is no longer expected to be utilized. This amount was originally recognized through purchase accounting in connection with the acquisition of eight franchisee-owned stores on March 31, 2014.

(8) Represents charges and expenses incurred in connection with the early termination of the lease for our previous headquarters.

(9) Represents certain other charges and gains that we do not believe reflect our underlying business performance. In the nine months ended September 30, 2017, this amount includes a gain of $541 related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rate.

As a result of the recapitalization transactions that occurred prior to our IPO, the limited liability company agreement of Pla-Fit Holdings was amended and restated (the "New LLC Agreement") to, among other things, designate Planet Fitness, Inc. as the sole managing member of Pla-Fit Holdings. As sole managing member, Planet Fitness, Inc. exclusively operates and controls the business and affairs of Pla-Fit Holdings. As a result of the recapitalization transactions and the New LLC Agreement, Planet Fitness, Inc. now consolidates Pla-Fit Holdings, and Pla-Fit Holdings is considered the predecessor to Planet Fitness, Inc. for accounting purposes. Our presentation of Adjusted net income and Adjusted net income per share, diluted, gives effect to the consolidation of Pla-Fit Holdings with Planet Fitness, Inc. resulting from the recapitalization transactions and the New LLC Agreement as if they had occurred on January 1, 2016. In addition, Adjusted net income assumes that all net income is attributable to Planet Fitness, Inc., which assumes the full exchange of all outstanding Holdings Units for shares of Class A common stock of Planet Fitness, Inc., adjusted for certain non-recurring items that we do not believe directly reflect our core operations. Adjusted net income per share, diluted, is calculated by dividing Adjusted net income by the total shares of Class A common stock outstanding plus any dilutive options and restricted stock units as calculated in accordance with U.S. GAAP and assuming the full exchange of all outstanding Holdings Units and corresponding Class B common stock as of the beginning of each period presented. Adjusted net income and Adjusted net income per share, diluted, are supplemental measures of operating performance that do not represent, and should not be considered, alternatives to net income and earnings per share, as calculated in accordance with U.S. GAAP. We believe Adjusted net income and Adjusted net income per share, diluted, supplement U.S. GAAP measures and enable us to more effectively evaluate our performance period-over-period. A reconciliation of Adjusted net income to net income, the most directly comparable U.S. GAAP measure, and the computation of Adjusted net income per share, diluted, are set forth below.

(in thousands, except per share amounts)	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Net income	$ 18,902	$ 14,863	$ 54,772	$ 49,300
Provision for income taxes, as reported	6,540	4,795	23,933	11,504
Purchase accounting adjustments-revenue (1)	336	450	1,116	458
Purchase accounting adjustments-rent (2)	174	202	561	664
Transaction fees (3)	-	-	1,021	-
Stock offering-related costs (4)	41	1,078	977	2,105
Severance costs (5)	-	-	-	423
Pre-opening costs (6)	421	-	421	-
Equipment discount (7)	(107)	-	(107)	-
Early lease termination costs (8)	-	-	1,143	-
Other (9)	-	-	(573)	72
Purchase accounting amortization (10)	4,622	4,843	13,867	14,528
Adjusted income before income taxes	$ 30,929	$ 26,231	$ 97,131	$ 79,054
Adjusted income taxes (11)	12,217	10,361	38,367	31,226
Adjusted net income	$ 18,712	$ 15,870	$ 58,764	$ 47,828
Adjusted net income per share, diluted	$ 0.19	$ 0.16	$ 0.60	$ 0.48
Adjusted weighted-average shares outstanding (12)	98,428	98,572	98,445	98,615

(1) Represents the impact of revenue-related purchase accounting adjustments associated with the 2012 Acquisition . At the time of the 2012 Acquisition, the Company maintained a deferred revenue account, which consisted of deferred area development agreement fees, deferred franchise fees, and deferred enrollment fees that the Company billed and collected up front but recognizes for 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 $100, $105, $306, and $372 in the three and nine months ended September 30, 2017 and 2016 , 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 $75, $97, $255, and $292 for the three and nine months ended September 30, 2017 and 2016 , respectively, are due to the amortization of favorable and unfavorable lease intangible assets which were recorded in connection with the 2012 Acquisition and the acquisition of eight franchisee-owned stores on March 31, 2014. 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 transaction fees and expenses related to the amendment of our credit facility in May of 2017.

(4) Represents legal, accounting and other costs incurred in connection with offerings of the Company's Class A common stock.

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

(6) 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.

(7) Represents a gain recorded in connection with the write-off of a previously accrued deferred equipment discount that is no longer expected to be utilized. This amount was originally recognized through purchase accounting in connection with the acquisition of eight franchisee-owned stores on March 31, 2014.

(8) Represents charges and expenses incurred in connection with the early termination of the lease for our previous headquarters.

(9) Represents certain other charges and gains that we do not believe reflect our underlying business performance. In the nine months ended September 30, 2017, this amount includes a gain of $541 related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rate.

(10) Includes $4,086, $4,218, $12,258 and $12,655 of amortization of intangible assets, other than favorable leases, for the three and nine months ended September 30, 2017 and 2016 , respectively, recorded in connection with the 2012 Acquisition, and $536, $624, $1,609 and $1,873 of amortization of intangi ble assets for the three and nine months ended September 30, 2017 and 2016 , respectively, recorded in connection with the acquisition of eight franchisee-owned stores on March 31, 2014. The adjustment represents the amount of actual non-cash amortization e xpense recorded, in accordance with U.S. GAAP, in each period.

(11) Represents corporate income taxes at an assumed effective tax rate of 39.5% for the three and nine months ended September 30, 2017 and 2016 applied to adjusted income before income taxes.

(12) Assumes the full exchange of all outstanding Holdings Units and corresponding shares of Class B common stock for shares of Class A common stock of Planet Fitness, Inc.

A reconciliation of net income per share, diluted, to Adjusted net income per share, diluted is set forth below for three and nine months ended September 30, 2017 and 2016 :

	For the three months ended September 30, 2017			For the three months ended September 30, 2016		
	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)	$ 15,345	85,734	$ 0.18	$ 3,425	44,669	$ 0.08
Assumed exchange of shares (2)	3,557	12,694		11,438	53,903	
Net Income	18,902			14,863		
Adjustments to arrive at adjusted income before income taxes (3)	12,027			11,368		
Adjusted income before income taxes	30,929			26,231		
Adjusted income taxes (4)	12,217			10,361		
Adjusted Net Income	$ 18,712	98,428	$ 0.19	$ 15,870	98,572	$ 0.16

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

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

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

(4) Represents corporate income taxes at an assumed effective tax rate of 39.5% for the three months ended September 30, 2017 and 2016 , respectively, applied to adjusted income before income taxes.

	For the nine months ended September 30, 2017			For the nine months ended September 30, 2016		
	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)	$ 36,599	76,435	$ 0.48	$ 10,926	39,394	$ 0.28
Assumed exchange of shares (2)	18,173	22,010		38,374	59,221	
Net Income	54,772			49,300		
Adjustments to arrive at adjusted income before income taxes (3)	42,359			29,754		
Adjusted income before income taxes	97,131			79,054		
Adjusted income taxes (4)	38,367			31,226		
Adjusted Net Income	$ 58,764	98,445	$ 0.60	$ 47,828	98,615	$ 0.48

(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 39.5% for the nine months ended September 30, 2017 and 2016, 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 nine months ended September 30, 2017 and 2016:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue:				
Franchise revenue	32.2%	26.5%	31.9%	26.7%
Commission income	4.3%	4.8%	5.3%	5.5%
Franchise segment	36.5%	31.3%	37.2%	32.2%
Corporate-owned stores	29.3%	30.6%	28.4%	30.1%
Equipment	34.2%	38.1%	34.4%	37.7%
Total revenue	100.0%	100.0%	100.0%	100.0%
Operating costs and expenses:				
Cost of revenue	26.5%	29.8%	26.5%	29.5%
Store operations	16.0%	17.4%	15.3%	17.4%
Selling, general and administrative	14.4%	14.1%	14.4%	13.9%
Depreciation and amortization	8.3%	8.9%	8.1%	8.8%
Other loss (gain)	0.0%	(0.3%)	0.1%	(0.2%)
Total operating costs and expenses	65.2%	69.9%	64.4%	69.4%
Income from operations	34.8%	30.1%	35.6%	30.6%
Other income (expense), net:				
Interest expense, net	(9.1%)	(7.2%)	(9.0%)	(7.2%)
Other (expense) income	0.4%	(0.2%)	0.1%	0.0%
Total other expense, net	(8.7%)	(7.4%)	(8.9%)	(7.2%)
Income before income taxes	26.1%	22.7%	26.7%	23.4%
Provision for income taxes	6.7%	5.5%	8.1%	4.4%
Net income	19.4%	17.2%	18.6%	19.0%
Less net income attributable to non-controlling interests	3.6%	13.1%	6.1%	14.7%
Net income attributable to Planet Fitness, Inc.	15.8%	4.1%	12.5%	4.3%

The following table sets forth a comparison of our condensed consolidated statements of operations for the three months ended September 30, 2017 and 2016:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
(in thousands)				
Revenue:				
Franchise revenue	$ 31,413	$ 23,046	$ 94,485	$ 70,042
Commission income	4,149	4,179	15,668	14,338
Franchise segment	35,562	27,225	110,153	84,380
Corporate-owned stores	28,560	26,675	83,886	78,756
Equipment	33,374	33,107	101,875	98,686
Total revenue	97,496	87,007	295,914	261,822
Operating costs and expenses:				
Cost of revenue	25,819	25,925	78,395	77,365
Store operations	15,551	15,181	45,339	45,673
Selling, general and administrative	14,071	12,244	42,659	36,470
Depreciation and amortization	8,137	7,745	23,982	23,127
Other loss (gain)	(36)	(241)	280	(406)
Total operating costs and expenses	63,542	60,854	190,655	182,229
Income from operations	33,954	26,153	105,259	79,593
Other income (expense), net:				
Interest expense, net	(8,920)	(6,291)	(26,711)	(18,819)
Other (expense) income	408	(204)	157	30
Total other expense, net	(8,512)	(6,495)	(26,554)	(18,789)
Income before income taxes	25,442	19,658	78,705	60,804
Provision for income taxes	6,540	4,795	23,933	11,504
Net income	18,902	14,863	54,772	49,300
Less net income attributable to non-controlling interests	3,557	11,438	18,173	38,374
Net income attributable to Planet Fitness, Inc.	$ 15,345	$ 3,425	$ 36,599	$ 10,926

Comparison of the three months ended September 30, 2017 and three months ended September 30, 2016

Revenue

Total revenues were $97.5 million in the three months ended September 30, 2017, compared to $87.0 million in the three months ended September 30, 2016, an increase of $10.5 million, or 12.1%.

Franchise segment revenue was $35.6 million in the three months ended September 30, 2017, compared to $27.2 million in the three months ended September 30, 2016, an increase of $8.3 million, or 30.6%.

Franchise revenue was $31.4 million in the three months ended September 30, 2017 compared to $23.0 million in the three months ended September 30, 2016, an increase of $8.4 million or 36.3%. Included in franchise revenue is royalty revenue of $22.0 million, franchise and other fees of $7.0 million, and placement revenue of $2.4 million for the three months ended September 30, 2017, compared to royalty revenue of $15.1 million, franchise and other fees of $5.8 million, and placement revenue of $2.2 million for the three months ended September 30, 2016. The $7.0 million increase in royalty revenue was primarily driven by $3.1 million attributable to a same store sales increase of 9.6% in franchisee-owned stores, $2.2 million attributable to royalties from new stores in 2017 as well as stores that opened in 2016 that were not included in the same store sales base, and $1.6 million attributable to higher royalties on annual fees, including stores not included in the same store sales base. The $1.2 million increase in franchise and other fees was primarily driven by higher fees associated with increased store and member count, and higher franchise and transfer fees in the three months ended September 30, 2017 as compared to the three months ended September 30, 2016.

Commission income, which is included in our franchise segment, was $4.1 million in the three months ended September 30, 2017 compared to $4.2 million in the three months ended September 30, 2016.

Revenue from our corporate-owned stores segment was $28.6 million in the three months ended September 30, 2017, compared to $26.7 million in the three months ended September 30, 2016, an increase of $1.9 million, or 7.1%. The increase was due to higher revenue

from annual fees of $1.0 million and same store sales from corporate-owned stores which increased 5.1% in the three months ended September 30, 2017 and contributed incremental revenues of $0.9 million.

Equipment segment revenue was $33.4 million in the three months ended September 30, 2017, compared to $33.1 million in the three months ended September 30, 2016, an increase of $0.3 million, or 0.8%. The increase was driven by an increase in replacement equipment sales to existing franchisee-owned stores in the three months ended September 30, 2017, as compared to the three months ended September 30, 2016, partially offset by lower equipment sales to new franchisee-owned stores related to nine fewer new equipment sales in the three months ended September 30, 2017 compared to the three months ended September 30, 2016.

Cost of revenue

Cost of revenue was $25.8 million in the three months ended September 30, 2017 compared to $25.9 million in the three months ended September 30, 2016, a decrease of $0.1 million, or 0.4%. Cost of revenue, which relates to our equipment segment, decreased due to nine fewer equipment sales to new franchisee-owned stores, partially offset by an increase in replacement equipment sales to existing franchisee-owned stores in the three months ended September 30, 2017, as compared to the three months ended September 30, 2016.

Store operations

Store operation expenses, which relate to our corporate-owned stores segment, were $15.6 million in the three months ended September 30, 2017 compared to $15.2 million in the three months ended September 30, 2016, an increase of $0.4 million, or 2.4%.

Selling, general and administrative

Selling, general and administrative expenses were $14.1 million in the three months ended September 30, 2017 compared to $12.2 million in the three months ended September 30, 2016, an increase of $1.8 million, or 14.9%. The $1.8 million increase was primarily due to additional expenses incurred during the three months ended September 30, 2017 to support our growing operations, including additional headcount, infrastructure, and public company expenses. Partially offsetting this increase was $1.0 million of lower costs incurred in connection with secondary offerings in the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. 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 grows.

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 $8.1 million in the three months ended September 30, 2017 compared to $7.7 million in the three months ended September 30, 2016, an increase of $0.4 million, or 5.1%.

Other (gain)

Other gain was $0 in the three months ended September 30, 2017 compared to $0.2 million in the three months ended September 30, 2016.

Interest expense, net

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

Interest expense, net was $8.9 million in the three months ended September 30, 2017 compared to $6.3 million in the three months ended September 30, 2016, an increase of $2.6 million, or 41.8%. The increase in interest expense is a result of the additional $230.0 million in borrowings which occurred in November 2016 as a result of the amendment of our senior secured credit facility.

Other income (expense)

Other income was $0.4 million in the three months ended September 30, 2017 compared to expense of $0.2 million in the three months ended September 30, 2016, an increase of $0.6 million. In the three months ended September 30, 2017, other income includes foreign currency gains of $0.3 million .

Provision for income taxes

Income tax expense was $6.5 million in the three months ended September 30, 2017, compared to $4.8 million in the three months ended September 30, 2016, an increase of $1.7 million. The increase in the provision for income taxes is primarily attributable to the increased economic interest in Pla-Fit Holdings held by Planet Fitness, Inc. in the three months ended September 30, 2017 compared to the three months ended September 30, 2016 as a result of the exchanges by Continuing LLC Owners of Holdings Units for shares of Class A common stock.

The Company is subject to U.S. federal income taxes, in addition to state and local taxes, with respect to our allocable share of any net taxable income of Pla-Fit Holdings. Our effective tax rate of 39.5% for the three months ended September 30, 2017 and 2016, was calculated using the U.S. federal income tax rate and the statutory rates applied to income apportioned to each state and local jurisdiction. This tax rate has been applied to the portion of income before taxes that represents the economic interest in Pla-Fit Holdings held by Planet Fitness, Inc. The provision for income taxes also reflects an effective state tax rate of 2.1% for the three months ended September 30, 2017 and 2016, applied to non-controlling interests, excluding income from variable interest entities, related to Pla-Fit Holdings.

Segment results

Franchise

Segment EBITDA for the franchise segment was $29.9 million in the three months ended September 30, 2017 compared to $22.8 million in the three months ended September 30, 2016, an increase of $7.1 million, or 31.2%. This increase was primarily the result of growth in our franchise segment revenue of $3.1 million attributable to a same store sales increase of 9.6% in franchisee-owned stores, $2.2 million due to higher royalties received from additional franchisee-owned stores not included in the same store sales base, $1.6 million attributable to higher royalties on annual fees, including stores not included in the same store sales base, and $1.2 million of higher franchise and other fees. The increase in revenue was partially offset by $1.2 million of higher franchise-related selling, general, and administrative expense to support our growing franchise operations. Depreciation and amortization was $2.1 million for both periods.

Corporate-owned stores

Segment EBITDA for the corporate-owned stores segment was $12.0 million in the three months ended September 30, 2017 compared to $10.6 million in the three months ended September 30, 2016, an increase of $1.5 million, or 14.2%. Of this increase, $1.0 million was attributable to higher annual fee revenue, and $0.9 million was the result of an increase in revenue related to our same store sales increase of 5.1% in the three months ended September 30, 2017, compared to the three months ended September 30, 2016. Depreciation and amortization was $4.0 million and $3.9 million for the three months ended September 30, 2017 and 2016, respectively.

Equipment

Segment EBITDA for the equipment segment was $7.7 million in the three months ended September 30, 2017 compared to $7.2 million in the three months ended September 30, 2016, an increase of $0.5 million, or 7.4%, primarily driven by an increase in replacement equipment sales to existing franchisee-owned stores in the three months ended September 30, 2017 compared to the three months ended September 30, 2016, partially offset by nine fewer equipment sales to new franchisee-owned stores in the three months ended September 30, 2017 compared to the three months ended September 30, 2016. Depreciation and amortization was $1.6 million for both periods.

Comparison of the nine months ended September 30, 2017 and nine months ended September 30, 2016

Revenue

Total revenues were $295.9 million in the nine months ended September 30, 2017, compared to $261.8 million in the nine months ended September 30, 2016, an increase of $34.1 million, or 13.0%.

Franchise segment revenue was $110.2 million in the nine months ended September 30, 2017, compared to $84.4 million in the nine months ended September 30, 2016, an increase of $25.8 million, or 30.5%.

Franchise revenue was $94.5 million in the nine months ended September 30, 2017 compared to $70.0 million in the nine months ended September 30, 2016, an increase of $24.4 million or 34.9%. Included in franchise revenue is royalty revenue of $66.5 million, franchise and other fees of $20.6 million, and placement revenue of $7.4 million for the nine months ended September 30, 2017, compared to royalty revenue of $47.0 million, franchise and other fees of $16.1 million, and placement revenue of $7.0 million for the nine months ended September 30, 2016. The $ 19.5 million increase in royalty revenue was primarily driven by $8.3 million attributable to a same store sales increase of 10.1% in franchisee-owned stores, $6.3 million attributable to royalties from new stores opened in 2017 as well as stores that opened in 2016 that were not included in the same store sales base, and $4.9 million attributable to higher royalties on annual fees, including stores not included in the same store sales base. The $4.5 million increase in franchise and other fees was primarily driven by higher fees associated with increased store and member count in the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016.

Commission income, which is included in our franchise segment, was $15.7 million in the nine months ended September 30, 2017 comp ared to $14.3 million in the nine months ended September 30, 2016, an increase of $1.3 million or 9.3%. The increase was primarily due to a higher volume of franchisee purchases from vendors due to more franchise stores open during the nine months ended Se ptember 30, 2017 as compared to the nine months ended September 30, 2016.

Revenue from our corporate-owned stores segment was $83.9 million in the nine months ended September 30, 2017, compared to $78.8 million in the nine months ended September 30, 2016, an increase of $5.1 million, or 6.5%. Same store sales from corporate-owned stores increased 4.6% in the nine months ended September 30, 2017, which contributed incremental revenues of $2.8 million, and annual fee revenue contributed incremental revenues of $2.6 million in the nine months ended September 30, 2017.

Equipment segment revenue was $101.9 million in the nine months ended September 30, 2017, compared to $98.7 million in the nine months ended September 30, 2016, an increase of $3.2 million, or 3.2%. This increase was primarily driven by an increase in replacement equipment sales to existing franchisee-owned stores in the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016, partially offset by lower equipment sales to new franchisee-owned stores related to 18 fewer new equipment sales in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016.

Cost of revenue

Cost of revenue was $78.4 million in the nine months ended September 30, 2017 compared to $77.4 million in the nine months ended September 30, 2016, an increase of $1.0 million, or 1.3%. Cost of revenue, which relates to our equipment segment, increased due to an increase in replacement equipment sales to existing franchisee-owned stores in the nine months ended September 30, 2017, as compared to the nine months ended September 30, 2016, partially offset by lower equipment sales to new franchisee-owned stores.

Store operations

Store operation expenses, which relates to our corporate-owned stores segment, were $45.3 million in the nine months ended September 30, 2017 compared to $45.7 million in the nine months ended September 30, 2016, a decrease of $0.3 million, or 0.7%.

Selling, general and administrative

Selling, general and administrative expenses were $42.7 million in the nine months ended September 30, 2017 compared to $36.5 million in the nine months ended September 30, 2016, an increase of $6.2 million, or 17.0%. The $6.2 million increase was primarily due to additional expenses incurred during the nine months ended September 30, 2017 to support our growing operations, including additional headcount, infrastructure, and public company expenses. Partially offsetting this increase was $1.1 million of lower costs incurred in connection with secondary offerings in the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. 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 grows.

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 $24.0 million in the nine months ended September 30, 2017 compared to $23.1 million in the nine months ended September 30, 2016, an increase of $0.9 million, or 3.7%.

Other (gain) loss

Other loss was $0.3 in the nine months ended September 30, 2017 compared to a gain of $0.4 in the nine months ended September 30, 2016.

Interest expense, net

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

Interest expense, net was $26.7 million in the nine months ended September 30, 2017 compared to $18.8 million in the nine months ended September 30, 2016, an increase of $7.9 million, or 41.9%. The increase in interest expense is a result of the additional $230.0 million in borrowings which occurred in November 2016 as a result of the amendment of our senior secured credit facility.

Other income (expense)

Other income (expense) was an expense of $0.2 million in the nine months ended September 30, 2017 compared to $0.0 in the nine months ended September 30, 2016. In the nine months ended September 30, 2017, other expense includes $1.0 million of third party fees recorded in connection with the May 2017 amendment of our credit facility, partially offset by a gain of $0.5 million related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rate, and $0.5 million of foreign currency gains.

Provision for income taxes

Income tax expense was $23.9 million in the nine months ended September 30, 2017, compared to $11.5 million in the nine months ended September 30, 2016, an increase of $12.4 million. The increase in the provision for income taxes is primarily attributable to the increased economic interest in Pla-Fit Holdings held by Planet Fitness, Inc. in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 as a result of the exchanges by Continuing LLC Owners of Holdings Units for shares of Class A common stock.

The Company is subject to U.S. federal income taxes, in addition to state and local taxes, with respect to our allocable share of any net taxable income of Pla-Fit Holdings. Our effective tax rate of 39.5% for the nine months ended September 30, 2017 and 2016, was calculated using the U.S. federal income tax rate and the statutory rates applied to income apportioned to each state and local jurisdiction. This tax rate has been applied to the portion of income before taxes that represents the economic interest in Pla-Fit Holdings held by Planet Fitness, Inc. The provision for income taxes also reflects an effective state tax rate of 2.1% for the nine months ended September 30, 2017 and 2016 , applied to non-controlling interests, excluding income from variable interest entities, related to Pla-Fit Holdings.

Segment results

Franchise

Segment EBITDA for the franchise segment was $94.4 million in the nine months ended September 30, 2017 compared to $71.3 million in the nine months ended September 30, 2016, an increase of $23.1 million, or 32.4%. This increase was primarily the result of growth in our franchise segment revenue of $8.3 million attributable to a same store sales increase of 10.1% in franchisee-owned stores, $6.3 million due to higher royalties received from additional franchisee-owned stores not included in the same store sales base, $4.9 million attributable to higher royalties on annual fees, including stores not included in the same store sales base, $4.5 million of higher franchise and other fees, and $1.3 million of higher commission income, partially offset by a $2.6 million increase in franchise-related selling, general, and administrative expense to support our growing franchise operations. Depreciation and amortization was $6.4 million for both periods.

Corporate-owned stores

Segment EBITDA for the corporate-owned stores segment was $35.6 million in the nine months ended September 30, 2017 compared to $30.3 million in the nine months ended September 30, 2016, an increase of $5.3 million, or 17.6%. This increase was primarily the result of a $2.8 million increase in revenue related to our same store sales increase of 4.6% and an increase of $2.6 million in annual fee revenue in the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016. Depreciation and amortization was $11.7 million for both periods.

Equipment

Segment EBITDA for the equipment segment was $23.6 million in the nine months ended September 30, 2017 compared to $21.3 million in the nine months ended September 30, 2016, an increase of $2.3 million, or 10.6%, primarily driven by an increase in replacement equipment sales to existing franchisee-owned stores in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016, partially offset by lower equipment sales to 18 fewer new franchisee-owned stores the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. Depreciation and amortization was $4.7 million for both periods.

Liquidity and capital resources

As of September 30, 2017, we had $93.3 million of cash and cash equivalents. In addition, as of September 30, 2017, we had borrowing capacity of $75.0 million under our revolving credit facility.

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 revolving credit facility 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 revolving credit facility or otherwise to enable us to service our indebtedness, including our senior secured credit facility, 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 nine months ended September 30, 2017 and 2016:

	Nine months ended September 30,	
(in thousands)	**2017**	**2016**
Net cash (used in) provided by:		
Operating activities	$ 93,028	$ 75,738
Investing activities	(23,063)	(8,864)
Financing activities	(17,490)	(32,437)
Effect of foreign exchange rates on cash	399	87
Net increase in cash	$ 52,874	$ 34,524

Operating activities

For the nine months ended September 30, 2017, net cash provided by operating activities was $93.0 million compared to $75.7 million in the nine months ended September 30, 2016, an increase of $17.3 million. Of the increase, $18.4 million was due to higher net income after adjustments to reconcile net income to net cash provided by operating activities, partially offset by $1.1 million of higher cash used for working capital in the nine months ended September 30, 2017.

Investing activities

Cash flow used in investing activities related to the following capital expenditures for the nine months ended September 30, 2017 and 2016:

	Nine months ended September 30,	
(in thousands)	**2017**	**2016**
New corporate-owned stores and corporate-owned stores not yet opened	$ 1,313	$ -
Existing corporate-owned stores	14,651	8,308
Information systems	1,070	533
Corporate and all other	6,195	425
Total capital expenditures	$ 23,229	$ 9,266

For the nine months ended September 30, 2017, net cash used in investing activities was $23.1 million compared to $8.9 million in the nine months ended September 30, 2016, an increase of $14.2 million, and was primarily related to higher capital expenditures on existing corporate-owned stores and costs incurred with our headquarters relocation.

Financing activities

For the nine months ended September 30, 2017, net cash used in financing activities was $17.5 million compared to $32.4 million in the nine months ended September 30, 2016, a decrease of $14.9 million. Continuing LLC Owner distributions were $9.3 million in the nine months ended September 30, 2017 compared to $27.1 million in the nine months ended September 30, 2016.

Credit facility

Our senior secured credit facility consists of term loans and a revolving credit facility. Borrowings under the term loans bear interest, payable at least semi-annually. The term loans require principal payments equal to approximately $7.2 million per calendar year, payable in quarterly installments with the final scheduled principal payment on the outstanding term loan borrowings due on March 31, 2021.

The senior secured credit facility also provides for borrowings of up to $75.0 million under the revolving credit facility, of which up to $9.4 million is available for letter of credit advances. Borrowings under the revolving credit facility (excluding letters of credit) bear interest, payable at least semi-annually. We also pay a 0.40% commitment fee per annum on the unused portion of the revolver. The revolving credit facility expires on March 31, 2019.

The credit agreement governing our senior secured credit facility requires us to comply on a quarterly basis with one financial covenant which is a maximum ratio of debt to Credit Facility Adjusted EBITDA (the “leverage ratio”) that becomes more restrictive over time. This covenant

is only for the benefit of the revolving credit facility. At September 30, 2017, the terms of the senior secured credit facility require that we maintain a leverage ratio of no more than 5.75 to 1.0. The leverage ratio financial covenant will become more restrictive over time and will require us to maintain a leverage ratio of no more than 4.25 to 1.0 by June 30, 2020.

Failure to comply with this covenant would result in an event of default under our senior secured credit facility unless waived by our senior secured credit facility lenders. An event of default under our senior secured credit facility can result in the acceleration of our indebtedness under the facility, which in turn can result in an event of default and possible acceleration of our other indebtedness, if any.

As of September 30, 2017, we were in compliance with our senior secured credit facility financial covenant with a leverage ratio of 3.6 to 1.0 which was calculated for the 12 months ended September 30, 2017 based upon certain adjustments to EBITDA, as provided for under the terms of our senior secured credit facility.

On November 10, 2016, we amended our credit agreement governing our senior secured credit facility primarily to provide for an increase of $230.0 million in term loan borrowings for a total of $718.5 million, decrease the interest rate spread on our term loan by 25 basis points, and increase our revolving credit facility to $75.0 million. The full incremental borrowing of $230.0 million and approximately $41.0 million of cash on hand was used to pay a dividend of $169.3 million to shareholders of our Class A common stock and make cash dividend equivalent payments of $101.7 million to Continuing LLC Owners. The incremental term loan borrowings bear a variable rate of interest of the greater of LIBOR or 0.75% in respect of the term loans plus the applicable margin of 3.50%. In connection with the increased borrowings under the term loans, the contractually required leverage ratios under the covenants were adjusted. All other terms and conditions remained unchanged under the senior secured credit facility.

On May 26, 2017, we further amended our credit agreement governing our senior secured credit facility to reduce the applicable interest rate margin for term loan borrowings by 50 basis points, with an additional 25 basis point reduction in applicable interest rate possible in the future so long as the Total Net Leverage Ratio (as defined in the credit agreement) is less than 3.50 to 1.00. The amendment also reduced the interest rate margin for revolving loan borrowings by 25 basis points.

Off-bala nce sheet arrangements

As of September 30, 2017, our off-balance sheet arrangements consisted of operating leases and certain guarantees. In a limited number of cases, we have guaranteed certain leases and debt agreements of entities related through common ownership. These guarantees relate to leases for operating space, equipment and other operating costs of franchises operated by the related entities. Our maximum total commitment under these agreements is approximately $1.0 million and would only require payment upon default by the primary obligor. The estimated fair value of these guarantees at September 30, 2017 was not material, and no accrual has been recorded for our potential obligation under these arrangements.

Critical accounting policies and use of estimates

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

JOBS Act

We qualify as an "emerging growth company" as defined in Section 2(a)(19) of the Securities Act, as modified by the Jumpstart Our Business Startups ("JOBS") Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

Subject to certain conditions set forth in the JOBS Act, we are also eligible for and intend to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, (ii) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements and (iii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We may take advantage of these exemptions until we are no longer an emerging growth company. We will continue to be an emerging growth company until the earliest to occur of (i) the last day of the fiscal year in which the market value of our Class A common stock that is held by non-affiliates exceeds $700 million as of June 30 of that fiscal year, (ii) the last day of the fiscal year in which we had total annual gross revenue of $1 billion or more during such fiscal year (as indexed for inflation), (iii) the date on which we have issued more than $1 billion in non-convertible debt in the prior three-year period or (iv) the last day of the fiscal year following the fifth anniversary of the date of the first sale of Class A common stock under our registration statement. As of June 30, 2017, the market value of our Class A common stock held by non-affiliates exceeded $700 million. As a result, we anticipate that we will no longer be an emerging growth company beginning January 1, 2018.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

Interest rate risk

We are exposed to market risk from changes in interest rates on our senior secured credit facility, which bears interest at variable rates and has a U.S. dollar LIBOR floor of 0.75% in respect of the term loans. As of September 30, 2017, we had outstanding borrowings of $713.1 million. An increase in the effective interest rate applied to these borrowings of 100 basis points would result in a $7.1 million increase in pre-tax interest expense on an annualized basis. We manage our interest rate risk through normal operating and financing activities and, when determined appropriate, through the use of derivative financial instruments. To mitigate exposure to fluctuations in interest rates, we entered into a series of interest rate caps as discussed in Note 6 to our unaudited condensed consolidated interim financial statements elsewhere in this Quarterly Report on Form 10-Q.

Foreign exchange risk

We are exposed to fluctuations in exchange rates between the U.S. and 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 September 30, 2017, 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 September 30, 2017, 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.

There were no unregistered sales of equity securities by the Company during the three months ended September 30, 2017.

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 cancelled.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures.

None.

ITEM 5. Other Information.

None.

ITEM 6. Exhibits

Exhibit Number	Exhibit Description	Description of Exhibit Incorporated Herein by Reference				Filed Herewith
		Form	File No.	Filing Date	Exhibit Number	
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

Signa tures

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: November 8, 2017

/s/ Dorvin Lively
Dorvin Lively
President and Chief Financial Officer
(On behalf of the Registrant and as Principal Financial Officer)

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)) 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) 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

(c) 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: November 8, 2017

/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)) 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) 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

(c) 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: November 8, 2017

/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 September 30, 2017 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: November 8, 2017

/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 September 30, 2017 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: November 8, 2017

/s/ Dorvin Lively
Dorvin Lively
President and Chief Financial Officer
(Principal Financial and Accounting Officer)