

## Leisure

# Fitness Industry Tracker: Weather impacting traffic in high volume period

Price Objective Change

## PLNT traffic -6.5% QTD, impacted by unfavorable weather

According to geolocation foot traffic data from Placer, club usage for PLNT (using a sample of clubs opened since 2019) is down 6.5% y/y QTD thru 2/4. By week, traffic declines were most significant for week ending 1/21, corresponding with significant declines in y/y temperature through most of the U.S. Traffic in the most recent week (ending 2/4) increased 1.4% corresponding with warmer y/y temperatures. We believe PLNT may be trying to drive new memberships during its high volume 1Q period in Feb. through the use of more promos to offset weather headwinds in Jan. incl. a 12 day promo in Feb. (vs. only 3 days last year) with total promo days up 24% vs. last year in Jan.-Feb. We believe 1Q normally represents 60% of annual net new memberships for PLNT (with Jan. representing 40%).

## HVLP & mid-tier competitors saw traffic headwinds in Jan.

We believe other High-Value Low-Price (HVLP) competitors saw similar traffic headwinds from colder weather in Jan. with Crunch Fitness club usage down 9.4% QTD. Mid-tier competitors including LA Fitness (-11.3% y/y QTD), Anytime Fitness (-10.6%), and 24 Hour Fitness (-8.2%) also have experienced traffic declines through 2/4.

## LTH traffic -5.9% QTD with some improvement in Feb.

Placer data suggests that usage for Life Time is down 5.9% QTD. We believe LTH is intentionally pricing higher given premiumization strategy & to prevent over-crowding of clubs (not targeting 2019 members/club). Equinox traffic is +10.5% QTD.

## XPOF: Pure Barre stronger, Club Pilates & CycleBar softer

We estimate club usage at Pure Barre (for a subset of clubs opened since 2021) has increased 0.6% QTD (thru 2/4), while usage at CycleBar declined 10.1%, and Club Pilates declined 4.6%. We lower our PO on XPOF to \$13 (from \$16) based on an EV of 5-6x our C25 adj. EBITDA of \$175mm (from 6-7x) to reflect softer traffic trends at Club Pilates & CycleBar. Reiterate Neutral.

### Exhibit 1: % change in foot traffic by fitness club

As of week ending 2/4/2024

Foot Traffic	Last Week y/y	Trailing four weeks y/y	YTD (from Jan 1)
Planet Fitness	1.4%	-5.8%	-6.5%
Crunch Fitness	-4.0%	-8.1%	-9.4%
Anytime Fitness	-5.1%	-10.3%	-10.6%
24 Hour Fitness	-2.3%	-7.7%	-8.2%
LA Fitness	-6.7%	-10.3%	-11.3%
Life Time	-2.3%	-5.4%	-5.9%
Equinox	9.3%	11.6%	10.5%
Club Pilates	5.4%	-2.9%	-4.6%
CycleBar	-4.6%	-9.9%	-10.1%
Pure Barre	5.9%	3.2%	0.6%

Source: Placer

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Equity  
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Leisure

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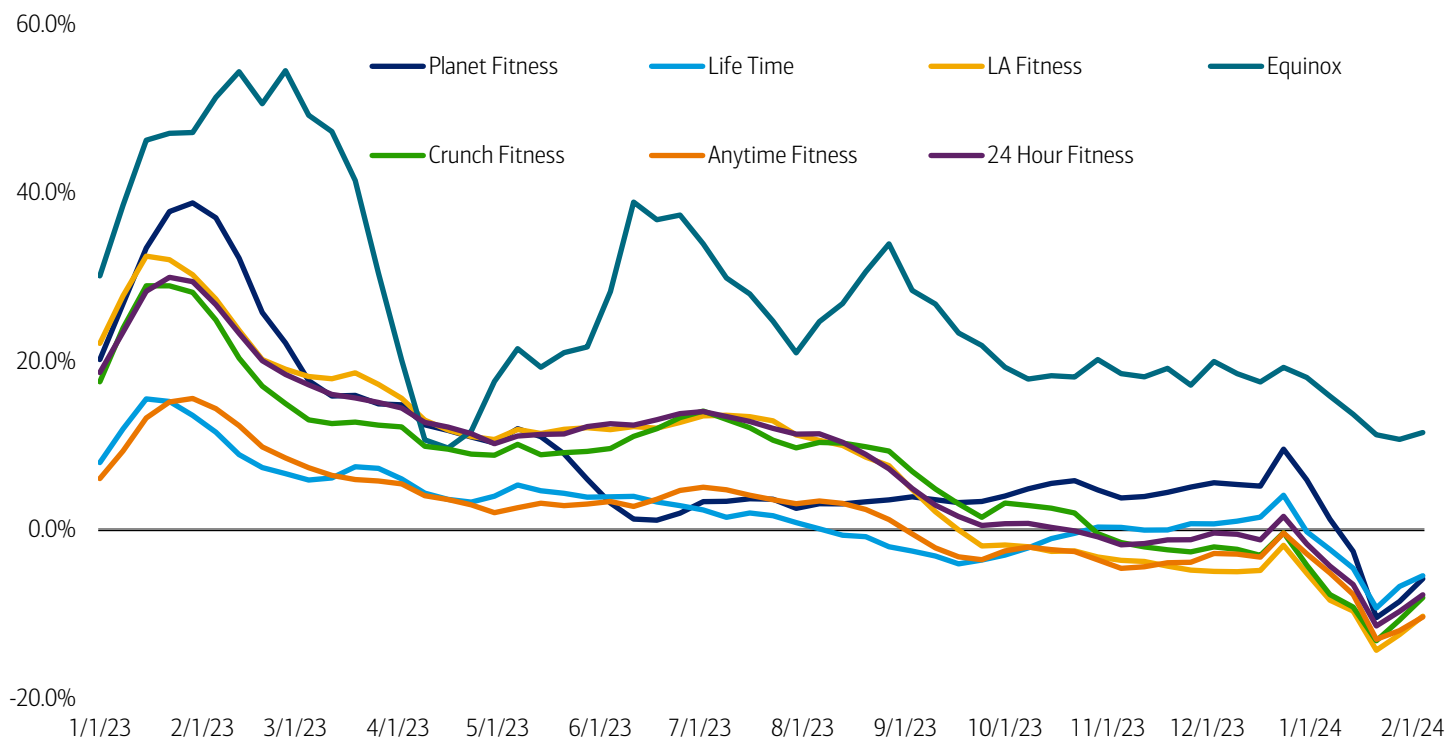
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**Exhibit 2: Trailing 4 weeks y/y % change by Fitness Concept**

Most fitness clubs experienced traffic declines in Jan. on colder weather which has since started to recover

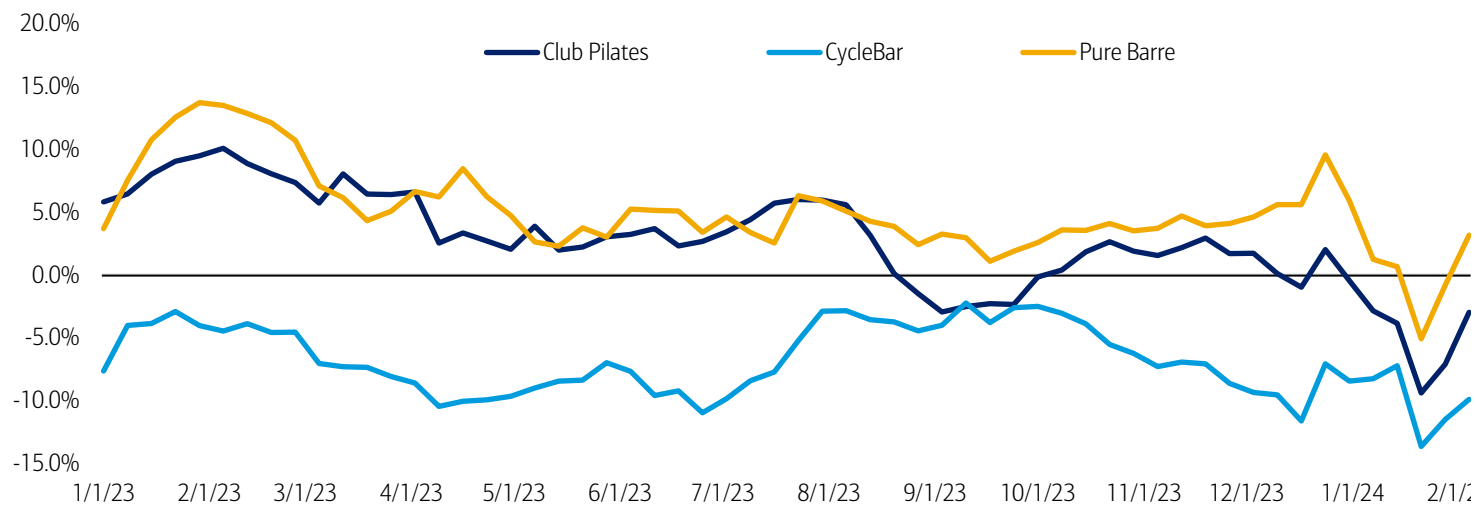


Source: Placer

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**Exhibit 3: Trailing 4 weeks y/y % change by XPOF Concept**

Pure Barre traffic is stronger on a y/y basis compared to Club Pilates and CycleBar



Source: Placer

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**Exhibit 4: Stock Mentioned**

Stock prices and ratings mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
LTH	LTH US	Life Time	US\$ 13.28	C-1-9
PLNT	PLNT US	Planet Fitness, Inc.	US\$ 69.34	B-1-9
XPOF	XPOF US	Xponential Fitness	US\$ 10.44	C-2-9

Source: BofA Global Research

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## Price objective basis & risk

### Life Time (LTH)

Our \$20 PO is based on an enterprise value of 9-10X our F24 adj. EBITDA estimate of \$594.0mn, a valuation more in line with other Best-in-Class Experience Membership Models.

Risks to the downside are: 1) Life Time operates in a highly competitive U.S. market with other luxury fitness providers including Equinox, high-end boutique fitness studios including F45 & Xponential Fitness, and other fitness/experience based membership models incl. country clubs, (2) rise in COVID-19 case counts could pressure Life Time recovery trends especially if case counts continue to pressure consumer sentiment, (3) strong momentum during the peak new member sign up period of mid-December/January is important for Centers to achieve strong results for the full new year, (4) Continued rise of at home fitness, including Peloton, could pressure demand for in-center fitness models, and (5) New Center construction/opening delays could push off timing of contribution from new Centers vs. current model expectations.

### Planet Fitness, Inc. (PLNT)

Our \$90 price objective is based on an EV of 17-18x our 2025E EBITDA estimate, at the high-end of a broader group of highly franchised companies (10-20x EV/EBITDA). We believe a multiple at the high-end of the average for franchise peers is justified for Planet Fitness, given: (1) significant club growth opportunity and rising royalty rate, (2) differentiated business model that should continue to gain share and grow the market by targeting underserved consumers, and (3) growth in its equipment segment.

Downside risks to our PO are: 1) the fitness club industry is competitive, 2) execution risks related to club growth, 3) risks associated with franchise model, 4) PLNT's brand image is key to retaining and attracting new members, 5) high financial leverage, 6) a challenging macroeconomic environment could pressure membership growth, & 7) same-store sales growth is largely dependent on expanding membership base.

### Xponential Fitness (XPOF)

Our \$13 PO is based on an enterprise value of 5-6X our 2025E EBITDA estimate, in-line to slightly below other high quality franchise peers given risk of slowing unit growth.

Risks to the downside are: (1) Xponential operates in a highly competitive U.S. boutique fitness market with other high growth competitors including F45 & Orangetheory, (2) resurgence of at home fitness, including Peloton, could pressure demand for boutique fitness, (3) Xponential has a relatively high membership turnover rate (HSD%) with a low customer lifespan (11 month), and (4) more challenging macroeconomic environment could pressure overall fitness discretionary spend.

Risks to the upside are: (1) momentum at Club Pilates & StretchLab could help offset more challenging trends at other key brands, (2) Rumble & BFT could begin to drive



strong average unit volumes as they scale, and (3) continued consolidation in the boutique fitness market could lead to share gains for XPOF.

## **Analyst Certification**

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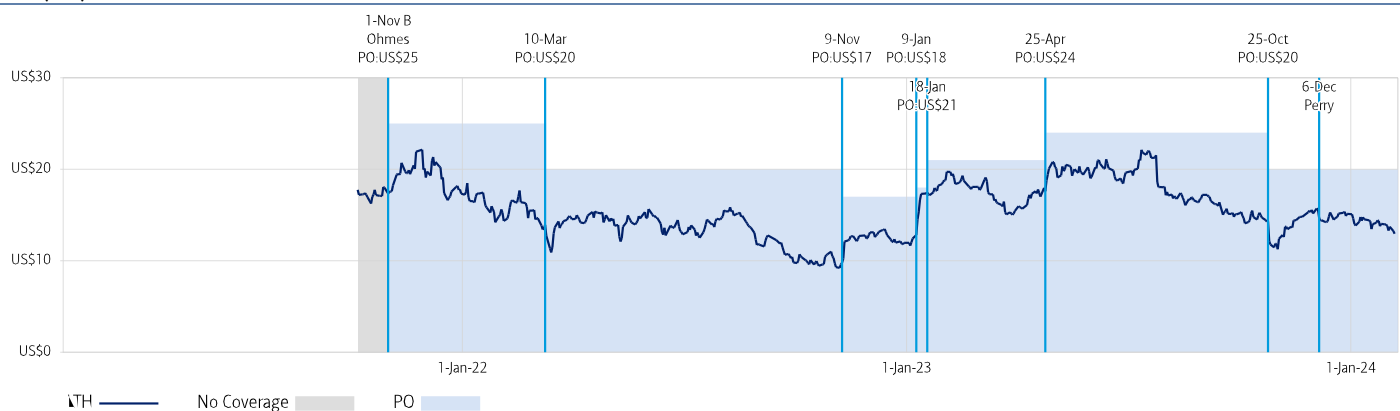
## US - Broadlines, Hardlines, Food Retailers &amp; Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Academy Sports + Outdoors	ASO	ASO US	Robert F. Ohmes, CFA
	BJ's Wholesale Club Holdings	BJ	BJ US	Robert F. Ohmes, CFA
	Costco Wholesale Corporation	COST	COST US	Robert F. Ohmes, CFA
	Fox Factory Holding Corp	FOXF	FOXF US	Alexander Perry
	Grocery Outlet Holding Corp.	GO	GO US	Robert F. Ohmes, CFA
	Harley-Davidson	HOG	HOG US	Alexander Perry
	Life Time	LTH	LTH US	Alexander Perry
	Planet Fitness, Inc.	PLNT	PLNT US	Alexander Perry
	Sysco Corporation	SY	SY US	Kendall Toscano
	Target Corp.	TGT	TGT US	Robert F. Ohmes, CFA
	The Kroger Co.	KR	KR US	Robert F. Ohmes, CFA
	Topgolf Callaway Brands Corp	MODG	MODG US	Alexander Perry
	Walmart Inc	WMT	WMT US	Robert F. Ohmes, CFA
<b>NEUTRAL</b>				
	Dick's Sporting Goods	DKS	DKS US	Robert F. Ohmes, CFA
	Xponential Fitness	XPOF	XPOF US	Alexander Perry
	YETI Holdings, Inc.	YETI	YETI US	Robert F. Ohmes, CFA
<b>UNDERPERFORM</b>				
	Canada Goose Holdings Inc	YGOOS	GOOS CN	Alexander Perry
	Canada Goose Holdings Inc	GOOS	GOOS US	Alexander Perry
	Columbia Sportswear	COLM	COLM US	Alexander Perry
	Dollar General Corporation	DG	DG US	Robert F. Ohmes, CFA
	Dollar Tree, Inc.	DLTR	DLTR US	Robert F. Ohmes, CFA
	Hibbett Sports, Inc.	HIBB	HIBB US	Alexander Perry
	National Vision	EYE	EYE US	Robert F. Ohmes, CFA
	Sprouts Farmers Market, Inc.	SFM	SFM US	Robert F. Ohmes, CFA

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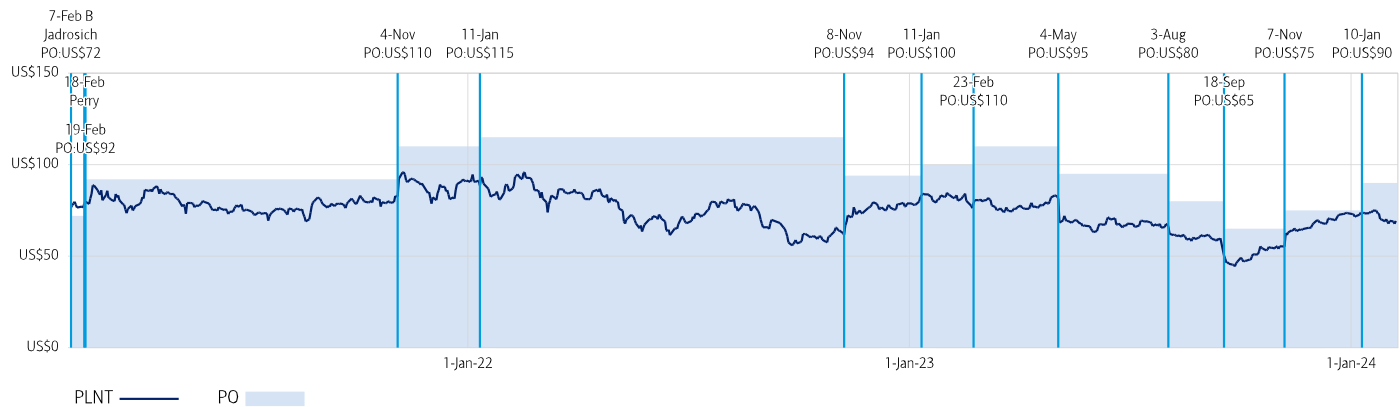
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## Life Time (LTH) Price Chart



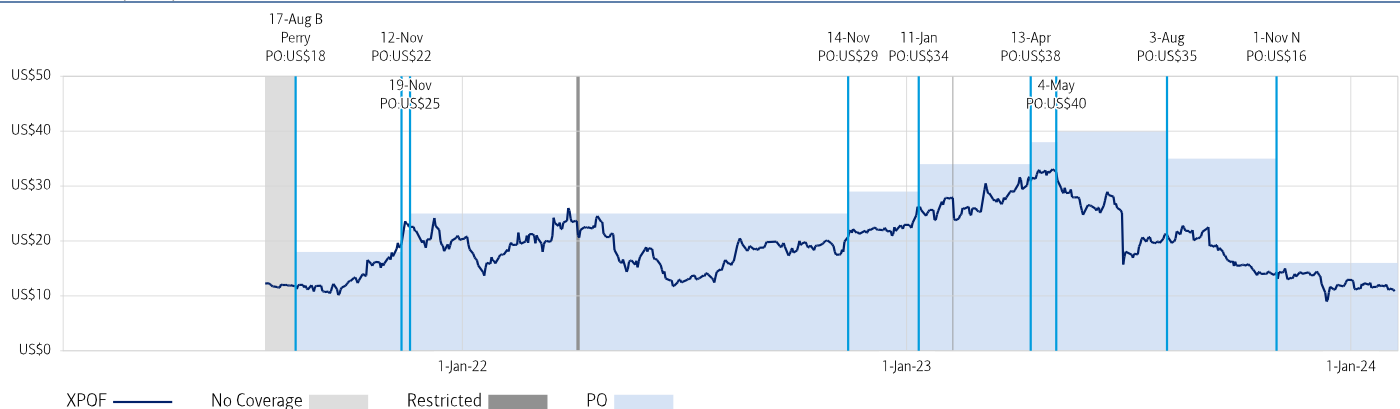
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**Planet Fitness, Inc. (PLNT) Price Chart**

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**Xponential Fitness (XPOF) Price Chart**

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**Equity Investment Rating Distribution: Leisure Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	16	55.17%	Buy	9	56.25%
Hold	7	24.14%	Hold	5	71.43%
Sell	6	20.69%	Sell	4	66.67%

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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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