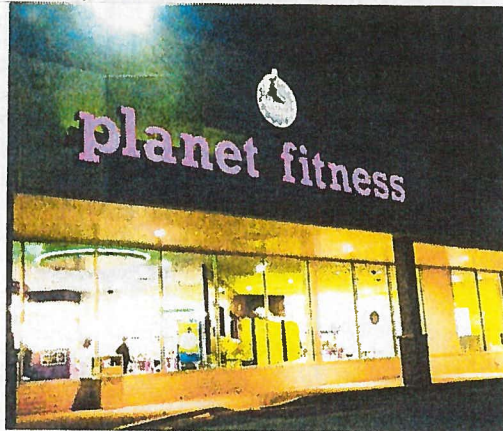


INVESTOR'S EDGE

# Bulk up with Planet Fitness

The stock has more than quadrupled since the company went public



**Planet Fitness has four gyms in the Syracuse area.**

*Katrina Tulloch,  
ktulloch@syracuse.com, file*

*"Health is like money, we never have a true idea of its value until we lose it." — Josh Billings*



**Jim Burn CFA**  
*Contributing columnist*

Almost every afternoon, say sometime between 2 and 4 p.m., I lead my staff in a vigorous, 10-minute stretching program. Everyone here seems to like it, and for good reasons. After working multiple hours at a desk, to move around and stretch is a great way to increase productivity and feel refreshed. And obviously I want healthy, happy, and productive employees!

The fact is, on top of the seven to eight hours most Americans spend working at their desks, studies have shown that the average American sits an additional 90% of their daily non-work time. Researchers are warning that this excessive amount of sedentary activity is linked to heart disease, certain cancers, obesity, and even early mortality.

So, as Americans become more conscious about their health and fitness levels, the demand for convenient, relatively inexpensive ways to stay in shape is rapidly increasing. Planet Fitness, with four fully loaded gyms in the Syracuse area, is a stock that could add real muscle to your investment portfolio.

Planet Fitness (ticker symbol: PLNT) is a

# Investor's Edge: Gym offers low-cost memberships

## FROM D1

major operator of fitness and wellness centers. The company originally started as a local gym in New Hampshire that focused on attracting customers through hassle-free, low-cost fitness plans that undercut the larger, more expensive health clubs.

Since then, this model has boomed in popularity, and Planet Fitness now sports over 10 million active members in more than 1,800 gyms across the United States, Puerto Rico, and Canada.

Planet Fitness began publicly trading in 2015 at \$16 a share. In the last four years, the stock has more than quadrupled in value, currently trading around \$70 a share at the time of this writing with a \$7.5 billion market cap.

The stock's superb performance can be attributed to the company's lightning-fast growth within the fitness industry and rapidly accelerating profitability.

Planet Fitness has grown its earnings per share from \$0.51 in 2015 to about \$1.55 in fiscal year 2019. In the first quarter of 2019, Planet Fitness reported a 22.7% year-over-year revenue increase. And Planet Fitness has reported positive same-store sales growth for every quarter since going public.

Planet Fitness has positioned itself as the leading low-cost gym membership for people of all ages, shapes, and sizes. Memberships cost as low as \$10 a month and provide flexible onboarding and cancellation policies. Planet Fitness also prides itself on cultivating and maintaining a "No Judgment Zone," which attracts an additional customer base of workout novices who might otherwise avoid buying a gym membership.

Most clubs are open 24/7, providing total convenience and accessibility for members. In addition, Planet Fitness features no shortage of cardio and strength training equipment and periodically offers events, such as a free pizza night, for its members. Add-on premium services include one-on-one training, tanning, guest passes, and more.

Many Planet Fitness locations are franchise owned, and operators are required to periodically update and repurchase new fitness equipment from Planet Fitness itself, in order to ensure members have the latest state of the art facilities.

Planet Fitness is continuing an aggressive expansion strategy, on pace to open 225 new locations this year alone and has a long-term goal of 4,000. A lot of Planet Fitness gyms open up in previously empty old strip malls or former brick and mortar stores such as

Toys R Us and Sears.

This often allows the company to capitalize on generous lease offerings, reduced operating/maintenance costs.

After shooting from \$16 to \$70 in less than four years, Planet Fitness has a high price-to-earnings ratio, so it is not a bargain stock per se. As such, if you decide to invest in Planet Fitness, I would suggest keeping the position to around 2% or less, and consider it a part of your aggressive growth portfolio. Nevertheless, with the stock more than 10% off its all-time high, Planet Fitness is worth a look.

Planet Fitness is an emerging growth stock that continues to fire on all cylinders. Consistently profitable, rapidly growing, and with an increasingly popular brand, the company should do well for investors over the next few years. In a challenging, yet growing, industry like health and wellness, Planet Fitness knows how to flex its profit muscles!

*Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard or [syracuse.com](http://syracuse.com). Readers should do research before deciding on an investment. Contact him at [jburns@jwburns.com](mailto:jburns@jwburns.com).*

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