Planet Fitness, Inc.
Form 424B4
June 24, 2016
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Filed pursuant to Rule 424(b)(4)
Registration No. 333-211698

10,000,000 shares

Planet Fitness, Inc.

Class A Common Stock

$16.50 per share

The selling stockholders identified in this prospectus are offering 10,000,000 shares of our Class A common stock. We are not selling any shares of Class A common stock under this prospectus, and we will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

Our Class A common stock is listed on the New York Stock Exchange (NYSE) under the symbol PLNT. On June 22, 2016, the last sale price of our Class A common stock as reported on the NYSE was $16.91 per share.

The selling stockholders have granted the underwriters an option to purchase up to 1,500,000 additional shares of our Class A common stock.

We are an emerging growth company as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings.

	Per share	Total
Public offering price	$ 16.50	$ 165,000,000
Underwriting discounts and commissions	$ 0.7425	$ 7,425,000
Proceeds to selling stockholders before expenses[1]	$ 15.7575	$ 157,575,000

(1) We have agreed to reimburse the underwriters for certain expenses in connection with this offering. See Underwriting for additional information regarding underwriting compensation.

Investing in our Class A common stock involves risk. See Risk factors beginning on page 16 to read about factors you should consider before buying shares of our Class A common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A common stock to investors on or about June 28, 2016.

J.P. Morgan	**BofA Merrill Lynch**	**Jefferies**	**Guggenheim Securities**

Baird	**William Blair**	**Credit Suisse**	**Piper Jaffray**	**Cowen and Company**

Prospectus dated June 22, 2016

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We are responsible for the information contained in this prospectus and in any free writing prospectus we prepare or authorize. Neither we nor the selling stockholders nor the underwriters have authorized anyone to provide you with different information, and neither we nor the selling stockholders nor the underwriters take responsibility for any other information others may give you. Neither we nor the selling stockholders nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than its date.

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Industry and market data

This prospectus includes market data with respect to the health club industry. Although we are responsible for all of the disclosure contained in this prospectus, in some cases we rely on and refer to market data and certain industry forecasts that were obtained from third-party surveys, market research, consultant surveys, publicly available information and industry publications and surveys, including the International Health, Racquet & Sportsclub Association, which we believe to be reliable. In some cases, the information has been developed by us for purposes of this offering based on our existing data and is believed by us to have been prepared in a reasonable manner. Other industry and market data included in this prospectus are from internal analyses based upon data available from known sources or other proprietary research and analysis. We believe this data to be accurate as of the date of this prospectus. However, this information may prove to be inaccurate because it cannot always be verified with complete certainty due to the limitations on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. As a result, you should be aware that market and other similar industry data included in this prospectus, and estimates and beliefs based on that data, may not be reliable.

Trademarks, trade names and service marks

We own or have rights to trademarks, trade names and service marks that we use in connection with the operation of our business, including Planet Fitness, Judgement Free Zone, We re Not a Gym. We re Planet Fitness., PE@PF, No Lunks, PF Black Card, No Gymtimidation Belong, Judgement Free Generation and various other marks. Solely for convenience, the trademarks, trade names and service marks referred to in this prospectus are listed without the ®, SM and TM symbols, but we will assert our rights to our trademarks, trade names and service marks to the fullest extent under applicable law.

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Prospectus summary

This summary highlights information contained in other parts of this prospectus. Because it is only a summary, it does not contain all of the information that you should consider before investing in shares of our Class A common stock, and it is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus. You should read the entire prospectus carefully, especially Risk factors and our financial statements and the related notes, before deciding to purchase shares of our Class A common stock. Unless the context requires otherwise, references in this prospectus to the Company, we, us and our refer to Planet Fitness, Inc. and its consolidated subsidiaries after giving effect to the recapitalization transactions described in this prospectus that were completed in connection with our initial public offering.

Our Company

Fitness for everyone

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

Our judgement-free approach to fitness and exceptional value proposition have enabled us to grow our revenues to $330.5 million in 2015 and to become an industry leader with $1.5 billion in system-wide sales during 2015 (which we define as monthly dues and annual fees billed by us and our franchisees), and more than 8.3 million members and 1,171 stores in 47 states, the District of Columbia, Puerto Rico, Canada and the Dominican Republic as of March 31, 2016. System-wide sales for 2015 include $1.4 billion attributable to franchisee-owned stores, from which we generate royalty revenue, and $95.6 million attributable to our corporate-owned stores. Of our 1,171 stores, 1,113 are franchised and 58 are corporate-owned. Our stores are successful in a wide range of geographies and demographics. According to internal and third-party analysis, we believe we have the opportunity to more than triple our store count to over 4,000 stores in the U.S. alone. As of March 31, 2016, we had commitments from franchisees to open more than 1,000 new stores under existing area development agreements (ADAs).

In 2015, our corporate-owned stores had segment EBITDA margin of 36.7% and had average unit volumes (AUVs) of approximately $1.7 million with four-wall EBITDA margins (an assessment of store-level profitability which includes local and national advertising expense) of approximately 42%, or approximately 37% after applying the 5% royalty rate under our current franchise agreement. Based on a survey of franchisees, we believe that our franchise stores achieve four-wall EBITDA margins in line with these corporate-owned store EBITDA margins. Our strong member value proposition has also driven growth throughout a variety of

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economic cycles and conditions. For a reconciliation of segment EBITDA margin to four-wall EBITDA margin for corporate-owned stores, see Management s discussion and analysis of financial condition and results of operations Non-GAAP financial measures.

Our significant growth is reflected in:

1,124 stores as of December 31, 2015, compared to 488 as of December 31, 2011, reflecting a compound annual growth rate (CAGR) of 23.2%;

7.3 million members as of December 31, 2015, compared to 2.9 million as of December 31, 2011, reflecting a CAGR of 25.8%;

2015 system-wide sales of $1.5 billion, reflecting a CAGR of 30.5%, or an increase of $1.0 billion, since 2011;

2015 total revenue of $330.5 million, reflecting a CAGR of 24.8%, or an increase of $194.1 million, since 2011, of which 4.3% is attributable to revenues from corporate-owned stores acquired from or sold to franchisees since 2011;

37 consecutive quarters of system-wide same store sales growth (which we define as year-over-year growth solely of monthly dues from stores that have been open and for which membership dues have been billed for longer than 12 months);

2015 net income of $38.1 million, reflecting a CAGR of 6.8%, or an increase of $8.8 million, since 2011. Our historical results, prior to our initial public offering, benefit from insignificant income taxes due to our status as a pass-through entity for U.S. federal income tax purposes, and we anticipate future results will not be comparable to periods prior to our initial public offering as our income attributable to Planet Fitness, Inc. will be subject to U.S. federal and state taxes;

2015 Adjusted EBITDA of $123.5 million, reflecting a CAGR of 34.1%, or an increase of $85.3 million, since 2011; and

2015 Adjusted net income of $53.2 million compared to $42.2 million in 2014, an increase of 26.2%.

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For a discussion of Adjusted EBITDA and Adjusted net income and a reconciliation of Adjusted EBITDA and Adjusted net income to net income, see Management s discussion and analysis of financial condition and results of operations Non-GAAP financial measures. For a discussion of same store sales and the effect of our point-of-sale and billing system, see Management s discussion and analysis of financial condition and results of operations How we assess the performance of our business.

We re not a gym. We re Planet Fitness.

We believe our approach to fitness is revolutionizing the industry by bringing fitness to a large, previously underserved segment of the population. Our differentiated member experience is driven by three key elements:

Judgement Free Zone: We believe every member should feel accepted and respected when they walk into a Planet Fitness. Our stores provide a Judgement Free Zone where members of all fitness levels can enjoy a non-intimidating environment. Our come as you are approach has fostered a strong sense of community among our members, allowing them not only to feel comfortable as they work toward their fitness goals but also to encourage others to do the same. The removal of heavy free weights reinforces our Judgement Free Zone by discouraging what we call Lunkhead behavior, such as dropping weights and grunting, that can be intimidating to new and occasional gym users. In addition, to help maintain our welcoming, judgement-free environment, each store has a purple and yellow branded Lunk alarm on the wall that staff occasionally rings as a light-hearted reminder of our policies.

Distinct store experience: Our bright, clean, large-format stores offer our members a selection of high-quality, purple and yellow Planet Fitness-branded cardio, circuit- and weight-training equipment that is commonly used by first-time and occasional gym users. Because our stores are typically 20,000 square feet and we do not offer non-essential amenities such as group exercise classes, pools, day care centers and juice bars, we have more space for the equipment our members do use, and we have not needed to impose time limits on our cardio machines.

Exceptional value for members: Both our standard and PF Black Card memberships are priced significantly below the industry average of $52 per month and still provide our members with a high-quality fitness experience. For only $10 per month, our standard membership includes unlimited access to one Planet Fitness location and unlimited free fitness instruction to all members in small groups through our PE@PF program. For $19.99 per month, our PF Black Card members have access to all of our stores system-wide and can bring a guest on each visit, which provides an additional opportunity to attract new members. Our PF Black Card members also have access to exclusive areas in our stores that provide amenities such as water massage beds, massage chairs, tanning equipment and more.

Our differentiated approach to fitness has allowed us to create an attractive franchise model that is both profitable and scalable. We recognize that our success depends on a shared passion with our franchisees for providing a distinctive store experience based on a judgement-free environment and an exceptional value for our members. We enhance the attractiveness of our streamlined, easy-to-operate franchise model by providing franchisees with extensive operational support relating to site selection and development, marketing and training. We also take a highly collaborative, teamwork approach to our relationship with franchisees, as captured by our motto One Team, One Planet. The strength of our brand and the attractiveness of our franchise model are evidenced by the fact that over 90% of our new stores in 2015 were opened by our existing franchisee base.

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Our competitive strengths

We attribute our success to the following strengths:

Market leader with differentiated member experience, nationally recognized brand and scale advantage. We believe we are the largest operator of fitness centers in the United States by number of members, with more than 8.3 million members as of March 31, 2016. Our franchisee-owned and corporate-owned stores generated $1.5 billion in system-wide sales during 2015. Through our differentiated member experience, nationally recognized brand and scale advantage, we will continue to deliver a compelling value proposition to our members and our franchisees and, we believe, grow our store and total membership base.

Differentiated member experience. We seek to provide our members with a high-quality fitness experience in a non-intimidating, judgement-free environment at an exceptional value. We have a dedicated Brand Excellence team that seeks to ensure that all our franchise stores uphold our brand standards and deliver a consistent Planet Fitness member experience in every store.

Nationally recognized brand. We have developed a highly relatable and recognized brand that emphasizes our focus on providing our members with a judgement-free environment. We do so through fun and memorable marketing campaigns and in-store signage that often poke fun at Lunk behavior. As a result, we have the highest aided and unaided brand awareness and likelihood to join scores in the U.S. fitness industry, according to a third-party consumer study that we commissioned in January 2016. Our brand strength also helps our franchisees attract members, with new stores in 2015 signing up an average of approximately 1,300 members even before opening their doors.

Scale advantage. Our scale provides several competitive advantages, including enhanced purchasing power with our fitness equipment and other suppliers and the ability to attract high-quality franchisee partners. In addition, we estimate that our large U.S. national advertising fund, funded by franchisees and us, together with our requirement that franchisees generally spend 5 to 7% of their monthly membership dues on local advertising, have enabled us and our franchisees to spend over $225 million since 2011 on marketing to drive consumer brand awareness.

Exceptional value proposition that appeals to a broad member demographic. We offer a high-quality and consistent fitness experience throughout our entire store base at low monthly membership dues. Combined with our non-intimidating and welcoming environment, we are able to attract a broad member demographic based on age, household income, gender and ethnicity. Our member base is over 50% female and our members come from both high- and low-income households. Our broad appeal and ability to attract occasional and first-time gym users enable us to continue to target a large segment of the population in a variety of markets and geographies across the United States and Canada.

Strong store-level economics. Our store model is designed to generate attractive four-wall EBITDA margins, strong free cash flow and high returns on invested capital for both our corporate-owned and franchise stores. Average four-wall EBITDA margins for our corporate-owned stores have increased significantly since 2011, driven by higher average members per store as well as a higher percentage of PF Black Card members, which leverage our relatively fixed costs. In 2015, our corporate-owned stores had segment EBITDA margin of 36.7% and had AUVs of approximately $1.7 million with four-wall EBITDA margins of approximately 42%, or approximately 37% after applying the 5% royalty rate under our current franchise agreement. Based on a survey of franchisees, we believe that our franchise stores achieve four-wall EBITDA margins in line with these corporate-owned store EBITDA margins. We believe that our strong store-level economics are important to our ability to attract and retain successful franchisees and grow our store base.

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Highly attractive franchise system built for growth. Our easy-to-operate model, strong store-level economics and brand strength have enabled us to attract a team of professional, successful franchisees from a variety of industries. We believe that our franchise model enables us to scale more rapidly than a company-owned model. Our streamlined model features relatively fixed labor costs, minimal inventory, automatic billing and limited cash transactions. Our franchisees enjoy recurring monthly member dues, regardless of member use, weather or other factors. Based on survey data and management estimates, we believe our franchisees can earn, in their second year of operations, on average, a cash-on-cash return on initial investment greater than 25% after royalties and advertising, which is in line with our corporate-owned stores. The attractiveness of our franchise model is further evidenced by the fact that our franchisees re-invest their capital with us, with over 90% of our new stores in 2015 opened by our existing franchisee base. We view our franchisees as strategic partners in expanding the Planet Fitness store base and brand.

Predictable and recurring revenue streams with high cash flow conversion. Our business model provides us with predictable and recurring revenue streams. In 2015, over 90% of both our corporate-owned store and franchise revenues consisted of recurring revenue streams, which include royalties, vendor commissions, monthly dues and annual fees. In addition, our franchisees are obligated to purchase fitness equipment from us or our vendors for their new stores and to replace this equipment every four to seven years. As a result, these equip and re-equip requirements create a predictable and growing revenue stream as our franchisees open new stores under their ADAs. By re-investing in stores, we and our franchisees maintain and enhance our member experience. Our predictable and recurring revenue streams, combined with our attractive margins and minimal capital requirements, result in high cash flow conversion and increased capacity to invest in future growth initiatives.

Proven, experienced management team driving a strong culture. Our strategic vision and unique culture have been developed and fostered by our senior management team under the stewardship of Chief Executive Officer, Chris Rondeau. Mr. Rondeau has been with Planet Fitness for over 20 years and helped develop the Planet Fitness business model and brand elements that give us our distinct personality and spirited culture. Dorvin Lively, our Chief Financial Officer, brings valuable expertise from his 30 years of corporate finance experience with companies such as RadioShack and Ace Hardware, and from the initial public offering of Maidenform Brands. We have assembled a management team that shares our passion for fitness for everyone and has extensive experience across a broad range of disciplines, including retail, franchising, finance, consumer marketing, brand development and information technology. We believe our senior management team is a key driver of our success and has positioned us well to execute our long-term growth strategy.

Our growth strategies

We believe there are significant opportunities to grow our brand awareness, increase our revenues and profitability and deliver shareholder value by executing on the following strategies:

Continue to grow our store base across a broad range of markets. We have grown our store count over the last five years, expanding from 389 stores as of December 31, 2010 to 1,171 stores as of March 31, 2016. As of March 31, 2016, our franchisees have signed ADAs to open more than 1,000 additional stores over the next five years, including approximately 500 over the next three years. Because our stores are successful across a wide range of geographies and demographics with varying population densities, we believe that our high level of brand awareness and low per capita penetration outside of our original Northeast market create a significant opportunity to open new Planet Fitness stores. Based on our internal and third-party analysis, we believe we have the potential to grow our store base to over 4,000 stores in the United States alone.

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***Drive revenue growth and system-wide same store sales*.** Because we provide a high-quality, affordable, non-intimidating fitness experience that is designed for first-time and occasional gym users, we have achieved positive system-wide same store sales growth in each of the past 37 quarters. We expect to continue to grow system-wide same store sales primarily by:

Attracting new members to existing Planet Fitness stores. As the U.S. and Canadian populations continue to focus on health and wellness, we believe we are well-positioned to capture a disproportionate share of the population given our appeal to first-time and occasional gym users. In addition, because our stores offer a large, focused selection of equipment geared toward first-time and occasional gym users, we are able to service higher member volumes without sacrificing the member experience. We also have continued to evolve our offerings to appeal to our target member base, such as the introduction of 12-minute abdominal circuits and 30-minute express workout areas.

Increasing mix of PF Black Card memberships by enhancing value and member experience. We expect to drive sales by converting our existing members with standard membership dues at $10 per month to our premium PF Black Card membership with dues at $19.99 per month as well as attracting new members to join at the PF Black Card level. We encourage this upgrade by continuing to enhance the value of our PF Black Card benefits through additional in-store amenities and affinity partnerships with well-known retail brands for discounts and promotions. Since 2011, our PF Black Card members as a percentage of total membership has increased from 42% in 2011 to 57% in 2015, and our average monthly dues per member have increased from $14.24 to $15.64 over the same period.

We may also explore other future revenue opportunities, such as optimizing member pricing and fees, offering new merchandise and services inside and outside our stores, and securing affinity and other corporate partnerships.

Increase brand awareness to drive growth. We plan to continue to increase our strong brand awareness by leveraging significant marketing expenditures by our franchisees and us, which we believe will result in increasing membership in new and existing stores and continue to attract high-quality franchisee partners. Under our current U.S. and Canadian franchise agreements, franchisees are required to contribute 2% of their monthly membership dues to our National Advertising Fund (NAF), from which we spent over $26 million in 2015 alone to support our national marketing campaigns, our social media platforms and the development of local advertising materials. Under our current U.S. and Canadian franchise agreements, franchisees are also required to spend 7% of their monthly membership dues on local advertising. We expect both our NAF and local advertising spending to grow as our membership grows.

Continue to expand royalties from increases in average royalty rate and new franchisees. While our current franchise agreement stipulates monthly royalty rates of 5% of monthly dues and annual membership fees, only 37% of our stores are paying royalties at the current franchise agreement rate, primarily due to lower rates in historical agreements. As new franchisees enter our system and, generally, as current franchisees open new stores or renew their existing franchise agreements at the current royalty rate, our average system-wide royalty rate will increase. Also, when existing stores with royalty rates below our current rate are transferred, whether to new or existing franchisees, our average system-wide royalty rate will increase. In 2015, our average monthly royalty rate was 3.27% compared to 1.67% in 2011. In addition to rising average royalty rates, total royalty revenue will continue to grow as we expand our franchise store base and increase franchise same store sales.

Grow sales from fitness equipment and related services. Our franchisees are contractually obligated to purchase fitness equipment from us and, in international markets, from our required vendors. Due to our

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scale and negotiating power, we believe we offer competitive pricing for high-quality, purple and yellow Planet Fitness-branded fitness equipment. We expect our equipment sales to grow as our U.S. franchisees open new stores. In international markets, we earn a commission on the sale of equipment by our required vendors to franchisee-owned stores. Additionally, all franchisees are required to replace their existing equipment with new equipment every four to seven years. As the number of franchise stores continues to increase and existing franchise stores continue to mature, we anticipate incremental growth in revenue related to the sale of equipment to U.S. franchisees and commissions on the sale of equipment to international franchisees. In addition, we believe that regularly refreshing equipment helps our franchise stores maintain a consistent, high-quality fitness experience and drives new member growth.

Summary risk factors

An investment in our Class A common stock involves a high degree of risk. Any of the factors set forth under Risk factors may limit our ability to successfully execute our business strategy. You should carefully consider all of the information set forth in this prospectus, and, in particular, you should evaluate the specific factors set forth under Risk factors in deciding whether to invest in our Class A common stock. Among these important risks are the following:

- our dependence on the operational and financial results of, and our relationships with, our franchisees and the success of their new and existing stores;
- risks relating to damage to our brand and reputation;
- our ability to successfully implement our growth strategy;
- technical, operational and regulatory risks related to our third-party providers systems and our own information systems;
- our and our franchisees ability to attract and retain members;
- the high level of competition in the health club industry generally;
- our reliance on a limited number of vendors, suppliers and other third-party service providers; and
- the substantial indebtedness of our subsidiary, Planet Fitness Holdings, LLC, which totaled $491.0 million as of March 31, 2016.

Implications of being an emerging growth company

As a company with less than $1.0 billion in revenues during our most recently completed fiscal year, we qualify as an emerging growth company as defined in Section 2(a)(19) of the Securities Act of 1933, as amended (the Securities Act), as modified by the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies that are not emerging growth companies. These provisions include:

- reduced disclosure about our executive compensation arrangements;

no non-binding shareholder advisory votes on executive compensation or golden parachute arrangements; and

exemption from the auditor attestation requirement of our internal control over financial reporting.

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We may take advantage of these exemptions for up to five years after our initial public offering or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1.0 billion in annual revenues as of the end of our fiscal year, we have more than $700.0 million in market value of our stock held by non-affiliates as of the end of our second fiscal quarter or we issue more than $1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some or all of these reduced disclosure obligations.

Our initial public offering and organizational structure

On August 11, 2015, we closed an initial public offering (IPO) of 15,525,000 shares of our Class A common stock at a public offering price of $16.00 per share, including 2,025,000 shares issued pursuant to the underwriters option to purchase additional shares. We received $156.9 million in proceeds, after deducting underwriting discounts and commissions, which we used to purchase issued and outstanding membership interests (the Holdings Units) from existing equity owners of Pla-Fit Holdings, LLC (the Continuing LLC Owners) at a purchase price per unit equal to the initial public offering price per share of our Class A common stock. Our Continuing LLC Owners consist of investment funds affiliated with TSG Consumer Partners, LLC, which we refer to, together with its affiliates, as TSG or our Sponsor, and certain employees and current and former directors.

Planet Fitness, Inc. is a holding company, and its principal material asset is an equity interest in Pla-Fit Holdings, LLC. As the sole managing member of Pla-Fit Holdings, LLC, Planet Fitness, Inc. operates and controls all of the business and affairs of Pla-Fit Holdings, LLC and, through Pla-Fit Holdings, LLC and its subsidiaries, conducts our business. Although we have a minority economic interest in Pla-Fit Holdings, LLC, we have the sole voting interest in, and control the management of, Pla-Fit Holdings, LLC. As a result, Planet Fitness, Inc. consolidates Pla-Fit Holdings, LLC in its consolidated financial statements and reports a non-controlling interest related to the Holdings Units held by the Continuing LLC Owners in our consolidated financial statements.

In connection with the IPO, we completed a series of recapitalization transactions including the following:

We amended and restated the limited liability company agreement of Pla-Fit Holdings, LLC (as amended and restated, the New LLC Agreement) to, among other things, (i) provide for a new single class of limited liability company units, the Holdings Units, (ii) exchange all membership interests of the then-existing holders of Pla-Fit Holdings, LLC membership interests for Holdings Units and (iii) appoint the Company as the sole managing member of Pla-Fit Holdings, LLC.

We issued 72,602,810 shares of Class B common stock to the Continuing LLC Owners on a one-to-one basis for each Holdings Unit owned. The shares of Class B common stock have no economic rights to dividends or distributions, whether in cash or stock, but entitle the holder to one vote per share on matters presented to stockholders of Planet Fitness, Inc.

We merged with Planet Fitness Holdings L.P., our predecessor entity that held indirect interests in Pla-Fit Holdings, LLC, for which we issued 26,106,930 shares of Class A common stock to the holders of interests in Planet Fitness Holdings L.P., which consisted of additional investment funds affiliated with TSG (the Direct TSG Investors).

We and the Continuing LLC Owners entered into an exchange agreement under which they have the right, from time to time and subject to the terms of the exchange agreement, to exchange their Holdings Units, together with the corresponding 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.

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The diagram below depicts our organizational structure immediately following this offering, assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock.

Our sponsor

TSG Consumer Partners is a leading private equity firm focused exclusively on the branded consumer sector. TSG manages $5 billion of institutional equity capital and has invested in over 70 consumer brands since its founding in 1987. TSG utilizes its extensive industry expertise across verticals, such as food, beverage, beauty, apparel, accessories, restaurants, retail and franchisors, and works closely with its partner companies to implement fundamental improvements in sales, marketing, operations and financial controls.

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Following the completion of this offering, investment funds affiliated with TSG will own approximately 41.3% of our Class A common stock, or 39.3% if the underwriters exercise in full their option to purchase additional shares of our Class A common stock, and 67.9% of our outstanding Class B common stock, or 67.3% if the underwriters exercise in full their option to purchase additional shares of our Class A common stock, which, combined with their holdings of our Class A common stock, aggregates to 56.2% of our voting power, or 54.6% of our voting power if the underwriters exercise in full their option to purchase additional shares of our Class A common stock, and 38.0% of the outstanding Holdings Units, or 36.9% of the outstanding Holdings Units if the underwriters exercise in full their option to purchase additional shares of our Class A common stock. As a result, we will continue to be a controlled company within the meaning of the corporate governance standards of the NYSE, and TSG will continue to have significant influence over us and decisions made by stockholders and may have interests that differ from yours. See Risk factors Risks related to our Class A common stock and this offering TSG has significant influence over us, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote.

In connection with the IPO, we entered into a stockholders agreement with investment funds affiliated with TSG. Pursuant to the stockholders agreement, we are required to take all necessary action to cause the board of directors and its committees to include individuals designated by TSG and to include such individuals in the slate of nominees recommended by the board of directors for election by our stockholders. These nomination rights are described in this prospectus in the sections titled Management Board composition and director independence and Management Board committees. In addition, our certificate of incorporation provides that we renounce any interest or expectancy in the business opportunities of TSG and of its officers, directors, agents, stockholders, members, partners, affiliates and subsidiaries, and each such party will have no obligation to offer us those opportunities unless presented to one of our directors or officers in his or her capacity as a director or officer. Our TSG-affiliated directors have fiduciary duties to us and, in addition, have duties to TSG. As a result, these directors may face real or apparent conflicts of interest with respect to matters affecting both us and TSG, whose interests may be adverse to ours in some circumstances.

Corporate information

Planet Fitness, Inc. was incorporated in Delaware in March 2015. Our principal executive offices are located at 26 Fox Run Road, Newington, New Hampshire 03801, and our telephone number is (603) 750-0001. Our Internet website is www.planetfitness.com. The information on, or that can be accessed through, this website and the other Internet websites that we present in this prospectus is not part of this prospectus, and you should not rely on any such information in making the decision whether to purchase shares of our Class A common stock.

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The offering

Issuer in this offering	Planet Fitness, Inc.
Class A common stock offered by the selling stockholders	10,000,000 shares, including 6,877,531 shares offered by certain Continuing LLC Owners following the exchange of certain of their Holdings Units (together with 6,877,531 corresponding shares of Class B common stock) for shares of Class A common stock
Underwriters option to purchase additional shares of Class A common stock from the selling stockholders	1,500,000 shares
Class A common stock to be outstanding after this offering	43,475,516 shares (or 44,489,145 shares if the underwriters exercise in full their option to purchase additional shares of Class A common stock)
Class B common stock to be outstanding after this offering	55,093,433 shares (or 54,079,804 shares if the underwriters exercise in full their option to purchase additional shares of Class A common stock), all of which will be owned by the Continuing LLC Owners.
Voting rights	Holders of our Class A common stock and Class B common stock will vote together as a single class on all matters presented to stockholders for their vote or approval, except as otherwise required by law or as otherwise provided by our certificate of incorporation. Each share of Class A common stock and Class B common stock will entitle its holder to one vote per share on all such matters. See Description of capital stock.
Ratio of shares of Class A common stock to Holdings Units	The amended and restated limited liability company agreement of Pla-Fit Holdings, LLC (the New LLC Agreement) requires that we at all times maintain (x) a one-to-one ratio between the number of shares of Class A common stock issued by us and the number of Holdings Units owned by us and (y) a one-to-one ratio between the number of shares of Class B common stock owned by the Continuing LLC Owners and the number of Holdings Units owned by the Continuing LLC Owners. This construct is intended to result in the Continuing LLC Owners having a voting interest in Planet Fitness, Inc. that is identical to the Continuing LLC Owners percentage economic interest in Pla-Fit Holdings, LLC. The Continuing LLC Owners own all of our outstanding Class B common stock.
Use of proceeds	The selling stockholders will receive all of the net proceeds from this offering. We will not receive any of the proceeds from the sale of shares of Class A

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	common stock offered by the selling stockholders. We will, however, bear the costs associated with the sale of shares by the selling stockholders, other than underwriting discounts and commissions. See Use of proceeds.
Controlled company	Following this offering, we will continue to be a controlled company within the meaning of the corporate governance rules of the NYSE. See Management Board composition and director independence.
Dividend policy	We do not currently intend to pay dividends on our Class A common stock. Holders of our Class B common stock are not entitled to participate in any dividends declared by our board of directors. Any future determination to pay dividends to holders of Class A common stock will be at the sole discretion of our board of directors and will depend upon many factors, including general economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions, the implications of the payment of dividends by us to our stockholders or by our subsidiaries to us and any other factors that our board of directors may deem relevant. See Dividend policy.
Risk factors	You should read the Risk factors section of this prospectus for a discussion of factors to consider carefully before deciding to invest in shares of our Class A common stock.
NYSE symbol	PLNT

The number of shares of Class A common stock to be outstanding immediately after this offering is based on 36,597,985 shares of Class A common stock outstanding as of June 17, 2016 and excludes:

- 55,093,433 shares of Class A common stock issuable upon exchange or redemption of Holdings Units outstanding following this offering, together with corresponding shares of Class B common stock; and

- 7,586,550 shares of Class A common stock reserved for future issuance under our equity incentive plans.

Unless otherwise indicated, this prospectus reflects and assumes no exercise by the underwriters of their option to purchase up to 1,500,000 additional shares of our Class A common stock in this offering.

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Summary consolidated financial and other data

The following tables set forth the summary consolidated financial and other data of Planet Fitness, Inc. and its subsidiaries for the periods presented and at the dates indicated below. The following information should be read in conjunction with Capitalization, Management s discussion and analysis of financial condition and results of operations and our audited and unaudited consolidated financial statements and the related notes included elsewhere in this prospectus. Pla-Fit Holdings, LLC is considered our predecessor for accounting purposes, and its consolidated financial statements are our historical financial statements.

The summary consolidated financial data as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data as of March 31, 2016 and for the quarters ended March 31, 2016 and 2015 are derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. In the opinion of our management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results for those periods have been reflected. The summary consolidated financial data as of March 31, 2015 and December 31, 2013 are derived from our unaudited and audited balance sheets, respectively not included in this prospectus.

(in thousands, except per share data)	Year ended December 31, 2015	2014	2013	Quarter ended March 31, 2016 (unaudited)	2015 (unaudited)
Consolidated statement of operations data:					
Revenue:					
Franchise revenue	$ 71,762	$ 58,001	$ 33,684	$ 21,491	$ 16,967
Commission income	16,323	13,805	10,473	6,186	4,790
Franchise segment	88,085	71,806	44,157	27,677	21,757
Corporate-owned stores segment	98,390	85,041	67,364	25,697	23,546
Equipment segment	144,062	122,930	99,488	29,969	31,619
Total revenue	330,537	279,777	211,009	83,343	76,922
Operating costs and expenses:					
Cost of revenue	113,492	100,306	81,353	23,639	25,946
Store operations	57,485	49,476	41,692	14,732	14,341
Selling, general and administrative	55,573	35,121	23,118	11,845	14,138
Depreciation and amortization	32,158	32,341	28,808	7,703	8,201
Other (gain) loss	(273)	994		(186)	(6)
Total operating costs and expenses	258,435	218,238	174,971	57,733	62,620
Income from operations	72,102	61,539	36,038	25,610	14,302
Other income (expense), net:					
Interest expense, net[(1)]	(24,549)	(21,800)	(8,912)	(6,367)	(4,756)
Other income (expense)	(275)	(1,261)	(694)	393	(736)
Total other expense, net	(24,824)	(23,061)	(9,606)	(5,974)	(5,492)
Income before income taxes	47,278	38,478	26,432	19,636	8,810
Provision for income taxes	9,148	1,183	633	3,291	272
Net income	38,130	37,295	25,799	16,345	8,538
Less net income attributable to non-controlling interests	19,612	487	361	12,977	113
Net income attributable to Planet Fitness, Inc.	$ 18,518	$ 36,808	$ 25,438	$ 3,368	$ 8,425

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(in thousands, except per share data)	Year ended December 31, 2015	2014	2013	Quarter ended March 31, 2016 (unaudited)	2015
Net income per share of Class A common stock:					
Basic and diluted	$ 0.11			$ 0.09	
Pro forma net income per share data (unaudited)(2)					
Pro forma net income per share:					
Basic and diluted	$ 0.29			$ 0.10	
Pro forma weighted average shares of Class A common stock outstanding:					
Basic and diluted	43,476			43,476	
Consolidated statement of cash flows data:					
Net cash provided by operating activities	$ 81,663	$ 79,405	$ 66,943	$ 15,262	$ 12,039
Net cash used in investing activities	(19,161)	(54,362)	(7,137)	(845)	(5,320)
Net cash used in financing activities	(74,240)	(12,952)	(37,994)	(7,698)	(22,501)
Consolidated balance sheet data:					
Cash and cash equivalents	$ 31,430	$ 43,291	$ 31,267	$ 38,268	$ 27,532
Property and equipment, net	56,139	49,579	33,766	54,302	51,587
Total assets	699,177	601,982	556,573	685,666	570,880
Total debt and capital lease obligations, excluding deferred financing costs	492,320	387,496	184,460	491,034	506,349
Total equity (deficit)	(1,080)	151,749	321,915	7,261	12,425

(1) Interest expense in 2014 includes $4.7 million for the loss on extinguishment of debt.

(2) Pro forma net income per share is computed by dividing the net income available to Class A common stockholders by the weighted-average shares of Class A common stock outstanding during the period. For more information regarding the pro forma presentation of these measures, see Unaudited pro forma consolidated financial information.

	Year ended December 31, 2015	2014	2013	Quarter ended March 31, 2016	2015
Other operating data: (unaudited)					
Number of stores at end of period:(1)					
Franchisee-owned	1,066	863	704	1,113	919
Corporate-owned	58	55	45	58	57
System-wide	1,124	918	749	1,171	976
Same store sales growth:(2)					
Franchisee-owned	8.3%	11.5%	9.1%	7.0%	11.7%
Corporate-owned	1.9%	5.4%	6.1%	4.9%	4.6%
System-wide	7.7%	10.8%	8.4%	6.8%	10.9%
Number of members at end of period (in millions)(3)	7.3	6.1	4.8	8.3	7.1
System-wide sales (in millions)(4)	$ 1,507	$ 1,190	$ 891	$ 415	$ 328
(in thousands, except per share data)					
EBITDA(5)	$ 103,985	$ 92,619	$ 64,152	$ 33,706	$ 21,767
Adjusted EBITDA(5)	$ 123,486	$ 100,549	$ 71,198	$ 34,268	$ 28,471
Adjusted net income(6)	$ 53,235	$ 42,183	$ 34,006	$ 15,175	$ 12,595
Adjusted net income per share, diluted(6)	$ 0.54			$ 0.15	
Adjusted shares outstanding(7)	98,710			98,707	

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(1) We classify a store as open on the date the store receives its occupancy certificate, which is typically the date the store is first available for use by its members.

(2) Same store sales refers to year-over-year sales comparisons for the same store sales base. We define the same store sales base to include those stores that have been open and for which membership dues have been billed for longer than 12 months. We measure same store sales based solely on monthly dues billed to members of our corporate-owned stores and franchisee-owned stores.

(3) We define members as all active members, which includes monthly billing members, prepay members and all pre-sale members. Pre-sale members include those that have joined a store prior to the store opening. This data is system-wide, which includes members of both corporate-owned and franchisee-owned stores.

(4) We define system-wide sales as the monthly dues and annual fees from members of both corporate-owned and franchisee-owned stores.

(5) 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, management fees, certain IT system upgrade costs, acquisition transaction fees, IPO-related costs, IPO-related compensation expense, pre-opening 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. See Management s discussion and analysis of financial condition and results of operations Non-GAAP financial measures.

(6) Our presentation of Adjusted net income and Adjusted net income per share, diluted, gives effect to the consolidation of Pla-Fit Holdings, LLC with Planet Fitness, Inc. resulting from the recapitalization transactions and the amended and restated Pla-Fit Holdings LLC Agreement as of January 1, 2013. In addition, Adjusted net income assumes net income is all 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 as though the IPO had occurred and those shares were outstanding for each period presented and assuming the full exchange of all outstanding Holdings Units and corresponding Class B common shares 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 determined in accordance with GAAP. See Management s discussion and analysis of financial condition and results of operations Non-GAAP financial measures.

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

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Risk factors

This offering and investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below together with all of the other information contained in this prospectus, including our consolidated financial statements and the related notes appearing at the end of this prospectus, before deciding to invest in our Class A common stock. If any of the following risks actually occurs, our business, prospects, operating results and financial condition could suffer materially, the trading price of our Class A common stock could decline and you could lose all or part of your investment.

Risks related to our business and industry

Our financial results are affected by the operating and financial results of and our relationships with our franchisees.

A substantial portion of our revenues come from royalties, which are generally based on a percentage of monthly membership dues and annual fees at our franchise stores, other fees and commissions generated from activities associated with our franchisees and equipment sales to our franchisees. As a result, our financial results are largely dependent upon the operational and financial results of our franchisees. As of March 31, 2016, we had approximately 200 franchisee groups operating 1,113 stores. Negative economic conditions, including inflation, increased unemployment levels and the effect of decreased consumer confidence or changes in consumer behavior, could materially harm our franchisees financial condition, which would cause our royalty and other revenues to decline and materially and adversely affect our results of operations and financial condition as a result. In addition, if our franchisees fail to renew their franchise agreements, these revenues may decrease, which in turn could materially and adversely affect our results of operations and financial condition.

Our franchisees could take actions that harm our business.

Our franchisees are contractually obligated to operate their stores in accordance, with the operational, safety and health standards set forth in our agreements with them. However, franchisees are independent third parties and their actions are outside of our control. In addition, we cannot be certain that our franchisees will have the business acumen or financial resources necessary to operate successful franchises in their approved locations, and certain state franchise laws may limit our ability to terminate or modify these franchise agreements. The franchisees own, operate and oversee the daily operations of their stores. As a result, the ultimate success and quality of any franchise store rests with the franchisee. If franchisees do not successfully operate stores in a manner consistent with required standards and comply with local laws and regulations, franchise fees and royalties paid to us may be adversely affected, and our brand image and reputation could be harmed, which in turn could adversely affect our results of operations and financial condition.

Moreover, although we believe we generally maintain positive working relationships with our franchisees, disputes with franchisees could damage our brand image and reputation and our relationships with our franchisees, generally.

Our success depends substantially on the value of our brand.

Our success is dependent in large part upon our ability to maintain and enhance the value of our brand, our store members connection to our brand and a positive relationship with our franchisees. Brand value can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in litigation. Some of these incidents may relate to our policies, the way we manage our

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relationships with our franchisees, our growth strategies, our development efforts or the ordinary course of our, or our franchisees , businesses. Other incidents that could be damaging to our brand may arise from events that are or may be beyond our ability to control, such as:

- actions taken (or not taken) by one or more franchisees or their employees relating to health, safety, welfare or otherwise;
- data security breaches or fraudulent activities associated with our and our franchisees electronic payment systems and other information systems;
- litigation and legal claims;
- third-party misappropriation, dilution or infringement of our intellectual property;
- regulatory, investigative or other actions relating to our and our franchisees provision of indoor tanning services; and
- illegal activity targeted at us or others.

Consumer demand for our stores and our brand s value could diminish significantly if any such incidents or other matters erode consumer confidence in us or our stores, which would likely result in fewer memberships sold or renewed and, ultimately, lower royalty revenue, which in turn could materially and adversely affect our results of operations and financial condition.

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 growth strategy relies in large part upon new store development by existing and new franchisees. Our franchisees face many challenges in opening new stores, including:

- availability and cost of financing;
- selection and availability of suitable store locations;
- competition for store sites;
- negotiation of acceptable lease and financing terms;
- securing required domestic or foreign governmental permits and approvals;
- health and fitness trends in new geographic regions and acceptance of our offerings;

employment, training and retention of qualified personnel;

ability to open new stores during the timeframes we and our franchisees expect; and

general economic and business conditions.

In particular, because the majority of our new store development is funded by franchisee investment, our growth strategy is dependent on our franchisees (or prospective franchisees) ability to access funds to finance such development. If our franchisees (or prospective franchisees) are not able to obtain financing at commercially reasonable rates, or at all, they may be unwilling or unable to invest in the development of new stores, and our future growth could be adversely affected.

Our growth strategy also relies on our ability to identify, recruit and enter into agreements with a sufficient number of franchisees. In addition, our ability and the ability of our franchisees to successfully open and

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operate new stores in new markets may be adversely affected by a lack of awareness or acceptance of our brand as well as a lack of existing marketing efforts and operational execution in these new markets. To the extent that we are unable to implement effective marketing and promotional programs and foster recognition and affinity for our brand in new markets, our and our franchisees new stores may not perform as expected and our growth may be significantly delayed or impaired. In addition, franchisees of new stores may have difficulty securing adequate financing, particularly in new markets, where there may be a lack of adequate history and brand familiarity. New stores may not be successful or our average store membership sales may not increase at historical rates, which could materially and adversely affect our business, results of operations and financial condition.

To the extent our franchisees are unable to open new stores as we anticipate, we will not realize the revenue growth that we hope or expect. Our failure to add a significant number of new stores would adversely affect our ability to increase our revenues and operating income and could materially and adversely affect our business, results of operations and financial condition.

Our planned growth could place strains on our management, employees, information systems and internal controls, which may adversely impact our business.

Over the past several years, we have experienced growth in our business activities and operations, including a significant increase in the number of system-wide stores. Our past expansion has placed, and our planned future expansion may place, significant demands on our administrative, operational, financial and other resources. Any failure to manage growth effectively could seriously harm our business. To be successful, we will need to continue to implement management information systems and improve our operating, administrative, financial and accounting systems and controls. We will also need to train new employees and maintain close coordination among our executive, accounting, finance, legal, human resources, risk management, marketing, technology, sales and operations functions. These processes are time-consuming and expensive, increase management responsibilities and divert management attention, and we may not realize a return on our investment in these processes. In addition, we believe the culture we foster at our and our franchisees stores is an important contributor to our success. However, as we expand we may have difficulty maintaining our culture or adapting it sufficiently to meet the needs of our operations. These risks may be heightened as our growth accelerates. In 2015, our franchisees opened 206 stores, compared to 169 stores in 2014, 148 stores in 2013 and 118 stores in 2012. Our failure to successfully execute on our planned expansion of stores could materially and adversely affect our results of operations and financial condition.

Changes in the industry could place strains on our management, employees, information systems and internal controls, which may adversely impact our business.

Changes in the industry affecting gym memberships and payment for gym memberships may place significant demands on our administrative, operational, financial and other resources or require us to obtain different or additional resources. Any failure to manage such changes effectively could seriously harm our business. To be successful, we will need to continue to implement management information systems and improve our operating, administrative, financial and accounting systems and controls in order to adapt quickly to such changes. These changes may be time-consuming and expensive, increase management responsibilities and divert management attention, and we may not realize a return on our investment in these changes.

We and our franchisees rely heavily on information systems, and any material failure, interruption or weakness may prevent us from effectively operating our business and damage our reputation.

We and our franchisees increasingly rely on information systems, including point-of-sale processing systems in our stores and other information systems managed by third parties, to interact with our franchisees and members and collect, maintain and store member information, billing information and other personally identifiable information, including for the operation of stores, collection of cash, legal and regulatory compliance, management of our supply chain, accounting, staffing, payment of obligations, Automated Clearing House (ACH) transactions, credit and debit card transactions and other processes and procedures. Furthermore, in 2015, we migrated our point-of-sale system from a proprietary, third-party hosted system to a commercially available, third-party hosted system. Although the migration is complete, in the future there may be unforeseen issues, bugs, data inconsistencies, outages, changes in business processes, and other interruptions that could impact our business. If we would need to move to a different third-party system, our operations, including EFT drafting, could be interrupted. Our ability to efficiently and effectively manage our franchisee and corporate-owned stores depends significantly on the reliability and capacity of these systems, and any potential failure of these third parties to provide quality uninterrupted service is beyond our control.

Our and our franchisees operations depend upon our ability, and the ability of our franchisees and third-party service providers (as well as their third-party service providers), to protect our computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses, denial-of-service attacks and other disruptions. The failure of these systems to operate effectively, stemming from maintenance problems, upgrading or transitioning to new platforms, expanding our systems as we grow, a breach in security or other unanticipated problems, could result in interruptions to or delays in our business and member service and reduce efficiency in our operations. If our information systems, or those of our franchisees and third-party service providers (as well as their third-party service providers), fail and our or our partners third-party back-up or disaster recovery plans are not adequate to address such failures, our revenues and profits could be reduced and the reputation of our brand and our business could be materially adversely affected.

If we fail to properly maintain the confidentiality and integrity of our data, including member credit, debit card and bank account information, our reputation and business could be materially and adversely affected.

In the ordinary course of business, we and our franchisees collect, transmit and store member and employee data, including credit and debit card numbers, bank account information, driver s license numbers, dates of birth and other highly sensitive personally identifiable information, in information systems that we maintain and in those maintained by franchisees and third parties with whom we contract to provide services. Some of this data is sensitive and could be an attractive target of a criminal attack by malicious third parties with a wide range of motives and expertise, including lone wolves, organized criminal groups, hacktivists, disgruntled current or former employees, and others. The integrity and protection of member and employee data is critical to us.

Despite the security measures we have in place to comply with applicable laws and rules, our facilities and systems, and those of our franchisees and third-party service providers (as well as their third-party service providers), may be vulnerable to security breaches, acts of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human errors or other similar events. Furthermore, the size and complexity of our information systems, and those of our franchisees and our third-party vendors (as well as their third-party service providers), make such systems potentially vulnerable to security breaches from inadvertent or intentional actions by our employees, franchisees or vendors, or from attacks by malicious third parties. Because such attacks are increasing in sophistication and change frequently in nature, we, our franchisees and our third-party service providers may be unable to anticipate these attacks or implement adequate preventative measures, and any compromise of our systems, or those of our franchisees and third-party vendors (as well as their third-party service providers), may not be discovered and remediated promptly. Changes in consumer behavior following a security breach, act of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human error or other similar event affecting a competitor, large retailer or financial institution may materially and adversely affect our business.

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Additionally, the collection, maintenance, use, disclosure and disposal of personally identifiable information by our, or our franchisees , businesses is regulated at the federal, state and provincial levels as well as by certain industry groups, such as the Payment Card Industry Security Standards Council, National Automated Clearing House Association (NACHA), Canadian Payments Association and individual credit card issuers. Federal, state, provincial and industry groups may also consider and implement from time to time new privacy and security requirements that apply to our businesses. Compliance with evolving privacy and security laws, requirements and regulations may result in cost increases due to necessary systems changes, new limitations or constraints on our business models and the development of new administrative processes. They also may impose further restrictions on our collection, disclosure and use of personally identifiable information that are housed in one or more of our franchisees databases or those of our third-party service providers. Noncompliance with privacy laws, industry group requirements or a security breach involving the misappropriation, loss or other unauthorized disclosure of personal, sensitive or confidential information, whether by us or by one of our franchisees or vendors, could have material adverse effects on our and our franchisees business, operations, brand, reputation and financial condition, including decreased revenue, material fines and penalties, litigation, increased financial processing fees, compensatory, statutory, punitive or other damages, adverse actions against our licenses to do business and injunctive relief by court or consent order. We maintain and we require our franchisees to maintain cyber risk insurance, but in the event of a significant data security breach, this insurance may not cover all of the losses that we would be likely to suffer.

Changes in legislation or requirements related to electronic fund transfer, or our failure to comply with existing or future regulations, may adversely impact our business.

We primarily accept payments for our memberships through electronic fund transfers from members bank accounts and, therefore, we are subject to federal, state and provincial legislation and certification requirements governing EFT, including the Electronic Funds Transfer Act. Some states, such as New York, Massachusetts and Tennessee, have passed or have considered legislation requiring gyms and health clubs to offer a prepaid membership option at all times and/or limit the duration for which gym memberships can auto-renew through EFT payments, if at all. Our business relies heavily on the fact that our memberships continue on a month-to-month basis after the completion of any initial term requirements, and compliance with these laws and regulations and similar requirements may be onerous and expensive. In addition, variances and inconsistencies from jurisdiction to jurisdiction may further increase the cost of compliance and doing business. States that have such health club statutes provide harsh penalties for violations, including membership contracts being void or voidable. Our failure to comply fully with these rules or requirements may subject us to fines, higher transaction fees, penalties, damages and civil liability and may result in the loss of our ability to accept EFT payments, which would have a material adverse effect on our business, results of operations and financial condition. In addition, any such costs, which may arise in the future as a result of changes to the legislation and regulations or in their interpretation, could individually or in the aggregate cause us to change or limit our business practice, which may make our business model less attractive to our franchisees and our and their members.

We are subject to a number of risks related to ACH, credit card and debit card payments we accept.

We accept payments through ACH, credit card and debit card transactions. For ACH, credit card and debit card payments, we pay interchange and other fees, which may increase over time. An increase in those fees would require us to either increase the prices we charge for our memberships, which could cause us to lose members or suffer an increase in our operating expenses, either of which could harm our operating results.

If we or any of our processing vendors have problems with our billing software, or the billing software malfunctions, it could have an adverse effect on our member satisfaction and could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our members credit cards, debit cards or bank accounts on a timely basis or at all, we could lose membership revenue, which would harm our operating results.

If we fail to adequately control fraudulent ACH, credit card and debit card transactions, we may face civil liability, diminished public perception of our security measures and significantly higher ACH, credit card and debit card related costs, each of which could adversely affect our business, financial condition and results of operations. The termination of our ability to process payments through ACH transactions or on any major credit or debit card would significantly impair our ability to operate our business.

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 target market is average people seeking regular exercise and people who are new to fitness. The success of our business depends on our and our franchisees ability to attract and retain members. Our and our franchisees marketing efforts may not be successful in attracting members to stores, and membership levels may materially decline over time, especially at stores in operation for an extended period of time. Members may cancel their memberships at any time after giving proper advance written notice, subject to an initial minimum term applicable to certain memberships. We may also cancel or suspend memberships if a member fails to provide payment for an extended period of time. In addition, we experience attrition and must continually engage existing members and attract new members in order to maintain membership levels. A portion of our member base does not regularly use our stores and may be more likely to cancel their membership. Some of the factors that could lead to a decline in membership levels include changing desires and behaviors of consumers or their perception of our brand, changes in discretionary spending trends and general economic conditions, market maturity or saturation, a decline in our ability to deliver quality service at a competitive price, an increase in monthly membership dues due to inflation, direct and indirect competition in our industry, and a decline in the public s interest in health and fitness, among other factors. In order to increase membership levels, we may from time to time offer promotions or lower monthly dues or annual fees. If we and our franchisees are not successful in optimizing price or in adding new memberships in new and existing stores, growth in monthly membership dues or annual fees may suffer. Any decrease in our average dues or fees or higher membership costs may adversely impact our results of operation and financial condition.

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.

To successfully expand our business, we and our franchisees must identify and secure sites for new franchise stores and, to a lesser extent, new corporate-owned stores that meet our established criteria. In addition to finding sites with the right demographic and other measures we employ in our selection process, we also need to evaluate the penetration of our competitors in the market. We face significant competition for sites that meet our criteria, and as a result we may lose those sites, our competitors could copy our format or we could be forced to pay significantly higher prices for those sites. If we and our franchisees are unable to identify and secure sites for new stores, our revenue growth rate and profits may be negatively impacted. Additionally, if our or our franchisees analysis of the suitability of a store site is incorrect, we or our franchisees may not be able to recover the capital investment in developing and building the new store.

As we increase our number of stores, we and our franchisees may also open stores in higher-cost geographies, which could entail greater lease payments and construction costs, among others. The higher level of invested capital at these stores may require higher operating margins and higher net income per store to produce the level of return we or our franchisees and potential franchisees expect. Failure to provide this level of return could adversely affect our results of operations and financial condition.

Opening new stores in close proximity may negatively impact our existing stores revenues and profitability.

We and our franchisees currently operate stores in 47 states, the District of Columbia, Puerto Rico, Canada and the Dominican Republic, and we and our franchisees plan to open many new stores in the future, some of which will be in existing markets. We intend to continue opening new franchise stores in our existing markets as part of our growth strategy, some of which may be located in close proximity to stores already in those markets. Opening new stores in close proximity to existing stores may attract some memberships away from those existing stores, which may lead to diminished revenues and profitability for us and our franchisees rather than increased market share. In addition, as a result of new stores opening in existing markets and because older stores will represent an increasing proportion of our store base over time, our same store sales increases may be lower in future periods than they have been historically.

We are subject to a variety of additional risks associated with our franchisees.

Our franchise business model subjects us to a number of risks, any one of which may impact our royalty revenues collected from our franchisees, may harm the goodwill associated with our brand, and may materially and adversely impact our business and results of operations.

Bankruptcy of franchisees. A franchisee bankruptcy could have a substantial negative impact on our ability to collect payments due under such franchisee s franchise agreement(s). In a franchisee bankruptcy, the bankruptcy trustee may reject its franchise agreement(s), ADA(s) and/or franchisee lease/sublease pursuant to Section 365 under the U.S. bankruptcy code, in which case there would be no further royalty payments from such franchisee, and we may not ultimately recover those payments in a bankruptcy proceeding of such franchisee in connection with a damage claim resulting from such rejection.

Franchisee changes in control. Our franchises are operated by independent business owners. Although we have the right to approve franchise owners, and any transferee owners, it can be difficult to predict in advance whether a particular franchise owner will be successful. If an individual franchise owner is unable to successfully establish, manage and operate the store, the performance and quality of service of the store could be adversely affected, which could reduce memberships and negatively affect our royalty revenues and brand image. Although our agreements prohibit changes in control of a franchisee without our prior consent as the franchisor, a franchise owner may desire to transfer a store to a transferee franchisee. In addition, in the event of the death or disability of a franchisee (if a natural person) or a principal of a franchisee entity, the executors and representatives of the franchisee are required to transfer the relevant franchise agreements to a successor franchisee approved by the franchisor. In any transfer situation, the transferee may not be able to perform the former franchisee s obligations under such franchise agreements and successfully operate the store. In such a case the performance and quality of service of the store could be adversely affected, which could also reduce memberships and negatively affect our royalty revenues and brand image.

Franchisee insurance. Our franchise agreements require each franchisee to maintain certain insurance types and levels. Losses arising from certain extraordinary hazards, however, may not be covered, and insurance may not be available (or may be available only at prohibitively expensive rates) with respect to many other risks. Moreover, any loss incurred could exceed policy limits and policy payments made to franchisees may not be made on a timely basis. Any such loss or delay in payment could have a material adverse effect on a franchisee s ability to satisfy its obligations under its franchise agreement or other contractual obligations, which could cause a franchisee to terminate its franchise agreement and, in turn, negatively affect our operating and financial results.

Some of our franchisees are operating entities. Franchisees may be natural persons or legal entities. Our franchisees that are operating companies (as opposed to limited purpose entities) are subject to business, credit, financial and other risks, which may be unrelated to the operation of their stores. These unrelated risks could materially and adversely affect a franchisee that is an operating company and its ability to service its members and maintain store operations while making royalty payments, which in turn may materially and adversely affect our business and operating results.

Franchise agreement termination; nonrenewal. Each franchise agreement is subject to termination by us as the franchisor in the event of a default, generally after expiration of applicable cure periods, although under certain circumstances a franchise agreement may be terminated by us upon notice without an opportunity to cure. The default provisions under the franchise agreements are drafted broadly and include, among other things, any failure to meet operating standards and actions that may threaten the licensed intellectual property. Moreover, a franchisee may have a right to terminate its franchise agreement in certain circumstances.

In addition, each franchise agreement has an expiration date. Upon the expiration of a franchise agreement, we or the franchisee may, or may not, elect to renew the franchise agreement. If the franchise agreement is renewed, the franchisee will receive a successor franchise agreement for an additional term. Such option, however, is contingent on the franchisee s execution of the then-current form of franchise agreement (which may include increased royalty revenues, advertising fees and other fees and costs), the satisfaction of certain conditions (including re-equipment and remodeling of the store and other requirements) and the payment of a renewal fee. If a franchisee is unable or unwilling to satisfy any of the foregoing conditions, the expiring franchise agreement will terminate upon expiration of its term.

Franchisee litigation; effects of regulatory efforts. We and our franchisees are subject to a variety of litigation risks, including, but not limited to, member claims, personal injury claims, vicarious liability claims, litigation with or involving our relationship with franchisees, litigation alleging that the franchisees are our employees or that we are the co-employer of our franchisees employees, employee allegations against the franchisee or us of improper termination and discrimination, landlord/tenant disputes and intellectual property claims, among others. Each of these claims may increase costs, reduce the execution of new franchise agreements and affect the scope and terms of insurance or indemnifications we and our franchisees may have. In addition, we and our franchisees are subject to various regulatory efforts to enforce employment laws, such as efforts to categorize franchisors as the co-employers of their franchisees employees; legislation to categorize individual franchised businesses as large employers for the purposes of various employment benefits; and other legislation or regulations that may have a disproportionate impact on franchisors and/or franchised businesses. These changes may impose greater costs and regulatory burdens on franchising and negatively affect our ability to sell new franchises.

Franchise agreements and franchisee relationships. Our franchisees develop and operate their stores under terms set forth in our ADAs and franchise agreements, respectively. These agreements give rise to long-term relationships that involve a complex set of mutual obligations and mutual cooperation. We have a standard set of agreements that we typically use with our franchisees, but various franchisees have negotiated specific terms in these agreements. Furthermore, we may from time to time negotiate terms of our franchise agreements with individual franchisees or groups of franchisees (e.g., a franchisee association). We seek to have positive relationships with our franchisees, based in part on our common understanding of our mutual rights and obligations under our agreements, to enable both the franchisees business and our business to be successful. However, we and our franchisees may not always maintain a positive relationship or always interpret our agreements in the same way. Our failure to have positive relationships with our franchisees could individually or in the aggregate cause us to change or limit our business practices, which may make our business model less attractive to our franchisees or our members.

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While our franchisee revenues are not concentrated among one or a small number of parties, the success of our business does depend in large part on our ability to maintain contractual relationships with franchisees in profitable stores. A typical franchise agreement has a ten-year term. While our largest franchisee group accounts for less than 5% of our total stores, certain of our franchisee groups account for 4%, or close to 4%, of our total stores. If we fail to maintain or renew our contractual relationships on acceptable terms, or if one or more of these significant franchisees were to become insolvent or otherwise were unwilling to pay amounts due to us, our business, reputation, financial condition and results of operations could be materially adversely affected.

The high level of competition in the health and fitness industry could materially and adversely affect our business.

We compete with the following industry participants: other health and fitness clubs; physical fitness and recreational facilities established by non-profit organizations and businesses for their employees; private studios and other boutique fitness offerings; racquet, tennis and other athletic clubs; amenity and condominium/apartment clubs; country clubs; online personal training and fitness coaching; the home-use fitness equipment industry; local tanning salons; businesses offering similar services; and other businesses that rely on consumer discretionary spending. We may not be able to compete effectively in the markets in which we operate in the future. Competitors may attempt to copy our business model, or portions thereof, which could erode our market share and brand recognition and impair our growth rate and profitability. Competitors, including companies that are larger and have greater resources than us, may compete with us to attract members in our markets. Non-profit organizations in our markets may be able to obtain land and construct stores at a lower cost and collect membership dues and fees without paying taxes, thereby allowing them to charge lower prices. Luxury fitness companies may attempt to enter our market by lowering prices or creating lower price brand alternatives. Furthermore, due to the increased number of low-cost health and fitness club alternatives, we may face increased competition if we increase our price or if discretionary spending declines. This competition may limit our ability to attract and retain existing members and our ability to attract new members, which in each case could materially and adversely affect our results of operation and financial condition.

Our dependence on a limited number of suppliers for equipment and certain products and services could result in disruptions to our business and could adversely affect our revenues and gross profit.

Equipment and certain products and services used in our stores, including our exercise equipment and point-of-sale software and hardware, are sourced from third-party suppliers. In addition, we rely on third-party suppliers to manage and maintain our websites and online join processes, and in 2015 over 20% of our new members joined online through our websites. Although we believe that adequate substitutes are currently available, we depend on these third-party suppliers to operate our business efficiently and consistently meet our business requirements. The ability of these third-party suppliers to successfully provide reliable and high-quality services is subject to technical and operational uncertainties that are beyond our control, including, for our overseas suppliers, vessel availability and port delays or congestion. Any disruption to our suppliers operations could impact our supply chain and our ability to service our existing stores and open new stores on time or at all and thereby generate revenue. If we lose such suppliers or our suppliers encounter financial hardships unrelated to the demand for our equipment or other products or services, we may not be able to identify or enter into agreements with alternative suppliers on a timely basis on acceptable terms, if at all. Transitioning to new suppliers would be time consuming and expensive and may result in interruptions in our operations. If we should encounter delays or difficulties in securing the quantity of equipment we or our franchisees require to open new and refurbish existing stores, our suppliers encounter difficulties meeting our

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and our franchisees demands for products or services, our websites experience delays or become impaired due to errors in the third-party technology or there is a deficiency, lack or poor quality of products or services provided, our ability to serve our members and grow our brand would be interrupted. If any of these events occur, it could have a material adverse effect on our business and operating results.

Our franchisees may incur rising costs related to construction of new stores and maintenance of existing stores, which could adversely affect the attractiveness of our franchise model, and in turn our business, results of operations and financial condition.

Our stores require significant upfront and ongoing investment, including periodic remodeling and equipment replacement. If our franchisees costs are greater than expected, franchisees may need to outperform their operational plan to achieve their targeted return. In addition, increased costs may result in lower profits to the franchisees, which may cause them to terminate their franchise agreement or make it harder for us to attract new franchisees, which in turn could materially and adversely affect our business, results of operations and financial condition.

In addition, if a franchisee is unwilling or unable to acquire the necessary financing to invest in the maintenance and upkeep of its stores, including periodic remodeling and replacement of equipment, the quality of its stores could deteriorate, which may have a negative impact on our brand image and our ability to attract and maintain members, which in turn may have a negative impact on our revenues.

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.

Use of our and our franchisees stores poses some potential health and safety risks to members or guests through physical exertion and use of our services and facilities, including exercise and tanning equipment. Claims might be asserted against us and our franchisees for injuries suffered by or death of members or guests while exercising and using the facilities at a store. We may not be able to successfully defend such claims. We also may not be able to maintain our general liability insurance on acceptable terms in the future or maintain a level of insurance that would provide adequate coverage against potential claims. Depending upon the outcome, these matters may have a material adverse effect on our results of operations, financial condition and cash flows.

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.

We are highly dependent on the services of our senior management team and other key employees at our corporate headquarters and our corporate-owned stores, and on our and our franchisees ability to recruit, retain and motivate key employees. Competition for such employees can be intense, and the inability to attract and retain the additional qualified employees required to expand our activities, or the loss of current key employees, could adversely affect our and our franchisees operating efficiency and financial condition.

Our intellectual property rights, including trademarks and trade names, may be infringed, misappropriated or challenged by others.

We believe our brand and related intellectual property are important to our continued success. We seek to protect our trademarks, trade names, copyrights and other intellectual property by exercising our rights under applicable state, provincial, federal and international laws. Policing unauthorized use and other violations of our intellectual property rights is difficult and the steps we take may not prevent misappropriation, infringement or other violations of our intellectual property. If we were to fail to successfully protect our intellectual property rights for any reason, or if any third party misappropriates, dilutes or infringes our intellectual property, the value of our brands may be harmed, which could have an adverse effect on our business, results of operations and financial condition. Any damage to our reputation could cause membership levels to decline or make it more difficult to attract new members.

We may also from time to time be required to initiate litigation to enforce our trademarks, service marks and other intellectual property. Third parties may also assert that we have infringed, misappropriated or otherwise violated their intellectual property rights, which could lead to litigation against us. Litigation is inherently uncertain and could divert the attention of management, result in substantial costs and diversion of resources and could negatively affect our membership sales and profitability regardless of whether we are able to successfully enforce or defend our rights.

Use of email marketing and social media may adversely impact our reputation or subject us to fines or other penalties.

There has been a substantial increase in the use of email and social media platforms, including blogs, social media websites and other forms of internet-based communication, which allow access to a broad audience of consumers and other interested persons. Negative commentary about us may be posted on social media platforms or similar devices at any time and may harm our reputation or business. Consumers value readily available information about health clubs and often act on such information without further investigation and without regard to its accuracy. The harm may be immediate without affording us an opportunity for redress or correction. In addition, social media platforms provide users with access to such a broad audience that collective action against our stores, such as boycotts, can be more easily organized. If such actions were organized, we could suffer reputational damage as well as physical damage to our stores.

We also use email and social medial platforms as marketing tools. For example, we maintain Facebook and Twitter accounts and may occasionally email members to inform them of certain offers or promotions. As laws and regulations rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees, our franchisees or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices could adversely impact our and our franchisees business, financial condition and results of operations or subject us to fines or other penalties.

If we fail to obtain and retain high-profile strategic partnership arrangements, or if the reputation of any of our partners is impaired, our business may suffer.

A principal component of our marketing program has been to partner with high-profile marketing partners, such as NBC s The Biggest Loser and the opportunity to be featured on ABC s Dick Clark s New Year s Rockin Eve with Ryan Seacrest, as the presenting sponsor in Times Square, to help us extend the reach of our brand. Although we have partnered with several well-known partners in this manner, we may not be able to attract and partner with new marketing partners in the future. In addition, if the actions of our partners were to damage their reputation, our partnerships may be less attractive to our current or prospective members. Any of these failures by us or our partners could adversely affect our business and revenues.

We are subject to risks associated with leasing property subject to long-term non-cancelable leases.

We do not own any real property, and all of our corporate-owned stores are located on leased premises. The leases for our stores generally have initial terms of 10 years and typically provide for two renewal options in five-year increments as well as for rent escalations.

Generally, our leases are net leases that require us to pay our share of the costs of real estate taxes, utilities, building operating expenses, insurance and other charges in addition to rent. We generally cannot terminate these leases before the end of the initial lease term. Additional sites that we lease are likely to be subject to similar long-term, non-terminable leases. If we close a store, we nonetheless may be obligated to perform our monetary obligations under the applicable lease, including, among other things, payment of the base rent for the balance of the lease term. In addition, if we fail to negotiate renewals, either on commercially acceptable terms or at all, as each of our leases expire we could be forced to close stores in desirable locations. We depend on cash flows from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities, and sufficient funds are not otherwise available to us from borrowings under our senior secured credit facility or other sources, we may not be able to service our lease expenses or fund our other liquidity and capital needs, which would materially affect our business.

Our business is subject to various laws and regulations and changes in such laws and regulations, or failure to comply with existing or future laws and regulations, could adversely affect our business.

We are subject to the FTC Franchise Rule, which is a trade regulation imposed on franchising promulgated by the Federal Trade Commission (the FTC) that regulates the offer and sale of franchises in the United States and that requires us to provide to all prospective franchisees certain mandatory disclosure in FDD. In addition, we are subject to state franchise sales laws in approximately 14 states that regulate the offer and sale of franchises by requiring us to make a franchise filing or obtain franchise registration prior to our making any offer or sale of a franchise in those states and to provide a FDD to prospective franchisees in accordance with such laws. We are subject to franchise sales laws in five provinces in Canada that regulate the offer and sale of franchises by requiring us to provide a FDD in a prescribed format to prospective franchisees in accordance with such laws, and that regulate certain aspects of the franchise relationship. Failure to comply with such laws may result in a franchisee s right to rescind its franchise agreement and damages, and may result in investigations or actions from federal or state franchise authorities, civil fines or penalties, and stop orders, among other remedies. We are also subject to franchise relationship laws in over 20 states that regulate many aspects of the franchisor-franchisee relationship, including renewals and terminations of franchise agreements, franchise transfers, the applicable law and venue in which franchise disputes must be resolved, discrimination and franchisees right to associate, among others. Our failure to comply with such franchise relationship laws could result in fines, damages and our inability to enforce franchise agreements where we have violated such laws. Although we believe that our FDDs, franchise sales practices and franchise activities comply with such franchise sales laws and franchise relationship laws, our non-compliance could result in liability to franchisees and regulatory authorities (as described above), inability to enforce our franchise agreements and a reduction in our anticipated royalty revenue, which in turn may materially and adversely affect our business and results of operating.

We and our franchisees are also subject to the Fair Labor Standards Act of 1938, as amended, and various other laws in the United States, Canada and the Dominican Republic governing such matters as minimum-wage requirements, overtime and other working conditions. A significant number of our and our franchisees employees are paid at rates related to the U.S. federal or state minimum wage, and past increases in the U.S. federal and/or state minimum wage have increased labor costs, as would future increases. Any increases in labor costs might result in our and our franchisees inadequately staffing stores. Such increases in labor costs and other changes in labor laws could affect store performance and quality of service, decrease royalty revenues and adversely affect our brand.

Our and our franchisees operations and properties are subject to extensive U.S., Canadian and Dominican federal, state, provincial and local laws and regulations, including those relating to environmental, building and zoning requirements. Our and our franchisees development of properties depends to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations and requirements. Failure to comply with these legal requirements could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability, which could adversely affect our business.

We and our franchisees are responsible at stores we each operate for compliance with state and provincial laws that regulate the relationship between stores and their members. Many states and provinces have consumer protection regulations that may limit the collection of membership dues or fees prior to opening, require certain disclosures of pricing information, mandate the maximum length of contracts and cooling off periods for members (after the purchase of a membership), set escrow and bond requirements for stores, govern member rights in the event of a member relocation or disability, provide for specific member rights when a store closes or relocates, or preclude automatic membership renewals. Our or our franchisees failure to comply fully with these rules or requirements may subject us or our franchisees to fines, penalties, damages, and civil liability, or result in membership contracts being void or voidable. In addition, states may update these laws and regulations. Any additional costs which may arise in the future as a result of changes to the legislation and regulations or in their interpretation could individually or in the aggregate cause us to change or limit our business practices, which may make our business model less attractive to our franchisees or our members.

Regulatory restrictions placed on indoor tanning services and negative opinions about the health effects of indoor tanning services could harm our reputation and our business.

Although our business model does not place an emphasis on indoor tanning, the vast majority of our corporate-owned and franchise stores offer indoor tanning services. We offer tanning services as one of many amenities available to our PF Black Card members. Many states and provinces where we and our franchisees operate have health and safety regulations that apply to health clubs and other facilities that offer indoor tanning services. In addition to regulations imposed on the indoor tanning industry, medical opinions and opinions of commentators in the general public regarding negative health effects of indoor tanning services could adversely impact the value of our PF Black Card memberships and our future revenues and profitability. Although the tanning industry is regulated by U.S., Canadian and Dominican federal, state and provincial government agencies, negative publicity regarding the potentially harmful health effects of the tanning services we offer at our stores could lead to additional legislation or further regulation of the industry. The potential increase in cost of complying with these regulations could have a negative impact on our profit margins.

The continuation of our tanning services is dependent upon the public s sustained belief that the benefits of utilizing tanning services outweigh the risks of exposure to ultraviolet light. Any significant change in public perception of tanning equipment or any investigative or regulatory action by a government agency or other regulatory authority could impact the appeal of indoor tanning services to our PF Black Card members, and could in turn have an adverse effect on our and our franchisees reputation, business, results of operations and financial condition as well as our ability to profit from sales of tanning equipment to our franchisees.

In addition, from time to time, government agencies and other regulatory authorities have shown an interest in taking investigative or regulatory action with respect to tanning services. For example, we reached a settlement with the New York Office of the Attorney General (OAG) last year in connection with allegations that in the spring of 2013, seven of the approximately 80 independently owned and operated Planet Fitness franchise locations in New York at the time had violated certain state laws related to tanning advertising, signage, paperwork, and eyewear. Upon being alerted to these alleged violations, we re-emphasized to all franchisees that they are contractually required to operate their businesses in compliance with all applicable laws and regulations. Although we understand that the OAG s investigation was part of a larger initiative with respect to tanning salons and other providers of tanning services and do not believe that the settlement will have a material adverse effect on us, publicity regarding the OAG s initiative could influence public perception of the tanning services we offer and of the benefits of our PF Black Card membership.

Risks related to our indebtedness

As of March 31, 2016, we had total indebtedness of $491.0 million, and our substantial indebtedness could adversely affect our financial condition and limit our ability to pursue our growth strategy.

We have a substantial amount of debt, which requires significant interest payments. As of March 31, 2016, we had total indebtedness of $491.0 million, gross of deferred financing costs. Subject to the restrictions contained in our senior secured credit facility applicable to our subsidiary Planet Fitness Holdings, LLC, as borrower, and its restricted subsidiaries and its parent Planet Intermediate, LLC, as guarantors, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. These restrictions will not prevent us from incurring obligations that do not constitute indebtedness, may be waived by certain votes of debt holders and, if we refinance our existing indebtedness, such refinancing indebtedness may contain fewer restrictions on our activities. To the extent new indebtedness or other financial obligations are added to our and our subsidiaries currently anticipated indebtedness levels, the related risks that we and our subsidiaries face could intensify.

Our substantial level of indebtedness could adversely affect our financial condition and increase the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of our indebtedness. Our substantial indebtedness, combined with our other existing and any future financial obligations and contractual commitments, could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations under our senior secured credit facility, including restrictive covenants, could result in an event of default under such facility;

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing funds available for working capital, capital expenditures, acquisitions, selling and marketing efforts, research and development and other purposes;

- increase our vulnerability to adverse economic and industry conditions, which could place us at a competitive disadvantage compared to our competitors that have proportionately less indebtedness;

- increase our cost of borrowing and cause us to incur substantial fees from time to time in connection with debt amendments or refinancings;

- increase our exposure to rising interest rates because a portion of our borrowings is at variable interest rates;

- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate; and

- limit our ability to borrow additional funds, or to dispose of assets to raise funds, if needed, for working capital, capital expenditures, acquisitions, selling and marketing efforts, research and development and other corporate purposes.

By the nature of their relationship to our enterprise, debt holders may have different points of view on the use of company resources as compared to our management. The financial and contractual obligations related to our debt also represent a natural constraint on any intended use of company resources.

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Restrictions imposed by our outstanding indebtedness and any future indebtedness may limit our ability to operate our business and to finance our future operations or capital needs or to engage in other business activities.

The terms of our outstanding indebtedness restrict us from engaging in specified types of transactions. These covenants restrict our ability, among other things, to:

- incur indebtedness or guarantees or engage in sale-leaseback transactions;
- incur liens;
- engage in mergers, acquisitions and asset sales;
- alter the business conducted by Planet Intermediate, LLC, Planet Fitness Holdings, LLC and its restricted subsidiaries;
- make investments and loans;
- declare dividends or other distributions;
- enter into agreements limiting restricted subsidiary distributions; and
- engage in certain transactions with affiliates.

In addition, the credit agreement governing our senior secured credit facility requires us to comply with a financial maintenance covenant, which covenant is solely for the benefit of the revolving credit facility. Our ability to comply with this financial covenant can be affected by events beyond our control, and we may not be able to satisfy it. See Description of certain indebtedness.

A breach of any of the restrictive covenants in the credit agreement governing our senior secured credit facility could result in an event of default, which could trigger acceleration of our indebtedness and may result in the acceleration of or default under any other debt we may incur in the future to which a cross-acceleration or cross-default provision applies, which could have a material adverse effect on our business, results of operations and financial condition. In the event of any default under our credit facilities, the applicable lenders could elect to terminate borrowing commitments and declare all borrowings and loans outstanding, together with accrued and unpaid interest and any fees and other obligations, to be due and payable. In addition, or in the alternative, the applicable lenders could exercise their rights under the security documents entered into in connection with our credit facilities. We have pledged a significant portion of our assets as collateral under our senior secured credit facility.

If we were unable to repay or otherwise refinance these borrowings and loans when due, the applicable lenders could proceed against the collateral granted to them to secure that indebtedness, which could force us into bankruptcy or liquidation. In the event the applicable lenders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. Any acceleration of amounts due under the agreements governing our credit facilities or the exercise by the applicable lenders of their rights under the security documents would likely have a material adverse effect on our business. As a result of these restrictions, we may be:

- limited in how we conduct our business;

- unable to raise additional debt or equity financing to operate during general economic or business downturns; or

- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy.

We will require a significant amount of cash to service our indebtedness. The ability to generate cash or refinance our indebtedness as it becomes due depends on many factors, some of which are beyond our control.

We are a holding company, and as such have no independent operations or material assets other than our ownership of equity interests in our subsidiaries and our subsidiaries contractual arrangements with customers, and we will depend on our subsidiaries to distribute funds to us so that we may pay our obligations and expenses. Our ability to make scheduled payments on, or to refinance our respective obligations under, our indebtedness and to fund planned capital expenditures and other corporate expenses will depend on the ability of our subsidiaries to make distributions, dividends or advances to us, which in turn will depend on our subsidiaries future operating performance and on economic, financial, competitive, legislative, regulatory and other factors and any legal and regulatory restrictions on the payment of distributions and dividends to which they may be subject. Many of these factors are beyond our control. We can provide no assurance that our business will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized or that future borrowings will be available to us in an amount sufficient to enable us to satisfy our respective obligations under our indebtedness or to fund our other needs. In order for us to satisfy our obligations under our indebtedness and fund planned capital expenditures, we must continue to execute our business strategy. If we are unable to do so, we may need to reduce or delay our planned capital expenditures or refinance all or a portion of our indebtedness on or before maturity. Significant delays in our planned capital expenditures may materially and adversely affect our future revenue prospects. In addition, we can provide no assurance that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly.

Borrowings under our senior secured credit facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease.

Our senior secured credit facility includes a London Inter-Bank Offered Rates (LIBOR) floor of 1.00%, which at March 31, 2016 was in excess of LIBOR. If the three-month LIBOR spot rate were to increase or decrease by 0.125% from current rates, interest expense would not change due to application of the 1.00% floor previously mentioned. If the specified LIBOR rate were to increase above 1.00%, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. An increase of 0.125% over the 1.00% floor previously mentioned would result in an approximate increase of $0.6 million in our annual interest expense associated with our senior secured credit facilities.

We have entered into and may continue to enter into interest rate swaps, caps or other derivative financial instruments that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain derivative financial instruments with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

Risks related to our organizational structure

We will be required to pay certain of our existing owners for certain tax benefits we may claim, and we expect that the payments we will be required to make will be substantial.

Future and certain past exchanges of Holdings Units for shares of our Class A common stock (or cash) are expected to produce and have produced favorable tax attributes for us. We are a party to two tax receivable agreements. Under the first of those agreements, we are generally required to pay to the Continuing LLC Owners 85% of the applicable cash savings, if any, in U.S. federal and state income tax that we are deemed to realize as a result of certain tax attributes of their Holdings Units sold to us (or exchanged in a taxable sale) and that are created as a result of (i) the sales of their Holdings Units for shares of our 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, we are generally required to pay to the Direct TSG Investors 85% of the amount of cash savings, if any, that we are deemed to realize as a result of the tax attributes of the Holdings Units that we hold in respect of the Direct TSG Investors interest in us, which resulted from the Direct TSG Investors purchase of interests in the 2012 acquisition (the 2012 Acquisition), by investment funds affiliated with TSG and certain other tax benefits. Under both agreements, we generally retain the benefit of the remaining 15% of the applicable tax savings.

The payment obligations under the tax receivable agreements are obligations of Planet Fitness, Inc., and we expect that the payments we will be required to make under the tax receivable agreements will be substantial. Assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize all tax benefits that are subject to the tax receivable agreements, we expect that the reduction in tax payments for us associated with sales of the corresponding Holdings Units as described above would aggregate to approximately $78.6 million over the applicable period under the tax receivable agreements based on an offering price of $16.50 per share of our Class A common stock, and assuming all future sales had occurred on March 31, 2016. Under such scenario, we would be required to pay the other parties to the tax receivable agreements 85% of such amount, or $66.8 million, over the applicable period under the tax receivable agreements. The actual amounts may materially differ from these hypothetical amounts, as potential future reductions in tax payments for us, and tax receivable agreement payments by us, will be calculated using the market value of our Class A common stock at the time of the sale and the prevailing tax rates applicable to us over the life of the tax receivable agreements and will be dependent on us generating sufficient future taxable income to realize the benefit. See Certain relationships and related party transactions Tax receivable agreements. Payments under the tax receivable agreements are not conditioned on the Continuing LLC Owners ownership of our shares.

The actual increase in tax basis, as well as the amount and timing of any payments under these agreements, will vary depending upon a number of factors, including the timing of sales by the Continuing LLC Owners, the price of our Class A common stock at the time of the sales, whether such sales are taxable, the amount and timing of the taxable income we generate in the future, the tax rate then applicable and the portion of our payments under the tax receivable agreements constituting imputed interest. Payments under the tax receivable agreements are expected to give rise to certain additional tax benefits attributable to either further increases in basis or in the form of deductions for imputed interest (generally calculated using one-year LIBOR), depending on the tax receivable agreements and the circumstances. Any such benefits are covered by the tax receivable agreements and will increase the amounts due thereunder. The tax receivable agreements provide for interest, at a rate equal to one-year LIBOR, accrued from the due date (without extensions) of the corresponding tax return to the date of payment specified by the tax receivable agreements. In addition, under certain circumstances where we are unable to make timely payments under the tax receivable agreements, the tax receivable agreements provide for interest to accrue on unpaid payments, at a rate equal to one-year LIBOR plus 500 basis points.

Payments under the tax receivable agreements will be based on the tax reporting positions that we determine. Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase or other tax attributes subject to the tax receivable agreements, we will not be reimbursed for any payments previously made under the tax receivable agreements if such basis increases or other benefits are subsequently disallowed. As a result, in certain circumstances, payments could be made under the tax receivable agreements in excess of the benefits that we are deemed to realize in respect of the attributes to which the tax receivable agreements relate.

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Our ability to pay taxes and expenses, including payments under the tax receivable agreements, may be limited by our structure.

We have no material assets other than our ownership of Holdings Units in Pla-Fit Holdings, LLC. As such, we have no independent means of generating revenue. Pla-Fit Holdings, LLC is treated as a partnership for U.S. federal income tax purposes and, as such, is not subject to U.S. federal income tax. Instead, taxable income is allocated to holders of its Holdings Units, including us. Accordingly, we incur income taxes on our allocable share of any taxable income of Pla-Fit Holdings, LLC, and also incur expenses related to our operations. Pursuant to the New LLC Agreement, Pla-Fit Holdings makes cash distributions to the owners of Holdings Units for purposes of funding their tax obligations in respect of the income of Pla-Fit Holdings, LLC that is allocated to them, to the extent other distributions from Pla-Fit Holdings, LLC have been insufficient. In addition to tax expenses, we also incur expenses related to our operations, including payment obligations under the tax receivable agreements, which are significant. We have caused Pla-Fit Holdings, LLC to make distributions in an amount sufficient to allow us to pay our taxes and operating expenses, including ordinary course payments due under the tax receivable agreements. However, its ability to make such distributions in the future will be subject to various limitations and restrictions, including contractual restrictions under our senior secured credit facility. If, as a consequence of these various limitations and restrictions, we do not have sufficient funds to pay tax or other liabilities or to fund our operations (including as a result of an acceleration of our obligations under the tax receivable agreements), we may have to borrow funds and thus our liquidity and financial condition could be materially adversely affected. To the extent that we are unable to make payments under the tax receivable agreements for any reason, such payments will be deferred and will accrue interest at a rate equal to one-year LIBOR plus 500 basis points until paid.

In certain cases, payments under the tax receivable agreements to our existing owners may be accelerated and/or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the tax receivable agreements.

The tax receivable agreements provide that (i) in the event that we materially breach such tax receivable agreements, (ii) if, at any time, we elect an early termination of the tax receivable agreements, or (iii) upon certain mergers, asset sales, other forms of business combinations or other changes of control, our (or our successor s) obligations under the tax receivable agreements (with respect to all Holdings Units, whether or not they have been sold before or after such transaction) would accelerate and become payable in a lump sum amount equal to the present value of the anticipated future tax benefits calculated based on certain assumptions, including that we would have sufficient taxable income to fully utilize the deductions arising from the tax deductions, tax basis and other tax attributes subject to the tax receivable agreements.

As a result of the foregoing, (i) we could be required to make payments under the tax receivable agreements that are greater than or less than the specified percentage of the actual tax savings we realize in respect of the tax attributes subject to the agreements and (ii) we may be required to make an immediate lump sum payment equal to the present value of the anticipated tax savings, which payment may be made years in advance of the actual realization of such future benefits, if any such benefits are ever realized. In these situations, our obligations under the tax receivable agreements could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. There can be no assurance that we will be able to finance our obligations under the tax receivable agreements in a manner that does not adversely affect our working capital and growth requirements. For example, if we had elected to terminate the tax receivable agreements as of March 31, 2016, based on an offering price of $16.50 per share of our Class A common stock and a discount rate equal to 2.3%, we estimate that we would have been required to pay $592.7 million in the aggregate under the tax receivable agreements. See Certain relationships and related party transactions Tax receivable agreements.

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In certain circumstances, Pla-Fit Holdings, LLC will be required to make distributions to us and the Continuing LLC Owners, and the distributions that Pla-Fit Holdings, LLC will be required to make may be substantial.

Funds used by Pla-Fit Holdings, LLC to satisfy its tax distribution obligations will not be available for reinvestment in our business. Moreover, the tax distributions that Pla-Fit Holdings, LLC will be required to make may be substantial and will likely exceed (as a percentage of Pla-Fit Holdings, LLC s net income) the overall effective tax rate applicable to a similarly situated corporate taxpayer.

As a result of potential differences in the amount of net taxable income allocable to us and to the Continuing LLC Owners, as well as the use of an assumed tax rate in calculating Pla-Fit Holdings, LLC s distribution obligations, we may receive distributions significantly in excess of our tax liabilities and obligations to make payments under the tax receivable agreements. To the extent, as currently expected, we do not distribute such cash balances as dividends on our Class A common stock and instead, for example, hold such cash balances or lend them to Pla-Fit Holdings, LLC, the Continuing LLC Owners would benefit from any value attributable to such accumulated cash balances as a result of their ownership of Class A common stock following an exchange of their Holdings Units.

We will not be reimbursed for any payments made to the Continuing LLC Owners or the Direct TSG Investors under the tax receivable agreements in the event that any tax benefits are disallowed.

If the IRS or a state or local taxing authority challenges the tax basis adjustments and/or deductions that give rise to payments under the tax receivable agreements and the tax basis adjustments and/or deductions are subsequently disallowed, the recipients of payments under the agreements will not reimburse us for any payments we previously made to them. Any such disallowance would be taken into account in determining future payments under the tax receivable agreements and would, therefore, reduce the amount of any such future payments. Nevertheless, if the claimed tax benefits from the tax basis adjustments and/or deductions are disallowed, our payments under the tax receivable agreements could exceed our actual tax savings, and we may not be able to recoup payments under the tax receivable agreements that were calculated on the assumption that the disallowed tax savings were available.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations.

We are subject to income taxes in the United States and Canada, and our domestic and foreign tax liabilities will be subject to the allocation of expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation;
- costs related to intercompany restructurings;
- changes in tax laws, regulations or interpretations thereof; or
- lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates.

In addition, we may be subject to audits of our income, sales and other transaction taxes by U.S. federal and state and foreign authorities. Outcomes from these audits could have an adverse effect on our financial condition and results of operations.

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Risks related to our Class A common stock and this offering

We are eligible to be treated as an emerging growth company, and we cannot be certain that the reduced disclosure requirements applicable to emerging growth companies will not make our ordinary shares less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including (1) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), (2) reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements and (3) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to another four years, although circumstances could cause us to lose that status earlier, including if the market value of our Class A common stock held by non-affiliates exceeds $700.0 million as of the end of the second fiscal quarter in any fiscal year before that time or if we have total annual gross revenues of $1.0 billion or more during any fiscal year before that time, in which case we would no longer be an emerging growth company as of the following fiscal year end, or if we issue more than $1.0 billion in non-convertible debt during any three-year period before that time we would cease to be an emerging growth company immediately. If some investors find our Class A common stock less attractive as a result of our being an emerging growth company, there may be a less active trading market for our Class A common stock, and our share price may be more volatile.

TSG has significant influence over us, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote.

We are currently controlled, and after this offering is completed will continue to be controlled, by investment funds affiliated with TSG. Upon completion of this offering, investment funds affiliated with TSG will control 56.2% of the voting power of our common stock (or 54.6% if the underwriters exercise in full their option to purchase additional shares). As long as TSG owns or controls at least a majority of our outstanding voting power, it will have the ability to exercise substantial control over all corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including the election and removal of directors and the size of our board of directors, any amendment of our certificate of incorporation or bylaws, or the approval of any merger or other significant corporate transaction, including a sale of substantially all of our assets. Even if its ownership falls below 50%, TSG will continue to be able to strongly influence or effectively control our decisions.

Additionally, TSG s interests may not align with the interests of our other stockholders. TSG is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. TSG may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

Certain of our directors have relationships with TSG, which may cause conflicts of interest with respect to our business.

Four of our eight directors are affiliated with TSG. Our TSG-affiliated directors have fiduciary duties to us and, in addition, have duties to TSG. As a result, these directors may face real or apparent conflicts of interest with respect to matters affecting both us and TSG, whose interests may be adverse to ours in some circumstances.

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We are a controlled company under NYSE rules and, as a result, qualify for, and intend to rely on, exemptions from certain corporate governance requirements; you do not have the same protections afforded to stockholders of companies that are subject to such requirements.

Because TSG controls a majority of the voting power of our outstanding Class A common stock, we are a controlled company within the meaning of the NYSE corporate governance standards. Under these rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including the requirements that, within one year of the date of the listing of our Class A common stock:

- we have a board of directors that is composed of a majority of independent directors, as defined under NYSE rules;
- we have a compensation committee that is composed entirely of independent directors; and
- we have a nominating and corporate governance committee that is composed entirely of independent directors.

We are currently utilizing all of these exemptions. Accordingly, for so long as we are a controlled company, you will not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements. Our status as a controlled company could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

Provisions of our corporate governance documents could make an acquisition of our Company more difficult and may prevent attempts by our stockholders to replace or remove our current management, even if beneficial to our stockholders.

In addition to TSG s beneficial ownership of a controlling percentage of our common stock, our certificate of incorporation and bylaws and the Delaware General Corporation Law (the DGCL) contain provisions that could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders. These provisions include:

- the division of our board of directors into three classes and the election of each class for three-year terms;
- advance notice requirements for stockholder proposals and director nominations;
- the ability of the board of directors to fill a vacancy created by the expansion of the board of directors;
- the ability of our board of directors to issue new series of, and designate the terms of, preferred stock, without stockholder approval, which could be used to, among other things, institute a rights plan that would have the effect of significantly diluting the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our board of directors;
- limitations on the ability of stockholders to call special meetings and to take action by written consent following the date that investment funds affiliated with TSG no longer beneficially own a majority of our common stock; and
- the required approval of holders of at least 75% of the voting power of the outstanding shares of our capital stock to adopt, amend or repeal certain provisions of our certificate of incorporation and bylaws or remove directors for cause, in each case following the date that investment funds affiliated with TSG no longer beneficially own a majority of our common stock.

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In addition, Section 203 of the DGCL may affect the ability of an interested stockholder to engage in certain business combinations, for a period of three years following the time that the stockholder becomes an interested stockholder. While we have elected in our certificate of incorporation not to be subject to Section 203 of the DGCL, our certificate of incorporation contains provisions that have the same effect as Section 203 of the DGCL, except that they provide that investment funds affiliated with TSG will not be deemed to be an interested stockholder, and accordingly will not be subject to such restrictions.

Because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt to replace current members of our management team. As a result, you may lose your ability to sell your stock for a price in excess of the prevailing market price due to these protective measures, and efforts by stockholders to change the direction or management of the Company may be unsuccessful. See Description of capital stock.

Our organizational structure, including the tax receivable agreements, confers certain benefits upon the Continuing LLC Owners that do not benefit Class A common stockholders to the same extent as it will benefit the Continuing LLC Owners.

Our organizational structure, including the tax receivable agreements, confers certain benefits upon the Continuing LLC Owners that do not benefit the holders of our Class A common stock to the same extent as it benefits the Continuing LLC Owners. The tax receivable agreement with the Direct TSG Investors also confers benefits upon the Direct TSG Investors that are not shared with other holders of Class A common stock. Although we retain 15% of the amount of tax benefits conferred under the tax receivable agreements, this and other aspects of our organizational structure may adversely impact the future trading market for the Class A common stock.

We previously identified a material weakness in our internal control over financial reporting. While management has concluded that we have remediated this material weakness and no new material weaknesses have been identified to date, we cannot provide assurance that additional material weaknesses or significant deficiencies will not occur in the future. If our internal control over financial reporting or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results, prevent fraud or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and may lead to a decline in our stock price. In addition, because of our status as an emerging growth company, you will not be able to depend on any attestation from our independent registered public accountants as to our internal control over financial reporting for the foreseeable future.

We are not currently required to comply with the rules of the Securities and Exchange Commission (SEC) implementing Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. We are required to comply with the SEC s rules implementing Section 302 of the Sarbanes-Oxley Act, which requires management to certify financial and other information in our quarterly and annual reports. However, although we are required to disclose significant changes made in our internal controls and procedures on a quarterly basis, we are not required to make our first annual assessment of our internal control over financial reporting pursuant to Section 404 until the year following the filing of our first annual report with the SEC. Further, as an emerging growth company, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the later of our second annual report or the first annual report required to be filed with the SEC following the date we are no longer an emerging growth company. At such time, if our independent registered public accounting firm concluded that our internal control over financial reporting was not effective due to the existence of one or more material weaknesses in internal control, it would issue an adverse opinion on the effectiveness of our internal control over financial reporting.

As we approach the dates for compliance with the requirements of Section 404, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring internal audit or additional accounting staff. Testing and maintaining internal controls can divert our management s attention from other matters related to the operation of our business. In addition, when evaluating our internal control over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404.

In the first half of 2015, management identified a material weakness in our internal control over financial reporting relating to our controls over the authorization of IT hardware purchases and the processing of related invoices. The internal controls in place during this time were not adequate to detect fraudulent purchases being made. Since identifying this material weakness, we have implemented processes and controls designed to remediate this material weakness by revising existing, and implementing new, procedures and systems regarding (i) authorizing purchases, (ii) receiving invoices, (iii) receiving IT hardware products and (iv) processing invoices. As a result of the successful implementation of the remediation actions noted, as well as subsequent successful testing of the design and operation of the enhanced control procedures, management has concluded that this material weakness has been remediated as of March 31, 2016.

If we identify additional material weaknesses in our internal control over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal control over financial reporting in future periods, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our Class A common stock could be negatively affected, and we could become subject to investigations by the NYSE, on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

Your percentage ownership in us may be diluted by future issuances of capital stock, which could reduce your influence over matters on which stockholders vote.

Pursuant to our certificate of incorporation and bylaws, our board of directors has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock, including shares issuable upon the exercise of options, or shares of our authorized but unissued preferred stock. Issuances of Class A common stock or voting preferred stock would reduce your influence over matters on which our stockholders vote and, in the case of issuances of preferred stock, would likely result in your interest in us being subject to the prior rights of holders of that preferred stock.

Our stock price could be extremely volatile, and, as a result, you may not be able to resell your shares at or above the price you paid for them.

Since our IPO, the price of our Class A common stock, as reported by the NYSE, has ranged from a low of $13.23 on February 11, 2016 to a high of $20.68 on August 10, 2015. In addition, in recent years the stock market in general has been highly volatile. As a result, the market price and trading volume of our Class A common stock is likely to be similarly volatile, and investors in our Class A common stock may experience a decrease, which could be substantial, in the value of their stock, including decreases unrelated to our results of operations or

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prospects, and could lose part or all of their investment. The price of our Class A common stock could be subject to wide fluctuations in response to a number of factors, including those described elsewhere in this report and others such as:

- variations in our operating performance and the performance of our competitors;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- publication of research reports by securities analysts about us or our competitors or our industry;
- the public s reaction to our press releases, our other public announcements and our filings with the SEC;
- our failure or the failure of our competitors to meet analysts projections or guidance that we or our competitors may give to the market;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments affecting us or our industry;
- speculation in the press or investment community;
- changes in accounting principles;
- terrorist acts, acts of war or periods of widespread civil unrest;
- natural disasters and other calamities; and
- changes in general market and economic conditions.

In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management s attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

Our future ability to repurchase shares is subject to the discretion of management and our board of directors and may be limited by our ability to generate sufficient earnings and cash flows.

In May 2016, the board of directors authorized the Company to purchase, from time to time, as market conditions warrant, $20 million of our Class A common stock. The share repurchase program does not obligate us to repurchase any particular amount of common stock, and it could be modified, suspended or discontinued at any time. The timing and amount of repurchases will be determined by management at its discretion based on a variety of factors such as the market price of its common stock, corporate and legal requirements, and general market and economic conditions. Actual repurchases of shares will also depend on our ability to generate sufficient earnings and cash flows. In addition, our ability to repurchase shares is subject to limitations under our senior secured credit facility. See Description of certain indebtedness Senior secured credit facility Covenants and other matters.

Because we do not currently anticipate that we will pay any cash dividends on our Class A common stock in the foreseeable future, you may not receive any return on investment unless you sell your Class A common stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operations, expansion and debt repayment and do not currently anticipate that we will pay any cash dividends on our Class A common stock in the foreseeable future.

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Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our senior credit facility. As a result, you may not receive any return on an investment in our Class A common stock unless you sell our Class A common stock for a price greater than that which you paid for it.

A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our Class A common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our Class A common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our Class A common stock. In connection with this offering, our officers, directors and the selling stockholders will enter into 90-day lock-up agreements with the underwriters. These shares will, however, be able to be resold after the expiration of the lock-up agreement as described in the Shares eligible for future sale section of this prospectus. We have also filed a Form S-8 under the Securities Act to register all shares of Class A common stock that we may issue under our equity compensation plans. In addition, TSG has certain demand registration rights that could require us in the future to file registration statements in connection with sales of our stock by TSG. See Certain relationships and related party transactions Registration rights agreement. Such sales by TSG could be significant. Once we register these shares, they can be freely sold in the public market upon issuance, subject to the lock-up agreements described in the Underwriting section of this prospectus. As restrictions on resale end, the market price of our stock could decline if the holders of currently restricted shares sell them or are perceived by the market as intending to sell them.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our shares or if our results of operations do not meet their expectations, our share price and trading volume could decline.

The trading market for our shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. In the event one or more securities analysts cease coverage of our Company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline. Moreover, if one or more of the analysts who cover us downgrade our stock, or if our results of operations do not meet their expectations, our share price could decline.

A credit ratings downgrade or other negative action by a credit ratings organization could adversely affect the trading price of the shares of our Class A common stock.

Credit rating agencies continually revise their ratings for companies they follow. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. In addition, developments in our business and operations could lead to a ratings downgrade for us or our subsidiaries. Any such fluctuation in the rating of us or our subsidiaries may impact our ability to access debt markets in the future or increase our cost of future debt which could have a material adverse effect on our operations and financial condition, which in return may adversely affect the trading price of shares of our Class A common stock.

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Our certificate of incorporation designates courts in the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our certificate of incorporation provides that, subject to limited exceptions, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders;
- any action asserting a claim against us arising pursuant to any provision of the DGCL, our certificate of incorporation or our bylaws;
- any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or bylaws; or
- any other action asserting a claim against us that is governed by the internal affairs doctrine (each, a Covered Proceeding).

In addition, our certificate of incorporation provides that if any action the subject matter of which is a Covered Proceeding is filed in a court other than the specified Delaware courts without the approval of our board of directors (each, a Foreign Action), the claiming party will be deemed to have consented to (i) the personal jurisdiction of the specified Delaware courts in connection with any action brought in any such courts to enforce the exclusive forum provision described above and (ii) having service of process made upon such claiming party in any such enforcement action by service upon such claiming party s counsel in the Foreign Action as agent for such claiming party.

Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to these provisions. These provisions may limit a stockholder s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

Financial forecasting may differ materially from actual results.

Due to the inherent difficulty of predicting future events and results, our forecasted financial and operational results may differ materially from actual results. Discrepancies between forecasted and actual results could cause a decline in the price of our stock.

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Cautionary note regarding forward-looking statements

This prospectus contains forward-looking statements. 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, estimate, expect, intend, may, plan, predict, project, target, potential, will, would, could, should, continue, contemplate and other simi all forward-looking statements contain these identifying words.

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

- our dependence on the operational and financial results of, and our relationships with, our franchisees and the success of their new and existing stores;
- our ability to protect our brand and reputation;
- our ability to execute our growth strategy, including through development of new stores by new and existing franchisees;
- our ability to manage our growth and associated strain on our resources;
- our ability to successfully identify and secure appropriate franchisees and sites, and timely develop and expand our operations;
- data security and the vulnerability of our information systems;
- our and our franchisees ability to attract and retain members;
- the high level of competition in the health and fitness industry;
- our dependence on a small number of equipment suppliers;
- our ability to maintain sufficient levels of cash flow, or access to capital, to meet growth expectations;
- our dependence on key executive management;
- our ability to identify qualified individuals for our workforce;

- our ability to adequately protect our intellectual property;
- risks related to franchisees generally;
- share repurchases and dividends;
- our business model being susceptible to litigation;
- the substantial indebtedness of our subsidiary, Planet Fitness Holdings, LLC;
- TSG s significant influence over us and our status as a controlled company under the rules of the NYSE;
- risks relating to our corporate structure and tax receivable agreements; and
- the other factors identified under the heading Risk factors elsewhere in this prospectus.

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

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Use of proceeds

The selling stockholders will receive all of the net proceeds from this offering. We will not receive any of the proceeds from the sale of shares of Class A common stock offered by the selling stockholders. We will, however, bear the costs associated with the sale of shares by the selling stockholders, other than underwriting discounts and commissions. For more information, see Certain relationships and related party transactions Registration rights agreement, Principal and selling stockholders and Underwriting.

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Dividend policy

Our board of directors does not currently intend to pay dividends on our Class A common stock. However, we expect to re-evaluate our dividend policy on a regular basis and may, subject to compliance with the covenants contained in our senior secured credit facility and other considerations, determine to pay dividends in the future. Holders of our Class B common stock are not entitled to participate in any dividends declared by our board of directors. The declaration, amount and payment of any future dividends on shares of our Class A common stock will be at the sole discretion of our board of directors, which may take into account general economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions, the implications of the payment of dividends by us to our stockholders or by our subsidiaries to us, and any other factors that our board of directors may deem relevant. See Management s discussion and analysis of financial condition and results of operations Liquidity and capital resources and Description of certain indebtedness included elsewhere in this prospectus regarding restrictions on our ability to pay dividends.

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Price range of our Class A common stock

Shares of our Class A common stock have been listed and traded on the NYSE under the symbol PLNT since August 6, 2015. Prior to that date, there was no public market for our stock. The following table sets forth, for the periods indicated, the high and low intra-day sale prices in dollars on the NYSE for our Class A common stock.

	High	Low
Third quarter of fiscal year 2015	$ 20.68	$ 13.65
Fourth quarter of fiscal year 2015	$ 17.34	$ 14.50
First quarter of fiscal year 2016	$ 16.38	$ 13.23
Second quarter of fiscal year 2016 (through June 17, 2016)	$ 19.20	$ 14.86

There is no trading market for shares of our Class B common stock.

On June 17, 2016, the last reported sale price of our Class A common stock on the NYSE was $19.02 per share. As of June 17, 2016, there were four stockholders of record of our Class A common stock and 16 stockholders of record of our Class B common stock. These figures do not reflect the beneficial ownership or shares held in nominee name.

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Capitalization

The following table sets forth our cash, cash equivalents and capitalization as of March 31, 2016 on a historical basis and on a pro forma basis giving effect to this offering and the other transactions described under Unaudited pro forma condensed consolidated financial information.

You should read this information together with our audited and unaudited financial statements and related notes appearing elsewhere in this prospectus and the information set forth under the headings Unaudited pro forma condensed consolidated financial information, Selected consolidated financial and other data and Management s discussion and analysis of financial condition and results of operations.

	As of March 31, 2016	
(in thousands)	**Historical**	**Pro forma**
Cash and cash equivalents	$ 38,268	$ 37,308
Long-term debt, including current portion:		
Senior secured credit facility	491,000	491,000
Deferred financing costs, net of accumulated amortization	(7,025)	(7,025)
Total debt[(1)]	$ 483,975	$ 483,975
Stockholders equity (deficit):		
Class A common stock, par value $0.0001 per share; 300,000 shares authorized and 36,598 shares issued and outstanding on a historical basis; 300,000 shares authorized and 43,476 shares issued and outstanding on a pro forma basis	4	4
Class B common stock, par value $0.0001 per share; 100,000 shares authorized and 62,067 shares issued and outstanding on a historical basis; 100,000 shares authorized and 55,189 shares issued and outstanding on a pro forma basis	6	6
Accumulated other comprehensive loss	(2,387)	(2,387)
Additional paid-in capital	577	8,543
Accumulated deficit	(11,805)	(12,241)
Stockholders deficit attributable to Planet Fitness, Inc.	(13,605)	(6,075)
Noncontrolling interests	20,866	20,342
Total stockholders equity (deficit)	7,261	14,267
Total capitalization	$ 491,236	$ 498,242

(1) Total debt consists of borrowings under our senior secured credit facility as described in Description of certain indebtedness, less deferred financing costs, net of accumulated amortization.

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Unaudited pro forma consolidated financial information

The following unaudited pro forma information reflects the impact of this offering, after giving effect to the recapitalization transactions and the IPO discussed under Prospectus summary Our initial public offering and organizational structure. The unaudited pro forma consolidated statements of operations for the year ended December 31, 2015 and the quarter ended March 31, 2016 give effect to the recapitalization transactions, the IPO and this offering as if they had occurred on January 1, 2015. The unaudited pro forma consolidated balance sheet as of March 31, 2016 gives effect to this offering as if it had occurred on March 31, 2016.

We derived the unaudited pro forma consolidated financial information set forth below by applying the pro forma adjustments to the audited and unaudited historical consolidated financial statements of Planet Fitness, Inc. and subsidiaries included elsewhere in this prospectus. The unaudited pro forma consolidated financial information reflects pro forma adjustments that are described in the accompanying notes and are based on available information and certain assumptions we believe are reasonable but are subject to change.

The pro forma adjustments related to the recapitalization and IPO transactions reflect the impacts of those transactions on our historical statements of operations and include the following:

- the reversal of cash-based and equity-based compensation expense related to our 2013 Performance Incentive Plan and the Class M units of Pla-Fit Holdings, LLC, respectively, recorded in connection with the IPO, the reversal of costs and expenses incurred and recorded in connection with the recapitalization transactions and the IPO, and the reversal of management fee expense resulting from the termination of the management services agreement with TSG in connection with the IPO;

- a provision for income taxes reflecting Planet Fitness, Inc. as a taxable corporation; and

- the allocation of net income between non-controlling interests and Planet Fitness Inc. based on Planet Fitness, Inc. s 37.1% ownership of Pla-Fit Holdings, LLC following the recapitalization and IPO transactions.

The pro forma adjustments related to this offering reflect the impact of this offering on our historical balance sheet and statements of operations and include the following:

- the exchange by Continuing LLC Owners, prior to this offering, of 6,877,531 Holdings Units (together with a corresponding number of shares of Class B common stock) for a corresponding number of shares of Class A common stock. The shares of Class A common stock received in the exchange will be sold by the former Continuing LLC Owners in this offering, together with 3,122,469 shares of Class A common stock held by Direct TSG Investors;

- the effects of (1) the tax receivable agreement entered into with the Continuing LLC Owners, which provides for the payment by us to the Continuing LLC Owners of 85% of the amount of the cash savings, if any, in U.S. federal and state income tax that we are deemed to realize as a result of (i) certain tax attributes that are created as a result of their exchange of Holdings Units for shares of our Class A common stock, (ii) certain other tax attributes we acquire from the acquisitions of their Holdings Units and (iii) tax benefits attributable to payments made under the tax receivable agreement (including imputed interest), and (2) the exchange agreement, under which to the extent an exchange results in Pla-Fit Holdings, LLC incurring a current tax liability relating to the New Hampshire business profits tax, the Continuing LLC Owners have agreed that they will contribute to Pla-Fit Holdings, LLC an amount sufficient to pay such tax liability (up to 3.5% of the value received upon exchange). If and when we subsequently realize a related tax benefit, Pla-Fit Holdings, LLC will distribute the amount of any such tax benefit to the relevant Continuing LLC Owner in respect of its contribution;

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adjustments to the provision for income taxes and deferred income taxes reflecting the increased ownership of Pla-Fit Holdings, LLC by Planet Fitness, Inc.; and

the allocation of net income between non-controlling interests and Planet Fitness Inc. based on Planet Fitness, Inc. s 44.1% ownership of Pla-Fit Holdings, LLC following this offering.

The unaudited pro forma consolidated financial information presented assumes no exercise by the underwriters of their option to purchase additional shares of Class A common stock from the selling stockholders. We will not receive any of the proceeds from the sale of shares of Class A common stock by the selling stockholders in connection with this offering.

The unaudited pro forma consolidated financial information is presented for informational purposes only and should not be considered indicative of the actual financial position or results of operations that would have been achieved had the recapitalization and IPO transactions or this offering been consummated on the dates indicated, and does not purport to be indicative of the financial condition or results of operations as of any future date or for any future period. You should read our unaudited pro forma consolidated financial information and the accompanying notes in conjunction with the historical consolidated financial statements and related notes included elsewhere in this prospectus and the financial and other information appearing elsewhere in this prospectus, including information contained in the sections entitled Risk factors, Selected consolidated financial and operating data, Use of proceeds, Capitalization and Management s discussion and analysis of financial condition and results of operations.

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Planet Fitness, Inc.

Unaudited pro forma consolidated balance sheet

as of March 31, 2016

(in thousands)	Historical	Offering adjustments	Pro forma
Assets			
Cash and cash equivalents	$ 38,268	$ (960)[1]	$ 37,308
Accounts receivable, net	10,446		10,446
Due from related parties	1,005		1,005
Inventory	1,476		1,476
Restricted assets NAF	5,300		5,300
Other current assets	12,318		12,318
Total current assets	68,813	(960)	67,853
Property and equipment, net	54,302		54,302
Intangible assets, net	268,679		268,679
Goodwill	176,981		176,981
Deferred income taxes	115,523	74,777[2]	190,300
Other assets, net	1,368		1,368
Total assets	$ 685,666	$ 73,817	$ 759,483
Liabilities and Stockholders Equity (Deficit)			
Current maturities of long-term debt	$ 5,100	$	$ 5,100
Accounts payable	10,090		10,090
Accrued expenses	9,853		9,853
Equipment deposits	5,253		5,253
Deferred revenue, current	15,477		15,477
Payable to related parties pursuant to tax benefit arrangements, current	5,870		5,870
Other current liabilities	253		253
Total current liabilities	51,896		51,896
Long-term debt, net of current maturities	478,875		478,875
Deferred rent, net of current portion	4,665		4,665
Deferred revenue, net of current portion	10,277		10,277
Payable to related parties pursuant to tax benefit arrangements, net of current portion	132,208	66,811[2]	199,019
Other liabilities	484		484
Total noncurrent liabilities	626,509	66,811	693,320
Stockholders equity (deficit):			
Class A common stock	4		4
Class B common stock	6		6
Accumulated other comprehensive loss	(2,387)		(2,387)
Additional paid in capital	577	7,966[2]	8,543
Accumulated deficit	(11,805)	(436)[1][3]	(12,241)

Stockholders equity (deficit) attributable to Planet Fitness, Inc.	(13,605)	7,530	(6,075)
Non-controlling interests	20,866	(524)[3]	20,342
Total stockholders equity (deficit)	7,261	7,006	14,267
Total liabilities and stockholders equity (deficit)	$ 685,666	$ 73,817	$ 759,483

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Notes to unaudited pro forma consolidated balance sheet as of March 31, 2016

(1) Represents expenses of $1.0 million related to this offering that will be paid by us subsequent to March 31, 2016. This adjustment is reflected as a decrease in cash and an increase in accumulated deficit. Since we will not retain any proceeds from the offering, these amounts are expensed as incurred prior to and at the time of the offering.

(2) Planet Fitness, Inc. is subject to U.S. federal and state income taxes and files consolidated income tax returns for U.S. federal and certain state jurisdictions. These adjustments reflect the recognition of additional deferred taxes in connection with this offering related to temporary differences in the book basis as compared to the tax basis of our investment in Pla-Fit Holdings, LLC.

In addition, we are a party to two tax receivable agreements. Under the first of those agreements, we generally are required to pay to our Continuing LLC Owners 85% of the applicable cash savings, if any, in U.S. federal and state income tax that we are deemed to realize in certain circumstances as a result of certain tax attributes of their Holdings Units sold to us (or exchanged in a taxable sale) and that are created as a result of (i) the sales of their Holdings Units for shares of our Class A common stock, and (ii) tax benefits attributable to payments made under this tax receivable agreement. See Certain relationships and related party transactions Tax receivable agreements.

Also, pursuant to the exchange agreement, to the extent an exchange results in Pla-Fit Holdings, LLC incurring a current tax liability relating to the New Hampshire business profits tax, the Continuing LLC Owners have agreed that they will contribute to Pla-Fit Holdings, LLC an amount sufficient to pay such tax liability (up to 3.5% of the value received upon exchange). If and when we subsequently realize a related tax benefit, Pla-Fit Holdings, LLC will distribute the amount of any such tax benefit to the relevant Continuing LLC Owner in respect of its contribution. See Certain relationships and related party transactions Exchange agreement.

The net deferred tax asset adjustment of $74.8 million, resulting from this offering, and the $66.8 million adjustment related to the tax receivable agreements and the exchange agreement liability are assuming: (1) only exchanges associated with this offering, (2) an offering price equal to $16.50 per share, (3) an estimated effective tax rate, (4) no material changes in tax law, (5) the ability to utilize tax attributes and (6) future tax receivable agreement and exchange agreement payments.

The net impact of the adjustments to net deferred taxes and the liability for the tax receivable of $8.0 million have been recorded as an increase to additional paid in capital, as these adjustments arise from equity transactions of the Company.

We anticipate that we will account for the income tax effects resulting from future taxable exchanges of Holdings Units by Continuing LLC Owners for shares of our Class A common stock or cash by recognizing an increase in our deferred tax assets, based on enacted tax rates at the date of each exchange. Further, we will evaluate the likelihood that we will realize the benefit represented by the deferred tax asset, and, to the extent that we estimate that it is more likely than not that we will not realize the benefit, we will reduce the carrying amount of the deferred tax asset with a valuation allowance.

The amounts to be recorded for both the deferred tax assets and liabilities and the liability for our obligations under the tax receivable agreements and the exchange agreement have been estimated. All of

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the effects of changes in any of our estimates after the date of the purchase will be included in net income. Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income.

(3) Planet Fitness, Inc. is the sole managing member of Pla-Fit Holdings, LLC. As sole managing member, Planet Fitness, Inc. exclusively operates and controls the business and affairs of Pla-Fit Holdings, LLC. As the Continuing LLC Owners control both Planet Fitness, Inc. and Pla-Fit Holdings, LLC, we consolidate Pla-Fit Holdings, LLC. The Holdings Units owned by the Continuing LLC Owners are considered noncontrolling interests in the consolidated financial statements of Planet Fitness, Inc.

Immediately prior to this offering, 6,877,531 Holdings Units, together with the related shares of Class B common stock, will be acquired by Planet Fitness, Inc. from certain Continuing LLC Owners in exchange for an equal number of shares of Class A common stock. These Continuing LLC Owners, along with the Direct TSG investors, will sell a total of 10,000,000 shares of Class A common stock in this offering.

Following this offering, Planet Fitness, Inc. will hold 43,475,516 Holdings Units representing 44.1% of the outstanding Holdings Units of Pla-Fit Holdings, LLC. The adjustment to noncontrolling interests of $0.5 million reflects the proportional interest in the pro forma consolidated total equity of Pla-Fit Holdings, LLC owned by the Continuing LLC Owners.

The Continuing LLC Owners, from time to time, may require us to exchange all or a portion of their Holdings Units for newly issued shares of our Class A common stock on a one-for-one basis or, at our discretion, for cash. Shares of our Class B common stock will be cancelled on a one-for-one basis if we, at the election of a Continuing LLC Owner, redeem or exchange Holdings Units of such Continuing LLC Owner pursuant to the terms of the exchange agreement. The decision whether to tender Holdings Units to us will be made solely at the discretion of the Continuing LLC Owners. We will exercise discretion regarding the form of consideration in any such exchange. Pursuant to the exchange agreement, any such decisions will be made on our behalf by a majority of the disinterested members of our board of directors.

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Planet Fitness, Inc.

Unaudited pro forma consolidated statement of operations

for the quarter ended March 31, 2016

(in thousands, except per share data)	Historical	Offering adjustments	Pro forma
Revenue:			
Franchise	$ 21,491	$	$
Commission income	6,186		
Corporate owned stores	25,697		
Equipment	29,969		
Total revenues	83,343		
Operating costs and expenses:			
Cost of revenue	23,639		
Store operations	14,732		
Selling, general and administrative	11,845		
Depreciation and amortization	7,703		
Other (gain) loss	(186)		
Total operating costs and expenses	57,733		
Income from operations	25,610		
Other income (expense), net:			
Interest expense, net	(6,367)		
Other income (expense)	393		
Total other expense, net	(5,974)		
Income before taxes	19,636		
Provision for income taxes	3,291	532(1)	3,823
Net income	16,345	(532)	15,813
Less net income attributable to noncontrolling interests	12,977	(1,432)(2)	11,545
Net income attributable to Planet Fitness, Inc.	$ 3,368	$ 900	$ 4,268
Net income per share data(3):			
Net income per share:			
Basic and diluted	$ 0.09		$ 0.10
Weighted average shares of Class A common stock outstanding:			
Basic and diluted	36,598		43,476

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Notes to unaudited pro forma condensed consolidated statement of operations for the quarter ended March 31, 2016

(1) Planet Fitness, Inc. is subject to U.S. federal income taxes, in addition to state and local taxes, with respect to our allocable share of any net taxable income of Pla-Fit Holdings, LLC. The adjustment of $0.5 million to the provision for income taxes resulting from this offering reflects our effective tax rate of 39.4% applied to the additional 7.0% of income before taxes that represents our additional economic interest in Pla-Fit Holdings, LLC that will be held by Planet Fitness, Inc. upon completion of the exchange of Holdings Units for shares of Class A common stock by certain Continuing LLC Owners in connection with this offering. The unaudited pro forma provision for income taxes upon completion of this offering also reflects an effective state tax rate of 2.5% applied to noncontrolling interests, representing the remaining 55.9% of income before taxes, excluding income from variable interest entities, related to Pla-Fit Holdings, LLC.

(2) The Holdings Units of Pla-Fit Holdings, LLC owned by the Continuing LLC Owners are considered noncontrolling interests in the consolidated financial statements of Planet Fitness, Inc. The pro forma adjustment reflects the reduction in the allocation of Pla-Fit Holdings, LLC net income to the noncontrolling interests. Immediately following the completion of this offering, the noncontrolling interests held by the Continuing LLC Owners will have 55.9% economic ownership of Pla-Fit Holdings, LLC, and as such, 55.9% of Pla-Fit Holdings, LLC s net income will be attributable to the noncontrolling interests. The remaining economic ownership of Pla-Fit Holdings, LLC will be held by Planet Fitness, Inc. following the completion of this offering.

(3) The pro forma net income per share is calculated based on pro forma net income reflecting the adjustments discussed above divided by the 43,475,516 shares of Class A common stock that will be issued and outstanding following this offering. The shares of Class B common stock have no rights to dividends or distributions, whether in cash or stock, and therefore are excluded from this calculation. We have determined that the assumed conversion of Holdings Units into Class A common stock under the if-converted method of calculating earnings per share does not result in a dilutive impact and therefore that basic and dilutive pro forma net income per share are the same.

(in thousands except share and per share amounts)	**Quarter ended March 31, 2016**
Basic and diluted net income per share:	
Numerator	
Net income	$ 15,813
Less: Net income attributable to non-controlling interests	11,545
Net income attributable to Class A common stockholders basic and diluted	$ 4,268
Denominator	
Shares of Class A common stock outstanding prior to the offering	36,597,985
Incremental shares of Class A common stock issued in connection with this offering	6,877,531
Weighted-average shares of Class A common stock outstanding basic and diluted	43,475,516
Basic and diluted net income per share	$ 0.10

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Planet Fitness, Inc.

Unaudited pro forma consolidated statement of operations

for the year ended December 31, 2015

(in thousands, except per share data)	Historical	Recapitalization transaction and IPO adjustments	As adjusted before offering	Offering adjustments	Pro forma
Revenue:					
Franchise	$ 71,762	$	$ 71,762	$	$
Commission income	16,323		16,323		
Corporate-owned stores	98,390		98,390		
Equipment	144,062		144,062		
Total revenues	330,537		330,537		
Operating costs and expenses:					
Cost of revenue	113,492		113,492		
Store operations	57,485		57,485		
Selling, general and administrative	55,573	(13,365)[(2)(3)(4)]	42,208		
Depreciation and amortization	32,158		32,158		
Other (gain) loss	(273)		(273)		
Total operating costs and expenses	258,435	(13,365)	245,070		
Income from operations	72,102	13,365	85,467		
Other income (expense), net:					
Interest expense, net	(24,549)		(24,549)		
Other income (expense)	(275)	1,899[(1)]	1,624		
Total other expense, net	(24,824)	1,899	(22,925)		
Income before taxes	47,278	15,264	62,542		
Provision for income taxes	9,148	3,363[(5)]	12,511	1,713[(5)]	14,224
Net income	38,130	11,901	50,031	(1,713)	48,318
Less net income attributable to noncontrolling interests	19,612	20,586[(6)]	40,198	(4,451)[(7)]	35,747
Net income attributable to Planet Fitness, Inc.	$ 18,518	$ (8,685)	$ 9,833	$ 2,738	$ 12,571
Net income per share data[(8)]:					
Net income per share:					
Basic and diluted	$ 0.11				$ 0.29

Weighted average shares of Class A common stock outstanding:		
Basic and diluted	36,244	43,476

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Notes to unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2015

(1) For the year ended December 31, 2015, we recognized expenses totaling $1.9 million related to management fees paid to TSG. In connection with the IPO, this management services agreement was terminated. This pro forma adjustment removes this expense from the Planet Fitness, Inc. historical financial statements as such amounts are no longer incurred following the IPO.

(2) For the year ended December 31, 2015, we recognized expenses totaling $7.7 million related to various costs incurred in conjunction with the recapitalization transactions and the IPO. As we did not retain any proceeds from the IPO, we were required to record these costs in the consolidated statement of operations for the year ended December 31, 2015. This pro forma adjustment removes these expenses from the Planet Fitness, Inc. historical financial statements as they were directly related to the recapitalization transactions and the IPO.

(3) For the year ended December 31, 2015, we recognized cash-based compensation expense totaling $1.7 million in conjunction with the IPO. This pro forma adjustment removes this expense from the Planet Fitness, Inc. historical financial statements as such amounts were incurred as a direct result of the IPO.

(4) For the year ended December 31, 2015, we recognized equity-based compensation expense totaling $4.5 million in conjunction with the IPO. This pro forma adjustment removes this expense from the Planet Fitness, Inc. historical financial statements as such amounts were incurred as a direct result of the IPO.

This pro forma adjustment also adds $0.5 million of equity-based compensation expense related to equity awards previously granted which met vesting requirements upon completion of the IPO. The expense represents the amount that would have vested on such awards during the period assuming the IPO had been effective January 1, 2015.

(5) Planet Fitness, Inc. is subject to U.S. federal income taxes, in addition to state and local taxes, with respect to our allocable share of any net taxable income of Pla-Fit Holdings, LLC. The adjustment of $3.4 million to the provision for income taxes resulting from the recapitalization and IPO is the result of additional income tax expense from the pro forma offering adjustments as well as the increased ownership of Pla-Fit Holdings, LLC by Planet Fitness, Inc. The unaudited pro forma provision for income taxes reflects our effective tax rate of 39.4% applied to income apportioned to each state and local jurisdiction. This tax rate has been applied to the 37.1% portion of income before taxes that represents the economic interest in Pla-Fit Holdings, LLC held by Planet Fitness, Inc. following the recapitalization transactions and the IPO. The unaudited pro forma provision for income taxes also reflects an effective state tax rate of 2.5% applied to noncontrolling interests representing the remaining 62.9% portion of income before taxes, excluding income from variable interest entities, related to Pla-Fit Holdings, LLC following the recapitalization transactions and the IPO.

The adjustment of $1.7 million to the provision for income taxes resulting from this offering reflects our effective tax rate of 39.4% applied to the additional 7.0% of income before taxes that represents our additional economic interest in Pla-Fit Holdings, LLC that will be held by Planet Fitness, Inc. upon completion of the exchange of Holdings Units for shares of Class A common stock by certain Continuing LLC Owners in connection with this offering. The unaudited pro forma provision for income taxes upon completion of this offering also reflects an effective state tax rate of 2.5% applied to noncontrolling interests, representing the remaining 55.9% of income before taxes, excluding income from variable interest entities, related to Pla-Fit Holdings, LLC.

(6) The Holdings Units of Pla-Fit Holdings, LLC owned by the Continuing LLC Owners are considered noncontrolling interests in the consolidated financial statements of Planet Fitness, Inc. As a result of the

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recapitalization transactions and IPO, the non controlling interests held by the Continuing LLC Owners have a 62.9% economic ownership of Pla-Fit Holdings, LLC, and as such 62.9% of Pla-Fit Holdings, LLC s net income is attributable to the non controlling interests. The remaining economic ownership of Pla-Fit Holdings, LLC is held by Planet Fitness, Inc. following the completion of the recapitalization transactions and the IPO. The pro forma adjustment reflects the allocation of Pla-Fit Holdings, LLC net income to the noncontrolling interests for the period presented assuming the IPO had been effective as of January 1, 2015.

(7) Upon consummation of this offering, the noncontrolling interests ownership of Pla-Fit Holdings, LLC will be diluted from 62.9% to 55.9%, and, therefore, net income will be attributable to the noncontrolling interests based on their 55.9% ownership interest, and to Planet Fitness, Inc., which owns the remaining 44.1% of the Holdings Units of Pla-Fit Holdings, LLC. The adjustment of $4.5 million reflects the adjustment to the allocation of income to the noncontrolling interests.

(8) The pro forma net income per share is calculated based on pro forma net income reflecting the adjustments discussed above divided by the 43,475,516 shares of Class A common stock that will be issued and outstanding following this offering. The shares of Class B common stock have no rights to dividends or distributions, whether in cash or stock, and therefore are excluded from this calculation. We have determined that the assumed conversion of Holdings Units to Class A common stock under the if-converted method of calculating earnings per share does not result in a dilutive impact and therefore that basic and dilutive pro forma net income per share are the same.

(in thousands except share and per share amounts)		**Year ended December 31, 2015**
Basic and diluted net income per share:		
Numerator		
Net income	$	48,318
Less: Net income attributable to non-controlling interests		35,747
Net income attributable to Class A common stockholders basic and diluted	$	12,571
Denominator		
Shares of Class A common stock issued and outstanding prior to the offering		36,597,985
Incremental shares of Class A common issued in connection with this offering		6,877,531
Weighted-average shares of Class A common stock outstanding basic and diluted		43,475,516
Basic and diluted net income per share	$	0.29

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Selected consolidated financial and other data

The following selected consolidated financial and other data of Planet Fitness, Inc. and its subsidiaries should be read in conjunction with Capitalization, Management s discussion and analysis of financial condition and results of operations and our audited and unaudited consolidated financial statements and the related notes included elsewhere in this prospectus. Pla-Fit Holdings, LLC is considered our predecessor for accounting purposes, and its consolidated financial statements are our historical financial statements. The terms Predecessor and Successor used below and throughout this prospectus refer to the periods prior and subsequent to the 2012 Acquisition, respectively.

The selected historical consolidated financial data in the following table as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated financial data as of March 31, 2016 and for the quarters ended March 31, 2016 and 2015 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. In the opinion of our management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results for those periods have been reflected. The selected consolidated financial data set forth below as of December 31, 2013, 2012 and 2011 and for the year ended December 31, 2011 and for the periods from January 1, 2012 to November 7, 2012 (Predecessor) and November 8, 2012 to December 31, 2012 (Successor) are derived from our audited consolidated financial statements not included in this prospectus. The selected consolidated financial data set forth below as of March 31, 2015 is derived from our unaudited balance sheet not included in this prospectus.

The unaudited combined results of operations and cash flows for the year ended December 31, 2012 represent the mathematical addition of our Predecessor s results of operations from January 1, 2012 to November 7, 2012, and the Successor s results of operations from November 8, 2012 to December 31, 2012. We have included the unaudited combined financial information in order to facilitate a comparison with our other years.

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(in thousands, except per share data) Consolidated statement of operations data:	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013	Combined year ended December 31, 2012 (Unaudited)[1]	Period from November 8, 2012 through December 31, 2012 (Successor)	Period from January 1, 2012 through November 7, 2012 (Predecessor)	Year ended December 31, 2011 (Predecessor)	Quarter ended March 31, 2016 (Unaudited)	Quarter ended March 31, 2015 (Unaudited)
Revenue:									
Franchise revenue[2]	$ 71,762	$ 58,001	$ 33,684	$ 25,709	$ 4,420	$ 21,289	$ 14,903	$ 21,491	$ 16,967
Commission income	16,323	13,805	10,473	9,026	1,837	7,189	6,917	6,186	4,790
Franchise segment	88,085	71,806	44,157	34,735	6,257	28,478	21,820	27,677	21,757
Corporate-owned stores segment	98,390	85,041	67,364	49,182	8,822	40,360	39,395	25,697	23,546
Equipment segment[2]	144,062	122,930	99,488	75,770	26,708	49,062	75,221	29,969	31,619
Total revenue	330,537	279,777	211,009	159,687	41,787	117,900	136,436	83,343	76,922
Operating costs and expenses:									
Cost of revenue	113,492	100,306	81,353	62,544	21,480	41,064	58,032	23,639	25,946
Store operations	57,485	49,476	41,692	34,331	5,950	28,381	27,790	14,732	14,341
Selling, general and administrative	55,573	35,121	23,118	22,108	2,633	19,475	15,005	11,845	14,138
Depreciation and amortization	32,158	32,341	28,808	12,635	6,959	5,676	4,205	7,703	8,201
Other (gain) loss	(273)	994		(1,921)		(1,921)	(234)	(186)	(6)
Total operating costs and expenses	258,435	218,238	174,971	129,697	37,022	92,675	104,798	57,733	62,620
Income from operations	72,102	61,539	36,038	29,990	4,765	25,225	31,638	25,610	14,302
Other income (expense), net:									
Interest expense, net[3]	(24,549)	(21,800)	(8,912)	(3,782)	(2,430)	(1,352)	(1,891)	(6,367)	(4,756)
Other income (expense)	(275)	(1,261)	(694)	(96)	(125)	29	288	393	(736)
Total other expense, net	(24,824)	(23,061)	(9,606)	(3,878)	(2,555)	(1,323)	(1,603)	(5,974)	(5,492)
Income before income taxes	47,278	38,478	26,432	26,112	2,210	23,902	30,035	19,636	8,810
Provision for income taxes	9,148	1,183	633	712	56	656	747	3,291	272
Net income	38,130	37,295	25,799	25,400	2,154	23,246	29,288	16,345	8,538
Less net income attributable to non-controlling interests	19,612	487	361	1,047	32	1,015	2,350	12,977	113
Net income attributable to Planet Fitness, Inc.	$ 18,518	$ 36,808	$ 25,438	$ 24,353	$ 2,122	$ 22,231	$ 26,938	$ 3,368	$ 8,425
Net income per share of Class A common stock:									
Basic and diluted	$ 0.11							$ 0.09	
Pro forma net income per share data (unaudited)[5]									
Pro forma net income per share:									
Basic and diluted	$ 0.29							$ 0.10	

Pro forma weighted average shares of Class A common stock outstanding:									
Basic and diluted	43,476							43,476	
Consolidated statement of cash flows data:									
Net cash provided by operating activities	$ 81,663	$ 79,405	$ 66,943	$ 43,058	$ 12,481	$ 30,577	$ 37,954	$ 15,262	$ 12,039
Net cash used in investing activities	(19,161)	(54,362)	(7,137)	(232,900)	(216,156)	(16,744)	(6,699)	(845)	(5,320)
Net cash provided by (used in) financing activities	(74,240)	(12,952)	(37,994)	186,643	192,441	(5,798)	(33,963)	(7,698)	(22,501)
Consolidated balance sheet data:									
Cash and cash equivalents	$ 31,430	$ 43,291	$ 31,267	n/a	$ 9,455	n/a	$ 12,986	$ 38,268	$ 27,532
Property and equipment, net	56,139	49,579	33,766	n/a	32,747	n/a	28,150	54,302	51,587
Total assets(4)	699,177	601,982	556,573	n/a	552,564	n/a	66,920	685,666	570,880
Total debt and capital lease obligations, excluding deferred financing costs	492,320	387,496	184,460	n/a	201,819	n/a	24,254	491,034	506,349
Total equity (deficit)	(1,080)	151,749	321,915	n/a	316,639	n/a	1,761	7,261	12,425

(1) The table above sets forth our results of operations for the period from January 1, 2012 to November 7, 2012 (Predecessor), and the period November 8, 2012 to December 31, 2012 (Successor). The unaudited combined results of operations and cash flows for the year ended December 31, 2012 represent the mathematical addition of our Predecessor s results of operations from January 1, 2012 to November 7, 2012, and the Successor s results of operations from November 8, 2012 to December 31, 2012. We have included the unaudited combined financial information in order to facilitate a comparison with our other years. Each of the Predecessor and Successor results for the period from January 1, 2012 to November 7, 2012, and the period from November 8, 2012 to December 31, 2012, respectively, have been audited and are consistent with GAAP. However, the presentation of unaudited combined financial information for the year ended December 31, 2012 is not consistent with GAAP or with the pro forma requirements of Article 11 of Regulation S-X, and may yield results that are not comparable on a period-to-period basis primarily due to (i) the impact of required

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purchase accounting adjustments and (ii) the new basis of accounting established in connection with the 2012 Acquisition. Such results are not necessarily indicative of what the results for the respective periods would have been had the 2012 Acquisition not occurred. All references to the year ended December 31, 2012 in this prospectus are based on this unaudited combined information.

(2) Effective January 1, 2012, we began to report placement revenue within franchise revenue. Prior to January 1, 2012, this revenue was reported within equipment revenue. Placement revenue includes amounts we charge our franchisees for assembling and placing cardio and strength equipment at franchisee-owned stores. Placement revenue was $9.8 million, $8.5 million, $6.3 million and $4.9 million in 2015, 2014, 2013 and 2012, respectively. Prior to 2012, we did not separately track these amounts.

(3) Interest expense in 2014 included $4.7 million for the loss on extinguishment of debt.

(4) Reflects the reclassification of deferred financing costs of $7.3 million, $5.5 million, $7.1 million, and $0.6 million in connection with the adoption of ASU No. 2015-03 as of December 31, 2014, 2013, 2012 and 2011, respectively.

(5) Pro forma net income per share is computed by dividing pro forma net income available to Class A common stockholders by the weighted-average shares of Class A common stock outstanding during the period. For more information regarding the pro forma presentation of these measures, see Unaudited pro forma consolidated financial information.

	Year ended December 31,					Quarter ended March 31,	
	2015	2014	2013	2012 (Combined)	2011 (Predecessor)	2016	2015 (unaudited)
Other operating data: (unaudited)[1]							
Number of stores at end of period:[2]							
Franchisee-owned	1,066	863	704	562	457	1,113	919
Corporate-owned	58	55	45	44	31	58	57
System-wide	1,124	918	749	606	488	1,171	976
Same store sales growth:[3]							
Franchisee-owned	8.3%	11.5%	9.1%	8.7%	3.8%	7.0%	11.7%
Corporate-owned	1.9%	5.4%	6.1%	4.8%	3.3%	4.9%	4.6%
System-wide	7.7%	10.8%	8.4%	8.1%	3.6%	6.8%	10.9%
Number of members at end of period (in millions)[4]	7.3	6.1	4.8	3.7	2.9	8.3	7.1
System-wide sales (in millions)[5]	$ 1,507	$ 1,190	$ 891	$ 694	$ 520	$ 415	$ 328
($ in thousands, except per share data)							
EBITDA[6]	$ 103,985	$ 92,619	$ 64,152	$ 42,529	$ 36,131	$ 33,706	$ 21,767
Adjusted EBITDA[6]	$ 123,486	$ 100,549	$ 71,198	$ 51,320	$ 38,099	$ 34,268	$ 28,471
Adjusted net income[7]	$ 53,235	$ 42,183	$ 34,006			$ 15,175	$ 12,595
Adjusted net income per share, diluted[7]	$ 0.54					$ 0.15	
Adjusted shares outstanding[8]	98,710					98,707	

(1) For the other operating data shown in the table above, we have combined the Predecessor and the Successor periods to present 2012 on a combined basis only.

(2) We classify a store as open on the date the store receives its occupancy certificate, which is typically the date the store is first available for use by its members.

(3) Same store sales refers to year-over-year sales comparisons for the same store sales base. We define the same store sales base to include those stores that have been open and for which membership dues have been billed for longer than 12 months. We measure same store sales based solely on monthly dues billed to members of our corporate-owned stores and franchisee-owned stores.

(4) We define members as all active members, which includes both monthly billing members, prepay members and all pre-sale members. Pre-sale members include those that have joined a store prior to the store opening. This data is system-wide, which includes members of corporate-owned and franchisee-owned stores.

(5) We define system-wide sales as the monthly dues and annual fees from members of both corporate-owned and franchisee-owned stores.

(6) 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, management fees, certain IT system upgrade costs, acquisition transaction fees, IPO-related costs, IPO-related compensation expense, pre-opening 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

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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. See Management s discussion and analysis of financial condition and results of operations Non-GAAP financial measures.

(7) Our presentation of Adjusted net income and Adjusted net income per share, diluted, gives effect to the consolidation of Pla-Fit Holdings, LLC with Planet Fitness, Inc. resulting from the recapitalization transactions described in Prospectus summary Our initial public offering and organizational structure and the amended and restated Pla-Fit Holdings LLC Agreement as if they had occurred as of January 1, 2013. In addition, Adjusted net income assumes that all net income is attributable to Planet Fitness, Inc., which assumes the full exchange of all outstanding Holdings Units for shares of Class A common stock of Planet Fitness, Inc., adjusted for certain 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 as though the IPO had occurred and those shares were outstanding for each period presented and assuming the full exchange of all outstanding Holdings Units and corresponding Class B common shares 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 GAAP. See Management s discussion and analysis of financial condition and results of operations Non-GAAP financial measures.

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

The following table reconciles net income to EBITDA and Adjusted EBITDA for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively, and for the quarters ended March 31, 2016 and 2015, respectively.

	Year ended December 31,					Quarter ended March 31,	
(in thousands)	**2015**	**2014**	**2013**	**2012**	**2011**	**2016**	**2015**
(unaudited)				**(Combined)**	**(Predecessor)**	**(unaudited)**	
Net income	**$ 38,130**	**$ 37,295**	**$ 25,799**	**$ 25,400**	**$ 29,288**	**$ 16,345**	**$ 8,538**
Interest expense, net[1]	24,549	21,800	8,912	3,782	1,891	6,367	4,756
Provision for income taxes	9,148	1,183	633	712	747	3,291	272
Depreciation and amortization	32,158	32,341	28,808	12,635	4,205	7,703	8,201
EBITDA	**103,985**	**92,619**	**64,152**	**42,529**	**36,131**	**33,706**	**21,767**
Purchase accounting adjustments revenue[2]	713	534	2,239	678			191
Purchase accounting adjustments rent[3]	893	987	580	104		182	235
Management fees[4]	1,899	1,211	1,136	147			284
IT system upgrade costs[5]	3,901	1,228	2,516	451	762		3,633
Transaction fees[6]		552	280	1,989	202		
IPO-related costs[7]	7,697	687					1,757
IPO related compensation expense[8]	6,155						
Severance costs[9]						380	
Pre-opening costs[10]	793	1,676	295	144	604		604
Legacy bonus[11]				4,542			
Loss on reacquired franchise rights[12]		1,293					
Other[13]	(2,550)	(238)		736	400		
Adjusted EBITDA	$ 123,486	$ 100,549	$ 71,198	$ 51,320	$ 38,099	$ 34,268	$ 28,471

(1) Includes $4.7 million of loss on extinguishment of debt in 2014.

(2) Represents the impact of revenue-related purchase accounting adjustments associated with the 2012 Acquisition, and the acquisition of eight franchisee-owned stores on March 31, 2014. At the time of the 2012 Acquisition, which consisted of the purchase of interests in Pla-Fit Holdings by investment funds affiliated with TSG Consumer Partners, LLC, 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 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. For the years ended December 31, 2015, 2014, 2013, 2012 and 2011 and the quarters ended March 31, 2016 and 2015, these amounted to $713, $1,329, $2,239, $678, $0, $0 and $191, respectively representing the amount of additional revenue that would have been recognized in those years if the write-down to deferred revenue had not occurred in connection with the application of acquisition push-down accounting. In connection with the March 31, 2014 acquisition of eight franchisee-owned stores, the adjustments above include the reversal of revenue recognized in accordance with GAAP subsequent to the acquisition for which the corresponding cash was received by the previous owner prior to our acquisition of the stores. This adjustment is a decrease of $795 for the year ended December 31, 2014.

(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, which consisted of the purchase of interests in Pla-Fit Holdings by investment funds affiliated with TSG Consumer Partners, LLC, the Company s deferred rent liability was required to be written off as of the acquisition date and remaining aggregate cash payments under the lease agreement are being recognized as rent expense on a straight-line basis from the acquisition date through the end of the lease term. This results in higher overall 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 $415, $492, $377, $68, $0, $108 and $116 in the years ending December 31, 2015, 2014, 2013, 2012 and 2011 and the quarters ending March 31, 2016 and 2015, respectively, reflect the difference between the higher rent expense recorded in accordance with GAAP and the rent expense that would have been recorded had the 2012 Acquisition not occurred. Adjustments of $478, $495, $203, $36, $0, $97 and $119 for the years ending December 31, 2015, 2014, 2013, 2012 and 2011 and the quarters ending March 31, 2016 and 2015, respectively, represent the non-cash amortization of favorable and unfavorable lease intangible assets and liabilities which were recorded in connection with the 2012 Acquisition and the acquisition of eight franchisee-owned stores on March 31, 2014. All of the rent related purchase accounting adjustments are adjustments to rent expense which is included in store operations on our consolidated statements of operations.

(4) Represents management fees and expenses paid to a management company affiliated with TSG pursuant to a management services agreement that terminated in connection with the IPO, resulting in a $1 million termination fee in the year ended December 31, 2015. See Certain relationships and related party transactions Management services agreement.

(5) Represents costs associated with certain IT system upgrades, primarily related to our point-of-sale systems.

(6) Represents transaction fees and expenses primarily related to business acquisitions and dispositions.

(7) Represents legal, accounting and other costs incurred in connection with the IPO.

(8) Represents cash-based and equity-based compensation expense recorded in connection with the IPO.

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

(10) Represents costs associated with new corporate-owned stores incurred prior to the store opening, including payroll-related costs, rent and occupancy expenses, marketing and other store operating supply expenses.

(11) Relates primarily to bonuses for certain employees at the time of the 2012 Acquisition that were paid by the members of the Predecessor, which according to accounting rules applicable to us must be reported in our GAAP results.

(12) Represents the impact of a one-time, non-cash loss recorded in accordance with ASC 805 *Business Combinations* related to our acquisition of eight franchisee owned stores on March 31, 2014. The loss recorded under GAAP represents the difference between the fair value of the reacquired franchise rights and the contractual terms of the reacquired franchise rights and is included in other (gain) loss on our consolidated statements of operations.

(13) Represents certain other charges and gains that we do not believe reflect our underlying business performance. These charges consisted primarily of severance in 2011, severance offset by the gain from the sale of two stores to a franchisee in 2012 and the net gain recorded from the receipt of insurance proceeds related to restoration and business interruption costs from the flood that occurred in our Bayshore, New York store in August 2014.

Management s discussion and analysis of financial condition and results of operations

You should read the following discussion and analysis of our financial condition and consolidated results of operations in conjunction with the Selected consolidated financial and other data section of this prospectus and our consolidated financial statements and the related notes appearing elsewhere in this prospectus. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth in the Risk factors section and elsewhere in this prospectus.

Overview

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

As of March 31, 2016, we had more than 8.3 million members and 1,171 stores in 47 states, the District of Columbia, Puerto Rico, Canada and the Dominican Republic. Of our 1,171 stores, 1,113 are franchised and 58 are corporate-owned. As of March 31, 2016, we had commitments from franchisees to open more than 1,000 new stores under existing ADAs.

Composition of revenues, expenses and cash flows

Revenues

We generate revenue from three primary sources:

Franchise segment revenue: Franchise segment revenue relates to services we provide to support our franchisees and includes royalty revenue, franchise fees, placement revenue, other fees and commission income associated with our franchisee-owned stores. Franchise segment revenue does not include the sale of tangible products by us to our franchisees. Our franchise segment revenue comprised 27%, 26% and 21% of our total revenue for the years ended December 31, 2015, 2014 and 2013, respectively, and 33% and 28% of our total revenue for the quarters ended March 31, 2016 and 2015, respectively. Royalty revenue, which represents royalties paid by franchisees based on the franchisee-owned stores monthly and annual membership billings, is recognized on a monthly basis over the term of the franchise agreement. Franchise fees, which include fees under ADAs, are recognized when we have substantially completed all of our performance obligations, which is generally at or near the store opening date. Placement revenue includes amounts we charge our franchisees for assembling and placing cardio and strength equipment at franchisee-

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owned stores. Placement revenue is recognized upon completion and acceptance of the services at the franchisee stores. Other fees includes online member join fees we receive from franchisees related to processing transactions for new members joining franchisee-owned stores through the Company s website and billing transaction fees we receive from franchisees related to franchisee membership billing processing through our third-party hosted point-of-sale system. Through our point-of-sale system, we oversee the processing of membership billings for franchisee-owned stores through EFT transactions and the billing transaction fees we receive are based upon the number of transactions processed. Our royalties and other fees are deducted from these membership billings and remitted to us by the processor prior to the net billings being remitted to the franchisees. Commission income is generated from activities related to our franchisees, including purchases of merchandise, promotional materials and store fixtures by our franchisees from third-party vendors. Beginning in 2015, commission income also included commissions earned on equipment sales by third-party vendors to franchisees in international locations. These commissions are recognized when amounts have been earned and collectability from the vendor is reasonably assured.

Corporate-owned store segment revenue: Includes monthly membership dues, enrollment fees, annual fees and prepaid fees paid by our members as well as retail sales. This source of revenue comprised 30%, 30% and 32% of our total revenue for the years ended December 31, 2015, 2014 and 2013, respectively, and 31% and 31% of our total revenue for the quarters ended March 31, 2016 and 2015, respectively. As of March 31, 2016, 95% of our members paid their monthly dues by EFT, while the remainder prepaid annually in advance. Membership dues and fees are earned and recognized over the membership term. Enrollment fees are recognized ratably over the estimated duration of the membership. Annual fees are recognized ratably over the 12-month membership period. Retail sales are recognized at the point of sale.

Equipment segment revenue: Includes equipment revenue for new U.S. franchisee-owned stores as well as replacement equipment for U.S. existing franchisee-owned stores. Franchisee-owned stores are required to replace their equipment every four to seven years based on the life of the specific equipment. This source of revenue comprised 43%, 44% and 47% of our total revenue for the years ended December 31, 2015, 2014 and 2013, respectively, and 36% and 41% of our total revenue for the quarters ended March 31, 2016 and 2015, respectively. Equipment revenue is recognized when the equipment is delivered, assembled, placed and accepted by the franchisee.

Expenses

We primarily incur the following expenses:

Cost of revenue: Primarily includes the direct costs associated with equipment sales to new and existing franchisee-owned stores in the U.S. as well as direct costs related to our point-of-sale system. Cost of revenue also includes the cost of retail sales at our corporate-owned stores, which is immaterial. Our cost of revenue changes primarily based on equipment sales volume.

Store operations: Includes the direct costs associated with our corporate-owned stores, primarily rent, utilities, payroll, marketing, maintenance and supplies. The components of store operations remain relatively stable for each store and change primarily based on the number of corporate-owned stores. Our statements of operations do not include, and we are not responsible for, any costs associated with operating franchisee-owned stores.

Selling, general and administrative expenses: Consists of costs associated with administrative and franchisee support functions related to our existing business as well as growth and development activities, including costs to support equipment placement services. These costs primarily consist of payroll, IT-related, marketing, legal and accounting expenses.

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Cash flows

We generate a significant portion of our cash flows from monthly membership dues, royalties and various fees and commissions related to transactions involving our franchisee-owned stores. We oversee the membership billing process, as well as the collection of our royalties and certain other fees, through our third-party hosted system-wide point-of-sale system. We collect monthly dues from our corporate-owned store members on or around the 17th of each month, while annual fees are collected in February, June or October, depending on when the membership agreement was signed. Through our point-of-sale system, we oversee the processing of membership billings for franchisee-owned stores. Our royalties and certain other fees are deducted on or around the 17th of each month from these membership billings by the processor prior to the net billings being remitted to the franchisees. Our franchisees are responsible for maintaining the membership billing records and collection of member dues for their respective stores through the point-of-sale system. Our royalties are based on monthly and annual membership billings for the franchisee-owned stores without regard to the collections of those billings by our franchisees. The amount and timing of the collection of royalties and membership dues and fees at corporate-owned stores is, therefore, generally fairly predictable.

As new corporate-owned stores open, or existing stores generate positive same store sales, future corporate-owned store revenues are expected to grow. Our corporate-owned stores also generate strong operating margins and cash flows, as a significant portion of our costs are fixed or semi-fixed such as rent and labor.

Equipment sales to new and existing franchisee-owned stores also generate significant cash flows. Franchisees either pay in advance or provide evidence of a committed financing arrangement.

Recent transactions

In May 2016, the board of directors authorized the Company to purchase, from time to time, as market conditions warrant, $20 million of the Company s Class A common stock. The share repurchase program does not obligate us to repurchase any particular amount of common stock, and it could be modified, suspended or discontinued at any time. The timing and amount of repurchases will be determined by management, at its discretion, based on a variety of factors such as the market price of our common stock, corporate and legal requirements, general market and economic conditions, and compliance with the terms of agreements governing our outstanding indebtedness. Purchases of our common stock may be made in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, in privately negotiated transactions or by other means in accordance with federal securities laws. The share repurchase program does not have a specified expiration date.

Seasonality

Our results are subject to seasonality fluctuations in that member joins are typically higher in January as compared to other months of the year. In addition, our quarterly results may fluctuate significantly because of several factors, including the timing of store openings, timing of price increases for enrollment fees and monthly membership dues and general economic conditions. See Note 21 to our consolidated financial statements included in this prospectus for our total revenues, income from operations and net income for each of the quarters during the years ended December 31, 2015 and 2014.

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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, the District of Columbia, Puerto Rico, Canada and the Dominican Republic. Our Corporate-owned stores segment includes operations with respect to all corporate-owned stores throughout the United States and Canada. The Equipment segment includes the sale of equipment to franchisee-owned stores in the U.S. 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 years ended December 31, 2015, 2014 and 2013, and for the quarters ended March 31, 2016 and 2015. 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.

	Year ended December 31,			Quarter ended March 31,	
(in thousands)	**2015**	**2014**	**2013**	**2016**	**2015**
					(unaudited)
Revenue					
Franchise segment	$ 88,085	$ 71,806	$ 44,157	$ 27,677	$ 21,757
Corporate-owned stores segment	98,390	85,041	67,364	25,697	23,546
Equipment segment	144,062	122,930	99,488	29,969	31,619
Total revenue	$ 330,537	$ 279,777	$ 211,009	$ 83,343	$ 76,922
Segment EBITDA					
Franchise	$ 66,030	$ 53,109	$ 30,123	$ 23,813	$ 13,578
Corporate-owned stores	36,070	31,705	21,742	10,162	7,798
Equipment	31,936	26,447	19,791	6,318	6,763
Corporate and other	(30,051)	(18,642)	(7,504)	(6,587)	(6,372)
Total Segment EBITDA[(1)]	$ 103,985	$ 92,619	$ 64,152	$ 33,706	$ 21,767

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

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

(in thousands)	Franchise	Corporate-owned stores	Equipment	Corporate and other	Total
Quarter ended March 31, 2016:					
Income from operations	$ 21,691	$ 5,877	$ 4,767	$ (6,725)	$ 25,610
Depreciation and amortization	2,118	3,902	1,551	132	7,703
Other income (expense)	4	383		6	393
Segment EBITDA[1]	$ 23,813	$ 10,162	$ 6,318	$ (6,587)	$ 33,706
Quarter ended March 31, 2015:					
Income from operations	$ 11,264	$ 3,929	$ 5,210	$ (6,101)	$ 14,302
Depreciation and amortization	2,314	4,321	1,553	13	8,201
Other income (expense)		(452)		(284)	(736)
Segment EBITDA[1]	$ 13,578	$ 7,798	$ 6,763	$ (6,372)	$ 21,767
Year ended December 31, 2015					
Income from operations	$ 57,442	$ 19,738	$ 25,725	$ (30,803)	$ 72,102
Depreciation and amortization	8,544	17,232	6,211	171	32,158
Other income (expense)	44	(900)		581	(275)
Segment EBITDA[1]	$ 66,030	$ 36,070	$ 31,936	$ (30,051)	$ 103,985
Year ended December 31, 2014					
Income from operations	$ 44,500	$ 14,154	$ 20,235	$ (17,350)	$ 61,539
Depreciation and amortization	8,609	17,388	6,212	132	32,341
Other income (expense)		163		(1,424)	(1,261)
Segment EBITDA[1]	$ 53,109	$ 31,705	$ 26,447	$ (18,642)	$ 92,619
Year ended December 31, 2013					
Income from operations	$ 22,528	$ 7,894	$ 12,093	$ (6,477)	$ 36,038
Depreciation and amortization	7,595	13,407	7,698	108	28,808
Other income (expense)		441		(1,135)	(694)
Segment EBITDA[1]	$ 30,123	$ 21,742	$ 19,791	$ (7,504)	$ 64,152

(1) Total Segment EBITDA is equal to EBITDA, which is a metric that is not presented in accordance with GAAP. Refer to Non-GAAP Financial Measures for a definition of EBITDA and a reconciliation to net income, the most directly comparable 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 total monthly dues and annual fees from members (which we refer to as system-wide sales), the number of new store openings, same store sales for both corporate-owned and franchisee-owned stores, net member growth per store, average royalty fee percentages for franchisee-owned stores, monthly PF Black Card membership penetration percentage, EBITDA, Adjusted EBITDA, Segment EBITDA, four-wall EBITDA, Adjusted net income, and Adjusted net income per share, diluted. See Non-GAAP financial measures below for our definition of EBITDA, Adjusted EBITDA, four-wall EBITDA, Adjusted net income, and Adjusted net income per share, diluted, and why we present EBITDA, Adjusted EBITDA, four-wall 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

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comparable financial measure calculated and presented in accordance with 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 GAAP.

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

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 stores from period to period, any competitive pressures, local or regional membership traffic patterns and general market conditions that might impact our store performance. We collect monthly dues on or around the 17th of every month. We collect annual fees once per year from each member in February, June or October, depending upon when the member signed his or her membership agreement.

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 growth in our corporate-owned and franchisee-owned store base for the years ended December 31, 2015, 2014 and 2013 and for the quarters ended March 31, 2016 and 2015:

	Year ended December 31,			Quarter ended March 31,	
	2015	**2014**	**2013**	**2016**	**2015**
Franchisee-owned stores:					
Stores operated at beginning of period	863	704	562	1,066	863
New stores opened	206	169	148	48	59
Stores debranded, sold or consolidated[1]	(3)	(10)	(6)	(1)	(3)
Stores operated at end of period	1,066	863	704	1,113	919
Corporate-owned stores:					
Stores operated at beginning of period	55	45	44	58	55
New stores opened	3	2	1		2
Stores acquired from franchisees		8			
Stores operated at end of period	58	55	45	58	57
Total stores:					
Stores operated at beginning of period	918	749	606	1,124	918
New stores opened	209	171	149	48	61
Stores debranded, sold or consolidated[1]	(3)	(2)	(6)	(1)	(3)
Stores operated at end of period	1,124	918	749	1,171	976

(1) The term debranded 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.

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Same store sales

Same store sales refers to year-over-year sales comparisons for the same store sales base of both corporate-owned and franchisee-owned stores. We define the same store sales base to include those stores that have been open and for which monthly membership dues have been billed for longer than 12 months. We measure same store sales based solely upon monthly dues billed to members of our corporate-owned and franchisee-owned stores.

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

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

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

In March of 2015, we completed a migration to a new point-of-sale and billing system (POS system), which gives us enhanced control over membership billing practices across all stores and allows us to create mandatory requirements to discontinue the attempted billing of delinquent membership accounts. We believe these changes in our billing practices are beneficial to our brand by controlling collection practices on delinquent accounts and do not believe they will have a negative impact on net membership billings collected by our corporate-owned or franchisee-owned stores. However, the changes in our billing practices, which commenced in the second quarter of 2015, have caused our royalties to be lower due to earlier terminations of billings of certain delinquent accounts upon which we previously received royalty payments. While we do not believe that the impact on our royalties in the future will be material, these new billing practices have negatively impacted, and are expected to negatively impact, our same store sales metrics during 2016 as monthly EFT over the remainder of 2016 is expected to include fewer delinquent membership accounts. Due in part to certain limitations of our prior POS system, we are unable to provide comparable same store sales data for prior periods had these changes in billing practices been implemented previously.

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 twelve 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 twelfth month after the acquisition or sale. These stores remain in the system-wide same store sales base in all periods.

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The following table shows our same store sales for the years ended December 31, 2015, 2014 and 2013 and for the quarters ended March 31, 2016 and 2015:

	Year ended December 31,			Quarter ended March 31,	
	2015	2014	2013	2016	2015
Same store sales growth:					
Franchisee-owned stores	8.3%	11.5%	9.1%	7.0%	11.7%
Corporate-owned stores	1.9%	5.4%	6.1%	4.9%	4.6%
System-wide stores	7.7%	10.8%	8.4%	6.8%	10.9%
Number of stores in same store sales base:					
Franchisee-owned stores	837	663	545	915	722
Corporate-owned stores	55	45	44	56	45
Total stores	892	716	589	971	775

Net member growth per store

Net member growth per store refers to the change in total members in relation to total stores over time. We capture all membership changes daily through our point-of-sale system. We monitor a combination of membership growth, average members per store, average monthly EFT, transfers from or to an individual store location and daily cash collected for enrollment fees related to new members. We seek to make it simple for members to join, whether online or in-store, and, while some memberships require a cancellation fee, we offer, and require our franchisees to offer, a non-committal membership option. This approach to memberships is part of our commitment to appeal to new and occasional gym users. As a result, we do not measure membership attrition as an operating metric in assessing our performance. We primarily attribute our membership growth to the growth of our franchisee-owned store base.

Average royalty fee percentages for the franchisee-owned stores

The average royalty fee percentage represents royalties collected by us from our franchisees as a percentage of the monthly membership dues and annual fees that are billed by the franchisees to their member base. We have varying royalty fee structures with our franchisee base, ranging from a fixed monthly fee of $500 to a royalty of 5.4% of total monthly EFT and annual membership fees across our franchisee base. Our royalty fee has increased over time to a current rate of 5.0% for new franchisees in the U.S. and Canada.

PF Black Card penetration percentage

Our PF Black Card penetration percentage represents the number of our members that have opted to enroll in our PF Black Card membership program as a percentage of our total active membership base. PF Black Card members pay higher monthly membership dues than our standard membership and receive additional benefits for these additional fees. These benefits include access to all of our stores system-wide and access to exclusive areas in our stores that provide amenities such as water massage beds, massage chairs, tanning equipment and more. We view PF Black Card penetration percentage as a critical metric in assessing the performance and growth of our business.

Non-GAAP financial measures

We refer to EBITDA, Adjusted EBITDA and four-wall 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, Adjusted EBITDA and four-wall EBITDA as presented in this prospectus are supplemental measures of our performance that are neither required by, nor presented in accordance with GAAP. EBITDA, Adjusted EBITDA, and four-wall EBITDA should not be considered as substitutes for GAAP metrics such as net income or any other performance measures derived in accordance with GAAP. Also, in the future we may incur expenses or charges such as those used to calculate Adjusted EBITDA. Our presentation of EBITDA, Adjusted EBITDA, and four-wall 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, management fees, certain IT system upgrade costs, acquisition transaction fees, IPO-related costs, IPO-related compensation expense, pre-opening costs and certain other charges and gains. We believe that Adjusted EBITDA is an appropriate measure of operating performance in addition to EBITDA because it eliminates the impact of other items that we believe reduce the comparability of our underlying core business performance from period to period and is therefore useful to our investors in comparing the core performance of our business from period to period. Four-wall EBITDA is an assessment of store-level profitability for stores included in the same-store-sales base, which adjusts for certain administrative and other items that we do not consider in our evaluation of store-level performance.

A reconciliation of net income to EBITDA and Adjusted EBITDA is set forth below for the years ended December 31, 2015, 2014 and 2013 and for the quarters ended March 31, 2016 and 2015:

	Year ended December 31,			Quarter ended March 31,	
(in thousands)	**2015**	**2014**	**2013**	**2016**	**2015**
Net income	$ 38,130	$ 37,295	$ 25,799	$ 16,345	$ 8,538
Interest expense, net[1]	24,549	21,800	8,912	6,367	4,756
Provision for income taxes	9,148	1,183	633	3,291	272
Depreciation and amortization	32,158	32,341	28,808	7,703	8,201
EBITDA	$ 103,985	$ 92,619	$ 64,152	$ 33,706	$ 21,767
Purchase accounting adjustments revenue[2]	713	534	2,239		191
Purchase accounting adjustments rent[3]	893	987	580	182	235
Management fees[4]	1,899	1,211	1,136		284
IT system upgrade costs[5]	3,901	1,228	2,516		3,633
Transaction fees[6]		552	280		
IPO-related costs[7]	7,697	687			1,757
IPO related compensation expense[8]	6,155				
Severance costs[9]				380	
Pre-opening costs[10]	793	1,676	295		604
Loss on reacquired franchise rights[11]		1,293			
Other[12]	(2,550)	(238)			
Adjusted EBITDA	$ 123,486	$ 100,549	$ 71,198	$ 34,268	$ 28,471

(1) Includes $4.7 million of loss on extinguishment of debt in the year-ended December 31, 2014.

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(2) Represents the impact of revenue-related purchase accounting adjustments associated with the 2012 Acquisition, and the acquisition of eight franchisee-owned stores on March 31, 2014. At the time of the 2012 Acquisition, which consisted of the purchase of interests in Pla-Fit Holdings by investment funds affiliated with TSG Consumer Partners, LLC, 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 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. For the years ended December 31, 2015, 2014 and 2013 and the quarters ended March 31, 2016 and 2015, these amounted to $713, $1,329, $2,239, $0 and $191, respectively representing the amount of additional revenue that would have been recognized in those years if the write-down to deferred revenue had not occurred in connection with the application of acquisition pushdown accounting. In connection with the March 31, 2014 acquisition of eight franchisee-owned stores, the adjustments above include the reversal of revenue recognized in accordance with GAAP subsequent to the acquisition for which the corresponding cash was received by the previous owner prior to our acquisition of the stores. This adjustment is a decrease of $795 for the year ended December 31, 2014.

(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 of Pla-Fit Holdings on November 8, 2012 by TSG, 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 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 $415, $492, $377, $85 and $116 in the years ending December 31, 2015, 2014 and 2013 and the quarters ending March 31, 2016 and 2015, respectively, reflect the difference between the higher rent expense recorded in accordance with US GAAP since the acquisition and the rent expense that would have been recorded had the 2012 Acquisition not occurred. Adjustments of $478, $495, $203, $97 and $119 for the years ending December 31, 2015, 2014 and 2013 and the quarters ending March 31, 2016 and 2015, respectively, are due to the amortization of favorable and unfavorable lease intangible assets which were recorded in connection with the 2012 Acquisition of Pla-Fit Holdings on November 8, 2012 and the acquisition of eight franchisee-owned stores on March 31, 2014. All of the rent related purchase accounting adjustments are adjustments to rent expense which is included in store operations on our consolidated statements of operations.

(4) Represents management fees and expenses paid to a management company affiliated with TSG pursuant to a management services agreement that terminated in connection with the IPO, resulting in a $1 million termination fee in the year ended December 31, 2015. See Certain relationships and related party transactions Management services agreement.

(5) Represents costs associated with certain IT system upgrades, primarily related to our point-of-sale systems.

(6) Represents transaction fees and expenses primarily related to business acquisitions.

(7) Represents legal, accounting and other costs incurred in connection with the IPO.

(8) Represents cash-based and equity-based compensation expense recorded in connection with the IPO.

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

(10) Represents costs associated with new corporate-owned stores incurred prior to the store opening, including payroll-related costs, rent and occupancy expenses, marketing and other store operating supply expenses.

(11) Represents the impact of the recording of a one-time, non-cash loss recorded in accordance with ASC 805 Business Combinations related to our acquisition of eight franchisee owned stores on March 31, 2014. The loss recorded under GAAP represents the difference between the fair value of the reacquired franchise rights and the contractual terms of the required franchise rights and is included in other (gain) loss on our consolidated statements of operations.

(12) Represents certain other charges and gains that we do not believe reflect our underlying business performance. In 2015, the gain relates to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rate. In 2014, this gain was related to restoration and business interruption costs

from the flood that occurred in our Bayshore, New York store in August 2014.

As a result of the recapitalization transactions that occurred prior to our IPO, the New LLC Agreement designated Planet Fitness, Inc. as the sole managing member of Pla-Fit Holdings, LLC. As sole managing member, Planet Fitness, Inc. exclusively operates and controls the business and affairs of Pla-Fit Holdings, LLC. As a result of the recapitalization transactions and the New LLC Agreement, Planet Fitness, Inc. now consolidates Pla-Fit Holdings, LLC, and Pla-Fit Holdings, LLC is considered the predecessor to Planet Fitness, Inc. for accounting purposes. Our presentation of Adjusted net income and Adjusted net income per share, diluted, gives effect to the consolidation of Pla-Fit Holdings, LLC with Planet Fitness, Inc. resulting from the recapitalization transactions described in Prospectus summary Our initial public offering and organizational structure and the New LLC Agreement as if they had occurred as of January 1, 2013. In addition, Adjusted net income assumes that all net income is attributable to Planet Fitness, Inc., which assumes the full exchange of all

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outstanding Holdings Units for shares of Class A common stock of Planet Fitness, Inc., adjusted for certain 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 as though the IPO had

occurred and those shares were outstanding for each period presented 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 GAAP. We believe Adjusted net income and Adjusted net income per share, diluted, supplement 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 GAAP measure, and the computation of Adjusted net income per share, diluted, are set forth below.

	Year ended December 31,			**For the quarter ended March 31,**	
(in thousands)	**2015**	**2014**	**2013**	**2016**	**2015**
Net income	$ 38,130	$ 37,295	$ 25,799	$ 16,345	$ 8,538
Provision for income taxes, as reported	9,148	1,183	633	3,291	272
Purchase accounting adjustments revenue[1]	713	534	2,239		191
Purchase accounting adjustments rent[2]	893	987	580	182	235
Management fees[3]	1,899	1,211	1,136		284
IT system upgrade costs[4]	3,901	1,228	2,516		3,633
Transaction fees[5]		552	280		
IPO-related costs[6]	7,697	687			1,757
IPO related compensation expense[7]	6,155				
Severance costs[8]				380	
Pre-openings costs[9]	793	1,676	295		604
Other[10]	(2,550)	(238)			
Loss on reacquired franchise rights[11]		1,293			
Purchase accounting amortization[12]	21,067	23,201	22,637	4,843	5,270
Adjusted income before income taxes	$ 87,846	$ 69,609	$ 56,115	$ 25,041	$ 20,784
Adjusted income taxes[13]	34,611	27,426	22,109	9,866	8,189
Adjusted net income	$ 53,235	$ 42,183	$ 34,006	$ 15,175	$ 12,595
Adjusted net income per share, diluted	$ 0.54			$ 0.15	
Adjusted shares outstanding[14]	98,710			98,707	

(1) Represents the impact of revenue-related purchase accounting adjustments associated with the 2012 Acquisition, and the acquisition of eight franchisee-owned stores on March 31, 2014. At the time of the 2012 Acquisition, which consisted of the purchase of interests in Pla-Fit Holdings by investment funds affiliated with TSG Consumer Partners, LLC, 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 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. For the years ended December 31, 2015, 2014 and 2013 and the quarters ended March 31, 2016 and 2015, these amounted to $713, $1,329, $2,239, $0 and $191, respectively representing the amount of additional revenue that would have been recognized in those years if the write-down to deferred revenue had not occurred in connection with the application of acquisition push-down accounting. In connection with the March 31, 2014 acquisition of eight franchisee-owned stores, the adjustments above include the reversal of revenue recognized in accordance with GAAP subsequent to the acquisition for which the corresponding cash was received by the previous owner prior to our acquisition of the stores. This adjustment is a decrease of $795 for the year ended December 31, 2014.

(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, which consisted of the purchase of interests in Pla-Fit Holdings by investment funds affiliated with TSG Consumer Partners, LLC, the Company s deferred rent liability was required to be written off as of the acquisition date and remaining aggregate cash payments under the lease agreement are being recognized as rent expense on a straightline basis from the acquisition date through the end of the lease term. This results in higher overall rent

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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 $415, $492, $377, $85 and $116 in the years ending December 31, 2015, 2014 and 2013 and the quarters ending March 31, 2016 and 2015, respectively, reflect the difference between the higher rent expense recorded in accordance with GAAP and the rent expense that would have been recorded had the 2012 Acquisition not occurred. Adjustments of $478, $495, $203, $97 and $119 for the years ending December 31, 2015, 2014 and 2013 and the quarters ending March 31, 2016 and 2015, respectively, represent the non-cash amortization of favorable and unfavorable lease intangible assets and liabilities which were recorded in connection with the 2012 Acquisition and the acquisition of eight franchisee-owned stores on March 31, 2014. All of the rent related purchase accounting adjustments are adjustments to rent expense which is included in store operations on our consolidated statements of operations.

(3) Represents management fees and expenses paid to a management company affiliated with TSG pursuant to a management services agreement that terminated in connection with the IPO, resulting in a $1 million termination fee in the year ended December 31, 2015. See Certain relationships and related party transactions Management services agreement.

(4) Represents costs associated with certain IT system upgrades, primarily related to our point-of-sale systems.

(5) Represents transaction fees and expenses primarily related to business acquisitions.

(6) Represents legal, accounting and other costs incurred in connection with the IPO.

(7) Represents cash-based and equity-based compensation expense recorded in connection with the IPO.

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

(9) Represents costs associated with new corporate-owned stores incurred prior to the store opening, including payroll-related costs, rent and occupancy expenses, marketing and other store operating supply expenses.

(10) Represents certain other charges and gains that we do not believe reflect our underlying business performance. In 2015, the gain related to the adjustment of our tax benefit arrangements primarily due to changes in our effective tax rate. In 2014, this gain was related to restoration and business interruption costs from the flood that occurred in our Bayshore, New York store in August 2014.

(11) Represents the impact of a one-time, non-cash loss recorded in accordance with ASC 805 Business Combinations related to our acquisition of eight franchisee owned stores on March 31, 2014. The loss recorded under GAAP represents the difference between the fair value of the reacquired franchise rights and the contractual terms of the reacquired franchise rights and is included in other (gain) loss on our consolidated statements of operations.

(12) Includes $17,922, $19,681, $22,637, $4,219 and $4,484 of amortization of intangible assets, other than favorable leases, for the years ended December 31, 2015, 2014 and 2013 and the quarters ended March 31, 2016 and 2015, respectively recorded in connection with the 2012 Acquisition, which consisted of the purchase of interests in Pla-Fit Holdings by investment funds affiliated with TSG Consumer Partners, LLC and $3,145, $3,520, $624 and $786 of amortization of intangible assets for the years ended December 31, 2015 and 2014 and the quarters ended March 31, 2016 and 2015, respectively, created in connection with the acquisition of eight franchisee-owned stores on March 31, 2014. The adjustment represents the amount of actual non-cash amortization expense recorded, in accordance with GAAP, in each period.

(13) Represents corporate income taxes at an assumed effective tax rate of 39.4% for the years ended December 31, 2015, 2014 and 2013 and the quarters ended March 31, 2016 and 2015, applied to adjusted income before income taxes.

(14) Assumes the full exchange of all outstanding Holdings Units and corresponding Class B common shares 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 year ended December 31, 2015:

(in thousands, except per share amounts)	**Amount**	**Weighted average shares**	**Per share**
Net income attributable to Planet Fitness, Inc.[1]	$ 4,106	36,244	$ 0.11
Assumed exchange of shares[2]	19,348	62,466	
Net income subsequent to the recapitalization transactions	23,454		
Net income prior to the recapitalization transactions	14,676		
Net Income	38,130		
Adjustments to arrive at adjusted income before income taxes[3]	49,716		
Adjusted income before income taxes	87,846		
Adjusted income taxes[4]	34,611		
Adjusted Net Income	$ 53,235	98,710	$ 0.54

(1) Represents net income attributable to Planet Fitness, Inc. for the period from August 6, 2015 through December 31, 2015, the period following the recapitalization transactions and IPO and the associated weighted average shares of Class A common stock outstanding (see Note 15 to our consolidated financial statements included elsewhere in this prospectus).

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

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

(4) Represents corporate income taxes at an assumed effective tax rate of 39.4% applied to adjusted income before income taxes.

A reconciliation of net income per share, diluted, to Adjusted net income per share, diluted is set forth below for the quarter ended March 31, 2016:

(in thousands, except per share amounts)	Amount	Weighted average shares	Per share
Net income attributable to Planet Fitness, Inc.[1]	$ 3,368	36,598	$ 0.09
Assumed exchange of shares[2]	12,977	62,109	
Net Income	16,345		
Adjustments to arrive at adjusted income before income taxes[3]	8,696		
Adjusted income before income taxes	25,041		
Adjusted income taxes[4]	9,866		
Adjusted Net Income	$ 15,175	98,707	$ 0.15

(1) Represents net income attributable to Planet Fitness, Inc. and the associated weighted average shares of Class A common stock outstanding (see Note 15 to our consolidated financial statements included elsewhere in this prospectus).

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

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

(4) Represents corporate income taxes at an assumed effective tax rate of 39.4% applied to adjusted income before income taxes.

The following table reconciles corporate-owned stores segment EBITDA to four-wall EBITDA for the year ended December 31, 2015:

	Year ended December 31, 2015		
(in thousands)	Revenue	EBITDA	EBITDA margin
Corporate-owned stores segment	$ 98,390	$ 36,070	36.7%
New stores[1]	(6,043)	232	
Selling, general and administrative[2]		3,072	
Impact of eliminations[3]		(1,644)	
Purchase accounting adjustments[4]		893	

Four-wall EBITDA for corporate-owned stores	$ 92,347	$ 38,623	41.8%
Royalty adjustment[5]		(4,617)	
Royalty adjusted four-wall EBITDA	$ 92,347	$ 34,006	36.8%

(1) Includes the impact of stores open less than 13 months and those which have not yet opened.

(2) Reflects administrative costs attributable to the corporate-owned stores segment but not directly related to store operations.

(3) Reflects intercompany charges for royalties and other fees which eliminate in consolidation.

(4) Represents the impact of certain purchase accounting adjustments associated with the 2012 Acquisition on November 8, 2012 and our acquisition of eight franchisee-owned stores during 2014. These are primarily related to fair value adjustments to deferred revenue and deferred rent.

(5) Includes the effect of royalties paid by the franchisee at a rate of 5% per our current franchisee agreement.

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Results of operations

The following table sets forth our consolidated statements of operations as a percentage of total revenue for the years ended December 31, 2015, 2014 and 2013 and for the quarters ended March 31, 2016 and 2015:

	Year ended December 31,			Quarter ended March 31,	
	2015	2014	2013	2016	2015 (unaudited)
Revenue:					
Franchise revenue	21.7%	20.7%	16.0%	25.8%	22.1%
Commission income	4.9%	5.0%	4.9%	7.4%	6.2%
Franchise segment	26.6%	25.7%	20.9%	33.2%	28.3%
Corporate-owned stores	29.8%	30.4%	31.9%	30.8%	30.6%
Equipment	43.6%	43.9%	47.2%	36.0%	41.1%
Total revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Operating costs and expenses:					
Cost of revenue	34.4%	35.9%	38.6%	28.4%	33.7%
Store operations	17.4%	17.7%	19.8%	17.7%	18.6%
Selling, general and administrative	16.8%	12.5%	10.9%	14.2%	18.4%
Depreciation and amortization	9.7%	11.5%	13.6%	9.2%	10.7%
Other (gain) loss	(0.1%)	0.4%	0.0%	(0.2%)	0.0%
Total operating costs and expenses	78.2%	78.0%	82.9%	69.3%	81.4%
Income from operations	21.8%	22.0%	17.1%	30.7%	18.6%
Other expense, net:					
Interest expense, net	(7.4%)	(7.7%)	(4.3%)	(7.6%)	(6.2%)
Other expense	(0.2%)	(0.5%)	(0.3%)	0.5%	(1.0%)
Total other expense, net	(7.6%)	(8.2%)	(4.6%)	(7.1%)	(7.2%)
Income before income taxes	14.2%	13.8%	12.5%	23.6%	11.4%
Provision for income taxes	2.8%	0.4%	0.3%	3.9%	0.4%
Net income	11.4%	13.4%	12.2%	19.7%	11.0%
Less net income attributable to non-controlling interests	5.9%	0.2%	0.2%	15.6%	0.1%
Net income attributable to Planet Fitness, Inc.	5.5%	13.2%	12.0%	4.1%	10.9%

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The following table sets forth a comparison of our consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013 and for the quarters ended March 31, 2016 and 2015:

	Year ended December 31,			Quarter ended March 31,	
(in thousands)	**2015**	**2014**	**2013**	**2016**	**2015**
				(unaudited)	
Revenue:					
Franchise revenue	$ 71,762	$ 58,001	$ 33,684	$ 21,491	$ 16,967
Commission income	16,323	13,805	10,473	6,186	4,790
Franchise segment	88,085	71,806	44,157	27,677	21,757
Corporate-owned stores	98,390	85,041	67,364	25,697	23,546
Equipment	144,062	122,930	99,488	29,969	31,619
Total revenue	330,537	279,777	211,009	83,343	76,922
Operating costs and expenses:					
Cost of revenue	113,492	100,306	81,353	23,639	25,946
Store operations	57,485	49,476	41,692	14,732	14,341
Selling, general and administrative	55,573	35,121	23,118	11,845	14,138
Depreciation and amortization	32,158	32,341	28,808	7,703	8,201
Other (gain) loss	(273)	994		(186)	(6)
Total operating costs and expenses	258,435	218,238	174,971	57,733	62,620
Income from operations	72,102	61,539	36,038	25,610	14,302
Other expense, net:					
Interest expense, net	(24,549)	(21,800)	(8,912)	(6,367)	(4,756)
Other expense	(275)	(1,261)	(694)	393	(736)
Total other expense, net	(24,824)	(23,061)	(9,606)	(5,974)	(5,492)
Income before income taxes	47,278	38,478	26,432	19,636	8,810
Provision for income taxes	9,148	1,183	633	3,291	272
Net income	38,130	37,295	25,799	16,345	8,538
Less net income attributable to non-controlling interests	19,612	487	361	12,977	113
Net income attributable to Planet Fitness, Inc.	$ 18,518	$ 36,808	$ 25,438	$ 3,368	$ 8,425

Comparison of the three months ended March 31, 2016 and March 31, 2015

Revenue

Total revenues were $83.3 million in the three months ended March 31, 2016, compared to $76.9 million in the three months ended March 31, 2015, an increase of $6.4 million, or 8.3%.

Franchise segment revenue was $27.7 million in the three months ended March 31, 2016, compared to $21.8 million in the three months ended March 31, 2015, an increase of $5.9 million, or 27.2%.

Franchise revenue was $21.5 million in the three months ended March 31, 2016 compared to $17.0 million in the three months ended March 31, 2015, an increase of $4.5 million, or 26.7%. Included in franchise revenue is royalty revenue of $14.0 million, franchise and other fees of $5.4 million, and placement revenue of $2.1 million for the three months ended March 31, 2016, compared to royalty revenue of $10.5 million, franchise and other fees of $4.5 million, and placement revenue of $2.0 million for the three months ended March 31, 2015. The $3.5

million increase in royalty revenue was primarily driven by $1.8 million attributable to royalties from new stores in 2016 as well as stores that opened in 2015 that were not included in the same store sales base, $1.2 million attributable to a same store sales increase of 7.0% in franchisee-owned stores, and $0.6 million attributable to higher royalties on annual fees.

Commission income, which is included in our franchise segment, was $6.2 million in the three months ended March 31, 2016 compared to $4.8 million in the three months ended March 31, 2015, an increase of $1.4 million, or 29.1%. The increase was primarily due to a higher volume of franchisee purchases from vendors due to more franchise stores open during the three months ended March 31, 2016 as compared to the three months ended March 31, 2015.

Revenue from our corporate-owned stores segment was $25.7 million in the three months ended March 31, 2016, compared to $23.5 million in the three months ended March 31, 2015, an increase of $2.2 million, or 9.1%. Incremental revenue for stores not included in the same store sales base led to an increase in revenue of $0.7 million in the three months ended March 31, 2016. Additionally, same store sales from corporate-owned stores increased 4.9% in the three months ended March 31, 2016, which contributed incremental revenues of $1.0 million.

Equipment segment revenue was $30.0 million in the three months ended March 31, 2016, compared to $31.6 million in the three months ended March 31, 2015, a decrease of $1.6 million, or 5.2%. This decrease was primarily driven by lower equipment sales to new franchisee-owned stores related to fewer new stores in the three months ended March 31, 2016 compared to the three months ended March 31, 2015, partially offset by an increase in replacement equipment sales to existing franchisee-owned stores in the three months ended March 31, 2016, as compared to the three months ended March 31, 2015.

Cost of revenue

Cost of revenue was $23.6 million in the three months ended March 31, 2016 compared to $25.9 million in the three months ended March 31, 2015, a decrease of $2.3 million, or 8.9%. Cost of revenue, which primarily relates to our equipment segment, decreased due to lower equipment sales to new franchisee-owned stores, partially offset by an increase in replacement equipment sales to existing franchisee-owned stores in the three months ended March 31, 2016, as compared to the three months ended March 31, 2015. Direct costs associated with our previous point-of-sale system were $0 in the three months ended March 31, 2016 compared to $0.9 million in the three months ended March 31, 2015. We expect these costs to be immaterial in future periods as we migrated to a new system in 2015.

Store operations

Store operation expenses, which relate to our corporate-owned stores segment, were $14.7 million in the three months ended March 31, 2016 compared to $14.3 million in the three months ended March 31, 2015, an increase of $0.4 million, or 2.7%.

Selling, general and administrative expenses

Selling, general and administrative expenses were $11.8 million in the three months ended March 31, 2016 compared to $14.1 million in the three months ended March 31, 2015, a decrease of $2.3 million, or 16.2%. Of the $2.3 million decrease, $1.7 million is due to incremental costs incurred in connection with preparing for the IPO in the three months ended March 31, 2015. In the three months ended March 31, 2015, we incurred $3.6 million of costs related to information technology which was primarily attributable to the rollout of a new point-of-sale system. Partially offsetting the decrease, we incurred additional expenses during the three months ended March 31, 2016 to support our growing franchisee operations, including additional headcount and

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infrastructure to provide training, development, pre-opening support and store operational excellence functions as well as incremental ongoing public company expenses. With respect to our growing franchisee operations, we anticipate that our selling, general and administrative expenses will continue to increase as our franchisee-owned store count grows.

Depreciation and amortization

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

Depreciation and amortization expense was $7.7 million in the three months ended March 31, 2016 compared to $8.2 million in the three months ended March 31, 2015, a decrease of $0.5 million, or 6.1%.

Other gain

Other gain was $0.2 million in the three months ended March 31, 2016 compared to $0 in the three months ended March 31, 2015.

Interest expense, net

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

Interest expense, net was $6.4 million in the three months ended March 31, 2016 compared to $4.8 million in the three months ended March 31, 2015, an increase of $1.6 million, or 33.9%. The increase in interest expense is a result of the additional $120.0 million in borrowings which occurred on March 31, 2015.

Other income (expense)

Other income (expense) was a gain of $0.4 million in the three months ended March 31, 2016 compared to expense of $0.7 million in the three months ended March 31, 2015, an increase of $1.1 million. Other income (expense) primarily consists of realized gains (losses) on derivative activities, the effects of foreign currency gains and losses, and in 2015 management fees we paid to TSG related to the TSG management agreement which terminated in connection with the IPO.

Provision for income taxes

Prior to the recapitalization transactions, the Company was treated as a pass through entity for U.S. federal income tax purposes as well as in most states. As a result, entity level taxes were not significant. Provision for income taxes primarily consisted of tax expense related to the state of New Hampshire and Canada as well as certain other local taxes. We are also subject to withholding tax in Puerto Rico.

Subsequent to the recapitalization transactions, the Company is subject to U.S. federal income taxes, in addition to state and local taxes, with respect to our allocable share of any net taxable income of Pla-Fit Holdings. Our effective tax rate of 39.4%, was calculated using the U.S. federal income tax rate and the statutory rates applied to income apportioned to each state and local jurisdiction. This tax rate has been applied to the 37.1% portion of income before taxes that represents the economic interest in Pla-Fit Holdings held by the Company following the recapitalization transactions and IPO. The provision for income taxes also reflects an effective state tax rate of 2.5% applied to non-controlling interests, representing the remaining 62.9% of income before taxes, excluding income from variable interest entities, related to Pla-Fit Holdings.

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Segment results

Franchise

Segment EBITDA for the franchise segment was $23.8 million in the three months ended March 31, 2016 compared to $13.6 million in the three months ended March 31, 2015, an increase of $10.2 million, or 75.4%. This increase was primarily the result of growth in our franchise segment revenue of $1.8 million due to higher royalties received from additional franchisee-owned stores not included in the same store sales base, $1.2 million attributable to a same store sales increase of 7.0% in franchisee-owned stores, $0.6 million attributable to higher royalties on annual fees, $1.4 million of higher vendor commissions, $0.9 million of higher franchise and other fees, as well as lower expenses of $0.9 million associated with our previous point-of-sale system. Additionally we had $3.6 million lower IT system upgrade costs in the three months ended March 31, 2016 compared to the three months ended March 31, 2015. Depreciation and amortization was $2.1 million for the three months ended March 31, 2016, compared to $2.3 million for the three months ended March 31, 2015.

Corporate-owned stores

Segment EBITDA for the corporate-owned stores segment was $10.2 million in the three months ended March 31, 2016 compared to $7.8 million in the three months ended March 31, 2015, an increase of $2.4 million, or 30.3%. This increase was the result of higher revenue related to stores not included in the same store sales base as well as an increase in revenue related to our same store sales increase of 4.9% in the three months ended March 31, 2016, compared to the three months ended March 31, 2015. Depreciation and amortization was $3.9 million for the three months ended March 31, 2016, compared to $4.3 million for the three months ended March 31, 2015.

Equipment

Segment EBITDA for the equipment segment was $6.3 million in the three months ended March 31, 2016 compared to $6.7 million in the three months ended March 31, 2015, a decrease of $0.4 million, or 6.6%, primarily driven by lower equipment sales to new franchisee-owned stores related to fewer new stores in the three months ended March 31, 2016 compared to the three months ended March 31, 2015, partially offset by an increase in replacement equipment sales to existing franchisee-owned stores the three months ended March 31, 2016 compared to the three months ended March 31, 2015. Depreciation and amortization was $1.6 million for both periods.

Comparison of the years ended December 31, 2015 and December 31, 2014

Revenue

Total revenues were $330.5 million in 2015, compared to $279.8 million in 2014, an increase of $50.8 million, or 18.1%.

Franchise segment revenue was $88.1 million in the year ended December 31, 2015 compared to $71.8 million in the year ended December 31, 2014, an increase of $16.3 million, or 22.7%.

Franchise revenue was $71.8 million in the year ended December 31, 2015 compared to $58.0 million in the year ended December 31, 2014, an increase of $13.8 million, or 23.7%. Included in franchise revenue is royalty revenue of $46.2 million, franchise and other fees of $15.8 million, and placement revenue of $9.8 million for the year ended December 31, 2015, compared to royalty revenue of $32.7 million, franchise and other fees of $16.8 million, and placement revenue of $8.5 million for the year ended December 31, 2014. Of the $13.5 million increase in royalty revenue, $7.7 million was attributable to royalties from new stores opened in 2015 as well as stores that opened in 2014 that were not included in the same store sales base, which collectively resulted in higher royalty revenues. Additionally, $4.1 million is attributable to a same store sales increase of 8.3% in franchisee-owned stores, and $1.8 million is attributable to higher royalties on annual fees.

Commission income, which is included in our franchise segment, was $16.3 million in the year ended December 31, 2015 compared to $13.8 million in the year ended December 31, 2014, an increase of $2.5 million, or 18.2%. The increase primarily reflects a higher volume of franchisee purchases from vendors due to the higher franchisee-owned store count in the year ended December 31, 2015 as compared to the year ended December 31, 2014. Additionally, commission income was $0.5 million higher in the year ended December 31, 2015 due to commission income earned on equipment purchases by our international franchisees from our equipment manufacturer.

Revenue from our corporate-owned stores segment was $98.4 million in the year ended December 31, 2015, compared to $85.0 million in the year ended December 31, 2014, an increase of $13.4 million, or 15.7%. Of the $13.4 million increase, $4.2 million was related to incremental revenue from the acquisition of eight franchisee-owned stores on March 31, 2014 that were not included in the same store sales base until April 1, 2015, and $6.5 million was due to higher revenue from five more stores open during the year ended December 31, 2015. Additionally, same store sales from corporate-owned stores increased 1.9% in the year ended December 31, 2015, which contributed incremental revenues of $1.3 million.

Equipment segment revenue was $144.1 million in the year ended December 31, 2015, compared to $122.9 million in the year ended December 31, 2014, an increase of $21.1 million, or 17.2%. Of this increase, $12.5 million was attributable to higher replacement equipment sales and $8.7 million was attributable to equipment sales to 20 more new franchisee-owned stores, partially offset by a slight decrease in the average size of new stores in the year ended December 31, 2015, as compared to the year ended December 31, 2014.

Cost of revenue

Cost of revenue was $113.5 million in the year ended December 31, 2015 compared to $100.3 million in the year ended December 31, 2014, an increase of $13.2 million, or 13.1%. Cost of revenue primarily relates to our equipment segment. The increase was primarily due to the impact of 20 more new franchisee-owned stores purchasing equipment in the year ended December 31, 2015, as compared to the year ended December 31, 2014, as well as the results of an increase in replacement equipment sales to existing franchisee-owned stores. The increase in costs is consistent with the increase in equipment revenue. Direct costs associated with our proprietary point-of-sale system were $1.3 million in the year ended December 31, 2015 compared to $3.4 million in the year ended December 31, 2014. We expect these costs to be immaterial in future periods as we migrated to a new system in 2015.

Store operations

Store operation expenses, which relates to our corporate-owned stores segment, were $57.5 million in the year ended December 31, 2015 compared to $49.5 million in the year ended December 31, 2014, an increase of $8.0 million, or 16.2%. Of the $8.0 million increase, $5.2 million was attributable to incremental costs and expenses related to five new corporate-owned stores opened since January 1, 2014. In addition, approximately $2.0 million of incremental costs resulted from the acquisition of eight stores from a franchisee in March 2014 which were included for a full twelve months in 2015.

Selling, general and administrative expenses

Selling, general and administrative expenses were $55.6 million in the year ended December 31, 2015 compared to $35.1 million in the year ended December 31, 2014, an increase of $20.5 million, or 58.2%. Of the $20.5 million increase, $6.2 million was cash-based and equity-based compensation expense recorded in connection with the IPO and $7.0 million was from incremental costs incurred in connection with the IPO, which we were not able to capitalize under GAAP because we did not retain any proceeds from the IPO. We also incurred $2.7

million related to increased information technology spending which was primarily attributable to the rollout of a new point-of-sale system. The point-of-sale system rollout began in late 2014 and was completed in April 2015. In addition, we incurred additional expenses to support our growing franchisee operations, including additional headcount and infrastructure to provide training, development, preopening support and store operational excellence functions as well as incremental ongoing public company expenses. With respect to our growing franchisee operations, we anticipate that our selling, general and administrative expenses will continue to increase as our franchisee-owned store count grows.

Depreciation and amortization

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

Depreciation and amortization expense was $32.2 million in the year ended December 31, 2015 compared to $32.3 million in the year ended December 31, 2014, a decrease of $0.1 million, or 0.6%.

Other (gain) loss

Other (gain) loss was a gain of $0.3 million in the year ended December 31, 2015 compared to a loss of $1.0 million in the year ended December 31, 2014, which was primarily the result of the effective settlement of reacquired franchise rights related to the acquisition of eight stores from a franchisee in March 2014.

Interest expense, net

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

Interest expense, net was $24.5 million in the year ended December 31, 2015 compared to $21.8 million in the year ended December 31, 2014, an increase of $2.7 million, or 12.6%. The increase in interest expense is a result of the additional $120.0 million in borrowings which occurred on March 31, 2015.

Other expense

Other expense was $0.3 million in the year ended December 31, 2015 compared to $1.3 million in the year ended December 31, 2014, a decrease of $1.0 million, or 78.2%. Other expense primarily consists of management fees we paid to TSG, realized gains (losses) on derivative activities, as well as the effects of foreign currency gains and losses. In 2015, the expense included a charge of $1.0 million for a termination fee related to the TSG management agreement which was terminated in connection with the IPO, and was partially offset by a gain of $2.6 million related to an adjustment to our tax benefit arrangement primarily due to changes in our effective tax rate.

Provision for income taxes

Prior to the recapitalization transactions, Pla-Fit Holdings, LLC was treated as a pass through entity for U.S. federal income tax purposes as well as in most states. As a result, entity level taxes were not significant. Provision for income taxes primarily consisted of tax expense related to the state of New Hampshire and Canada as well as certain other local taxes.

Subsequent to the recapitalization transactions, Planet Fitness, Inc. is subject to U.S. federal income taxes, in addition to state and local taxes, with respect to our allocable share of any net taxable income of Pla-Fit Holdings, LLC. Our effective tax rate of 39.4% was calculated using the U.S. federal income tax rate and the statutory rates applied to income apportioned to each state and local jurisdiction. This tax rate has been applied to the 37.1% portion of income before taxes that represents the economic interest in Pla-Fit Holdings, LLC held by Planet Fitness, Inc. following the recapitalization transactions and IPO. The provision for income taxes also reflects an effective state tax rate of 2.5% applied to non-controlling interests, representing the remaining 62.9% of income before taxes, excluding income from variable interest entities, related to Pla-Fit Holdings, LLC.

Segment results

Franchise

Segment EBITDA for the franchise segment was $66.0 million in the year ended December 31, 2015 compared to $53.1 million in the year ended December 31, 2014, an increase of $12.9 million, or 24.3%. This increase was primarily the result of growth in our franchise segment revenue of $7.7 million due to higher royalties received from additional franchisee-owned stores not included in the same store sales base, $4.1 million attributable to a same store sales increase of 8.3% from franchisee-owned stores, and $1.8 million attributable to higher royalties on annual fees and higher vendor commissions, partially offset by higher operating expenses. Depreciation and amortization was $8.5 million in the year ended December 31, 2015 compared to $8.6 million for the year ended December 31, 2014.

Corporate-owned stores

Segment EBITDA for the corporate-owned stores segment was $36.1 million in the year ended December 31, 2015 compared to $31.7 million in the year ended December 31, 2014, an increase of $4.4 million, or 13.8%. The increase was the result of the acquisition of eight franchisee-owned stores in March 2014 in addition to higher revenue related to stores not included in the same store sales base during the year ended December 31, 2015. Depreciation and amortization was $17.2 million for the year ended December 31, 2015, compared to $17.4 million for the year ended December 31, 2014.

Equipment

Segment EBITDA for the equipment segment was $31.9 million in the year ended December 31, 2015 compared to $26.4 million in the year ended December 31, 2014, an increase of $5.5 million, or 20.8%, primarily as a result of higher replacement equipment sales and equipment sales to 20 more new franchisee-owned stores in the year ended December 31, 2015 compared to the year ended December 31, 2014. Depreciation and amortization was $6.2 million for both the year ended December 31, 2015 and the year ended December 31, 2014.

Comparison of the years ended December 31, 2014 and December 31, 2013

Revenue

Total revenues were $279.8 million in the year ended December 31, 2014 compared to $211.0 million for the year ended December 31, 2013, an increase of $68.8 million, or 32.6%.

Franchise segment revenue was $71.8 million in the year ended December 31, 2014, compared to $44.1 million in the year ended December 31, 2013, an increase of $27.7 million, or 63.0%.

Franchise revenue was $58.0 million in the year ended December 31, 2014, compared to $33.7 million in the year ended December 31, 2013, an increase of $24.3 million, or 72.1%. Included in franchise revenue is royalty revenue of $32.7 million, franchise and other fees of $16.8 million, and placement revenue of $8.5 million for the year ended December 31, 2014, compared to royalty revenue of $21.0 million, franchise and other fees of $6.4 million, and placement revenue of $6.3 million for the year ended December 31, 2013. Of the $11.7 million increase in royalty revenue, $6.8 million was from new stores opened in 2014 as well as stores that opened in 2013 and were therefore not included in the same store sales base, which collectively resulted in a higher average royalty rate. Additionally, franchisee-owned same store sales increased 11.5% in 2014, resulting in an increase in royalty revenue of $3.9 million. The franchise and other fees increase of $10.4 million was primarily associated with a higher volume of franchisee membership billing transactions for which a fee was earned as well as more franchisee-owned stores in the year ended December 31, 2014 as compared to the year ended December 31, 2013.

Commission income was $13.8 million in the year ended December 31, 2014, compared to $10.4 million in the year ended December 31, 2013, an increase of $3.4 million, or 33.7%. This increase primarily reflects a higher volume of franchisee purchases from vendors due to the higher franchisee-owned store count in the year ended December 31, 2014 as compared to the year ended December 31, 2013.

Revenue from our corporate-owned stores segment was $85.0 million in the year ended December 31, 2014 compared to $67.4 million in the year ended December 31, 2013, an increase of $17.6 million, or 26.1%. The acquisition of eight franchisee-owned stores on March 31, 2014 led to an increase in revenue of $12.2 million. Additionally, same store sales from corporate-owned stores increased 5.4% in 2014, which contributed incremental revenues of $3.1 million in the year ended December 31, 2014. Revenue for stores not included in the same store sales base led to an increase in revenue of $0.5 million in the year ended December 31, 2014.

Equipment segment revenue was $122.9 million in the year ended December 31, 2014 compared to $99.5 million in the year ended December 31, 2013, an increase of $23.4 million, or 23.5%, as a result of equipment sales to 34 more new stores in the year ended December 31, 2014 as compared to the year ended December 31, 2013 and an increase in replacement equipment revenue of $1.8 million from sales to existing franchisee-owned stores in the year ended December 31, 2014.

Cost of revenue

Cost of revenue was $100.3 million in the year ended December 31, 2014 compared to $81.4 million in the year ended December 31, 2013, an increase of $18.9 million, or 23.2%. The increase was primarily due to the impact of 34 more new franchisee-owned stores purchasing equipment in the year ended December 31, 2014 as compared to the year ended December 31, 2013 as well as the result of an increase in replacement equipment sales to existing franchisee-owned stores. The increase in costs is consistent with the increase in equipment revenue. Direct costs related to our previous point-of-sale system were $3.4 million in the year ended December 31, 2014 and $1.1 million in the year ended December 31, 2013.

Store operations

Store operations, which relates to our corporate-owned stores segment, were $49.5 million in the year ended December 31, 2014 compared to $41.7 million in the year ended December 31, 2013, an increase of $7.8 million, or 18.7%. Approximately $6.2 million of this increase was a result of the acquisition of eight stores from a franchisee on March 31, 2014. In addition, we incurred costs and expenses attributable to new corporate-owned stores opened in the year ended December 31, 2014 and pre-opening costs related to one store that opened shortly after year-end. The increase in store operations costs is consistent with the increase in related corporate-owned store revenue.

Selling, general and administrative expenses

Selling, general and administrative expenses were $35.1 million in the year ended December 31, 2014 compared to $23.1 million in the year ended December 31, 2013, an increase of $12.0 million, or 51.9%. This increase is primarily attributable to increases in payroll of $5.3 million and other related infrastructure changes of $6.8 million in the year ended December 31, 2014 to support our growing franchisee operations, including additional headcount needed to provide training, development, pre-opening support and store operational compliance functions.

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 $32.3 million in the year ended December 31, 2014 compared to $28.8 million in the year ended December 31, 2013, an increase of $3.5 million, or 12.2%, primarily due to the increased amortization of intangible assets related to the acquisition of eight stores from a franchisee in March 2014.

Other loss

Other loss increased by $1.0 million in the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase in other loss was primarily the result of the effective settlement of reacquired franchise rights related to the acquisition of eight stores from a franchisee in March 2014.

Interest expense, net

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

Interest expense, net was $21.8 million in the year ended December 31, 2014 compared to $8.9 million in the year ended December 31, 2013, an increase of $12.9 million, or 144.6%. The increase was primarily attributable to the increase in our indebtedness as a result of the refinancing in March 2014. Additionally, the increase includes $4.7 million related to the write-off of debt issuance costs as a result of this refinancing, which was accounted for as an extinguishment.

Other income (expense)

Other income (expense) primarily consists of management fees we paid to TSG, realized gains (losses) on derivative activities, as well as the effects of foreign currency gains and losses.

Provision for income taxes

For the years ended December 31, 2014 and 2013, Pla-Fit Holdings, LLC was treated as a pass-through entity for U.S. federal income tax purposes as well as in most states. As a result, entity level taxes are not significant in those years.

Segment results

Franchise

Segment EBITDA for the franchise segment was $53.1 million in the year ended December 31, 2014 compared to $30.1 million in the year ended December 31, 2013, an increase of $23.0 million, or 76.4%. This increase was primarily the result of growth in franchise revenue of $27.8 million due to higher royalties received from additional franchisee-owned stores opened in the year ended December 31, 2014, continued growth in royalties from stores opened in the December 31, 2013 and higher vendor commissions. Depreciation and amortization was $8.6 million in the year ended December 31, 2014 compared to $7.6 million in the year ended December 31, 2013, an increase of $1.0 million, or 13.2%.

Corporate-owned stores

Segment EBITDA for the corporate-owned stores segment was $31.7 million in the year ended December 31, 2014 compared to $21.7 million in the year ended December 31, 2013, an increase of $10.0 million, or 46.1%, primarily due to the acquisition of eight franchisee-owned stores on March 31, 2014 and the increase in same store sales. Depreciation and amortization was $17.4 million in the year ended December 31, 2014 compared to $13.4 million in the year ended December 31, 2013, an increase of $4.0 million, or 29.9%. The increase is attributable to depreciation and amortization expense from the acquisition of eight franchisee-owned stores on March 31, 2014.

Equipment

Segment EBITDA for the equipment segment was $26.4 million in the year ended December 31, 2014 compared to $19.8 million in the year ended December 31, 2013, an increase of $6.6 million, or 33.3%, primarily as a result of equipment sales to 34 new franchisee-owned stores in 2014 as compared to 2013. Depreciation and amortization was $6.2 million in the year ended December 31, 2014 compared to $7.7 million in the year ended December 31, 2013, a decrease of $1.5 million, or 19.5%.

Liquidity and capital resources

As of March 31, 2016, we had $38.3 million of cash and cash equivalents. In addition, as of March 31, 2016, we had borrowing capacity of $40.0 million under our revolving credit facility.

We require cash principally to fund day-to-day operations, to finance capital investments, to service our outstanding debt and obligations under our tax benefit arrangements and to address our working capital needs. Based on our current level of operations and anticipated growth, we believe that our available cash balance, the cash generated from our operations, and amounts available under our revolving credit facility will be adequate to meet our anticipated debt service requirements and obligations under our tax benefit arrangements, capital expenditures, payment of tax distributions and working capital needs for at least the next twelve months. We believe that we will be able to meet these obligations even if we experience no growth in sales or profits. Our ability to continue to fund these items and continue to reduce debt could be adversely affected by the occurrence of any of the events described under Risk factors. There can be no assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available under our revolving credit facility or otherwise to enable us to service our indebtedness, including our senior secured credit facility, or to make anticipated capital expenditures. Our future operating performance and our ability to service, extend or refinance the senior secured credit facility will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

The following table presents summary cash flow information for the years ended December 31, 2015, 2014 and 2013 and the quarters ended March 31, 2016 and 2015:

	Year ended December 31,			**Quarter ended March 31,**	
(in thousands)	**2015**	**2014**	**2013**	**2016**	**2015**
				(unaudited)	
Net cash (used in) provided by:					
Operating activities	$ 81,663	$ 79,405	$ 66,943	$ 15,262	$ 12,039
Investing activities	(19,161)	(54,362)	(7,137)	(845)	(5,320)
Financing activities	(74,240)	(12,952)	(37,994)	(7,698)	(22,501)
Effect of foreign exchange rates on cash	(123)	(67)		119	23
Net (decrease) increase in cash	$ (11,861)	$ 12,024	$ 21,812	$ 6,838	$ (15,759)

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Operating activities

For the three months ended March 31, 2016, net cash provided by operating activities was $15.3 million compared to $12.0 million in the three months ended March 31, 2015, an increase of $3.2 million. The increase was primarily due to higher net income partially offset by higher cash used for working capital in the three months ended March 31, 2016. The higher cash used for working capital was driven by changes in notes receivable and due from related parties, inventory, other assets and other current assets, income taxes, and payables to related parties pursuant to tax benefit arrangements.

For the year ended December 31, 2015, net cash provided by operating activities was $81.7 million compared to $79.4 million in the year ended December 31, 2014, an increase of $2.3 million, and was primarily due to less cash used for working capital in the year ended December 31, 2015, driven by favorable changes in accounts receivable, notes receivable, due from related parties, and income taxes payable.

For the year ended December 31, 2014, net cash provided by operating activities was $79.4 million compared to $66.9 million in 2013, an increase of $12.5 million, and was primarily due to higher net income in 2014 and, to a lesser degree, by higher accounts payable, other accrued expenses and equipment deposits, partially offset by higher accounts receivable.

Investing activities

Cash flow used in investing activities related to the following capital expenditures for the years ended December 31, 2015, 2014 and 2013 and the quarters ended March 31, 2016 and 2015:

	Year ended December 31,			Quarter ended March 31,	
(in thousands)	**2015**	**2014**	**2013**	**2016**	**2015**
					(unaudited)
New corporate-owned stores and corporate-owned stores not yet opened	$ 5,446	$ 7,074	$ 1,972	$	$ 4,147
Existing corporate-owned stores	11,731	6,832	4,684	487	1,038
Information systems	1,828	1,531	419	125	98
Corporate and all other	483	1,213	212	253	43
Total capital expenditures	$ 19,488	$ 16,650	$ 7,287	$ 865	$ 5,326

For the three months ended March 31, 2016, net cash used in investing activities was $0.8 million compared to $5.3 million in the three months ended March 31, 2015, a decrease of $4.5 million, and was primarily related to the opening of two corporate-owned stores in the three months ended March 31, 2015 compared to none in the three months ended March 31, 2016.

For the year ended December 31, 2015, net cash used in investing activities was $19.2 million compared to $54.4 million in the year ended December 31, 2014, a decrease of $35.2 million, and was primarily due to the acquisition of eight franchisee-owned stores on March 31, 2014 for cash of $38.6 million. This decrease was partially offset by higher capital expenditures related to corporate-owned stores in the year ended December 31, 2015.

For the year ended December 31, 2014, net cash used in investing activities was $54.4 million compared to $7.1 million in 2013, an increase of $47.3 million, and was primarily due to the acquisition of eight franchisee-owned stores on March 31, 2014 for $38.6 million. Additionally, capital expenditures increased due to our three new corporate-owned stores and higher replacement equipment for corporate-owned stores during 2014 compared to 2013.

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Financing activities

For the three months ended March 31, 2016, net cash used in financing activities was $7.7 million compared to $22.5 million in the three months ended March 31, 2015, a decrease of $14.8 million. Proceeds from the issuance of debt was $0 in the three months ended March 31, 2016 compared to proceeds of $120.0 million in the three months ended March 31, 2015. Additionally, member distributions were $6.4 million in the three months ended March 31, 2016 compared to $139.7 million in the three months ended March 31, 2015.

On March 31, 2015, we amended our credit agreement governing our senior secured credit facility primarily to provide for an increase of $120.0 million in term loan borrowings for a total of $506.1 million. The full incremental borrowing of $120.0 million and $20.0 million from cash on hand was used to issue a $140.0 million dividend to members of Pla-Fit Holdings, LLC.

For the year ended December 31, 2015, net cash used in financing activities was $74.2 million compared to $13.0 million in the year ended December 31, 2014, an increase of $61.2 million. Proceeds from the issuance of debt was $120.0 million in the year ended December 31, 2015 compared to proceeds of $390.0 million in the year ended December 31, 2014, partially offset by the repayment of existing outstanding debt of $185.8 million in the year ended December 31, 2014. Additionally, distributions to Continuing LLC Owners were $176.5 million in the year ended December 31, 2015 compared to $205.4 million in the year ended December 31, 2014.

For the year ended December 31, 2014, net cash used in financing activities was $13.0 million compared to $38.0 million in 2013, a decrease of $25.0 million, and was primarily due to the refinancing of debt with proceeds from the issuance of new long-term debt of $390.0 million, partially offset by the repayment of the existing debt outstanding of $185.8 million. Additionally, we made distributions to members of Pla-Fit Holdings, LLC in 2014 in the amount of $205.4 million, an increase of $182.3 million.

Credit facility

Our senior secured credit facility consists of term loans and a revolving credit facility. Borrowings under the term loans bear interest, payable at least semi-annually. The term loans require principal payments equal to approximately $5.1 million per calendar year, payable in quarterly installments with the final scheduled principal payment on the outstanding term loan borrowings due on March 31, 2021.

The senior secured credit facility also provides for borrowings of up to $40.0 million under the revolving credit facility, of which up to $5.0 million is available for letter of credit advances. Borrowings under the revolving credit facility (excluding letters of credit) bear interest, payable at least semi-annually. We also pay a 0.40% commitment fee per annum on the unused portion of the revolver. The revolving credit facility expires on March 31, 2019.

The credit agreement governing our senior secured credit facility requires us to comply on a quarterly basis with one financial covenant which is a maximum ratio of debt to Credit Facility Adjusted EBITDA (the leverage ratio) that becomes more restrictive over time. This covenant is only for the benefit of the revolving credit facility. At December 31, 2015, the terms of the senior secured credit facility required that we maintain a leverage ratio of no more than 6.5 to 1.0. The leverage ratio financial covenant will become more restrictive over time and will require us to maintain a leverage ratio of no more than 4.0 to 1.0 by June 30, 2019.

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

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As of March 31, 2016, we were in compliance with our senior secured credit facility financial covenant with a leverage ratio of 3.4 to 1.0 which was calculated for the 12 months ended March 31, 2016 based upon certain adjustments to EBITDA, as provided for under the terms of our senior secured credit facility.

On March 31, 2015, we amended our credit agreement governing our senior secured credit facility primarily to provide for an increase of $120.0 million in term loan borrowings for a total of $506.1 million. The full incremental borrowing of $120.0 million plus $20.0 million from cash on hand was used to fund a $140.0 million dividend to members of Pla-Fit Holdings, LLC. The incremental term loan borrowings bear a variable rate of interest of the greater of LIBOR or 1.00% plus the applicable margin of 3.50%. All other terms and conditions remain unchanged under the senior secured credit facility.

Contractual obligations and commitments

The following table presents contractual obligations and commercial commitments as of December 31, 2015.

		Payments due during the twelve months ending December 31,			
(in thousands)	**Total**	**2016**	**2017-2018**	**2019-2020**	**Thereafter**
Long-term debt[1]	$ 492,275	5,100	10,200	10,200	466,775
Interest on long-term debt[2]	121,199	23,680	46,493	45,573	5,453
Obligations under tax benefit arrangements[3]	140,191	3,019	14,197	14,446	108,529
Operating leases	102,082	13,272	24,438	19,570	44,802
Advertising commitments[4]	15,530	11,823	3,707		
Purchase obligations[5]	14,361	14,361			
Total Contractual Obligations	$ 885,638	$ 71,255	$ 99,035	$ 89,789	$ 625,559

(1) Long-term debt payments include scheduled principal payments only.

(2) Assumes an annual interest rate of 4.75% for the term of the loan.

(3) Timing of payments under tax benefit arrangements is estimated.

(4) As of December 31, 2015, we had advertising purchase commitments of approximately $15.5 million, including commitments for the NAF.

(5) Purchase obligations consists of $14.4 million for open purchase orders primarily related to equipment to be sold to franchisees. For the majority of our equipment purchase obligations, our policy is to require the franchisee to provide us with either a deposit or proof of a committed financing arrangement.

Off-balance sheet arrangements

As of March 31, 2016, our off-balance sheet arrangements consisted of operating leases and certain guarantees. In a limited number of cases, we have guaranteed certain leases and debt agreements of entities related through common ownership. These guarantees relate to leases for operating space, equipment and other operating costs of franchises operated by those entities. Our maximum total commitment under these agreements is approximately $1.7 million and would only require payment upon default by the primary obligor. The estimated fair value of these guarantees at March 31, 2016 was not material, and no accrual has been recorded for our potential obligation under these arrangements. See Note 17 to our consolidated financial statements included elsewhere in this prospectus for more information regarding these operating leases and guarantees.

Critical accounting policies and use of estimates

Our discussion and analysis of operating results and financial condition are based upon our consolidated financial statements included elsewhere in this prospectus. The preparation of our financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures of contingent assets and liabilities. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. Actual results may differ from those estimates.

Our critical accounting policies are those that materially affect our consolidated financial statements including those that involve difficult, subjective or complex judgments by management. A thorough understanding of these critical accounting policies is essential when reviewing our consolidated financial statements. We believe that the critical accounting policies listed below are those that are most important to the portrayal of our results of operations or involve the most difficult management decisions related to the use of significant estimates and assumptions as described above.

Revenue recognition

Franchise revenue

Franchisees enter into ADAs with us to secure the exclusive right to open stores within a defined geographical area. ADAs establish the timing and number of stores to be developed within the defined geographical area. Pursuant to an ADA, a franchisee is generally required to pay an initial nonrefundable development fee for a minimum number of stores to be developed, as outlined in the respective ADA. ADA fees collected in advance are deferred until we deliver substantially all required obligations pursuant to the ADA. As the efforts and total cost relating to initial services are affected significantly by the number of stores opened in an area, the respective ADA is treated as a divisible contract. As each new site is developed under an ADA, a franchisee signs a franchise agreement for the respective franchise location. Each franchisee-owned store opened under an ADA typically has performance obligations associated with it, and we therefore recognize ADA revenue as each individual franchisee-owned store is developed in proportion to the total number of stores to be developed under the ADA. These obligations are typically completed once the store is opened or the franchisee executes the individual property lease. ADAs generally have an initial term equal to the number of years over which the franchisee is required to open franchise stores, which is typically five to ten years. There is no right of refund for an executed ADA. Upon default, as defined in the agreement, we may reacquire the rights pursuant to an ADA, and all remaining deferred revenue for the ADA is recognized at that time.

For stores opened without an ADA, we generally charge an initial upfront nonrefundable franchise fee. Nonrefundable franchise fees are typically deferred until the franchisee executes a lease and receives initial training for the location, which is the point at which we have determined that we have provided all of our material obligations required to recognize revenue. The individual franchise agreements typically have a 10-year initial term but provide the franchisee with an opportunity to enter into successive renewals subject to certain conditions.

Franchise agreements entered into prior to 2010 may include performance fees, which are fees earned by us upon each franchise store reaching a predetermined amount of total monthly membership billings. Performance fees are recognized when the related performance thresholds have been met.

Royalties, which represent recurring fees paid by franchisees based on the franchisee-owned stores monthly membership dues and annual fees, are recognized on a monthly basis over the term of the franchise agreement. As specified under certain franchise agreements, we recognize additional royalty fees as the franchisee-owned stores attain contractual monthly membership billing threshold amounts. Beginning in 2010, for all new franchise agreements entered into, we began charging a fixed royalty percentage based upon gross membership billings.

Online member join fees are paid to us by franchisees for processing new membership transactions when a new member signs up for a membership to a franchisee-owned store through our website.

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Billing transaction fees are paid to us for the processing of franchisee membership dues and annual fees through our third-party hosted point-of-sale system.

We are generally responsible for the assembly and placement of equipment purchased from us for U.S.-based franchisee-owned stores. Placement revenue is recognized upon completion and acceptance of the placement services at the franchise location.

Commission income

We recognize commission income from our franchisees use of preferred vendor arrangements. Commissions are recognized when amounts have been earned and collectability from the vendor is reasonably assured.

Corporate-owned stores revenue

Customers are offered multiple membership choices varying in length and, in most cases, can be canceled without penalty. Monthly membership dues are earned and recognized over the membership term. Enrollment fees are charged to new members at the commencement of their membership. We recognize enrollment fees ratably over the estimated duration of the membership, which is generally two years. Annual membership fees are annual fees charged to members in addition to and in order to maintain low monthly membership dues. We recognize annual membership fees ratably over the 12-month membership period. We sell Planet Fitness-branded apparel, beverages and other accessories, which we define as retail sales. The revenue for these items is recognized at the point of sale.

Equipment revenue

We sell equipment purchased from third-party equipment manufacturers to U.S.-based franchisee-owned stores. Equipment revenue is recognized when the equipment is delivered, assembled, placed and accepted by the franchisee at each store. We recognize revenue on a gross basis in these transactions as we have determined that we are the principal in the transaction. We have determined that we are the principal because we are the primary obligor in these transactions, we have latitude in establishing prices for the equipment sales to franchisees, we have supplier selection discretion and are involved in determination of product specifications, and we bear all credit risk associated with obligations to the equipment manufacturers. We charge our franchisees for all freight costs incurred for the delivery of equipment and record these amounts within equipment revenue. Rebates from equipment vendors where we have recognized the related equipment revenue and costs are recorded as a reduction to the cost of revenue.

Leases

We currently lease all of our corporate-owned stores and our corporate headquarters. At the inception of each lease, we determine its appropriate classification as an operating or capital lease. The majority of our leases are operating leases. For operating leases that include rent escalations, we record the base rent expense on a straight-line basis over the term of the lease and the difference between the base cash rentals paid and the straight-line rent expense is recorded as deferred rent.

We expend cash for leasehold improvements and to build out and equip our leased premises. We may also expend cash for structural additions that we make to leased premises. Generally, a portion of the leasehold improvements and building costs are reimbursed to us by our landlords as construction contributions pursuant to agreed-upon terms in our leases. If obtained, landlord construction contributions usually take the form of up-front cash, full or partial credits against our future minimum or percentage rents otherwise payable by us, or a combination thereof. When contractually due to us, we classify tenant improvement allowances within property and equipment and deferred rent on the consolidated balance sheets and depreciate the tenant improvement allowance on a straight-line basis over the lease term.

Business combinations

We account for business combinations using the purchase method of accounting which results in the assets acquired and liabilities assumed being recorded at fair value.

The valuation methodologies used are based on the nature of the asset or liability. The significant assets and liabilities measured at fair value include property and equipment, intangible assets, deferred revenue and favorable and unfavorable leases. For the 2012 Acquisition, intangible assets consisted of trade and brand names, member relationships, franchisee relationships related to both our franchise and equipment segments, non-compete agreements, order backlog and favorable and unfavorable leases. For other acquisitions, which consist of acquisitions of stores from franchisees, intangible assets generally consist of member relationships, re-acquired franchise rights, and favorable and unfavorable leases.

The fair value of trade and brand names is estimated using the relief from royalty method, an income approach to valuation, which includes projecting future system-wide sales and other estimates. Membership relationships and franchisee relationships are valued based on an estimate of future revenues and costs related to the respective contracts over the remaining expected lives. Our valuation includes assumptions related to the projected attrition and renewal rates on those existing franchise and membership arrangements being valued. Re-acquired franchise rights are valued using an excess earnings approach. The valuation of re-acquired franchise rights is determined using an estimation of future royalty income and related expenses associated with existing franchise contracts at the acquisition date. For re-acquired franchise rights with terms that are either favorable or unfavorable (from our perspective) to the terms included in our current franchise agreements, a gain or charge is recorded at the time of the acquisition to the extent of the favorability or unfavorability, respectively. Favorable and unfavorable operating leases are recorded based on differences between contractual rents under the respective lease agreements and prevailing market rents at the lease acquisition date. Deferred revenue is valued based on our estimated costs to fulfill the obligations assumed, plus a normal profit margin. No deferred revenue amounts are recognized for enrollment fees in our business combinations as there is no remaining obligation.

We consider our trade and brand name intangible assets to have an indefinite useful life, and, therefore, these assets are not amortized but rather are tested for impairment annually as discussed below. Amortization of re-acquired franchise rights and franchisee relationships is recorded over the respective franchise terms using the straight-line method which we believe approximates the period during which we expect to receive the related benefits. Member relationships are amortized on an accelerated basis based on expected attrition. Favorable and unfavorable operating leases are amortized into rental expense over the lease term of the respective leases using the straight-line method.

Impairment of long-lived assets, including goodwill and intangible assets

We assess potential impairments to our long-lived assets, which include property and equipment and amortizable intangible assets, whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset is measured by a comparison of the carrying amount of an asset group to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset. Store-level assets are grouped by store and assessed on a store by store basis for the purpose of the impairment assessment. There were no impairment charges recorded during the years ended December 31, 2015, 2014 or 2013.

Goodwill and indefinite lived intangibles (our trade and brand name intangible assets) have been assigned to our reporting units for purposes of impairment testing. Our reporting units are Franchise, Corporate-owned stores and Equipment, which are the same as our reportable segments.

The goodwill impairment test consists of a comparison of each reporting unit s fair value to its carrying value. The fair value of a reporting unit is an estimate of the amount for which the unit as a whole could be sold in a current transaction between willing parties. If the carrying value of a reporting unit exceeds its fair value, goodwill is written down to its implied fair value. Fair value of a reporting unit is estimated based on a combination of comparative market multiples and discounted cash flow valuation approaches. We are also permitted to make a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit is less than its carrying value prior to applying the quantitative assessment. If based on our qualitative assessment it is not more likely than not that the carrying value of the reporting unit is less than its fair value, then a quantitative assessment is not required. The qualitative assessment was utilized to assess goodwill for impairment for all of our reporting units in 2015.

We evaluate the remaining useful lives of our trade and brand name intangible assets to determine whether current events and circumstances continue to support an indefinite useful life. In addition, all of our indefinite lived intangible assets are tested for impairment annually. The trade and brand name intangible asset impairment test consists of a comparison of the fair value of each trade name with its carrying value, with any excess of carrying value over fair value being recognized as an impairment loss. We are also permitted to make a qualitative assessment of whether it is more likely than not an indefinite lived intangible asset s fair value is less than its carrying value prior to applying the quantitative assessment. If based on our qualitative assessment it is not more likely than not that the carrying value of the asset is less than its fair value, then a quantitative assessment is not required. The qualitative assessment was utilized to assess all of our indefinite lived intangible assets for impairment in 2015.

Currently, we have selected the last day of our year as the date on which to perform our annual impairment tests for goodwill and indefinite lived intangible assets. We also test for impairment whenever events or circumstances indicate that the fair value of such indefinite lived intangibles has been impaired. No impairment of goodwill or indefinite lived intangible assets was recorded during the years ended December 31, 2015, 2014 or 2013.

Equity-based compensation

We have equity-based compensation plans under which we receive services from our employees as consideration for equity instruments of the Company, including stock options and restricted stock units. The compensation expense is determined based on the fair value of the award as of the grant date. Compensation expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

Prior to the IPO, certain of our employees received grants of Class M Units in Pla-Fit Holdings, LLC. These awards are accounted for in accordance with guidance prescribed for accounting for share based compensation. Based on this guidance and the terms of the awards, the awards are equity classified. The Class M Units receive distributions (other than tax distributions) only upon a liquidity event, as defined, that exceeds a threshold equivalent to the fair value of the Company, as determined by the Company s board of directors, at the grant date. Eighty percent of the awards vest over five years of continuous employment or service while the other twenty percent only vested in the event of an initial public offering of the Company s common stock or that of its parent or one of its subsidiaries, subject to the holder of the Class M Units remaining employed or providing services on the date of such initial public offering. All awards include a repurchase option at the election of the Company for the vested portion upon termination of employment or service, and have a ten year contractual term. These awards are accounted for as equity at their fair value as of the grant date.

The fair value of each award was estimated on the date of grant using a Monte Carlo simulation model. Significant assumptions include the business enterprise value, time to a liquidity event, volatility and expected term of the awards.

During the year ended December 31, 2015, prior to the IPO, we modified the vesting terms of 10.737 outstanding Class M Units such that those units were fully vested and eligible to receive distributions following a liquidity event. In connection with the IPO and related recapitalization transactions, all of the outstanding Class M Units were converted into Holdings Units and Class B common stock of Planet Fitness, Inc. in accordance with the terms of the awards. Our IPO constituted a qualifying event under the terms of the awards and as a result 4,238,338 Holdings Units and corresponding shares of Class B common stock were issued to the existing Class M Unit holders with a weighted-average grant date fair value of $1.52 per share.

Income taxes

As a result of the recapitalization transactions, Planet Fitness, Inc. became the sole managing member of Pla-Fit Holdings, LLC which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, Pla-Fit Holdings, LLC is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by Pla-Fit Holdings, LLC is passed through to and included in the taxable income or loss of its members, including Planet Fitness, Inc. following the recapitalization transactions, on a pro rata basis. Planet Fitness, Inc. is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to our allocable share of any taxable income of Pla-Fit Holdings, LLC following the recapitalization transactions. The Company is also subject to taxes in foreign jurisdictions.

Deferred income taxes are recognized for the expected future tax consequences attributable to temporary differences between the carrying amount of the existing tax assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied in the years in which temporary differences are expected to be recovered or settled. The principal items giving rise to temporary differences are the use of accelerated depreciation and certain basis differences resulting from acquisitions and the recapitalization transactions. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

We recognize the effects of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Pla-Fit Holdings, LLC is liable for certain state and local taxes and is subject to tax withholding in foreign jurisdictions. Pla-Fit Holdings, LLC will also make pro rata tax distributions to the holders of Holdings Units in an amount sufficient to fund all or part of their tax obligations with respect to the taxable income of Pla-Fit Holdings, LLC that is allocated to them. See Certain relationships and related party transactions Pla-Fit Holdings, LLC amended and restated limited liability company agreement.

Tax benefit arrangements

Our acquisition of Holdings Units in connection with the IPO and future and certain past exchanges of Holdings Units for shares of our 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, we entered into two tax receivable agreements. Under the first of those agreements, we are generally required to pay to the Continuing LLC

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Owners 85% of the applicable tax savings, if any, in U.S. federal and state income tax that we are deemed to realize as a result of certain tax attributes of their Holdings Units sold to us (or exchanged in a taxable sale) and that are created as a result of (i) the sales of their Holdings Units for shares of Class A common stock and (ii) tax benefits attributable to payments made under the tax receivable agreement (including imputed interest). Under the second tax receivable agreement, we are generally required to pay to the Direct TSG Investors 85% of the amount of tax savings, if any, that we are 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, LLC in 2012, and certain other tax benefits. Under both agreements, we generally retain the benefit of the remaining 15% of the applicable tax savings. Also, pursuant to the exchange agreement described under Certain relationships and related party transactions Exchange agreement, to the extent an exchange results in Pla-Fit Holdings, LLC incurring a current tax liability relating to the New Hampshire business profits tax, the Continuing LLC Owners have agreed that they will contribute to Pla-Fit Holdings, LLC an amount sufficient to pay such tax liability (up to 3.5% of the value received upon exchange). If and when we subsequently realize a related tax benefit, Pla-Fit Holdings, LLC will distribute the amount of any such tax benefit to the relevant Continuing LLC Owner in respect of its contribution.

Based on current projections, we anticipate having sufficient taxable income to utilize these tax attributes and receive corresponding tax deductions in future periods. Accordingly, at the completion of the recapitalization transactions and the IPO, we recorded an initial liability of $142.0 million payable to the Direct TSG Investors and the Continuing LLC Owners under the tax benefit obligations, representing approximately 85% of the calculated tax savings based on the original basis adjustments we anticipate being able to utilize in future years. Changes in the projected liability resulting from these tax benefit arrangements may occur based on changes in anticipated future taxable income, changes in applicable tax rates or other changes in tax attributes that may occur and impact the expected future tax benefits to be received by the Company. Changes in the projected liability under these tax benefit arrangements will be recorded as a component of other income (expense) each period. The projection of future taxable income involves significant judgment. Actual taxable income may differ from our estimates, which could significantly impact the liability under the tax benefit arrangements and our consolidated results of operations.

We expect to receive additional increases in our share of the tax basis of Pla-Fit Holdings assets when the Continuing LLC Owners exchange Holdings Units (together with the corresponding shares of Class B common stock) for Class A common stock. When we acquire Holdings Units from the Continuing LLC Owners, we expect both the original basis adjustments and the anticipated basis adjustments will increase, resulting in additional future tax deductions and therefore reducing the amount of future income tax we would otherwise be required to pay. These potential future increases in tax basis will result in additional deferred tax assets and additional liabilities under the tax benefit arrangements, representing approximately 85% of the projected tax savings for the expected use of these tax attributes. Such amounts will be recorded at the time of these future exchanges based on our projections of taxable income and other factors that may exist at the time of such exchanges.

JOBS Act

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

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

Quantitative and qualitative disclosures about market risk

Interest rate risk

We are exposed to market risk from changes in interest rates on our senior secured credit facility, which bears interest at variable rates and has a U.S. dollar LIBOR floor of 1.00%. As of March 31, 2016, we had outstanding borrowings of $491.0 million. An increase in the effective interest rate applied to these borrowings of 100 basis points would result in a $4.9 million increase in pre-tax interest expense on an annualized basis. We manage our interest rate risk through normal operating and financing activities and, when determined appropriate, through the use of derivative financial instruments. To mitigate exposure to fluctuations in interest rates, we entered into a series of interest rate caps as discussed in Note 10 to our consolidated financial statements elsewhere in this prospectus.

Foreign exchange risk

We are exposed to fluctuations in exchange rates between the U.S. dollar and foreign currencies, primarily the Canadian dollar, which is the functional currency of our Canadian entities. Our sales, costs and expenses of our Canadian subsidiaries, when translated into U.S. dollars, can fluctuate due to exchange rate movement. As of March 31, 2016, a 10% increase or decrease in exchange rates would increase or decrease net income by a negligible amount.

Inflation risk

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

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Business

Our Company

Fitness for everyone

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

Our judgement-free approach to fitness and exceptional value proposition have enabled us to grow our revenues to $330.5 million in 2015 and to become an industry leader with $1.5 billion in system-wide sales during 2015, and more than 8.3 million members and 1,171 stores in 47 states, the District of Columbia, Puerto Rico, Canada and the Dominican Republic as of March 31, 2016. System-wide sales for 2015 include $1.4 billion attributable to franchisee-owned stores, from which we generate royalty revenue, and $95.6 million attributable to our corporate-owned stores. Of our 1,171 stores, 1,113 are franchised and 58 are corporate-owned. Our stores are successful in a wide range of geographies and demographics. According to internal and third-party analysis, we believe we have the opportunity to more than triple our store count to over 4,000 stores in the U.S. alone. As of March 31, 2016, we had commitments from franchisees to open more than 1,000 new stores under existing ADAs.

In 2015, our corporate-owned stores had segment EBITDA margin of 36.7% and had AUVs of approximately $1.7 million with four-wall EBITDA margins (an assessment of store-level profitability which includes local and national advertising expense) of approximately 42%, or approximately 37% after applying the 5% royalty rate under our current franchise agreement. Based on a survey of franchisees, we believe that our franchise stores achieve four-wall EBITDA margins in line with these corporate-owned store EBITDA margins. Our strong member value proposition has also driven growth throughout a variety of economic cycles and conditions. For a reconciliation of segment EBITDA margin to four-wall EBITDA margin for corporate-owned stores, see Management s discussion and analysis of financial condition and results of operations Non-GAAP financial measures.

Our significant growth is reflected in:

1,124 stores as of December 31, 2015, compared to 488 as of December 31, 2011, reflecting a compound annual growth rate (CAGR) of 23.2%;

7.3 million members as of December 31, 2015, compared to 2.9 million as of December 31, 2011, reflecting a CAGR of 25.8%;

2015 system-wide sales of $1.5 billion, reflecting a CAGR of 30.5%, or an increase of $1.0 billion, since 2011;

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2015 total revenue of $330.5 million, reflecting a CAGR of 24.8%, or an increase of $194.1 million, since 2011, of which 4.3% is attributable to revenues from corporate-owned stores acquired from or sold to franchisees since 2011;

37 consecutive quarters of system-wide same store sales growth (which we define as year-over-year growth solely of monthly dues from stores that have been open and for which membership dues have been billed for longer than 12 months);

2015 net income of $38.1 million, reflecting a CAGR of 6.8%, or an increase of $8.8 million, since 2011. Our historical results, prior to our initial public offering, benefit from insignificant income taxes due to our status as a pass-through entity for U.S. federal income tax purposes, and we anticipate future results will not be comparable to periods prior to our initial public offering as our income attributable to Planet Fitness, Inc. will be subject to U.S. federal and state taxes;

2015 Adjusted EBITDA of $123.5 million, reflecting a CAGR of 34.1%, or an increase of $85.3 million, since 2011; and

2015 Adjusted net income of $53.2 million compared to $42.2 million in 2014, an increase of 26.2%.

For a discussion of Adjusted EBITDA and Adjusted net income and a reconciliation of Adjusted EBITDA and Adjusted net income to net income, see Management s discussion and analysis of financial condition and results of operations Non-GAAP financial measures. For a discussion of same store sales and the effect of our point-of-sale and billing system, see Management s discussion and analysis of financial condition and results of operations How we assess the performance of our business.

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We re not a gym. We re Planet Fitness.

We believe our approach to fitness is revolutionizing the industry by bringing fitness to a large, previously underserved segment of the population. Our differentiated member experience is driven by three key elements:

- *Judgement Free Zone*: We believe every member should feel accepted and respected when they walk into a Planet Fitness. Our stores provide a Judgement Free Zone where members of all fitness levels can enjoy a non-intimidating environment. Our come as you are approach has fostered a strong sense of community among our members, allowing them not only to feel comfortable as they work toward their fitness goals but also to encourage others to do the same. The removal of heavy free weights reinforces our Judgement Free Zone by discouraging what we call Lunkhead behavior, such as dropping weights and grunting, that can be intimidating to new and occasional gym users. In addition, to help maintain our welcoming, judgement-free environment, each store has a purple and yellow branded Lunk alarm on the wall that staff occasionally rings as a light-hearted reminder of our policies.

- *Distinct store experience*: Our bright, clean, large-format stores offer our members a selection of high-quality, purple and yellow Planet Fitness-branded cardio, circuit- and weight-training equipment that is commonly used by first-time and occasional gym users. Because our stores are typically 20,000 square feet and we do not offer non-essential amenities such as group exercise classes, pools, day care centers and juice bars, we have more space for the equipment our members do use, and we have not needed to impose time limits on our cardio machines.

- *Exceptional value for members*: Both our standard and PF Black Card memberships are priced significantly below the industry average of $52 per month and still provide our members with a high-quality fitness experience. For only $10 per month, our standard membership includes unlimited access to one Planet Fitness location and unlimited free fitness instruction to all members in small groups through our PE@PF program. For $19.99 per month, our PF Black Card members have access to all of our stores system-wide and can bring a guest on each visit, which provides an additional opportunity to attract new members. Our PF Black Card members also have access to exclusive areas in our stores that provide amenities such as water massage beds, massage chairs, tanning equipment and more.

Our differentiated approach to fitness has allowed us to create an attractive franchise model that is both profitable and scalable. We recognize that our success depends on a shared passion with our franchisees for providing a distinctive store experience based on a judgement-free environment and an exceptional value for our members. We enhance the attractiveness of our streamlined, easy-to-operate franchise model by providing franchisees with extensive operational support relating to site selection and development, marketing and training. We also take a highly collaborative, teamwork approach to our relationship with franchisees, as captured by our motto One Team, One Planet. The strength of our brand and the attractiveness of our franchise model are evidenced by the fact that over 90% of our new stores in 2015 were opened by our existing franchisee base.

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Our competitive strengths

We attribute our success to the following strengths:

Market leader with differentiated member experience, nationally recognized brand and scale advantage. We believe we are the largest operator of fitness centers in the United States by number of members, with more than 8.3 million members as of March 31, 2016. Our franchisee-owned and corporate-owned stores generated $1.5 billion in system-wide sales during 2015. Through our differentiated member experience, nationally recognized brand and scale advantage, we will continue to deliver a compelling value proposition to our members and our franchisees and, we believe, grow our store and total membership base.

Differentiated member experience. We seek to provide our members with a high-quality fitness experience in a non-intimidating, judgement-free environment at an exceptional value. We have a dedicated Brand Excellence team that seeks to ensure that all our franchise stores uphold our brand standards and deliver a consistent Planet Fitness member experience in every store.

Nationally recognized brand. We have developed a highly relatable and recognized brand that emphasizes our focus on providing our members with a judgement-free environment. We do so through fun and memorable marketing campaigns and in-store signage that often poke fun at Lunk behavior. As a result, we have the highest aided and unaided brand awareness and likelihood to join scores in the U.S. fitness industry, according to a third-party consumer study that we commissioned in January 2016. Our brand strength also helps our franchisees attract members, with new stores in 2015 signing up an average of approximately 1,300 members even before opening their doors.

Scale advantage. Our scale provides several competitive advantages, including enhanced purchasing power with our fitness equipment and other suppliers and the ability to attract high-quality franchisee partners. In addition, we estimate that our large U.S. national advertising fund, funded by franchisees and us, together with our requirement that franchisees generally spend 5 to 7% of their monthly membership dues on local advertising, have enabled us and our franchisees to spend over $225 million since 2011 on marketing to drive consumer brand awareness.

Exceptional value proposition that appeals to a broad member demographic. We offer a high-quality and consistent fitness experience throughout our entire store base at low monthly membership dues. Combined with our non-intimidating and welcoming environment, we are able to attract a broad member demographic based on age, household income, gender and ethnicity. Our member base is over 50% female and our members come from both high- and low-income households. Our broad appeal and ability to attract occasional and first-time gym users enable us to continue to target a large segment of the population in a variety of markets and geographies across the United States and Canada.

Strong store-level economics. Our store model is designed to generate attractive four-wall EBITDA margins, strong free cash flow and high returns on invested capital for both our corporate-owned and franchise stores. Average four-wall EBITDA margins for our corporate-owned stores have increased significantly since 2011, driven by higher average members per store as well as a higher percentage of PF Black Card members, which leverage our relatively fixed costs. In 2015, our corporate-owned stores had segment EBITDA margin of 36.7% and had AUVs of approximately $1.7 million with four-wall EBITDA margins of approximately 42%, or approximately 37% after applying the 5% royalty rate under our current franchise agreement. Based on a survey of franchisees, we believe that our franchise stores achieve four-wall EBITDA margins in line with these corporate-owned store EBITDA margins. We believe that our strong store-level economics are important to our ability to attract and retain successful franchisees and grow our store base.

Highly attractive franchise system built for growth. Our easy-to-operate model, strong store-level economics and brand strength have enabled us to attract a team of professional, successful franchisees from a variety of industries. We believe that our franchise model enables us to scale more rapidly than a company-owned model. Our streamlined model features relatively fixed labor costs, minimal inventory, automatic billing and limited cash transactions. Our franchisees enjoy recurring monthly member dues, regardless of member use, weather or other factors. Based on survey data and management estimates, we believe our franchisees can earn, in their second year of operations, on average, a cash-on-cash return on initial investment greater than 25% after royalties and advertising, which is in line with our corporate-owned stores. The attractiveness of our franchise model is further evidenced by the fact that our franchisees re-invest their capital with us, with over 90% of our new stores in 2015 opened by our existing franchisee base. We view our franchisees as strategic partners in expanding the Planet Fitness store base and brand.

Predictable and recurring revenue streams with high cash flow conversion. Our business model provides us with predictable and recurring revenue streams. In 2015, over 90% of both our corporate-owned store and franchise revenues consisted of recurring revenue streams, which include royalties, vendor commissions, monthly dues and annual fees. In addition, our franchisees are obligated to purchase fitness equipment from us or our vendors for their new stores and to replace this equipment every four to seven years. As a result, these equip and re-equip requirements create a predictable and growing revenue stream as our franchisees open new stores under their ADAs. By re-investing in stores, we and our franchisees maintain and enhance our member experience. Our predictable and recurring revenue streams, combined with our attractive margins and minimal capital requirements, result in high cash flow conversion and increased capacity to invest in future growth initiatives.

Proven, experienced management team driving a strong culture. Our strategic vision and unique culture have been developed and fostered by our senior management team under the stewardship of Chief Executive Officer, Chris Rondeau. Mr. Rondeau has been with Planet Fitness for over 20 years and helped develop the Planet Fitness business model and brand elements that give us our distinct personality and spirited culture. Dorvin Lively, our Chief Financial Officer, brings valuable expertise from his 30 years of corporate finance experience with companies such as RadioShack and Ace Hardware, and from the initial public offering of Maidenform Brands. We have assembled a management team that shares our passion for fitness for everyone and has extensive experience across a broad range of disciplines, including retail, franchising, finance, consumer marketing, brand development and information technology. We believe our senior management team is a key driver of our success and has positioned us well to execute our long-term growth strategy.

Our growth strategies

We believe there are significant opportunities to grow our brand awareness, increase our revenues and profitability and deliver shareholder value by executing on the following strategies:

Continue to grow our store base across a broad range of markets. We have grown our store count over the last five years, expanding from 389 stores as of December 31, 2010 to 1,171 stores as of March 31, 2016. As of March 31, 2016, our franchisees have signed ADAs to open more than 1,000 additional stores over the next five years, including approximately 500 over the next three years. Because our stores are successful across a wide range of geographies and demographics with varying population densities, we believe that our high level of brand awareness and low per capita penetration outside of our original Northeast market create a significant opportunity to open new Planet Fitness stores. Based on our internal and third-party analysis, we believe we have the potential to grow our store base to over 4,000 stores in the United States alone.

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Drive revenue growth and system-wide same store sales. Because we provide a high-quality, affordable, non-intimidating fitness experience that is designed for first-time and occasional gym users, we have achieved positive system-wide same store sales growth in each of the past 37 quarters. We expect to continue to grow system-wide same store sales primarily by:

- *Attracting new members to existing Planet Fitness stores.* As the U.S. and Canadian populations continue to focus on health and wellness, we believe we are well-positioned to capture a disproportionate share of the population given our appeal to first-time and occasional gym users. In addition, because our stores offer a large, focused selection of equipment geared toward first-time and occasional gym users, we are able to service higher member volumes without sacrificing the member experience. We also have continued to evolve our offerings to appeal to our target member base, such as the introduction of 12-minute abdominal circuits and 30-minute express workout areas.

- *Increasing mix of PF Black Card memberships by enhancing value and member experience*. We expect to drive sales by converting our existing members with standard membership dues at $10 per month to our premium PF Black Card membership with dues at $19.99 per month as well as attracting new members to join at the PF Black Card level. We encourage this upgrade by continuing to enhance the value of our PF Black Card benefits through additional in-store amenities and affinity partnerships with well-known retail brands for discounts and promotions. Since 2011, our PF Black Card members as a percentage of total membership has increased from 42% in 2011 to 57% in 2015, and our average monthly dues per member have increased from $14.24 to $15.64 over the same period.

We may also explore other future revenue opportunities, such as optimizing member pricing and fees, offering new merchandise and services inside and outside our stores, and securing affinity and other corporate partnerships.

Increase brand awareness to drive growth. We plan to continue to increase our strong brand awareness by leveraging significant marketing expenditures by our franchisees and us, which we believe will result in increasing membership in new and existing stores and continue to attract high-quality franchisee partners. Under our current U.S. and Canadian franchise agreements, franchisees are required to contribute 2% of their monthly membership dues to our National Advertising Fund (NAF), from which we spent over $26 million in 2015 alone to support our national marketing campaigns, our social media platforms and the development of local advertising materials. Under our current U.S. and Canadian franchise agreements, franchisees are also required to spend 7% of their monthly membership dues on local advertising. We expect both our NAF and local advertising spending to grow as our membership grows.

Continue to expand royalties from increases in average royalty rate and new franchisees. While our current franchise agreement stipulates monthly royalty rates of 5% of monthly dues and annual membership fees, only 37% of our stores are paying royalties at the current franchise agreement rate, primarily due to lower rates in historical agreements. As new franchisees enter our system and, generally, as current franchisees open new stores or renew their existing franchise agreements at the current royalty rate, our average system-wide royalty rate will increase. Also, when existing stores with royalty rates below our current rate are transferred, whether to new or existing franchisees, our average system-wide royalty rate will increase. In 2015, our average monthly royalty rate was 3.27% compared to 1.67% in 2011. In addition to rising average royalty rates, total royalty revenue will continue to grow as we expand our franchise store base and increase franchise same store sales.

Grow sales from fitness equipment and related services. Our franchisees are contractually obligated to purchase fitness equipment from us and, in international markets, from our required vendors. Due to our scale and negotiating power, we believe we offer competitive pricing for high-quality, purple and yellow Planet Fitness-branded fitness equipment. We expect our equipment sales to grow as our U.S. franchisees open new stores. In international markets, we earn a commission on the sale of equipment by our required vendors to franchisee-owned stores. Additionally, all franchisees are required to replace their existing equipment with new equipment every four to seven years. As the number of franchise stores continues to increase and existing franchise stores continue to mature, we anticipate incremental growth in revenue related to the sale of equipment to U.S. franchisees and commissions on the sale of equipment to international franchisees. In addition, we believe that regularly refreshing equipment helps our franchise stores maintain a consistent, high-quality fitness experience and drives new member growth.

Our industry

Due to our unique positioning to a broader demographic, we believe Planet Fitness has an addressable market that is significantly larger than the traditional health club industry. We view our addressable market as approximately 255 million people, representing the U.S. population over 14 years of age. We compete broadly for consumer discretionary spending related to leisure, sports, entertainment and other non-fitness activities in addition to the traditional health club market.

According to the International Health, Racquet & Sportsclub Association (IHRSA), the U.S. health club industry generated approximately $25.8 billion in revenue in 2015. The industry is highly fragmented, with 36,180 clubs across the U.S. serving approximately 55 million members, according to IHRSA. In 2015, the U.S. health club industry grew by 5.0% in number of units and 2.2% in number of members compared to Planet Fitness, which grew by 22.4% and 20.0%, respectively. Over the next five years, industry sources project that U.S. health club industry revenues will grow at an annualized rate of approximately 3%, primarily attributed to an increase in discretionary spending coupled with continued consumer awareness and public initiatives on the health benefits of exercise. We believe we are well-positioned to capitalize on these trends, and our impressive growth reinforces our distinct approach to fitness and broad demographic appeal.

Our brand philosophy

We are a brand built on passion and the belief that first-time gym users and casual fitness members can achieve their personal wellness goals in a non-intimidating, judgement-free environment. We have become a nationally recognized consumer brand that stands for the environment, value and quality we provide our members.

The Judgement Free Zone. Planet Fitness is the home of the Judgement Free Zone. It is a place where people of all fitness levels can feel comfortable working out at their own pace, feel supported in their efforts and not feel intimidated by pushy salespeople or other members who may ruin their fitness experience.

All This for Only That. Planet Fitness monthly membership dues range from only $10 to $19.99. We pride ourselves on providing a high-quality experience at an exceptional value, not an economy fitness experience.

No Gymtimidation. Gymtimidation is any behavior that makes others feel intimidated or uncomfortable in our stores. Our policy is simple: Planet Fitness is an environment where members can relax, go at their own pace and be themselves without ever having to worry about being judged. Behaviors such as grunting, dropping weights or judging others simply are not tolerated.

No Lunks. Lunks are people who Gymtimidate. To help maintain our judgement-free environment, each store has a purple and yellow branded Lunk alarm on the wall that our staff occasionally rings as a light-hearted, gentle reminder of our policies.

You Belong. We do a lot of little things to make members feel like part of our community like saying hello and goodbye to everyone who enters our stores, providing Tootsie Rolls at the front desk so that our staff has

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another opportunity to engage with members, and other membership appreciation gestures such as monthly Pizza Mondays and Bagel Tuesdays at no cost to our members.

Planet of Triumphs. All of our members are working toward their goals from a single push-up to making it to Planet Fitness twice in a week to losing hundreds of pounds. No matter what size the goal, we believe that all of these accomplishments deserve to be celebrated. Planet of Triumphs (www.PlanetofTriumphs.com) is an elevating, inspiring, 100% Judgement Free social community of real members where all stories are welcome. This community now includes over 119,000 active members, with more than 100,000 posts and over 2.1 million site views. Planet of Triumphs provides an online platform for members to recognize their triumphs (big and small), share their stories and encourage others, while spotlighting our unique brand belief that everyone belongs.

Membership

We make it simple for members to join, whether online or in-store no pushy sales tactics, no pressure and no complicated rate structures. Our corporate store staff is not paid commissions based on membership sales but rather have the opportunity to earn a monthly bonus based primarily on store cleanliness, and we urge our franchisees to follow our lead. Our regional managers review our corporate stores multiple times per month for quality control, including generally one visit per month during which they evaluate store cleanliness based upon internally established criteria from which the monthly bonus is derived. Our members generally pay the following amounts:

- monthly membership dues of only $10 for our standard membership or, for PF Black Card members, $19.99;
- annual fees of approximately $10 to $39; and
- enrollment fees of approximately $0 to $59.

Belonging to a Planet Fitness store has perks whether members select the standard membership or the premium PF Black Card membership. Every member gets to take part in Pizza Mondays and Bagel Tuesdays and gets free, unlimited fitness instruction in small groups, plus a T-shirt or other Planet Fitness item. Our PF Black Card members also have the right to reciprocal use of all Planet Fitness stores, can bring a friend with them each time they work out, and have access to massage beds and chairs and tanning, among other benefits. PF Black Card benefits extend beyond our store as well, with exclusive specials and discount offers from third-party retail partners like Reebok. While some of our memberships require a cancellation fee, we offer, and require our franchisees to offer, a non-committal membership option.

As of March 31, 2016, we had more than 8.3 million members. We utilize electronic funds transfer (EFT) as our primary method of collecting monthly dues and annual membership fees. Over 80% of membership fee payments to our corporate-owned and franchise stores are collected via ACH direct debit. We believe there are certain advantages to receiving a higher concentration of ACH payments, as compared to credit cards payments, including less frequent expiration of billing information and reduced exposure to subjective chargeback or dispute claims and fees. Due to our scale and negotiating power, we believe that our third party payment processors offer a competitive bundle of transaction pricing and support services to our franchisees while facilitating revenue collection by us.

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Our stores

We had 1,171 stores system-wide as of March 31, 2016, of which 1,113 were franchised and 58 were corporate-owned, located in 47 states, the District of Columbia, Puerto Rico, Canada and the Dominican Republic. The map below shows our franchisee-owned stores by location, and the accompanying table shows our corporate-owned stores by location.

Franchisee-owned store count by location

As of March 31, 2016, we had commitments to open more than 1,000 new stores under existing ADAs.

Our format

Many traditional gyms include expensive add-ons such as pools, group exercise rooms, daycare facilities and juice bars that require additional maintenance expense and staffing. We have removed these unnecessary and expense-adding facilities and services and replaced them with additional cardio and strength equipment, which we believe allows us to serve more members without imposing time limits on equipment use. We believe our streamlined offerings appeal to the core needs of most gym users, especially first-time or occasional gym users.

Our stores are designed and outfitted to match our brand philosophy, with bright, bold purple and yellow color schemes and purple and yellow Planet Fitness-branded equipment and amenities. Our typical store is 20,000 square feet in single or multi-level retail space. Our stores generally include at least 75 to 100 pieces of co-branded cardio equipment, free weights, strength machines, a 30-minute circuit workout area and a 12-minute abdominal workout area, a small retail area and a drink cooler. For our PF Black Card members, our stores also generally feature a PF Black Card spa area with total body enhancement machines, massage beds or chairs and tanning.

Store model

Our store model is designed to generate attractive four-wall EBITDA margins, strong free cash flow and high returns on invested capital for both our corporate-owned and franchise stores. Based on survey data from franchisees relating to over 200 stores for 2013 and management estimates, we believe that our franchise stores achieve store-level profitability in line with our corporate-owned store base. The stores included in this survey represent those stores that voluntarily disclosed such information in response to our request, and we believe this information reflects a representative sample of franchisees based on the franchisee groups and geographic areas represented by these stores. Our average four-wall EBITDA margins for our corporate-owned stores have increased significantly since 2011, driven by higher average members per store as well as a higher percentage of PF Black Card members, which leverages our fixed costs. In 2015, our corporate-owned stores had segment EBITDA margin of 36.7% and had AUVs of approximately $1.7 million with four-wall EBITDA margins of approximately 42%, or approximately 37% after applying the 5% royalty rate under our current franchise agreement. Based on survey data and management analysis, franchisees have historically earned, and we believe can continue to earn, in their second year of operations, on average, a cash-on-cash return on unlevered (i.e., not debt-financed) initial investment greater than 25% after royalties and advertising, which is in line with our corporate-owned stores. A franchisee s initial investment includes fitness equipment purchased from us (or from our required vendors in the case of our franchisees in international markets) as well as costs for non-fitness equipment and leasehold improvements. The attractiveness of our franchise model is further evidenced by the fact that over 90% of our new stores in 2015 were opened by our existing franchisee base. We believe that our strong store-level economics are important to our ability to attract and retain successful franchisees and grow our store base.

Fitness equipment

We provide our members with high-quality, Planet Fitness-branded fitness equipment from leading suppliers. In order to maintain a consistent experience across our store base, we stipulate specific pieces and quantities of cardio and strength-training equipment and provide general guidelines for layout and placement. Due to our scale, we are able to negotiate competitive pricing and secure extended warranties from our suppliers. As a result, we believe we offer equipment at more attractive pricing than franchisees could otherwise secure on their own.

Leases

We lease all of our corporate-owned stores and our corporate headquarters. Our store leases typically have initial terms of 10 years with two five-year renewal options, exercisable in our discretion. Our corporate headquarters are located at 26 Fox Run Road, Newington, New Hampshire and serve as our base of operations for substantially all of our executive management and employees who provide our primary corporate support functions, including finance, legal, marketing, technology, real estate, development and human resources.

Franchisees own or directly lease from a third-party each Planet Fitness franchise location. We do not own or enter into leases for Planet Fitness franchise stores and generally do not guarantee franchisees lease agreements, although we have done so in a few isolated instances.

Franchising

Franchising strategy

We rely heavily on our franchising strategy to develop new Planet Fitness stores, leveraging the ownership of entrepreneurs with specific local market expertise and requiring a relatively minimal capital commitment by us. As of December 31, 2015, there were 1,066 franchised Planet Fitness stores operated by approximately 200 franchisee groups. The majority of our existing franchise operators are multi-unit operators. As of December 31, 2015, 91% of all franchise stores were owned and operated by a franchisee group that owns at least three stores. However, while our largest franchisee owned 49 stores as of December 31, 2015, only 10% of our franchisee groups owned more than ten stores as of December 31, 2015. When considering a potential franchisee, we generally evaluate the potential franchisee s prior experience in franchising or other multi-unit businesses, history in managing profit and loss operations, financial history and available capital and financing. We generally do not permit franchisees to borrow more than 80% of the initial investment for their Planet Fitness business.

Area development agreements

An ADA specifies the number of Planet Fitness stores to be developed by the franchisee in a designated geographic area, and requires the franchisee to meet certain scheduled deadlines for the development and opening of each Planet Fitness store authorized by the ADA. If the franchisee meets those obligations, we agree not to, during the term of the ADA, operate or franchise new Planet Fitness stores in the designated geographic area. The franchisee must sign a separate franchise agreement with us for each Planet Fitness store developed under an ADA, and that franchise agreement governs the franchisee s right to own and operate the Planet Fitness store.

Franchise agreements

For each franchised Planet Fitness store, we enter into a franchise agreement covering standard terms and conditions. Planet Fitness franchisees are not granted an exclusive area or territory under the franchise agreement. The franchise agreement requires that the franchisee operate the Planet Fitness store at a specific location and in compliance with our standard methods of operation, including providing the services, using the vendors and selling the merchandise that we require (or our required vendors in the case of our franchisees located in international markets). The typical franchise agreement has a 10-year term. Additionally, U.S. franchisees must purchase equipment from us and replace the fitness equipment in their stores every four to seven years and periodically refurbish and remodel their stores.

We currently require each franchisee to designate a responsible owner and an approved operator for each Planet Fitness store that will have primary management authority for that store. We require these franchisees to complete our initial and ongoing training programs, including minimum periods of classroom and on-the-job training.

Site selection and approval

Our stores are generally located in free-standing retail buildings or neighborhood shopping centers, and we consider locations in both high- and low-density markets. We seek out locations with (i) high visibility and accessibility, (ii) favorable traffic counts and patterns, (iii) availability of signage, (iv) ample parking or access to public transportation and (v) our targeted demographics. Our site analytics tools provide us with extensive demographic data and analysis that we use to review new and existing sites and markets for our corporate-owned stores and franchisees. We assess population density and drive time, current tenant mix, layout, potential competition and cannibalization of existing Planet Fitness stores and comparative data based upon existing stores all the way down to optimal ceiling heights and HVAC requirements. Our real estate team meets regularly to review sites for future development and follows a detailed approval process to ensure each site aligns with our strategic growth objectives and critical success factors.

We help franchisees select sites and develop facilities in these stores that conform to the physical specifications for a Planet Fitness store. Each franchisee is responsible for selecting a site, but must obtain site approval from us. We primarily learn of new sites in two ways. First, we have a formal site-approval submission process for landlords and franchisees. Each site submitted to us is reviewed by a subcommittee of our real estate team for brand qualifications. Second, we proactively review real estate portfolios for appropriate sites that we may consider for corporate-owned stores or franchisee development, depending upon location. In 2015, we identified and evaluated a total of more than 2,000 sites on this basis.

We are also involved in real estate organizations such as the International Council of Shopping Centers (ICSC), a trade organization for the international shopping center industry. Our membership in ICSC allows us to gather data, meet prospective landlords and further enhance our reputation as a desired tenant for shopping centers.

Design and construction

Once we have approved a franchisee s site selection, we assist in the design and layout of the store and track the franchisee s progress from lease signing to grand opening. Franchisees work directly with our franchise support team to track key milestones, coordinate with vendors and make equipment purchases. Certain Planet Fitness brand elements are required to be incorporated into every new store, and we strive for a consistent appearance across all of our stores, emphasizing clean, attractive facilities, including full-size locker rooms, and modern equipment. Franchisees must abide by our standards related to fixtures, finishes and design elements, including distinctive touches such as our Lunk alarm. We believe these elements are critical to ensure brand consistency and member experience system-wide.

In 2015, based on a sample of U.S. franchisee data, we believe construction of franchise stores averaged approximately 12 weeks. In addition, based upon this sample of 47 stores across a wide range of U.S. geographies, we estimate that franchisees unlevered (i.e., not debt-financed) investment in 2015 to open new stores was approximately $1.9 million. This amount includes fitness equipment purchased from us as well as costs for non-fitness equipment and leasehold improvements from data we received from two general contractors that oversaw the construction of these 47 new stores. Additionally, this amount includes an estimate of other costs that are typically paid by the franchisee and not managed by the general contractor. These amounts can vary significantly depending on a number of factors, including landlord allowances for tenant improvements and construction costs from different geographies.

Franchisee support

We live and breathe the motto *One Team, One Planet* in our daily interactions with franchisees. Our franchise model is streamlined and easy-to-operate, with efficient staffing and minimal inventory, and is supported by an active, engaged franchise operations system. We provide our franchisees with operational support, marketing materials and training resources. Our strong and long-lasting partnership with our franchisees is reflected in the fact that over 90% of our new stores in 2015 were opened by our existing franchisee base.

Training. In 2014, we developed, and continue to update and expand, Planet Fitness University, a comprehensive training resource to help franchisees operate successful stores. Courses are delivered online, and content focuses on customer service, operational policies, brand standards, cleanliness, security awareness, crisis management and vendor product information. We are continually adding and improving the content available on Planet Fitness University as a no-cost service to help enhance training programs for franchisees. Additional training opportunities offered to our franchisees include new owner orientation, operations training and workshops held at Planet Fitness headquarters and in stores across the country as well as through webinars.

Operational support and communication. We believe spending quality time with our franchisees in person is an important opportunity to further strengthen our relationships and share best practices. We have dedicated operations and marketing teams providing ongoing support to franchisees. We are hands on we often attend franchisees presales and grand openings, and we host franchisee meetings each year, known as PF Huddles. We also communicate regularly with our entire franchisee base to keep them informed, and we host an Annual Franchise Conference every year that is geared towards franchisees and their operations teams.

We regularly communicate with the franchisee advisory groups described below and send a weekly email communication to all franchisees with timely news you can use information related to operations, marketing, financing and equipment. Every month, a franchisee newsletter is sent to all franchisees, which includes a personal letter from our Chief Executive Officer, important updates on the business and benchmarking reports.

Franchisee relations. Because our ability to execute our strategy is dependent upon the strength of our relationships with our franchisees, we maintain an ongoing dialogue and strong relationship with two franchise advisory groups, the Franchise Advisory Council (FAC) and the Planet Fitness Independent Franchise Association (PFIFA). The FAC includes seven franchisees elected by the franchisee base and numerous committees consisting of approximately 40 franchisees. The FAC and its committees provide feedback and input on major brand initiatives, new product and service introductions, technology initiatives, marketing programs and advertising campaigns. FAC leaders have regular dialogue with our executive team and work closely with us to advise on major initiatives impacting the brand. Our strong culture of working together is the driving force behind all we do, and we refer to our franchisees as raving FANchisees. In 2014, in cooperation with us, our franchisees also organized PFIFA. PFIFA assists our franchisees and us in working together to develop brand ideas, streamline legal agreements and provide advice on related topics to franchisees on issues such as succession and estate planning.

Compliance with brand standards Brand Excellence

We have a dedicated Brand Excellence team focused on ensuring that our franchise stores adhere to brand standards and providing ongoing assistance, training and monitoring to those franchisees that have difficulty meeting those standards. We generally perform a detailed Brand Excellence review on each franchise store within 30 to 60 days of opening, and each franchise store is generally reviewed at least once per year thereafter. In 2015, our Brand Excellence team performed approximately 1,030 franchise store reviews covering all franchise ownership groups.

We review stores based on a wide range of criteria ranging from cleanliness to compliance with signage and layout requirements and operational standards. We record the results of each review in a third-party Planet Fitness-branded software system, which automatically sends a Brand Excellence report to the appropriate franchisee. Results are also available to the franchisee through the Brand Excellence software system, which provides access to regional and international benchmarking data, allowing franchisees to compare overall results among their peers as well as results based upon each criterion. Stores that do not receive a passing score are automatically flagged for follow-up by our team and will generally be reevaluated within 30 to 60 days to ensure all identified issues have been addressed. Our Brand Excellence system also enables franchisees to perform, track and benchmark self-assessments and online member surveys through the Brand Excellence software system.

We also use mystery shoppers to perform anonymous Brand Excellence reviews of franchise stores. We generally select franchise stores for review randomly but also target underperforming stores and stores that have not performed well in Brand Excellence reviews.

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Marketing

Marketing strategy

Our marketing strategy is anchored by our key brand differentiators the Judgement Free Zone, our exceptional value and our high-quality experience. We are well known for our memorable and creative advertising, which not only drives membership sales, but also showcases our brand philosophy, humor and innovation in the industry. We see Planet Fitness as a community gathering place, and the heart of our marketing strategy is to create a welcoming community for our members.

Marketing spending

National advertising.   We support our franchisees both at a national and local level. We manage the U.S. NAF and Canadian advertising fund for franchisees and corporate-owned stores, with the goals of generating national awareness and new memberships through national advertising and media partnerships, developing and maintaining creative assets to support local sale periods throughout the year, and building and supporting the Planet Fitness community via digital and social media. Our current U.S. and Canadian franchise agreement requires franchisees to contribute 2% of their monthly EFT to the NAF and Canadian advertising fund, respectively. Since the NAF was founded in September 2011, it has enabled us to spend approximately $76 million to increase national brand awareness and new memberships, including over $26 million in 2015. We believe this is a powerful marketing tool as it allows us to increase brand awareness in new and existing markets.

Local marketing.   Our current franchise agreement requires franchisees to spend 7% of their monthly EFT on local marketing to support promotional sale periods throughout the year and continue to build the brand in local markets. In situations where we deem it appropriate, we also require franchisees to form or join regional marketing cooperatives to maximize the impact of their marketing spending. Our corporate-owned stores contribute to, and participate in, regional marketing cooperatives with franchisees where practical. All franchise stores are supported by our dedicated franchisee marketing team, which provides guidance, tracking, measurement and advice on best practices. Franchisees spend their marketing dollars in a variety of ways to promote business at their stores on a local level. These methods typically include media vehicles that are effective on a local level, including direct mail, outdoor (including billboards) and radio advertisements and local partnerships and sponsorships.

Social media

We have an engaged social media platform, which we believe further raises brand awareness and creates community among our members. Not only do we have our own dedicated Planet of Triumphs community but we also maintain a corporate Facebook page with localized sub pages and Twitter and Instagram feeds and seek to engage frequently and personally with our members online.

Media partnerships

Given our scale and marketing resources through our national advertising fund, we have aligned ourselves with high-profile media partners who have helped to extend the reach of our brand. Through our five-year partnership with   The Biggest Loser,   a popular television show running on NBC where competitors strive to lose weight and learn to live a healthier lifestyle, we showcase the power of our Judgement Free Zone in enabling everyday people (including those who may have never considered joining a gym before) to achieve healthier lifestyles. The partnership includes Planet Fitness-branded fitness equipment and logos on air, in-store integrations with trainers and contestants, digital advertising on NBC, local appearances of contestants

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and other promotions. We are also excited to make a three-year commitment to be featured on Dick Clark s Rockin New Year s Eve with Ryan Seacrest and be the presenting sponsor in Times Square. Through on-air verbal mentions, a celebrity integration with host Jenny McCarthy, 30,000 branded hats and balloons and a branded stage showcasing top tier entertainment in Times Square seen by over a billion people worldwide, we encouraged everyone to have a Judgement Free New Year with us.

Charitable partnerships

We believe strongly in giving back to the communities we serve. In March of 2016, Planet Fitness launched the brand s national philanthropic platform, The Judgement Free Generation. By working with two nationally recognized non-profit partners, Stomp Out Bullying and The Boys & Girls Clubs of America, our mission is to extend our Judgement Free Zone beyond our stores into our communities to help combat the bullying and judgement faced by today s teens. Together, we and our franchisees have committed approximately $1.3 million to help fund numerous anti-bullying and pro-kindness initiatives impacting teens and intend to continue supporting this initiative.

In addition, we and our franchisees have supported a variety of additional causes over the years including the Breast Cancer Research Foundation, donating approximately $2 million, as well as other organizations, including the Make-A-Wish Foundation. Our franchisees also donate to and support a variety of local organizations in their communities such as youth sports groups and various non-profits.

Competition

In a broad sense, because many of our members are first-time or occasional gym-goers, we believe we compete with both fitness and non-fitness consumer discretionary spending alternatives for members and prospective members time and discretionary resources.

To a great extent, we also compete with other industry participants, including:

- other fitness centers;
- recreational facilities established by non-profit organizations such as YMCAs and by businesses for their employees;
- private studios and other boutique fitness offerings;
- racquet, tennis and other athletic clubs;
- amenity and condominium/apartment clubs;
- country clubs;
- online personal training and fitness coaching;
- the home-use fitness equipment industry;
- local tanning salons; and

businesses offering similar services.

The health club industry is highly competitive and fragmented, and the number, size and strength of competitors vary by region. Some of our competitors have name recognition in their respective countries or an established presence in local markets, and some are established in markets in which we have existing stores or intend to locate new stores. These risks are more significant internationally, where we have a limited number of stores and limited brand recognition.

We compete primarily based upon the membership value proposition we are able to offer due to our significant economies of scale, high-quality fitness experience, judgement-free atmosphere and superior customer service, all at an exceptional value, which we believe differentiates us from our competitors.

Our competition continues to increase as we continue to expand into new markets and add stores in existing markets. See also Risk factors Risks related to our business and industry The high level of competition in the health and fitness industry could materially and adversely affect our business.

Suppliers

Franchisees are required to purchase fitness equipment from us (or our required vendors in the case of franchisees located in international markets) and are required to purchase various other items from vendors that we approve. We sell equipment purchased from third-party equipment manufacturers (or our required vendors in the case of franchisees located in international markets) to franchise stores in the U.S. We also have two approved suppliers of tanning beds, one approved supplier of massage beds, one approved supplier of massage chairs, and various approved suppliers of non-fitness equipment and miscellaneous items such as towels and t-shirts. These vendors arrange for delivery of products and services directly to franchise stores. From time to time, we re-evaluate our supply relationships to ensure we obtain competitive pricing and high-quality equipment and other items.

Employees

As of December 31, 2015, we employed approximately 756 employees at our corporate-owned stores and approximately 180 employees at our corporate headquarters located at 26 Fox Run Road, Newington, New Hampshire. None of our employees are represented by labor unions, and we believe we have an excellent relationship with our employees.

Planet Fitness franchises are independently owned and operated businesses. As such, employees of our franchisees are not employees of the Company.

Information technology and systems

All stores use a computerized, third-party hosted store management system to process new in-store memberships, bill members, update member information, check-in members, process point of sale transactions as well as track and analyze sales, membership statistics, cross-store utilization, member tenure, amenity usage, billing performance and demographic profiles by member. Our websites are hosted by third parties, and we also rely on third-party vendors for related functions such as our system for processing and integrating new online memberships, updating member information and making online payments. We believe these systems are scalable to support our growth plans.

Our back-office computer systems are comprised of a variety of technologies designed to assist in the management and analysis of our revenues, costs and key operational metrics as well as support the daily operations of our headquarters. These include third-party hosted systems that support our real estate and construction processes, a third-party hosted financial system, a third-party hosted data warehouse and business intelligence system to consolidate multiple data sources for reporting, advanced analysis, and financial analysis and forecasting, a third-party hosted payroll system, on-premise telephony systems and a third-party hosted call center software solution to manage and track member-related requests.

We also provide our franchisees access to a web-based, third-party hosted custom franchise management system to receive informational notices, operational resources and updates, training materials and other

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franchisee communications. In 2015, we initiated a project to replace our existing franchise management system and consolidate several back-office systems, including our call center solution, onto a third-party hosted platform to drive greater cross-system integration and efficiency, increase the use of automated workflows and electronic documentation for conducting business with franchisees and provide a scalable platform to support our growth plans. We made substantial progress throughout 2015 on this project and expect to continue investing resources to complete our initial phase of this project in 2016.

We recognize the value of enhancing and extending the uses of information technology in virtually every area of our business. Our information technology strategy is aligned to support our business strategy and operating plans. We maintain an ongoing comprehensive multi-year program to replace or upgrade key systems, enhance security and optimize their performance.

Intellectual property

We own many registered trademarks and service marks in the U.S. and in other countries. We believe the Planet Fitness name and the many distinctive marks associated with it are of significant value and are very important to our business. Accordingly, as a general policy, we pursue registration of our marks in select international jurisdictions, monitor the use of our marks in the U.S. and internationally and vigorously oppose any unauthorized use of the marks.

We license the use of our marks to franchisees, third-party vendors and others through franchise agreements, vendor agreements and licensing agreements. These agreements restrict third parties activities with respect to use of the marks and impose brand standards requirements. We require licensees to inform us of any potential infringement of the marks.

We register some of our copyrighted material and otherwise rely on common law protection of our copyrighted works. Such copyrighted materials are not material to our business.

We also license some intellectual property from third parties for use in our stores but such licenses are not material to our business.

Government regulation

We and our franchisees are subject to various federal, state, provincial and local laws and regulations affecting our business.

We are subject to the FTC Franchise Rule promulgated by the FTC that regulates the offer and sale of franchises in the U.S. and its territories (including Puerto Rico) and requires us to provide to all prospective franchisees certain mandatory disclosure in a franchise disclosure document (FDD). In addition, we are subject to state franchise sales laws in approximately 14 states that regulate the offer and sale of franchises by requiring us to make a franchise filing or obtain franchise registration prior to our making any offer or sale of a franchise in those states and to provide a FDD to prospective franchisees in accordance with such laws.

We are subject to franchise sales laws in five provinces in Canada that regulate the offer and sale of franchises by requiring us to provide a FDD in a prescribed format to prospective franchisees in accordance with such laws, and that regulate certain aspects of the franchise relationship. We are also subject to franchise relationship laws in over 20 states that regulate many aspects of the franchisor-franchisee relationship, including renewals and terminations of franchise agreements, franchise transfers, the applicable law and venue in which franchise disputes must be resolved, discrimination, and franchisees right to associate, among others. In addition, we and our franchisees may also be subject to laws in other foreign countries (including the Dominican Republic) where we or they do business.

We and our franchisees are also subject to the U.S. Fair Labor Standards Act of 1938, as amended, similar state laws in certain jurisdictions, and various other laws in the U.S. and Canada governing such matters as minimum-wage requirements, overtime and other working conditions. A significant number of our and our franchisees employees are paid at rates related to the U.S. federal or state, and past increases in the U.S. federal and/or state minimum wage have increased labor costs, as would future increases.

Our and our franchisees operations and properties are subject to extensive U.S. and Canadian federal, state, provincial and local laws and regulations, including those relating to environmental, building and zoning requirements. Our and our franchisees development of properties depends to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations and requirements.

We and our franchisees are responsible at stores we each operate for compliance with state laws that regulate the relationship between health clubs and their members. Nearly all states have consumer protection regulations that limit the collection of monthly membership dues prior to opening, require certain disclosures of pricing information, mandate the maximum length of contracts and cooling off periods for members (after the purchase of a membership), set escrow and bond requirements for health clubs, govern member rights in the event of a member relocation or disability, provide for specific member rights when a health club closes or relocates, or preclude automatic membership renewals.

We and our franchisees primarily accept payments for our memberships through electronic fund transfers from members bank accounts, and, therefore, we and our franchisees are subject to both federal and state legislation and certification requirements, including the Electronic Funds Transfer Act. Some states, such as New York, Massachusetts and Tennessee, have passed or have considered legislation requiring gyms and health clubs to offer a prepaid membership option at all times and/or limit the duration for which gym memberships can auto-renew through EFT payments, if at all. Our business relies heavily on the fact that our memberships continue on a month-to-month basis after the completion of any initial term requirements, and compliance with these laws, regulations, and similar requirements may be onerous and expensive, and variances and inconsistencies from jurisdiction to jurisdiction may further increase the cost of compliance and doing business. States that have such health club statutes provide harsh penalties for violations, including membership contracts being void or voidable.

Additionally, the collection, maintenance, use, disclosure and disposal of individually identifiable data by our, or our franchisees , businesses are regulated at the federal, state and provincial levels as well as by certain financial industry groups, such as the Payment Card Industry, Security Standards Council, the NACHA, and the Canadian Payments Association. Federal, state and financial industry groups may also consider from time to time new privacy and security requirements that may apply to our businesses and may impose further restrictions on our collection, disclosure and use of individually identifiable information that are housed in one or more of our databases.

Many of the states where we and our franchisees operate stores have health and safety regulations that apply to health clubs and other facilities that offer indoor tanning services. In addition, U.S. federal healthcare legislation signed into law in March 2010 contains a 10% excise tax on indoor tanning services. Under the rule promulgated by the IRS imposing the tax, a portion of the cost of memberships that include access to our tanning services are subject to the tax.

Legal proceedings

On July 7, 2015, shortly after we publicly filed our initial registration statement in connection with our IPO we received a letter from counsel to Michael Grondahl, a founder and former CEO of the Company, expressing Mr. Grondahl s view that the non-competition agreement Mr. Grondahl signed in connection with the acquisition of Holdings Units from Mr. Grondahl and others by investment funds affiliated with our Sponsor in 2012 may not be enforceable. Mr. Grondahl s non-compete agreement expires in November 2017. In addition, Mr. Grondahl expressed concerns with the separation agreement executed by Mr. Grondahl when he resigned as CEO and an employee of the Company in January 2013, as well as the valuation agreed to in the unit purchase agreement executed in October 2013 pursuant to which Mr. Grondahl sold his remaining Holdings Units to the Sponsor. Finally, Mr. Grondahl expressed his desire to be excused from certain indemnification obligations he agreed to in connection with the 2012 acquisition by the Sponsor. We and our Sponsor believe that Mr. Grondahl s claims are without merit and intend to vigorously contest any claims that may be made by Mr. Grondahl. In addition, we and our Sponsor have initiated arbitration proceedings to resolve Mr. Grondahl s claims as provided in the unit purchase agreement. We do not expect this matter to have a material adverse effect on our business, results of operations or financial condition.

We are involved in various claims and legal actions that arise in the ordinary course of business. We do not believe that the ultimate resolution of these actions will have a material adverse effect on our financial position, results of operations, liquidity and capital resources.

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Management

Executive officers and directors

Below is a list of the names, ages, positions and a brief account of the business experience of the individuals who serve as our executive officers and directors as of the date of this prospectus.

Name	Age	Position
Chris Rondeau	43	Chief Executive Officer and Director
Dorvin Lively	57	Chief Financial Officer
Richard Moore	45	Chief Administrative Officer and General Counsel
Marc Grondahl	49	Director
Charles Esserman	57	Director
Pierre LeComte	43	Director
Michael Layman	33	Director
Edward Wong	32	Director
David Berg.	54	Director
Stephen Spinelli, Jr.	61	Director

Chris Rondeau has served as our Chief Executive Officer since January 2013. He previously served as our Chief Operating Officer since 2003. Mr. Rondeau joined Planet Fitness in 1993, one year after our original founders, Michael and Marc Grondahl, started the Company in 1992. Throughout the years, he has played a critical role working side by side with them to develop and refine the unique, low-cost/high-value business model and lean operating system that we believe revolutionized both the fitness and franchising industry. Because of his leadership experience, role as Chief Executive Officer and history with Planet Fitness, we believe Mr. Rondeau is well qualified to serve on our board of directors.

Dorvin Lively has served as our Chief Financial Officer since July 2013. Mr. Lively, a 30-year veteran of corporate finance for various retail and consumer-products companies, leads our finance, treasury and financial planning functions as well as strategic and long-term planning. Prior to joining Planet Fitness, from August 2011 to July 2013, Mr. Lively served as Executive Vice President, Chief Financial Officer, interim Chief Executive Officer and Chief Administrative Officer for RadioShack Corporation. In these positions, Mr. Lively led the company s finance, treasury, financial planning, investor relations, supply chain and dealer franchise functions. Prior to RadioShack, Mr. Lively served as Chief Financial Officer at Ace Hardware Corp. His experience also includes previous positions at Maidenform Brands, Toys R Us, The Reader s Digest Association and Pepsi-Cola International. Mr. Lively is a Certified Public Accountant (Inactive) and received his Bachelor s Degree from the University of Arkansas.

Richard Moore has served as our Chief Administrative Officer and General Counsel since early 2013, after serving as our General Counsel beginning in 2012. Previously, Mr. Moore spent five years at Ropes & Gray LLP, focusing on private equity transactions, private investment fund formation, public offerings and public company portfolio management. He also successfully led Planet Fitness through the sale to TSG in November 2012. In his role as Chief Administrative Officer, Mr. Moore is responsible for assisting the Chief Executive Officer in building out our leadership and management team and is responsible for managing the Planet Fitness

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Worldwide Headquarters, with a focus on creating an infrastructure to support our continued growth and expansion. Mr. Moore received his Bachelor s Degree from Duke University and his J.D. from Northeastern University School of Law.

Marc Grondahl has served on our board of directors since November 2012. He is one of our co-founders and joined the business in 1992. For 20 years, Mr. Grondahl, alongside his brother, Michael Grondahl, and our Chief Executive Officer, Chris Rondeau, developed and refined the successful Planet Fitness business model we have today. Throughout the years, Mr. Grondahl oversaw the financial and strategic planning for the organization, and in 1998, he was named Chief Financial Officer. Prior to joining our Company in 1992, Mr. Grondahl worked at a manufacturing company as a cost accountant. He received his Bachelor s Degree in business administration from Bryant College. Because of his extensive experience and understanding of the Planet Fitness business, we believe Mr. Grondahl is well qualified to serve on our board of directors.

Charles Esserman has served on our board of directors since November 2012. Mr. Esserman serves as Chief Executive Officer of TSG, of which he is a founder. He has over 25 years of private equity investment experience and, together with the partners of TSG, built one of the first consumer-focused private equity funds in the United States. Mr. Esserman helps oversee current and prospective portfolio investments for TSG and is Chair of TSG s Investment Committee. Prior to TSG, Mr. Esserman was with Bain & Company, a management consulting company. He is a member of the Board of Overseers of the Hoover Institution and the Board of Trust of Vanderbilt University. Mr. Esserman received his Bachelor s Degree in computer science engineering from the Massachusetts Institute of Technology and an MBA from Stanford, where he was an Arjay Miller Scholar. Because of his experience in portfolio investments and consumer brands, we believe Mr. Esserman is well qualified to serve on our board of directors.

Pierre LeComte has served on our board of directors since November 2012. Mr. LeComte has served as Managing Director of TSG since 2009 and is a member of TSG s Investment Committee. Mr. LeComte was formerly with Bain & Company, where he led strategic diligence teams in the private equity practice and worked across consumer and retail sectors. Prior to joining Bain, Mr. LeComte worked in brand management with Yahoo! and the Nabisco Biscuit Company, and was a consumer goods and retail consultant with the New England Consulting Group. Mr. LeComte was previously a director of Yard House Restaurants, overseeing its rapid growth from a regional chain to a national brand now owned by Darden Restaurants. Mr. LeComte received his Bachelor s Degree in Economics from the Wharton School at the University of Pennsylvania and an M.B.A. from the Kellogg Graduate School of Management at Northwestern University. Because of his extensive experience in brand management and retail concepts, we believe Mr. LeComte is well qualified to serve on our board of directors.

Michael Layman has served on our board of directors since March 2015. Mr. Layman has served in multiple roles at TSG since 2009, including most recently as Principal, and is responsible for conducting due diligence for new business opportunities, structuring transactions and working with TSG s partner companies across consumer and retail industries. Prior to joining TSG, Mr. Layman was an investment banker with Jefferies & Company, where he worked on a variety of advisory and capital markets transactions for restaurant companies, including franchisors. Prior to Jefferies, Mr. Layman was an investment banker with Wachovia Securities, covering the restaurant and retail industries. Mr. Layman received his Bachelor of Science in Accountancy, summa cum laude, from the WP Carey School of Business at Arizona State University. Because of his experience with consumer brands and franchisors, we believe Mr. Layman is well qualified to serve on our board of directors.

Edward Wong has served on our board of directors since November 2012. Mr. Wong has served in multiple roles at TSG since 2011, including most recently as Senior Vice President. At TSG, Mr. Wong works with its partner companies and is involved in the origination, structuring and due diligence of new investment opportunities.

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Prior to joining TSG, Mr. Wong was with Falconhead Capital, a private equity fund focused on investing in the consumer, retail and media sectors. Prior to Falconhead, Mr. Wong was an investment banker at Citigroup, where he was focused on advising clients on mergers and acquisitions and capital markets transactions in the consumer and retail industries. Mr. Wong received his Bachelor of Business Administration, with high distinction, from The Ross School of Business at the University of Michigan. Because of his experience in consumer brands, we believe Mr. Wong is well qualified to serve on our board of directors.

Stephen Spinelli, Jr. has served on our board of directors since January 2012. He currently serves as President of Philadelphia University, a position he has held since June of 2007. Dr. Spinelli co-founded Jiffy Lube International, Inc. in 1979 under the leadership of his college football coach. Three years later, Dr. Spinelli became a franchisee and remained a director of the Company. He grew to become Jiffy Lube s largest franchisee. Dr. Spinelli has also previously served as Chief Executive Officer of the American Oil Change Corporation. He received his Ph.D. in economics from The Management School, Imperial College, University of London, his M.B.A. from Babson College and his Bachelor s Degree in Economics from McDaniel College. Because of his experience in franchising and as an entrepreneur, we believe Dr. Spinelli is well qualified to serve on our board of directors.

David P. Berg has served on our board of directors since September 2015. He currently serves as chief executive officer of Carlson Hospitality Group where he leads the Carlson corporate center and manages the global hotel business. Most recently, Mr. Berg served as chief executive officer and chief customer service officer for the fastest growing reseller of Verizon services. Previously, he worked as executive vice president and president of Outback Steakhouse International, overseeing more than 200 restaurants in 20 countries. Additionally, Mr. Berg served as chief operating officer of GNC. Prior to that, he was executive vice president and chief operating officer of Best Buy International. Mr. Berg currently serves on the board of directors for the Miller Retailing Center at the University of Florida and The Rezidor Hotel Group. He received a Bachelor of Arts degree in economics from Emory University and a law degree, with honors, from the University of Florida College of Law. Because of his experience in consumer brands, we believe Mr. Berg is well qualified to serve on our board of directors.

Board composition and director independence

Our business and affairs are managed under the direction of the board of directors. Our certificate of incorporation provides that our board of directors shall consist of at least 3 directors but not more than 15 directors and that the number of directors may be fixed from time to time by resolution of our board of directors. Our board of directors is divided into three classes, as follows:

- Class I, which consists of Charles Esserman, Pierre LeComte and Michael Layman, whose terms will expire at our annual meeting of stockholders to be held in 2019;
- Class II, which consists of Edward Wong, David Berg and Stephen Spinelli, Jr., whose terms will expire at our annual meeting of stockholders to be held in 2017; and
- Class III, which consists of Marc Grondahl and Chris Rondeau, whose terms will expire at our annual meeting of stockholders to be held in 2018.

Messrs. Esserman, LeComte, Layman and Wong were designated for nomination as directors by TSG. Upon the expiration of the initial term of office for each class of directors, each director in such class shall be elected for a term of three years and serve until a successor is duly elected and qualified or until his or her earlier death, resignation or removal. Any additional directorships resulting from an increase in the number of directors or a vacancy may be filled by the directors then in office.

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We are party to a stockholders agreement with investment funds affiliated with TSG governing their nomination rights with respect to our board of directors. Under the agreement, we are required to take all necessary action to cause the board of directors to include individuals designated by TSG in the slate of nominees recommended by the board of directors for election by our stockholders, as follows:

- for so long as TSG owns at least 50% of the shares of our Class A and Class B common stock held by TSG prior to the completion of our IPO, TSG will be entitled to (i) designate four individuals for nomination and (ii) request to expand the size of the board of directors and fill resulting vacancies such that TSG nominees comprise a majority of our board of directors;

- for so long as TSG owns less than 50% but at least 25% of the shares of our Class A and Class B common stock held by TSG prior to the completion of our IPO, TSG will be entitled to designate three individuals for nomination;

- for so long as TSG owns less than 25% but at least 10% of the shares of our Class A and Class B common stock held by TSG prior to the completion of our IPO, TSG will be entitled to designate two individuals for nomination; and

- for so long as TSG owns less than 10% but at least 5% of the shares of our Class A and Class B common stock held by TSG prior to the completion of our IPO, TSG will be entitled to designate one individual for nomination.

Additionally, TSG has the exclusive right to remove its designees and to fill vacancies created by the removal or resignation of its designees, and we are required to take all necessary action to cause such removals and fill such vacancies at the request of TSG.

TSG owns a majority of the voting power of our outstanding shares of common stock. As a result, we are a controlled company within the meaning of the corporate governance standards of the NYSE. Under these rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including the requirements that:

- we have a board of directors that is composed of a majority of independent directors, as defined under the rules of the NYSE;

- we have a compensation committee that is composed entirely of independent directors; and

- we have a nominating and corporate governance committee that is composed entirely of independent directors.

We currently avail ourselves of all of these exemptions. Accordingly, in the event the interests of TSG differ from those of other shareholders, and, for so long as we are a controlled company, our other shareholders may not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of the NYSE.

The controlled company exception does not modify the independence requirements for the audit committee, and we have complied with and intend to continue to comply with the requirements of the Exchange Act and the rules of the NYSE, which require that the audit committee have at least one independent director upon consummation of our IPO, consist of a majority of independent directors within 90 days following the effective date of the registration statement we filed in connection with our IPO and exclusively of independent directors within one year following the effective date of such registration statement. See Board meetings and committees below.

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If we were not a controlled company, the rules of the NYSE would require that, independent directors comprise a majority of our board of directors within one year of listing on the NYSE, subject to specified exceptions. As a controlled company, we are not required by the NYSE rules to have a majority of independent directors. We currently take advantage of this exemption from NYSE listing requirements. Our board of directors has determined that Dr. Spinelli and Mr. Berg qualify as independent directors under the rules of the NYSE. In making this determination, the board of directors considered the relationships that Dr. Spinelli and Mr. Berg have with our Company and all other facts and circumstances that the board of directors deemed relevant in determining their independence, including ownership interests in us.

Board meetings and committees

Our board of directors met five times during 2015. All directors attended at least 75% of the meetings of the board and meetings of the board committees on which they served, with the exception of Mr. Berg, who attended one of the two board meetings held since he was appointed. The board of directors also approved certain actions by unanimous written consent.

Our board of directors has three standing committees: the audit committee; the compensation committee; and the nominating and corporate governance committee. Each of the committees operates under its own written charter adopted by the board of directors, each of which is available on our website at www.planetfitness.com. Under our stockholders agreement, TSG has the right to appoint a director to serve on each of our committees (other than the audit committee), subject to NYSE and SEC rules.

Audit committee

Our audit committee consists of Dr. Spinelli and Messrs. Berg and LeComte, with Dr. Spinelli serving as chairman of the committee. Our audit committee has determined that each of Dr. Spinelli and Mr. Berg meet the definition of independent director under the rules of the NYSE and under Rule 10A-3 under the Exchange Act. As noted above, we are permitted to phase in our compliance with the independent audit committee requirements set forth in NYSE rules and relevant Exchange Act rules as follows: (i) one independent member at the time of our IPO, (ii) a majority of independent members within 90 days of our IPO and (iii) all independent members within one year of our IPO. We expect that, within one year of our listing on the NYSE, Mr. LeComte will have resigned from our audit committee and an independent director for audit committee purposes (as determined under NYSE rules and Exchange Act rules) will have been added to the audit committee. None of our audit committee members simultaneously serves on the audit committees of more than three public companies, including ours. Our board of directors has determined that each of Dr. Spinelli and Mr. Berg is an audit committee financial expert within the meaning of the SEC s regulations and applicable listing standards of the NYSE. The audit committee s responsibilities include:

- appointing, approving the compensation of, and assessing the qualifications, performance and independence of our independent registered public accounting firm;

- pre-approving audit and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;

- reviewing the audit plan with the independent registered public accounting firm and members of management responsible for preparing our financial statements;

- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures as well as critical accounting policies and practices used by us;

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- reviewing the adequacy of our internal control over financial reporting;
- reviewing all related person transactions for potential conflict of interest situations and approving all such transactions;
- establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns;
- recommending, based upon the audit committee s review and discussions with management and the independent registered public accounting firm, the inclusion of our audited financial statements in our Annual Report on Form 10-K;
- reviewing and assessing the adequacy of the committee charter and submitting any changes to the board of directors for approval;
- monitoring our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
- preparing the audit committee report required by the rules of the SEC to be included in our annual proxy statement; and
- reviewing and discussing with management and our independent registered public accounting firm our earnings releases.

Compensation committee

Our compensation committee consists of Messrs. Grondahl, Layman and LeComte, with Mr. LeComte serving as chairman of the committee. The compensation committee s responsibilities include:

- determining and approving the compensation of our chief executive officer, including annually reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer, and evaluating the performance of our chief executive officer in light of such corporate goals and objectives;
- reviewing and approving the corporate goals and objectives relevant to the compensation of our other executive officers;
- reviewing and approving the compensation of our other executive officers;
- appointing, compensating and overseeing the work of any compensation consultant, legal counsel or other advisor retained by the compensation committee;
- conducting the independence assessment outlined in the rules of the NYSE with respect to any compensation consultant, legal counsel or other advisor retained by the compensation committee;
- reviewing and assessing the adequacy of the committee charter and submitting any changes to the board of directors for approval;

reviewing and establishing our overall management compensation philosophy and policy;

overseeing and administering our equity compensation and similar plans;

reviewing and approving our policies and procedures for the grant of equity-based awards and granting equity awards;

reviewing and making recommendations to the board of directors with respect to director compensation; and

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- reviewing and discussing with management the compensation discussion and analysis to be included in our annual proxy statement or Annual Report on Form 10-K.

Nominating and corporate governance committee

Our nominating and corporate governance committee consists of Messrs. Esserman, LeComte and Wong, with Mr. Esserman serving as chairman of the committee. The nominating and corporate governance committee s responsibilities include:

- developing and recommending to the board of directors criteria for board and committee membership;
- establishing procedures for identifying and evaluating board of director candidates, including nominees recommended by stockholders;
- identifying individuals qualified to become members of the board of directors;
- recommending to the board of directors the persons to be nominated for election as directors and to each of the board s committees;
- developing and recommending to the board of directors a set of corporate governance principles;
- articulating to each director what is expected, including reference to the corporate governance principles and directors duties and responsibilities;
- reviewing and recommending to the board of directors practices and policies with respect to directors;
- reviewing and recommending to the board of directors the functions, duties and compositions of the committees of the board of directors;
- reviewing and assessing the adequacy of the committee charter and submitting any changes to the board of directors for approval;
- provide for new director orientation and continuing education for existing directors on a periodic basis;
- performing an evaluation of the performance of the committee; and
- overseeing the evaluation of the board of directors and management.

Board oversight of risk management

While the full board of directors has the ultimate oversight responsibility for the risk management process, its committees oversee risk in certain specified areas. In particular, our audit committee oversees management of enterprise risks as well as financial risks. Our compensation committee oversees the management of risks relating to our executive compensation plans and arrangements and the incentives created by the compensation awards it administers. Our nominating and corporate governance committee oversees risks associated with corporate governance, business conduct and ethics, and is responsible for overseeing the review and approval of related party transactions. Pursuant to the board of directors instruction, management regularly reports on applicable risks to the relevant committee or the full board of directors, as appropriate, with additional review or reporting on risks conducted as needed or as requested by the board of directors and its committees.

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Compensation committee interlocks and insider participation

Messrs. Layman and LeComte have not at any time during the prior three years been one of our officers or employees. Mr. Grondahl resigned as our CFO on July 25, 2013 and has not been an officer or employee since that time. None of our executive officers currently serve, or in the past fiscal year have served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee. For a description of transactions between us and members of our compensation committee and affiliates of such members, see Certain Relationships and Related Party Transactions.

Code of conduct

We have adopted a code of conduct that applies to all of our employees, including our principal executive officer and principal financial officer. The code of conduct is available on our website at www.planetfitness.com. If we make any substantive amendments to the Code of Conduct or grant any waiver, including any implicit waiver, from a provision of the Code of Conduct to our officers, we will disclose the nature of such amendment or waiver on that website or in a report on Form 8-K.

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