UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2023

OR

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

For the transition period from ___________to ______________

Commission file number: 001-37534

PLANET FITNESS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**38-3942097**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

4 Liberty Lane West, Hampton, NH 03842

(Address of Principal Executive Offices and Zip Code)

(603) 750-0001

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

As of May 3, 2023 there were 84,957,860 shares of the Registrant's Class A Common Stock, par value $0.0001 per share, outstanding and 4,234,413 shares of the Registrant's Class B Common Stock, par value $0.0001 per share, outstanding.

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

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

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

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

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

- *Our business is subject to various laws and regulations including, among others, those governing indoor tanning, electronic funds transfer, ACH, credit card, debit card, digital payment options, auto-renewal contracts, membership cancellation rights and consumer protection more generally, and changes in such laws and regulations, failure to comply with existing or future laws and regulations or failure to adjust to consumer sentiment regarding these matters, could harm our reputation and adversely affect our business.*
- *We are subject to risks associated with leasing property subject to long-term non-cancelable leases.*
- *If we and our franchisees are unable to identify and secure suitable sites for new franchise stores, our revenue growth rate and profits may be negatively impacted.*
- *Opening new stores in close proximity may negatively impact our existing stores' revenues and profitability.*
- *Our franchisees may incur rising costs related to construction of new stores and maintenance of existing stores, including rising costs due to inflation, supply chain disruptions and other market conditions, which could adversely affect the attractiveness of our franchise model, and in turn our business, results of operations and financial condition.*
- *We may be unable to successfully realize the anticipated benefits of the Sunshine Acquisition (as defined herein).*
- *Our dependence on a limited number of suppliers for equipment and certain products and services could result in disruptions to our business and could adversely affect our revenues and gross profit.*
- *Our business and results of operations have been and may in the future be materially impacted by the ongoing COVID-19 pandemic, and could be impacted by similar events in the future; 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, 2022 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-FINANCIAL INFORMATION

1. Financial Statements

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

	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 460,425	$ 409,840
Restricted cash	62,578	62,659
Accounts receivable, net of allowances for uncollectible amounts of $0 and $0 as of March 31, 2023 and December 31, 2022, respectively	20,750	46,242
Inventory	4,996	5,266
Restricted assets – national advertising fund	13,387	—
Prepaid expenses	17,364	11,078
Other receivables	6,570	14,975
Income tax receivables	2,689	5,471
Total current assets	588,759	555,531
Property and equipment, net of accumulated depreciation of $251,251 and $227,869 as of March 31, 2023 and December 31, 2022, respectively	344,344	348,820
Investments, net of allowances for expected credit losses of $15,212 and $14,957 as of March 31, 2023 and December 31, 2022, respectively	25,085	25,122
Right-of-use assets, net	341,703	346,937
Intangible assets, net	404,490	417,067
Goodwill	702,690	702,690
Deferred income taxes	494,695	454,565
Other assets, net	3,799	3,857
Total assets	$ 2,905,565	$ 2,854,589
Liabilities and stockholders' deficit		
Current liabilities:		
Current maturities of long-term debt	$ 20,750	$ 20,750
Accounts payable	16,961	20,578
Accrued expenses	47,014	66,993
Equipment deposits	12,851	8,443
Deferred revenue, current	73,249	53,759
Payable pursuant to tax benefit arrangements, current	31,940	31,940
Other current liabilities	47,458	42,067
Total current liabilities	250,223	244,530
Long-term debt, net of current maturities	1,974,303	1,978,131
Lease liabilities, net of current portion	336,024	341,843
Deferred revenue, net of current portion	33,071	33,152
Deferred tax liabilities	1,459	1,471
Payable pursuant to tax benefit arrangements, net of current portion	464,840	462,525
Other liabilities	4,224	4,498
Total noncurrent liabilities	2,813,921	2,821,620
Commitments and contingencies (Note 14)		
Stockholders' equity (deficit):		
Class A common stock, $.0001 par value - 300,000 authorized, 85,230 and 83,430 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	9	8
Class B common stock, $.0001 par value - 100,000 authorized, 4,245 and 6,146 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	—	1
Accumulated other comprehensive loss	(367)	(448)
Additional paid in capital	555,267	505,144
Accumulated deficit	(706,017)	(703,717)
Total stockholders' deficit attributable to Planet Fitness Inc.	(151,108)	(199,012)
Non-controlling interests	(7,471)	(12,549)
Total stockholders' deficit	(158,579)	(211,561)
Total liabilities and stockholders' deficit	$ 2,905,565	$ 2,854,589

See accompanying notes to condensed consolidated financial statements

Planet Fitness, Inc. and subsidiaries
Condensed consolidated statements of operations
(Unaudited)
(Amounts in thousands, except per share amounts)

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Revenue:		
Franchise	$ 75,878	$ 66,117
National advertising fund revenue	16,804	13,967
Corporate-owned stores	105,882	76,157
Equipment	23,661	30,435
Total revenue	222,225	186,676
Operating costs and expenses:		
Cost of revenue	19,354	22,361
Store operations	66,015	47,535
Selling, general and administrative	27,767	30,826
National advertising fund expense	16,987	14,547
Depreciation and amortization	36,010	25,683
Other losses (gains), net	3,936	(2,933)
Total operating costs and expenses	170,069	138,019
Income from operations	52,156	48,657
Other expense, net:		
Interest income	3,931	209
Interest expense	(21,599)	(22,631)
Other income	113	4,090
Total other expense, net	(17,555)	(18,332)
Income before income taxes	34,601	30,325
Equity losses of unconsolidated entities, net of tax	(265)	(238)
Provision for income taxes	9,567	11,711
Net income	24,769	18,376
Less net income attributable to non-controlling interests	2,064	1,912
Net income attributable to Planet Fitness, Inc.	$ 22,705	$ 16,464
Net income per share of Class A common stock:		
Basic	$ 0.27	$ 0.20
Diluted	$ 0.27	$ 0.19
Weighted-average shares of Class A common stock outstanding:		
Basic	84,444	84,166
Diluted	84,787	84,635

See accompanying notes to condensed consolidated financial statements.

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

	For the three months ended March 31,	
	2023	2022
Net income including non-controlling interests	$ 24,769	$ 18,376
Other comprehensive income, net:		
Foreign currency translation adjustments	81	85
Total other comprehensive income, net	81	85
Total comprehensive income including non-controlling interests	24,850	18,461
Less: total comprehensive income attributable to non-controlling interests	2,064	1,912
Total comprehensive income attributable to Planet Fitness, Inc.	$ 22,786	$ 16,549

See accompanying notes to condensed consolidated financial statements.

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

	For the three months ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net income	$ 24,769	$ 18,376
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,010	25,683
Amortization of deferred financing costs	1,360	1,369
Amortization of asset retirement obligations	95	17
Dividends accrued on investment	(483)	(451)
Deferred tax expense	8,082	10,940
Loss on extinguishment of debt	—	1,583
Equity losses of unconsolidated entities, net of tax	265	238
Loss (gain) on adjustment of allowance for credit losses on held-to-maturity investment	255	(2,110)
Gain on re-measurement of tax benefit arrangement	—	(3,788)
Loss on reacquired franchise rights	—	1,160
Equity-based compensation	2,049	2,850
Other	(139)	(53)
Changes in operating assets and liabilities, excluding effects of acquisitions:		
Accounts receivable	25,619	14,415
Inventory	266	(589)
Other assets and other current assets	2,010	(5,522)
Restricted assets - national advertising fund	(13,387)	(22,569)
Accounts payable and accrued expenses	(19,928)	(7,284)
Other liabilities and other current liabilities	4,907	1,035
Income taxes	2,736	625
Equipment deposits	4,408	6,869
Deferred revenue	19,395	15,306
Leases	(379)	(90)
Net cash provided by operating activities	97,910	58,010
Cash flows from investing activities:		
Additions to property and equipment	(22,997)	(23,872)
Acquisition of franchises, net of cash acquired	—	(425,834)
Net cash used in investing activities	(22,997)	(449,706)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(56)	(52)
Proceeds from issuance of long-term debt	—	900,000
Proceeds from issuance of Variable Funding Notes	—	75,000
Repayment of long-term debt and Variable Funding Notes	(5,188)	(634,250)
Payment of financing and other debt-related costs	—	(16,191)
Proceeds from issuance of Class A common stock	6,748	525
Repurchase and retirement of Class A common stock	(25,005)	—
Distributions paid to members of Pla-Fit Holdings	(1,106)	(815)
Net cash (used in) provided by financing activities	(24,607)	324,217
Effects of exchange rate changes on cash and cash equivalents	198	206
Net increase (decrease) in cash, cash equivalents and restricted cash	50,504	(67,273)
Cash, cash equivalents and restricted cash, beginning of period	472,499	603,941
Cash, cash equivalents and restricted cash, end of period	$ 523,003	$ 536,668
Supplemental cash flow information:		
Net (refund received) cash paid for income taxes	$ (1,016)	$ 130
Cash paid for interest	$ 20,373	$ 16,874
Non-cash investing activities:		
Non-cash additions to property and equipment	$ 11,682	$ 4,470
Fair value of common stock issued as consideration for acquisition	$ —	$ 393,730

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 income	Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total (deficit) equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2022	83,430	$ 8	6,146	$ 1	$ (448)	$ 505,144	$ (703,717)	$ (12,549)	$ (211,561)
Net income	—	—	—	—	—	—	22,705	2,064	24,769
Equity-based compensation expense	—	—	—	—	—	2,049	—	—	2,049
Exchanges of Class B common stock and other adjustments	1,901	1	(1,901)	(1)	—	(4,353)	—	4,353	—
Repurchase and retirement of Class A common stock	(318)	—	—	—	—		(25,005)	—	(25,005)
Exercise of stock options, vesting of restricted share units and ESPP share purchase	217	—	—	—	—	6,524	—	—	6,524
Tax benefit arrangement liability and deferred taxes arising from exchanges of Class B common stock and other adjustments	—	—	—	—	—	45,903	—	—	45,903
Non-cash adjustments to VIEs	—	—	—	—	—	—	—	(233)	(233)
Distributions paid to members of Pla-Fit Holdings	—	—	—	—	—	—	—	(1,106)	(1,106)
Other comprehensive income	—	—	—	—	81	—	—	—	81
Balance at March 31, 2023	85,230	$ 9	4,245	$ —	$ (367)	$ 555,267	$ (706,017)	$ (7,471)	$ (158,579)

	Class A common stock		Class B common stock		Accumulated other comprehensive income	Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total (deficit) equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2021	83,804	$ 8	3,056	$ 1	$ 12	$ 63,428	$ (708,804)	$ 2,510	$ (642,845)
Net income	—	—	—	—	—	—	16,464	1,912	18,376
Equity-based compensation expense	—	—	—	—	—	2,850	—	—	2,850
Exchanges of Class B common stock	548	—	(548)	—	—	(197)	—	197	—
Exercise of stock options, vesting of restricted share units and ESPP share purchase	38	—	—	—	—	374	—	—	374
Issuance of common stock for acquisition	517	—	3,638	—	—	395,545	—	(1,815)	393,730
Tax benefit arrangement liability and deferred taxes arising from exchanges of Class B common stock	—	—	—	—	—	17,535	—	—	17,535
Non-cash adjustments to VIEs	—	—	—	—	—	—	—	(228)	(228)
Distributions paid to members of Pla-Fit Holdings	—	—	—	—	—	—	—	(815)	(815)
Other comprehensive income	—	—	—	—	85	—	—	—	85
Balance at March 31, 2022	84,907	$ 8	6,146	$ 1	$ 97	$ 479,535	$ (692,340)	$ 1,761	$ (210,938)

See accompanying notes to condensed consolidated financial statements.

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

(1) Business organization

Planet Fitness, Inc. (the "Company"), through its subsidiaries, is a franchisor and operator of fitness centers, with more than 18.1 million members and 2,446 owned and franchised locations (referred to as stores) in 50 states, the District of Columbia, Puerto Rico, Canada, Panama, Mexico and Australia as of March 31, 2023.

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; and
- Selling fitness-related equipment to franchisee-owned stores.

In 2012 investment funds affiliated with TSG Consumer Partners, LLC ("TSG"), purchased interests in Pla-Fit Holdings.

The Company was formed as a Delaware corporation on March 16, 2015 for the purpose of facilitating an initial public offering (the "IPO") 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, the Company became the sole managing member and holder of 100% of the voting power of Pla-Fit Holdings. Pla-Fit Holdings owns 100% of Planet Intermediate, LLC, which has no operations but is the 100% owner of Planet Fitness Holdings, LLC, a franchisor and operator of fitness centers. With respect to the Company, Pla-Fit Holdings and Planet Intermediate, LLC, each entity owns nothing other than the respective entity below it in the corporate structure and each entity has no other material operations.

The Company is a holding company whose principal asset is a controlling equity interest in the membership units ("Holdings Units") 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 Holdings Units not owned by the Company.

As of March 31, 2023, the Company held 100.0% of the voting interest and approximately 95.3% of the economic interest in Pla-Fit Holdings and the owners of Holdings Units other than the Company (the "Continuing LLC Owners") held the remaining 4.7% economic interest in Pla-Fit Holdings. As future exchanges of Holdings Units occur, the economic interest in Pla-Fit Holdings held by Planet Fitness, Inc. 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 months ended March 31, 2023 and 2022 are unaudited. The condensed consolidated balance sheet as of December 31, 2022 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, 2022 (the "Annual Report") filed with the SEC on March 1, 2023, as amended on March 2, 2023. The Company's significant interim accounting policies include the proportional recognition of national advertising fund expenses within interim periods. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

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

(b) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Significant areas where estimates and judgments are relied upon by management in the preparation of the consolidated financial statements include revenue recognition, valuation of equity-based compensation awards, valuation of assets and liabilities acquired in business combinations, the evaluation of the recoverability of goodwill and long-lived assets, including intangible assets, allowance for expected credit losses, the present value of lease liabilities, income taxes, including deferred tax assets and liabilities, 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 carrying value and estimated fair value of certain liabilities as of March 31, 2023 and December 31, 2022 were as follows:

	March 31, 2023		December 31, 2022	
	Carrying value	Estimated fair value[1]	Carrying value	Estimated fair value[1]
Liabilities				
Long-term debt[1]	$ 2,020,000	$ 1,821,251	$ 2,025,188	$ 1,730,634

(1) The estimated fair value of the Company's fixed rate long-term debt is estimated primarily based on current bid prices for the long-term debt. Judgment is required to develop these estimates. As such, the fair value of long-term debt is classified within Level 2, as defined under U.S. GAAP.

(d) Recent accounting pronouncements

There are no recent accounting pronouncements that are expected to have a material impact on the Company's financial position or results of operations.

(3) Investments

Investments - Debt securities

As of March 31, 2023, the Company's debt security investment consists of redeemable preferred shares that are accounted for as a held-to-maturity investment. The Company's investment is measured at amortized cost within investments in the condensed consolidated balance sheets. The Company reviews its held-to-maturity securities for expected credit losses under ASC Topic 326, *Credit Impairment*, on an ongoing basis.

During the three months ended March 31, 2023 and 2022, the Company's review of the investee's operations and financial position indicated that an adjustment to its allowance for expected credit losses was necessary. Based upon its analysis, the Company recorded a loss for the three months ended March 31, 2023 of $255 and a gain for the three months ended March 31, 2022 of $2,110, within other losses (gains), net on the consolidated statements of operations.

The amortized cost, including accrued dividends, of the Company's held-to-maturity debt security investments was $28,760 and $28,277 and the allowance for expected credit losses was $15,212 and $14,957, as of March 31, 2023 and December 31, 2022, respectively. During the three months ended March 31, 2023 and 2022, the Company recognized dividend income of $483 and $451, respectively, within other income on the consolidated statements of operations.

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

As of March 31, 2023, all of the Company's held-to-maturity investments had a contractual maturity in 2026.

A roll forward of the Company's allowance for expected credit losses on held-to-maturity investments is as follows:

	Three months ended March 31,	
	2023	2022
Beginning allowance for expected credit losses	$ 14,957	$ 17,462
Loss (gain) on adjustment of allowance for expected credit losses	255	(2,110)
Write-offs, net of recoveries	—	—
Ending allowance for expected credit losses	$ 15,212	$ 15,352

Equity method investments

On April 9, 2021, the Company acquired a 21% ownership in Bravo Fit Holdings Pty Ltd, the Company's franchisee and store operator in Australia, which is deemed to be a related party, for $10,000. In the fourth quarter of 2022, the Company invested an additional $2,449 in Bravo Fit Holdings Pty Ltd. Following such additional investment, its ownership remained at 21%. For the three months ended March 31, 2023 and 2022, the Company's proportionate share of the earnings in accordance with the equity method was a loss of $265 and $238, respectively, recorded within equity earnings of unconsolidated entities on the condensed consolidated statement of operations. The adjusted carrying value of the equity method investment was $11,537 and $11,802 as of March 31, 2023 and December 31, 2022, respectively.

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

(4) Acquisition

Sunshine Fitness Acquisition

On February 10, 2022, the Company and Pla-Fit Holdings (together with the Company, the “Buyers”), acquired 100% of the equity interests (“Sunshine Acquisition”) of Sunshine Fitness Growth Holdings, LLC, a Delaware limited liability company and Planet Fitness franchisee (“Sunshine Fitness”). The Company acquired 114 stores in Alabama, Florida, Georgia, North Carolina, and South Carolina from Sunshine Fitness. The purchase price of the acquisition was $824,587 consisting of $430,857 in cash consideration, and $393,730 of equity consideration, including 517,348 shares of Class A Common Stock, par value $0.0001, of the Company and 3,637,678 membership units of Pla-Fit Holdings, LLC, together with shares of Class B Common Stock, par value $0.0001, of the Company, valued based on the closing trading price of the Company’s Class A common stock on the acquisition date. As a result of the transaction, the Company incurred a loss on unfavorable reacquired franchise rights of $1,160, which has been reflected in other losses (gains), net in the condensed consolidated statement of operations. The loss reduced the net purchase price to $823,427. In connection with the acquisition, the Company recorded a gain of $2,059 related to the settlement of preexisting contracts with Sunshine Fitness within other losses (gains), net on the condensed consolidated statement of operations. The acquired stores are included in the corporate-owned stores segment.

The allocation of the estimated purchase consideration was as follows:

	Amount
Cash and cash equivalents	$ 5,917
Other current assets	757
Property and equipment	153,092
Right of use assets	162,827
Other long term assets	1,830
Intangible assets	259,430
Goodwill	488,544
Deferred income taxes, net	(54,737)
Deferred revenue	(16,973)
Other current liabilities	(13,720)
Lease liabilities	(162,327)
Other long term liabilities	(1,213)
	$ 823,427

The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management’s estimates and assumptions, which include Level 3 unobservable inputs, and are determined using generally accepted valuation techniques. The excess of purchase consideration over the fair value of other assets acquired and liabilities assumed was recorded as goodwill. The resulting goodwill is primarily attributable to increased expansion for market opportunities, the expansion of store membership and synergies from the integration of the stores into the broader corporate-owned store portfolio. Approximately $175,600 of the goodwill recorded is expected to be amortizable and deductible for tax purposes, the majority of which is deductible over 15 years.

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

The following table sets forth the components of identifiable intangible assets acquired in the Sunshine Acquisition and their estimated useful lives as of the date of the acquisition:

	Fair value	Useful life
Reacquired franchise rights (1)	233,070	11.9
Customer relationships (2)	24,920	8.0
Reacquired area development rights (3)	1,440	5.0
Total intangible assets subject to amortization	259,430	

(1) Reacquired franchise rights represent the fair value of the reacquired franchise agreements using the income approach, specifically, the multi-period excess earnings method.
(2) Customer relationships represent the fair value of the existing contractual customer relationships using the income approach, specifically, the multi-period excess earnings method.
(3) Reacquired area development rights represent the fair value of the undeveloped area development agreement rights using the cost approach.

The fair value of the identified intangible assets subject to amortization will be amortized over the assets' estimated useful lives based on the pattern in which the economic benefits are expected to be received.

The following pro forma financial information for the three months ended March 31, 2022 summarizes the combined results of operations for the Company and Sunshine Fitness, as though the companies were combined as of the beginning of 2021. The three months ended March 31, 2023 total revenues, income before taxes, and net income are included within the condensed consolidated statement of operations.

	Three months ended March 31,
	2022
Total revenues	207,126
Income before taxes	30,358
Net income	18,401

(5) Sale of corporate-owned stores

On August 31, 2022, the Company sold 6 corporate-owned stores located in Colorado to a franchisee for $20,820. The net value of assets derecognized in connection with the sale amounted to $19,496, which included goodwill of $14,423, intangible assets of $2,629, and net tangible assets of $2,444, which resulted in a gain on sale of corporate-owned stores of $1,324 during the three months ended September 30, 2022.

(6) Goodwill and intangible assets

A summary of goodwill and intangible assets at March 31, 2023 and December 31, 2022 is as follows:

March 31, 2023	Gross carrying amount	Accumulated amortization	Net carrying Amount
Customer relationships	$ 198,813	$ (157,214)	$ 41,599
Reacquired franchise and area development rights	268,058	(51,767)	216,291
	466,871	(208,981)	257,890
Indefinite-lived intangible:			
Trade and brand names	146,600	—	146,600
Total intangible assets	$ 613,471	$ (208,981)	$ 404,490
Goodwill	$ 702,690	$ —	$ 702,690

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December 31, 2022	Gross carrying amount	Accumulated amortization	Net carrying Amount
Customer relationships	$ 198,813	$ (153,243)	$ 45,570
Reacquired franchise and area development rights	268,058	(43,161)	224,897
	466,871	(196,404)	270,467
Indefinite-lived intangible:			
Trade and brand names	146,600	—	146,600
Total intangible assets	$ 613,471	$ (196,404)	$ 417,067
Goodwill	$ 702,690	$ —	$ 702,690

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

Amortization expense related to the intangible assets totaled $12,587 and $8,528 for the three months ended March 31, 2023 and 2022, respectively. The anticipated annual amortization expense related to intangible assets to be recognized in future years as of March 31, 2023 is as follows:

	Amount
Remainder of 2023	$ 37,730
2024	47,601
2025	35,476
2026	31,024
2027	27,119
Thereafter	78,940
Total	$ 257,890

(7) Long-term debt

Long-term debt as of March 31, 2023 and December 31, 2022 consists of the following:

	March 31, 2023	December 31, 2022
2018-1 Class A-2-II notes	$ 596,875	$ 598,438
2019-1 Class A-2 notes	532,125	533,500
2022-1 Class A-2-I notes	420,750	421,812
2022-1 Class A-2-II notes	470,250	471,437
Total debt, excluding deferred financing costs	2,020,000	2,025,187
Deferred financing costs, net of accumulated amortization	(24,947)	(26,306)
Total debt	1,995,053	1,998,881
Current portion of long-term debt	20,750	20,750
Long-term debt and borrowings under Variable Funding Notes, net of current portion	$ 1,974,303	$ 1,978,131

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Future annual principal payments of long-term debt as of March 31, 2023 are as follows:

	Amount
Remainder of 2023	$ 15,563
2024	20,750
2025	600,436
2026	419,313
2027	10,250
Thereafter	953,688
Total	$ 2,020,000

On August 1, 2018, Planet Fitness Master Issuer LLC (the "Master Issuer"), a limited-purpose, bankruptcy remote, wholly-owned indirect subsidiary of Pla-Fit Holdings, LLC, entered into a base indenture and a related supplemental indenture (collectively, the "2018 Indenture") under which the Master Issuer may issue multiple series of notes. On the same date, the Master Issuer issued Series 2018-1 4.262% Fixed Rate Senior Secured Notes, Class A-2-I (the "2018 Class A-2-I Notes") with an initial principal amount of $575,000 and Series 2018-1 4.666% Fixed Rate Senior Secured Notes, Class A-2-II (the "2018 Class A-2-II Notes" and, together with the 2018 Class A-2-I Notes, the "2018 Notes") with an initial principal amount of $625,000. In connection with the issuance of the 2018 Notes, the Master Issuer also entered into a revolving financing facility that allows for the incurrence of up to $75,000 in revolving loans and/or certain letters of credit (the "Letters of Credit") under the Master Issuer's Series 2018-1 Variable Funding Senior Notes, Class A-1 (the "2018 Variable Funding Notes"). The Company fully drew down on the 2018 Variable Funding Notes on March 20, 2020. On December 3, 2019, the Master Issuer issued Series 2019-1 3.858% Fixed Rate Senior Secured Notes, Class A-2 (the "2019 Notes" and, together with the 2018 Notes, the "Notes") with an initial principal amount of $550,000. The 2019 Notes were issued under the 2018 Indenture and a related supplemental indenture dated December 3, 2019 (together, the "2019 Indenture"). On February 10, 2022, the Company completed a prepayment in full of its 2018 Class A-2-I Notes and an issuance of Series 2022-1 3.251% Fixed Rate Senior Secured Notes, Class A-2-I with an initial principal amount of $425,000 and Series 2022-1 4.008% Fixed Rate Senior Secured Notes, Class A-2-II with an initial principal amount of $475,000 (the "2022 Notes" and, together with the 2018 Notes and 2019 Notes, the "Notes"), and also entered into a new revolving financing facility that allows for the issuance of up to $75,000 in Variable Funding Notes ("2022 Variable Funding Notes") and certain Letters of Credit (the issuance of such notes, the "Series 2022-I Issuance"). The 2022 Notes were issued under the 2018 Indenture and a related supplemental indenture dated February 10, 2022 (together, with the 2019 Indenture, the "Indenture"). Together, the Notes, 2018 Variable Funding Notes and 2022 Variable Funding Notes will be referred to as the "Securitized Senior Notes". On February 10, 2022, the Company borrowed the full amount of the $75,000 2022 Variable Funding Notes and used such proceeds to repay the outstanding principal amount (together with all accrued and unpaid interest thereon) of the 2018 Variable Funding Notes in full. On May 9, 2022, the Company repaid in full its $75,000 of borrowings under the 2022 Variable Funding Notes using cash on hand.

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

Interest and principal payments on the Notes are payable on a quarterly basis. The requirement to make such quarterly principal payments on the Notes is subject to certain financial conditions set forth in the Indenture. The legal final maturity date of the 2018 Class A-2-II Notes is in September 2048, but it is anticipated that, unless earlier prepaid to the extent permitted under the Indenture, the 2018 Class A-2-II Notes will be repaid in or prior to September 2025. The legal final maturity date of the 2019 Notes is in December 2049, but it is anticipated that, unless earlier prepaid to the extent permitted under the Indenture, the 2019 Notes will be repaid in or prior to December 2029. The legal final maturity date of the 2022 Notes is in February 2052, but it is anticipated that, unless earlier prepaid to the extent permitted under the Indenture, the 2022 Class A-2-I Notes will be repaid in or prior to December 2026 and the 2022 Class A-2-II Notes will be repaid in or prior to December 2031 (together, the "Anticipated Repayment Dates"). If the Master Issuer has not repaid or refinanced the Notes prior to the respective Anticipated Repayment Dates, additional interest will accrue pursuant to the Indenture.

As noted above, the Company borrowed the full $75,000 in 2022 Variable Funding Notes on February 10, 2022, which was repaid in full using cash on hand on May 9, 2022. If outstanding, the 2022 Variable Funding Notes will accrue interest at a variable interest rate based on (i) the prime rate, (ii) overnight federal funds rates, (iii) the secured overnight financing rate for U.S. Dollars, or (iv) with respect to advances made by conduit investors, the weighted average cost of, or related to, the issuance of commercial paper allocated to fund or maintain such advances, in each case plus any applicable margin and as specified in the 2022 Variable Funding Notes. There is a commitment fee on the unused portion of the 2022 Variable Funding Notes of 0.5% based on utilization. It is anticipated that the principal and interest on the 2022 Variable Funding Notes, if any, will be repaid in full on or prior to December 2026, subject to two additional one-year extension options. Following the anticipated repayment date (and any extensions thereof), additional interest will accrue on the 2022 Variable Funding Notes equal to 5.0% per year.

In connection with the issuance of the 2018 Notes, 2019 Notes, and 2022 Notes, the Company incurred debt issuance costs of $27,133, $10,577, and $16,193 respectively. The debt issuance costs are being amortized to interest expense through the Anticipated Repayment Dates of the Notes utilizing the effective interest rate method. As a result of the repayment of the 2018 Class A-2-I Notes prior to the Anticipated Repayment Date, the Company recorded a loss on early extinguishment of debt of $1,583 within interest expense on the Consolidated statements of operations, consisting of the write-off of remaining unamortized deferred financing costs related to the issuance of the 2018 Class A-2-I Notes.

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

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

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

In accordance with the Indenture, certain cash accounts have been established with the Indenture trustee (the “Trustee”) for the benefit of the trustee and the noteholders, and are restricted in their use. The Company holds restricted cash which primarily represents cash collections held by the Trustee, interest, principal, and commitment fee reserves held by the Trustee related to the Securitized Senior Notes. As of March 31, 2023, the Company had restricted cash held by the Trustee of $46,570.

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(8) Leases

Leases	Classification	March 31, 2023	December 31, 2022
Assets			
Operating lease ROU assets	Right of use asset, net	$ 341,703	$ 346,937
Finance lease assets	Property and equipment, net	314	370
Total lease assets		$ 342,017	$ 347,307
Liabilities			
Current:			
Operating	Other current liabilities	$ 35,519	$ 33,233
Noncurrent:			
Operating	Lease liabilities, net of current portion	336,024	341,843
Financing	Other liabilities	324	380
Total lease liabilities		$ 371,867	$ 375,456
Weighted-average remaining lease term (years) - operating leases		7.9	8.1
Weighted-average discount rate - operating leases		4.8 %	4.7 %

During the three months ended March 31, 2023 and 2022, the components of lease cost were as follows:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Operating lease cost	$ 14,904	$ 11,595
Variable lease cost	5,751	4,614
Total lease cost	$ 20,655	$ 16,209

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

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

	Three months ended March 31, 2023	Three months ended March 31, 2022
Cash paid for lease liabilities	$ 13,302	$ 10,536
Operating lease ROU assets obtained in exchange for operating lease liabilities, excluding the Sunshine Acquisition	$ 4,661	$ 5,997
Sunshine Acquisition operating lease ROU assets obtained in exchange for operating lease liabilities	$ —	$ 162,827

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As of March 31, 2023, maturities of lease liabilities were as follows:

	Amount
Remainder of 2023	$ 36,996
2024	60,520
2025	61,529
2026	60,858
2027	56,087
Thereafter	175,331
Total lease payments	$ 451,321
Less: imputed interest	79,454
Present value of lease liabilities	$ 371,867

As of March 31, 2023, future operating lease payments exclude approximately $32,037 of legally binding minimum lease payments for leases signed but not yet commenced.

(9) Revenue recognition

Contract Liabilities

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

The following table reflects the change in contract liabilities between December 31, 2022 and March 31, 2023:

	Contract liabilities
Balance at December 31, 2022	$ 86,911
Revenue recognized that was included in the contract liability at the beginning of the year	(30,159)
Increase, excluding amounts recognized as revenue during the period	49,568
Balance at March 31, 2023	$ 106,320

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2023. The Company has elected to exclude short-term contracts, sales and usage-based royalties and any other variable consideration recognized on an “as invoiced” basis.

Contract liabilities to be recognized in:	Amount
Remainder of 2023	$ 69,023
2024	8,466
2025	4,123
2026	3,624
2027	3,152
Thereafter	17,932
Total	$ 106,320

Equipment deposits received in advance of delivery as of March 31, 2023 and December 31, 2022 were $12,851 and $8,443, respectively, and are expected to be recognized as revenue in the next twelve months.

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(10) Related party transactions

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

	For the three months ended March 31,	
	2023	2022
Franchise revenue	$ 1,247	$ 973
Equipment revenue	5	11
Total revenue from related parties	$ 1,252	$ 984

Additionally, the Company had deferred ADA and franchise agreement revenue from related parties of $472 and $467 as of March 31, 2023 and December 31, 2022, respectively.

As of March 31, 2023 and December 31, 2022, the Company had $83,032 and $80,717, respectively, payable to related parties pursuant to tax benefit arrangements, see Note 13.

The Company provides administrative services to the NAF and typically charges the NAF a fee for providing these services. The services provided include accounting, information technology, data processing, product development, legal and administrative support, and other operating expenses, which amounted to $917 and $684 for the three months ended March 31, 2023 and 2022, respectively.

For the three months ended March 31, 2023 and 2022, the Company incurred approximately $181 and $106, respectively, which is included within selling, general and administrative expense on the condensed consolidated statements of operations, for corporate travel to a third-party company which is affiliated with the Chief Executive Officer.

A member of the Company's board of directors, who is also a franchisee, holds an approximate 10.5% ownership of a company that sells amenity tracking compliance software to Planet Fitness stores to which the Company made payments of approximately $91 and $63, during the three months ended March 31, 2023 and 2022, respectively.

(11) Stockholders' equity

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

During the three months ended March 31, 2022, in connection with the Sunshine Acquisition, the Company issued 517,348 shares of Class A Common Stock and 3,637,678 membership units of Pla-Fit Holdings, LLC, together with shares of Class B Common Stock. See Note 4.

During the three months ended March 31, 2023, certain existing holders of Holdings Units exercised their exchange rights and exchanged 1,900,309 Holdings Units for 1,900,309 newly-issued shares of Class A common stock. Simultaneously, and in connection with these exchanges, 1,900,309 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 1,900,309 Holdings Units, increasing its total ownership interest in Pla-Fit Holdings.

As a result of the above transactions, as of March 31, 2023:

- Holders of Class A common stock owned 85,230,399 shares of Class A common stock, representing 95.3% of the voting power in the Company and, through the Company, 85,230,399 Holdings Units representing 95.3% of the economic interest in Pla-Fit Holdings; and
- the Continuing LLC Owners collectively owned 4,245,413 Holdings Units, representing 4.7% of the economic interest in Pla-Fit Holdings, and 4,245,413 shares of Class B common stock, representing 4.7% of the voting power in the Company.

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Share repurchase program

2022 share repurchase program

On November 4, 2022, the Company's board of directors approved a share repurchase program of up to $500,000, which replaced the 2019 share repurchase program. During the three months ended March 31, 2023, the Company repurchased 317,599 shares of Class A common stock for a total cost of $25,005. All repurchased shares were retired. Subsequent to these repurchases, there is $474,995 remaining under the 2022 share repurchase program. The timing of purchases and amount of stock repurchased are subject to the Company's discretion and dependent upon market and business conditions, the Company's general working capital needs, stock price, applicable legal requirements and other factors. The ability to repurchase shares at any particular time is also subject to the terms of the Indenture governing the Securitized Senior Notes. Purchases may be effected through one or more open market transactions, privately negotiated transactions, transactions structured through investment banking institutions, or a combination of the foregoing.

Preferred stock

The Company had 50,000,000 shares of preferred stock authorized and none issued or outstanding as of March 31, 2023 and December 31, 2022.

(12) 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 March 31,	
	2023	**2022**
Numerator		
Net income	$ 24,769	$ 18,376
Less: net income attributable to non-controlling interests	2,064	1,912
Net income attributable to Planet Fitness, Inc.	$ 22,705	$ 16,464
Denominator		
Weighted-average shares of Class A common stock outstanding - basic	84,444,003	84,166,027
Effect of dilutive securities:		
Stock options	271,680	386,486
Restricted stock units	63,358	82,670
Performance stock units	7,654	—
Weighted-average shares of Class A common stock outstanding - diluted	84,786,695	84,635,183
Earnings per share of Class A common stock - basic	$ 0.27	$ 0.20
Earnings per share of Class A common stock - diluted	$ 0.27	$ 0.19

Weighted average shares of Class B common stock of 5,007,448 and 5,016,837 for the three months ended March 31, 2023 and 2022, respectively, were evaluated under the if-converted method for potential dilutive effects and were determined to be anti-dilutive. Weighted average stock options outstanding of 196,209 and 198,203 for the three months ended March 31, 2023 and 2022, respectively, were evaluated under the treasury stock method for potential dilutive effects and were determined to be anti-dilutive. Weighted average restricted stock units outstanding of 0 and 43,969 for the three months ended March 31, 2023 and 2022, respectively, were evaluated under the treasury stock method for potential dilutive effects and were determined to be anti-dilutive. Weighted average performance stock units outstanding of 53 and 0 for the three months ended March 31, 2023 and 2022, respectively, were evaluated under the treasury stock method for potential dilutive effects and were determined to be anti-dilutive.

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

(13) 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 the allocable share of any taxable income of Pla-Fit Holdings. The Company's effective tax rate was 27.6% and 38.6% for the three months ended March 31, 2023 and 2022, respectively. The effective tax rate for the three months ended March 31, 2023 differed from the U.S. federal statutory rate of 21% primarily due to state and local taxes, partially offset by income attributable to non-controlling interests. The Company was also subject to taxes in foreign jurisdictions.

Net deferred tax assets of $493,236 and $453,094 as of March 31, 2023 and December 31, 2022, respectively, relate primarily to the tax effects of temporary differences in the book basis as compared to the tax basis of the investment in Pla-Fit Holdings as a result of the secondary offerings, other exchanges, recapitalization transactions and the IPO.

As of March 31, 2023 and December 31, 2022, the total liability related to uncertain tax positions was $328. The Company recognizes accrued interest and penalties, if applicable, related to unrecognized tax benefits in income tax expense. Interest and penalties for the three months ended March 31, 2023 and 2022 were not material.

Tax benefit arrangements

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

As of March 31, 2023 and December 31, 2022, the Company had a liability of $496,780 and $494,465, 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 2023	$ 31,940
2024	44,716
2025	55,229
2026	54,829
2027	41,949
Thereafter	268,117
Total	$ 496,780

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

During the three months ended March 31, 2023, 1,900,309 Holdings Units were exchanged 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. As a result of the change in Planet Fitness, Inc.'s ownership percentage of Pla-Fit Holdings, the Company recorded a decrease to net deferred tax assets of $2,605 during the three months ended March 31, 2023. As a result of these exchanges, during the three months ended March 31, 2023, the Company also recognized deferred tax assets in the amount of $50,823 as a result of the increase in tax basis. A majority of these exchanges were not made by TRA holders, which did not result in an increase in the tax benefit arrangement liability. Of the exchanges that were made by TRA holders, they resulted in an increase in the tax benefit arrangement liability of $2,315. The offset to the entries recorded in connection with exchanges was to additional paid in capital within stockholders' deficit.

(14) Commitments and contingencies

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

On May 27, 2022, the Company and other defendants, including an officer of the Company who is a related party, received a final judgment after appeal to the joint and several judgment against them in a civil action brought by a former employee. In connection with the 2012 acquisition of Pla-Fit Holdings on November 8, 2012, the sellers are obligated to indemnify the Company related to this specific matter. The Company has incurred legal costs on behalf of the defendants in the case, which include a related party. These costs have historically not been material. During the fourth quarter of 2022, the Company and other defendants, as applicable, paid the final judgment in full, of which the Company paid $3,414.

Mexico Acquisition

On March 19, 2020, a franchisee in Mexico exercised a put option that requires the Company to acquire their franchisee-owned stores in Mexico. In February 2023, the Company and the franchisee agreed on a summary of terms for a settlement agreement ("Preliminary Settlement Agreement"), which will include the Company's acquisition of the franchisee-owned stores and a release of all claims by all parties. The transaction has not closed as of March 31, 2023 as the parties finalize the settlement terms. In connection with the Preliminary Settlement Agreement, the Company recorded an estimated liability for the legal settlement of $8,550 as of December 31, 2022, inclusive of estimated future legal fees, through other loss on the statement of operations. As of March 31, 2023, the Company revised its estimate of the legal settlement, and recorded an increase to the estimated liability of $3,300 to $11,850, inclusive of legal fees paid.

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

(15) Segments

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

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

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

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

The tables below summarize the financial information for the Company's reportable segments for the three months ended March 31, 2023 and 2022. 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.

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

	Three months ended March 31,	
	2023	2022
Revenue		
Franchise segment revenue - U.S.	$ 90,288	$ 78,434
Franchise segment revenue - International	2,394	1,650
Franchise segment total	92,682	80,084
Corporate-owned stores - U.S.	104,808	75,401
Corporate-owned stores - International	1,074	756
Corporate-owned stores total	105,882	76,157
Equipment segment - U.S.	23,105	29,790
Equipment segment - International	556	645
Equipment segment total	23,661	30,435
Total revenue	$ 222,225	$ 186,676

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

Franchise revenue includes revenue generated from placement services of $1,613 and $2,339 for the three months ended March 31, 2023 and 2022, respectively.

	Three months ended March 31,	
	2023	2022
Segment EBITDA		
Franchise	$ 64,735	$ 60,106
Corporate-owned stores	33,530	23,364
Equipment	5,571	8,653
Corporate and other	(15,822)	(13,931)
Total Segment EBITDA	$ 88,014	$ 78,192

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

	Three months ended March 31,	
	2023	2022
Total Segment EBITDA	$ 88,014	$ 78,192
Less:		
Depreciation and amortization	36,010	25,683
Other income	113	4,090
Equity losses of unconsolidated entities, net of tax	(265)	(238)
Income from operations	52,156	48,657
Interest income	3,931	209
Interest expense	(21,599)	(22,631)
Other income	113	4,090
Income before income taxes	$ 34,601	$ 30,325

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

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

	March 31, 2023	December 31, 2022
Franchise	$ 187,264	$ 161,355
Corporate-owned stores	1,563,674	1,559,985
Equipment	180,164	200,020
Unallocated	974,463	933,229
Total consolidated assets	$ 2,905,565	$ 2,854,589

The table above includes $868 and $916 of long-lived assets located in the Company’s international corporate-owned stores as of March 31, 2023 and December 31, 2022, respectively. All other assets are located in the U.S.

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

	March 31, 2023	December 31, 2022
Franchise	$ 16,938	$ 16,938
Corporate-owned stores	593,086	593,086
Equipment	92,666	92,666
Consolidated goodwill	$ 702,690	$ 702,690

(16) Corporate-owned and franchisee-owned stores

The following table shows changes in corporate-owned and franchisee-owned stores for the three months ended March 31, 2023 and 2022:

	For the three months ended March 31,	
	2023	2022
Franchisee-owned stores:		
Stores operated at beginning of period	2,176	2,142
New stores opened	35	34
Stores debranded, sold, or consolidated[1]	—	(114)
Stores operated at end of period	2,211	2,062
Corporate-owned stores:		
Stores operated at beginning of period	234	112
New stores opened	1	3
Stores acquired from franchisees	—	114
Stores operated at end of period	235	229
Total stores:		
Stores operated at beginning of period	2,410	2,254
New stores opened	36	37
Stores operated at end of period	2,446	2,291

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

(17) Subsequent events

On April 16, 2023, the Company completed an acquisition of four franchise stores operating in Florida for approximately $26,300 using cash on hand.

Subsequent to March 31, 2023, through May 5, 2023, the Company repurchased 490,923 shares of Class A common stock under its 2022 share repurchase program for a total cost of $37,585.

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 world by number of members and locations, with a highly recognized international 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. 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 primarily at only $10 per month for our standard membership. This attractive 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 do not belong to a gym, particularly those who find the traditional fitness club setting intimidating and expensive. We and our franchisees fiercely protect Planet Fitness's community atmosphere—a place where you do not need to be fit before joining and where progress toward achieving your fitness goals (big or small) is supported and applauded by our staff and fellow members.

As of March 31, 2023, we had more than 18.1 million members and 2,446 stores in all 50 states, the District of Columbia, Puerto Rico, Canada, Panama, Mexico and Australia. Of our 2,446 stores, 2,211 are franchised and 235 are corporate-owned. As of March 31, 2023, we had commitments to open more than 1,000 new stores under existing ADAs.

Our segments

We operate and manage our business in three business segments: Franchise, Corporate-owned stores and Equipment. Our Franchise segment includes operations related to our franchising business in the United States, Puerto Rico, Canada, Panama, Mexico and Australia, including revenues and expenses from the NAF. Our Corporate-owned stores segment includes operations with respect to all corporate-owned stores throughout the United States and Canada. The Equipment segment primarily includes the sale of equipment to our United States franchisee-owned stores. We evaluate the performance of our segments and allocate resources to them based on revenue and earnings before interest, taxes, depreciation and amortization, referred to as Segment EBITDA. Revenue and Segment EBITDA for all operating segments include only transactions with unaffiliated customers and do not include intersegment transactions. The tables below summarize the financial information for our segments for the three months ended March 31, 2023 and March 31, 2022. "Corporate and other," as it relates to Segment EBITDA, primarily includes corporate overhead costs, such as payroll and related benefit costs and professional services that are not directly attributable to any individual segment.

(in thousands)	Three months ended March 31, 2023	Three months ended March 31, 2022
Revenue		
Franchise segment	$ 92,682	$ 80,084
Corporate-owned stores segment	105,882	76,157
Equipment segment	23,661	30,435
Total revenue	$ 222,225	$ 186,676
Segment EBITDA		
Franchise	$ 64,735	$ 60,106
Corporate-owned stores	33,530	23,364
Equipment	5,571	8,653
Corporate and other	(15,822)	(13,931)
Total Segment EBITDA[(1)]	$ 88,014	$ 78,192

(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 March 31, 2023					
Income (loss) from operations	$ 63,019	$ 4,986	$ 4,307	$ (20,156)	$ 52,156
Depreciation and amortization	1,845	28,596	1,263	4,306	36,010
Other (expense) income	(129)	(52)	1	293	113
Equity losses of unconsolidated entities, net of tax	—	—	—	(265)	(265)
Segment EBITDA[(1)]	$ 64,735	$ 33,530	$ 5,571	$ (15,822)	$ 88,014
Three months ended March 31, 2022					
Income (loss) from operations	$ 58,251	$ 4,907	$ 7,392	$ (21,893)	$ 48,657
Depreciation and amortization	1,855	18,427	1,261	4,140	25,683
Other income	—	30	—	4,060	4,090
Equity losses of unconsolidated entities, net of tax	—	—	—	(238)	(238)
Segment EBITDA[(1)]	$ 60,106	$ 23,364	$ 8,653	$ (13,931)	$ 78,192

(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 (loss), the most directly comparable U.S. GAAP measure.

How we assess the performance of our business

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

Number of new store openings

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

The following table shows the change in our corporate-owned and franchisee-owned store base for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
	2023	2022
Franchisee-owned stores:		
Stores operated at beginning of period	2,176	2,142
New stores opened	35	34
Stores debranded, sold, or consolidated(1)	—	(114)
Stores operated at end of period	2,211	2,062
Corporate-owned stores:		
Stores operated at beginning of period	234	112
New stores opened	1	3
Stores acquired from franchisees	—	114
Stores operated at end of period	235	229
Total stores:		
Stores operated at beginning of period	2,410	2,254
New stores opened	36	37
Stores operated at end of period	2,446	2,291

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

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

Stores acquired from or sold to franchisees are removed from the franchisee-owned or corporate-owned same store sales base, as applicable, upon the ownership change and for the 12 months following the date of the ownership change. These stores are included in the corporate-owned or franchisee-owned same store sales base, as applicable, following the 12th month after the acquisition or sale. These stores remain in the system-wide same store sales base in all periods. During the three months ended March 31, 2023, the stores acquired in the Sunshine Acquisition came into the corporate-owned same store sales base.

The following table shows our same store sales for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
	2023	2022
Same store sales data		
Same store sales growth:		
Franchisee-owned stores	9.7 %	15.8 %
Corporate-owned stores	12.1 %	17.0 %
Total stores	9.9 %	15.9 %
Number of stores in same store sales base:		
Franchisee-owned stores	2,052	1,828
Corporate-owned stores	222	99
Total stores	2,280	2,032

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

We define system-wide sales as total monthly dues and annual fees billed by us and our franchisees. System-wide sales is an operating measure that includes sales by franchisees that are not revenue realized by the Company in accordance with GAAP, as well as sales by our corporate-owned stores. While we do not record sales by franchisees as revenue, and such sales are not included in our consolidated financial statements, we believe that this operating measure aids in understanding how we derive royalty revenue and is important in evaluating our performance. We review the total amount of dues we collect from our members on a monthly basis, which allows us to assess changes in the performance of our corporate-owned and franchisee-owned stores from period to period, any competitive pressures, local or regional membership traffic patterns and general market conditions that might impact our store performance. We collect monthly dues on or around the 17^{th} of every month in the US and Canada. We collect annual fees once per year from each member based upon when the member signed his or her membership agreement. System-wide sales were $1,108 million and $961 million, during the three months ended March 31, 2023 and 2022, respectively.

Non-GAAP financial measures

We refer to EBITDA and Adjusted EBITDA as we use these measures to evaluate our operating performance and we believe these measures provide useful information to investors in evaluating our performance. EBITDA and Adjusted EBITDA as presented in this Quarterly Report on Form 10-Q are supplemental measures of our performance that are neither required by, nor presented in accordance with U.S. GAAP. EBITDA and Adjusted EBITDA should not be considered as substitutes for U.S. GAAP metrics such as net income or any other performance measures derived in accordance with U.S. GAAP. Also, in the future we may incur expenses or charges such as those used to calculate Adjusted EBITDA. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items. We have also disclosed Segment EBITDA as an important financial metric utilized by the Company to evaluate performance and allocate resources to segments in accordance with ASC 280, *Segment Reporting*. As part of such disclosure in “Our Segments” within Management’s Discussion and Analysis of Financial Condition and Results of Operations, the Company has provided a reconciliation from income from operations to Total Segment EBITDA, which is equal to the Non-GAAP financial metric EBITDA.

We define EBITDA as net income before interest, taxes, depreciation and amortization. We believe that EBITDA, which eliminates the impact of certain expenses that we do not believe reflect our underlying business performance, provides useful information to investors to assess the performance of our segments as well as the business as a whole. Our board of directors also uses EBITDA as a key metric to assess the performance of management. We define Adjusted EBITDA as net income before interest, taxes, depreciation and amortization, adjusted for the impact of certain additional non-cash and other items that we do not consider in our evaluation of ongoing performance of the Company’s core operations. These items include certain purchase accounting adjustments, stock offering-related costs, acquisition transaction costs, and certain other charges and gains. We believe that Adjusted EBITDA is an appropriate measure of operating performance in addition to EBITDA because it eliminates the impact of other items that we believe reduce the comparability of our underlying core business performance from period to period and is therefore useful to our investors in comparing the core performance of our business from period to period.

A reconciliation of net income to EBITDA and Adjusted EBITDA is set forth below for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
(in thousands)	2023	2022
Net income	$ 24,769	$ 18,376
Interest income	(3,931)	(209)
Interest expense[(1)]	21,599	22,631
Provision for income taxes	9,567	11,711
Depreciation and amortization	36,010	25,683
EBITDA	$ 88,014	$ 78,192
Purchase accounting adjustments-revenue[(2)]	86	58
Purchase accounting adjustments-rent[(3)]	104	109
Loss on reacquired franchise rights[(4)]	—	1,160
Gain on settlement of preexisting contract with acquiree[(5)]	—	(2,059)
Transaction fees and acquisition-related costs[(6)]	394	4,423
Loss (gain) on adjustment of allowance for credit losses on held-to-maturity investments[(7)]	255	(2,110)
Dividend income on held-to-maturity investments[(8)]	(483)	(451)
Legal matters[(9)]	3,300	—
Tax benefit arrangement remeasurement[(10)]	—	(3,788)
Other[(11)]	(1,459)	1,153
Adjusted EBITDA[(12)]	$ 90,211	$ 76,687

(1) Includes a $1,583 loss on extinguishment of debt in the three months ended March 31, 2022.

(2) 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.

(3) Represents the impact of rent-related purchase accounting adjustments. In accordance with guidance in ASC 805 – Business Combinations, in connection with the 2012 Acquisition, the Company's deferred rent liability was required to be written off as of the acquisition date and rent was recorded on a straight-line basis from the acquisition date through the end of the lease term. This resulted in higher overall recorded rent expense each period than would have otherwise been recorded had the deferred rent liability not been written off as a result of the acquisition push down accounting applied in accordance with ASC 805. Adjustments of $41 and $45 in the three months ended March 31, 2023 and 2022, 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 $63 and $64 in the three months ended March 31, 2023 and 2022, respectively, are due to the amortization of favorable and unfavorable leases. All of the rent related purchase accounting adjustments are adjustments to rent expense which is included in store operations on our consolidated statements of operations.

(4) Represents the impact of a non-cash loss recorded in accordance with ASC 805 – Business Combinations related to our acquisition of franchisee-owned stores. The loss recorded under U.S. GAAP represents the difference between the fair value and the contractual terms of the reacquired franchise rights and is included in other losses (gains), net on our consolidated statement of operations.

(5) Represents a gain on settlement of deferred revenue from existing contracts with acquired franchisee-stores recorded in accordance with ASC 805 – Business Combinations, and is included in other losses (gains), net on our consolidated statement of operations.

(6) Represents transaction fees and acquisition-related costs incurred in connection with our acquisition of franchisee-owned stores.

(7) Represents a loss (gain) on the adjustment of the allowance for credit losses on the Company's held-to-maturity investments.
(8) Represents dividend income on held-to-maturity investments.
(9) Represents costs associated with legal matters in which the Company is a defendant. In connection with the Preliminary Settlement Agreement between the Company and a franchisee in Mexico, the Company recorded an estimated liability for the legal settlement of $8,550 as of December 31, 2022, inclusive of estimated future legal fees. As of March 31, 2023, the Company revised its estimate of the legal settlement, and recorded an increase to the estimated liability of $3,300 to $11,850, inclusive of legal fees paid.
(10) Represents gains related to the adjustment of our tax benefit arrangements primarily due to changes in our deferred state tax rate.
(11) Represents certain other charges and gains that we do not believe reflect our underlying business performance.
(12) Effective September 30, 2022, we no longer exclude pre-opening costs from our computation of Adjusted EBITDA. Adjusted EBITDA for all prior periods presented has been restated to the current period computation methodology.

Our presentation of Adjusted net income and Adjusted net income per share, diluted, assumes that all net income is attributable to Planet Fitness, Inc., which assumes the full exchange of all outstanding Holdings Units for shares of Class A common stock of Planet Fitness, Inc., adjusted for certain non-recurring items that we do not believe directly reflect our core operations. Adjusted net income per share, diluted, is calculated by dividing Adjusted net income by the total shares of Class A common stock outstanding plus any dilutive options and restricted stock units as calculated in accordance with U.S. GAAP and assuming the full exchange of all outstanding Holdings Units and corresponding Class B common stock as of the beginning of each period presented. Adjusted net income and Adjusted net income per share, diluted, are supplemental measures of operating performance that do not represent, and should not be considered, alternatives to net income and earnings per share, as calculated in accordance with U.S. GAAP. We believe Adjusted net income and Adjusted net income per share, diluted, supplement U.S. GAAP measures and enable us to more effectively evaluate our performance period-over-period. A reconciliation of Adjusted net income to net income, the most directly comparable U.S. GAAP measure, and the computation of Adjusted net income per share, diluted, are set forth below.

	Three months ended March 31,	
(in thousands, except per share amounts)	**2023**	**2022**
Net income	$ 24,769	$ 18,376
Provision for income taxes, as reported	9,567	11,711
Purchase accounting adjustments-revenue(1)	86	58
Purchase accounting adjustments-rent(2)	104	109
Loss on reacquired franchise rights(3)	—	1,160
Gain on settlement of preexisting contract with acquiree(4)	—	(2,059)
Transaction fees and acquisition-related costs(5)	394	4,423
Loss on extinguishment of debt(6)	—	1,583
Loss (gain) on adjustment of allowance for credit losses on held-to-maturity investments(7)	255	(2,110)
Dividend income on held-to-maturity investments(8)	(483)	(451)
Legal matters(9)	3,300	—
Tax benefit arrangement remeasurement(10)	—	(3,788)
Other(11)	(1,459)	1,153
Purchase accounting amortization(12)	12,577	8,518
Adjusted income before income taxes	$ 49,110	$ 38,683
Adjusted income tax expense(13)	12,719	10,135
Adjusted net income(14)	$ 36,391	$ 28,548
Adjusted net income per share, diluted	$ 0.41	$ 0.32
Adjusted weighted-average shares outstanding(15)	89,794	89,652

(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 $41 and $45 in the three months ended March 31, 2023 and 2022, 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

$63 and $64 in the three months ended March 31, 2023 and 2022, respectively, are due to the amortization of favorable and unfavorable leases. All of the rent related purchase accounting adjustments are adjustments to rent expense which is included in store operations on our consolidated statements of operations.

(3) Represents the impact of a non-cash loss recorded in accordance with ASC 805 – Business Combinations related to our acquisition of franchisee-owned stores. The loss recorded under U.S. GAAP represents the difference between the fair value and the contractual terms of the reacquired franchise rights and is included in other losses (gains), net on our consolidated statement of operations.

(4) Represents a gain on settlement of deferred revenue from existing contracts with acquired franchisee-stores recorded in accordance with ASC 805 – Business Combinations, and is included in other losses (gains), net on our consolidated statement of operations.

(5) Represents transactions fees and acquisition-related costs incurred in connection with our acquisition of franchisee-owned stores.

(6) Represents a loss on extinguishment of debt in the three months ended March 31, 2022.

(7) Represents a loss (gain) on the adjustment of the allowance for credit losses on the Company's held-to-maturity investments.

(8) Represents dividend income on held-to-maturity investments.

(9) Represents costs associated with legal matters in which the Company is a defendant. In connection with the Preliminary Settlement Agreement between the Company and a franchisee in Mexico, the Company recorded an estimated liability for the legal settlement of $8,550 as of December 31, 2022, inclusive of estimated future legal fees. As of March 31, 2023, the Company revised its estimate of the legal settlement, and recorded an increase to the estimated liability of $3,300 to $11,850, inclusive of legal fees paid.

(10) Represents gains related to the adjustment of our tax benefit arrangements primarily due to changes in our deferred state tax rate.

(11) Represents certain other charges and gains that we do not believe reflect our underlying business performance.

(12) Includes $3,096 of amortization of intangible assets, for the three months ended March 31, 2023 and 2022, recorded in connection with the 2012 Acquisition, and $9,481 and $5,415 of amortization of intangible assets for the three months ended March 31, 2023 and 2022, respectively, recorded in connection with historical acquisitions of franchisee-owned stores. The adjustment represents the amount of actual non-cash amortization expense recorded, in accordance with U.S. GAAP, in each period.

(13) Represents corporate income taxes at an assumed blended tax rate of 25.9% for the three months ended March 31, 2023 and 26.2% for the three months ended March 31, 2022, applied to adjusted income before income taxes.

(14) Effective September 30, 2022, we no longer exclude pre-opening costs from our computation of Adjusted EBITDA. Adjusted EBITDA for all prior periods presented has been restated to the current period computation methodology.

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

A reconciliation of net income per share, diluted, to Adjusted net income per share, diluted is set forth below for the three months ended March 31, 2023 and 2022:

	For the three months ended March 31, 2023			For the three months ended March 31, 2022		
(in thousands, except per share amounts)	**Net income**	**Weighted Average Shares**	**Net income per share, diluted**	**Net income**	**Weighted Average Shares**	**Net income per share, diluted**
Net income attributable to Planet Fitness, Inc.(1)	$ 22,705	84,787	$ 0.27	$ 16,464	84,635	$ 0.19
Assumed exchange of shares(2)	2,064	5,007		1,912	5,017	
Net income	24,769			18,376		
Adjustments to arrive at adjusted income before income taxes(3)	24,341			20,307		
Adjusted income before income taxes	49,110			38,683		
Adjusted income tax expense(4)	12,719			10,135		
Adjusted net income	$ 36,391	89,794	$ 0.41	$ 28,548	89,652	$ 0.32

(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 blended tax rate of 25.9% and 26.2% for the three months ended March 31, 2023 and 2022, respectively, applied to adjusted income before income taxes.

Results of operations

The following table sets forth our condensed consolidated statements of operations as a percentage of total revenue for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
	2023	2022
Revenue:		
Franchise revenue	34.1 %	35.4 %
National advertising fund revenue	7.7 %	7.5 %
Franchise segment	41.8 %	42.9 %
Corporate-owned stores	47.6 %	40.8 %
Equipment	10.6 %	16.3 %
Total revenue	100.0 %	100.0 %
Operating costs and expenses:		
Cost of revenue	8.7 %	12.0 %
Store operations	29.7 %	25.5 %
Selling, general and administrative	12.5 %	16.5 %
National advertising fund expense	7.6 %	7.8 %
Depreciation and amortization	16.2 %	13.8 %
Other losses (gains), net	1.8 %	(1.6)%
Total operating costs and expenses	76.5 %	74.0 %
Income from operations	23.5 %	26.0 %
Other income (expense), net:		
Interest income	1.8 %	0.1 %
Interest expense	(9.7)%	(12.1)%
Other income (expense)	0.1 %	2.2 %
Total other expense, net	(7.8)%	(9.8)%
Income before income taxes	15.7 %	16.2 %
Equity losses of unconsolidated entities, net of tax	(0.1)%	(0.1)%
Provision for income taxes	4.3 %	6.3 %
Net income	11.3 %	9.8 %
Less net income attributable to non-controlling interests	0.9 %	1.0 %
Net income attributable to Planet Fitness, Inc.	10.4 %	8.8 %

The following table sets forth a comparison of our condensed consolidated statements of operations for the three months ended March 31, 2023 and 2022:

(in thousands)	Three months ended March 31, 2023	Three months ended March 31, 2022
Revenue:		
Franchise revenue	$ 75,878	$ 66,117
National advertising fund revenue	16,804	13,967
Franchise segment	92,682	80,084
Corporate-owned stores	105,882	76,157
Equipment	23,661	30,435
Total revenue	222,225	186,676
Operating costs and expenses:		
Cost of revenue	19,354	22,361
Store operations	66,015	47,535
Selling, general and administrative	27,767	30,826
National advertising fund expense	16,987	14,547
Depreciation and amortization	36,010	25,683
Other losses (gains), net	3,936	(2,933)
Total operating costs and expenses	170,069	138,019
Income from operations	52,156	48,657
Other income (expense), net:		
Interest income	3,931	209
Interest expense	(21,599)	(22,631)
Other income	113	4,090
Total other expense, net	(17,555)	(18,332)
Income before income taxes	34,601	30,325
Equity losses of unconsolidated entities, net of tax	(265)	(238)
Provision for income taxes	9,567	11,711
Net income	24,769	18,376
Less net income attributable to non-controlling interests	2,064	1,912
Net income attributable to Planet Fitness, Inc.	$ 22,705	$ 16,464

Comparison of the three months ended March 31, 2023 and three months ended March 31, 2022

Revenue

Total revenues were $222.2 million in the three months ended March 31, 2023, compared to $186.7 million in the three months ended March 31, 2022, an increase of $35.5 million, or 19.0%.

Franchise segment revenue was $92.7 million in the three months ended March 31, 2023, compared to $80.1 million in the three months ended March 31, 2022, an increase of $12.6 million, or 15.7%.

Franchise revenue was $75.9 million in the three months ended March 31, 2023 compared to $66.1 million in the three months ended March 31, 2022, an increase of $9.8 million or 14.8%. Included in franchise revenue is royalty revenue of $64.5 million, franchise and other fees of $9.4 million, and placement revenue of $1.6 million for the three months ended March 31, 2023, compared to royalty revenue of $56.5 million, franchise and other fees of $6.8 million, and placement revenue of $2.3 million for the three months ended March 31, 2022. Of the $8.0 million increase in royalty revenue, $4.9 million was attributable to a same store sales increase of 9.7% in franchisee-owned stores, $2.4 million was attributable to higher royalties on annual fees and $1.9 million was attributable to new stores opened since January 1, 2022. The $2.6 million increase in franchise and other fees was primarily attributable to higher online join fees. Partially offsetting the royalty revenue increases was a decrease of approximately $0.9 million primarily as a result of the stores acquired in the Sunshine Acquisition becoming corporate-owned stores beginning February 10, 2022. The $0.7 million decrease in placement revenue was driven by lower new equipment placements in the three months ended March 31, 2023 compared to the three months ended March 31, 2022.

National advertising fund revenue was $16.8 million in the three months ended March 31, 2023, compared to $14.0 million in the three months ended March 31, 2022. The $2.8 million increase in national advertising fund revenue was primarily due to new stores, higher same store sales, and the collection of national advertising fund revenue on annual fees billed to new members, which began in 2023.

Revenue from our corporate-owned stores segment was $105.9 million in the three months ended March 31, 2023, compared to $76.2 million in the three months ended March 31, 2022, an increase of $29.7 million, or 39.0%. Of the increase, $23.5 million was attributable to the February 10, 2022 acquisition of 114 stores in the Sunshine Acquisition, $3.2 million was from the corporate-owned store same store sales increase of 12.1%, and $3.0 million was from new stores opened since January 1, 2022.

Equipment segment revenue was $23.7 million in the three months ended March 31, 2023, compared to $30.4 million in the three months ended March 31, 2022, a decrease of $6.8 million, or 22.3%. The decrease was driven by $8.5 million of lower equipment sales to 18 new franchisee-owned stores in the three months ended March 31, 2023 compared to 33 new franchisee-owned stores in the three months ended March 31, 2022, which was partially offset by an increase of $1.8 million in sales to existing franchisee-owned stores in the three months ended March 31, 2023.

Cost of revenue

Cost of revenue was $19.4 million in the three months ended March 31, 2023 compared to $22.4 million in the three months ended March 31, 2022, a decrease of $3.0 million, or 13.4%. Cost of revenue, which primarily relates to our equipment segment, decreased as a result of lower equipment sales to new franchisee-owned stores in the three months ended March 31, 2023 compared to the three months ended March 31, 2022, as described above.

Store operations

Store operation expenses, which relate to our corporate-owned stores segment, were $66.0 million in the three months ended March 31, 2023 compared to $47.5 million in the three months ended March 31, 2022, an increase of $18.5 million, or 38.9%. Of the increase, $17.8 million was attributable to the acquisition of 114 stores in the February 10, 2022 Sunshine Acquisition.

Selling, general and administrative

Selling, general and administrative expenses were $27.8 million in the three months ended March 31, 2023 compared to $30.8 million in the three months ended March 31, 2022, a decrease of $3.1 million, or 9.9%. This decrease was primarily a result of higher expenses in the prior year period including $4.4 million of transaction fees incurred in connection with the Sunshine Acquisition, and $2.1 million of higher expense from the Sunshine Acquisition. Partially offsetting the decrease was higher expenses in the three months ended March 31, 2023, primarily from higher payroll, information technology expenses, and travel.

National advertising fund expense

National advertising fund expense was $17.0 million in the three months ended March 31, 2023 compared to $14.5 million in the three months ended March 31, 2022, due to higher advertising and marketing expenditures in the current year period as a result of an increase in net membership.

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 $36.0 million in the three months ended March 31, 2023 compared to $25.7 million in the three months ended March 31, 2022, an increase of $10.3 million, or 40.2%. Of the increase, $10.2 million was attributable to corporate-owned stores, reflecting $6.1 million of depreciation and $4.1 million of amortization. The increase was primarily attributable to the acquisition of 114 stores in the Sunshine Acquisition.

Other losses (gains), net

Other losses (gains), net was a loss of $3.9 million in the three months ended March 31, 2023 compared to a gain of $2.9 million in the three months ended March 31, 2022. In the three months ended March 31, 2023, the other loss was primarily attributable to a $3.3 million increase in a legal estimated liability. In the three months ended March 31, 2022, the other gain was primarily attributable to a $2.1 million gain on the settlement of preexisting contracts associated with the Sunshine Acquisition.

Interest income

Interest income was $3.9 million in the three months ended March 31, 2023, compared to $0.2 million in the three months ended March 31, 2022, primarily as a result of higher interest rates in the three months ended March 31, 2023 compared to the three months ended March 31, 2022.

Interest expense

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

Interest expense was $21.6 million in the three months ended March 31, 2023 and $22.6 million in the three months ended March 31, 2022. The decrease in interest expense is due to a $1.6 million loss on extinguishment of debt from the write-off of remaining deferred financing costs in the three months ended March 31, 2022. This was partially offset by a full quarter of higher interest expense from an increased principal balance during the three months ended March 31, 2023. Both items were a result of the debt refinancing completed on February 10, 2022.

Other income

Other income was $0.1 million in the three months ended March 31, 2023 compared to income of $4.1 million in the three months ended March 31, 2022. In the three months ended March 31, 2022, other income was primarily attributable to a gain on the remeasurement of our tax benefit arrangements due to changes in our effective tax rate.

Provision for income taxes

Provision for income taxes was $9.6 million in the three months ended March 31, 2023, compared to $11.7 million in the three months ended March 31, 2022, a decrease of $2.1 million. The decrease in the provision for income taxes was attributable to a remeasurement of our deferred tax assets due to changes in our effective tax rate in the three months ended March 31, 2022.

Segment results

Franchise

Segment EBITDA for the franchise segment was $64.7 million in the three months ended March 31, 2023 compared to $60.1 million in the three months ended March 31, 2022, an increase of $4.6 million. The franchise segment EBITDA increase was primarily attributable to the franchise revenue increases as described above partially offset by higher NAF expenses of $2.4 million, a $3.3 million increase in a legal estimated liability, and a $2.1 million gain in the three months ended March 31, 2022 on the settlement of preexisting contracts associated with the Sunshine Acquisition.

Corporate-owned stores

Segment EBITDA for the corporate-owned stores segment was $33.5 million in the three months ended March 31, 2023 compared to $23.4 million in the three months ended March 31, 2022, an increase of $10.2 million. Of the increase, $5.3 million was attributable to the corporate-owned stores acquired in the Sunshine Acquisition and $5.4 million was attributable to the same store sales increase of 12.1%. Partially offsetting these increases was higher selling, general and administrative expense of $0.9 million, primarily as a result of the Sunshine Acquisition.

Equipment

Segment EBITDA for the equipment segment was $5.6 million in the three months ended March 31, 2023 compared to $8.7 million in the three months ended March 31, 2022, a decrease of $3.1 million. The decrease was primarily driven by lower equipment sales to new franchisee-owned stores in the three months ended March 31, 2023 compared to the three months ended March 31, 2022, as described above.

Liquidity and capital resources

As of March 31, 2023, we had $460.4 million of cash and cash equivalents and $62.6 million of restricted cash.

We require cash principally to fund day-to-day operations, to finance capital investments, to service our outstanding debt and tax benefit arrangements and to address our working capital needs. Based on our current level of operations, we believe the available cash balance, the cash generated from our operations, and amounts available under our 2022 Variable Funding Notes will be adequate to meet our anticipated debt service requirements and obligations under the tax benefit arrangements, capital expenditures and working capital needs for at least the next 12 months. Our ability to continue to fund these items and continue to reduce debt could be adversely affected by the occurrence of any of the events described under “Risk Factors” in the Annual Report. There can be no assurance that our business will generate sufficient cash flows from operations or otherwise to enable us to service our indebtedness, including our Securitized Senior Notes, or to make anticipated capital expenditures. Our future operating performance and our ability to service, extend or refinance our indebtedness will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

The following table presents summary cash flow information for the three months ended March 31, 2023 and 2022:

(in thousands)	Three months ended March 31, 2023	Three months ended March 31, 2022
Net cash provided by (used in):		
Operating activities	$ 97,910	$ 58,010
Investing activities	(22,997)	(449,706)
Financing activities	(24,607)	324,217
Effect of foreign exchange rates on cash	198	206
Net increase (decrease) in cash	$ 50,504	$ (67,273)

Operating activities

For the three months ended March 31, 2023, net cash provided by operating activities was $97.9 million compared to $58.0 million in the three months ended March 31, 2022, an increase of $39.9 million. Of the increase, $16.4 million is due to higher net income after adjustments to reconcile net income to net cash provided by operating activities in the three months ended March 31, 2023 as compared to the three months ended March 31, 2022, and $23.5 million is due to favorable changes in working capital primarily from a larger increase in accounts receivable collections, a larger increase in deferred revenue collected, and favorable changes in the national advertising fund and other assets and other current assets partially offset by a larger reduction in accounts payable and accrued expenses and a reduction in equipment deposits.

Investing activities

For the three months ended March 31, 2023, net cash used in investing activities was $23.0 million compared to $449.7 million in the three months ended March 31, 2022, a decrease of $426.7 million. The primary driver for the decrease in cash used in investing activities was $425.8 million of net cash used for the Sunshine Acquisition in the prior year period.

Capital expenditures for the three months ended March 31, 2023 and 2022:

(in thousands)	Three months ended March 31, 2023	Three months ended March 31, 2022
New corporate-owned stores and corporate-owned stores not yet opened	$ 5,906	$ 5,722
Existing corporate-owned stores	12,826	14,784
Information systems	4,195	3,366
Corporate and all other	70	—
Total capital expenditures	$ 22,997	$ 23,872

Financing activities

For the three months ended March 31, 2023, net cash used in financing activities was $24.6 million compared to net cash provided by financing activities of $324.2 million in the three months ended March 31, 2022. The primary drivers of the net cash used in financing activities in the three months ended March 31, 2023, were share repurchases and the repayment of long-term debt partially offset by proceeds from issuance of Class A common stock. The primary drivers of the net cash provided by financing activities in the three months ended March 31, 2022, was $324.6 million of net cash provided from long-term debt, consisting of $975 million of borrowings, $634.3 million of principal payments, and $16.2 million of deferred financing costs incurred.

Securitized Financing Facility

Planet Fitness Master Issuer LLC (the "Master Issuer"), a limited-purpose, bankruptcy remote, wholly-owned indirect subsidiary of Pla-Fit Holdings, LLC, is the master issuer of outstanding senior secured notes under a securitized financing facility that was entered into in August 2018. In February 2022, the Master Issuer completed a refinancing transaction with respect to this facility under which the Master Issuer issued the Series 2022-1 Class A-2 Notes with initial principal amounts totaling $900 million. The net proceeds from the sale of the Series 2022-1 Class A-2 Notes were used to repay in full the Master Issuer's outstanding Series 2018 Class A-2-I Notes, including the payment of transaction costs. The remaining funds were used for the Sunshine Acquisition and other general corporate purposes.

In connection with the issuance of the Series 2022-1 Class A-2 Notes, the Master Issuer also issued the Series 2022-1 Class A-1 Notes, which allow for the drawing of up to $75 million of Variable Funding Notes, including a letter of credit facility, which was used to repay the 2018-1 Class A-1 Notes. The 2022 Variable Funding Notes are undrawn as of March 31, 2023 due to repayment in full on May 9, 2022 using cash on hand.

Except as described above, there were no material changes to the terms of any debt obligations since December 31, 2022. The Company was in compliance with its debt covenants as of March 31, 2023. See Note 7 to the Condensed Consolidated Financial Statements contained in Item 1 herein for further information related to our long-term debt obligations.

Off-balance sheet arrangements

As of March 31, 2023, our off-balance sheet arrangements consisted of guarantees of lease agreements for certain franchisees up to a maximum period of ten years with earlier expiration dates possible if certain conditions are met. Our maximum total obligation under these lease guarantee agreements is approximately $5.8 million and would require payment only upon default by the primary obligor. The estimated fair value of these guarantees as of March 31, 2023 was not material, and no accrual has been recorded for our potential obligation under these arrangements.

Critical accounting policies and use of estimates

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

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

Interest rate risk

The securitized financing facility includes the Series 2018-1 Senior Class A-2-II Notes and the Series 2022-1 Senior Class A-2 Notes, which are comprised of fixed interest rate notes, and the 2022 Variable Funding Notes, which allow for the incurrence of up to $75.0 million in revolving loans and/or Letters of Credit under the 2022 Variable Funding Notes. The issuance of the fixed-rate Class A-2 Notes has reduced the Company’s exposure to interest rate increases that could adversely affect its earnings and cash flows. However, the Company would be exposed to interest rate increases on any borrowings under the 2022 Variable Funding Notes. An increase in the effective interest rate applied to borrowings under the 2022 Variable Funding Notes of 100 basis points would result in a $0.8 million increase in pre-tax interest expense on an annualized basis.

Foreign exchange risk

We are exposed to fluctuations in exchange rates, primarily those of the Canadian dollar, Mexican peso, and Australian dollar, which are the functional currencies of our Canadian, Mexican, and Australian entities, respectively. Our sales, costs and expenses of our foreign subsidiaries, when translated into U.S. dollars, can fluctuate due to exchange rate movement. As of March 31, 2023, a 10% increase or decrease in the exchange rate of the U.S. and foreign currencies to which we are exposed would increase or decrease net income by a negligible amount.

Inflation risk

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

ITEM 4. Controls and Procedures

Evaluation of disclosure controls and procedures

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

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

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2023, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

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

PART II-OTHER INFORMATION

ITEM 1. Legal Proceedings

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

ITEM 1A. Risk Factors.

None.

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

The following table provides information regarding purchases of shares of our Class A common stock by us and our "affiliated purchasers" (as defined in Rule 10b-18(a)(3) under the Exchange Act) during the three months ended March 31, 2023.

	Issuer Purchases of Equity Securities			
Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(1)]	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs[(1)]
01/01/23 - 01/31/23	317,599	78.73	317,599	474,994,466
02/01/23 - 02/28/23	—	—	—	474,994,466
03/01/23 - 03/31/23	—	—	—	474,994,466
Total	317,599	$ 78.73	317,599	

[(1)] On November 4, 2022, our board of directors approved a share repurchase program of up to $500,000,000, which replaced the previously approved November 5, 2019 share repurchase program.

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

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures.

None.

ITEM 5. Other Information.

None.

ITEM 6. Exhibits

Exhibit Number	Exhibit Description	Description of Exhibit Incorporated Herein by Reference: Form	File No.	Filing Date	Exhibit Number	Filed Herewith
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Changes in' Equity (Deficit), and (vi) Notes to Consolidated Financial Statements tagged as blocks of text and including detailed tags					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

* Certain exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally to the SEC a copy of any omitted exhibits or schedules upon request.

Signatures

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

	Planet Fitness, Inc.
	(Registrant)
Date: May 8, 2023	/s/ Thomas Fitzgerald
	Thomas Fitzgerald *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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2023

/s/ Christopher Rondeau

Christopher 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, Thomas Fitzgerald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Planet Fitness, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2023

/s/ Thomas Fitzgerald

Thomas Fitzgerald
Chief Financial Officer
(Principal Financial 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 March 31, 2023 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chris Rondeau, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 8, 2023

/s/ Christopher Rondeau
Christopher 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 March 31, 2023 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas Fitzgerald, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 8, 2023

/s/ Thomas Fitzgerald

Thomas Fitzgerald
Chief Financial Officer
(Principal Financial Officer)