Planet Fitness, Inc.
Form 10-Q
November 13, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

OR

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

For the transition period from ___________to ______________

Commission file number: 001-37534

PLANET FITNESS, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

26 Fox Run Road, Newington, NH 03801

(Address of Principal Executive Offices and Zip Code)

(603) 750-0001

(Registrant's Telephone Number, Including Area Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	o

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

As of November 6, 2015 there were 36,597,985 shares of the Registrant's Class A Common Stock, par value $0.0001 per share, outstanding and 62,111,755 shares of the Registrant's Class B Common Stock, par value $0.0001 per share, outstanding.

PLANET FITNESS, INC.

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Cautionary Note Regarding Forward-Looking Statements

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

- future financial position;
- business strategy;
- budgets, projected costs and plans;
- future industry growth;
- financing sources;
- the impact of litigation, government inquiries and investigations; and
- all other statements regarding our intent, plans, beliefs or expectations or those of our directors or officers.

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

- our dependence on the operational and financial results of, and our relationships with, our franchisees and the success of their new and existing stores;
- risks relating to damage to our brand and reputation;
- our ability to successfully implement our growth strategy;
- technical, operational and regulatory risks related to our third-party providers’ systems and our own information systems;
- our and our franchisees’ ability to attract and retain members;
- the high level of competition in the health club industry generally;
- our reliance on a limited number of vendors, suppliers and other third-party service providers;
- the substantial indebtedness of our subsidiary, Planet Fitness Holdings, LLC;
- risks relating to our corporate structure and tax receivable agreements; and
- the other factors identified under the heading “Risk Factors” in our Registration Statement on Form S-1 (File No. 333-205141) and other filings we make with the Securities and Exchange Commission.

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

PART I-FINANCIAL INFORMATION

ITEM 1. Financial Statements

Planet Fitness, Inc. and subsidiaries

Condensed consolidated balance sheets

(Unaudited)

(Amounts in thousands, except per share amounts)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 28,461	$ 43,291
Accounts receivable, net of allowance for bad debts of $946 and $399 at September 30, 2015 and December 31, 2014, respectively	9,890	19,275
Due from related parties	4,708	1,141
Inventory	2,775	3,012
Restricted assets – NAF (note 5)	5,018	—
Other current assets	8,949	8,599
Total current assets	59,801	75,318
Property and equipment, net	54,335	49,579
Intangible assets, net	278,986	295,162
Goodwill	176,981	176,981
Deferred income taxes	120,792	—
Other assets, net	10,248	12,236
Total assets	$ 701,143	$ 609,276
Liabilities and stockholders' deficit/members' equity		
Current liabilities:		
Current maturities of long-term debt	$ 5,100	$ 3,900
Accounts payable	14,695	26,738
Accrued expenses	8,358	8,494
Current maturities of obligations under capital leases	70	376
Equipment deposits	7,498	6,675
Restricted liabilities – NAF (note 5)	5,018	—
Deferred revenue, current	12,362	14,549
Payable to related parties pursuant to tax benefit arrangements, current	3,022	—
Taxes payable	4,203	—
Other current liabilities	682	153
Total current liabilities	61,008	60,885
Long-term debt, net of current maturities	498,450	383,175
Obligations under capital leases, net of current portion	9	45
Deferred rent, net of current portion	4,373	3,012

Deferred revenue, net of current portion	12,033	9,330
Deferred tax liabilities – non current	—	606
Payable to related parties pursuant to tax benefit arrangements, net of current portion	138,989	—
Other liabilities	483	474
Total noncurrent liabilities	654,337	396,642
Commitments and contingencies (note 16)		
Stockholders' deficit/members' equity:		
Members’ equity	—	146,156
Class A common stock, $.0001 par value - 300,000 shares authorized, 36,598 shares issued and outstanding as of September 30, 2015	4	—
Class B common stock, $.0001 par value - 100,000 shares authorized, 62,112 shares issued and outstanding as of September 30, 2015	6	—
Accumulated other comprehensive income (loss)	(1,888)	(636)
Additional paid in capital	122	—
Accumulated deficit	(17,376)	—
Total stockholders' deficit attributable to Planet Fitness Inc./members' equity	(19,132)	145,520
Non-controlling interests	4,930	6,229
Total stockholders' deficit/members' equity	(14,202)	151,749
Total liabilities and stockholders' deficit/members' equity	$ 701,143	$ 609,276

See accompanying notes to condensed consolidated financial statements.

Planet Fitness, Inc. and subsidiaries

Condensed consolidated statements of operations

(Unaudited)

(Amounts in thousands, except per share amounts)

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Revenue:				
Franchise	$16,148	$13,009	$51,806	$40,834
Commission income	3,646	2,771	11,624	9,873
Corporate-owned stores	25,153	22,692	73,674	62,823
Equipment	23,870	24,995	87,588	70,228
Total revenue	68,817	63,467	224,692	183,758
Operating costs and expenses:				
Cost of revenue	18,858	20,163	70,104	57,837
Store operations	14,305	12,494	43,354	35,818
Selling, general and administrative	17,348	8,582	43,840	23,296
Depreciation and amortization	7,976	8,542	24,160	23,585
Other (gain) loss	(9)	(269)	(76)	1,024
Total operating costs and expenses	58,478	49,512	181,382	141,560
Income from operations	10,339	13,955	43,310	42,198
Other expense, net:				
Interest expense, net	(6,556)	(5,097)	(17,872)	(16,705)
Other expense	(1,815)	(447)	(2,627)	(1,089)
Total other expense, net	(8,371)	(5,544)	(20,499)	(17,794)
Income before income taxes	1,968	8,411	22,811	24,404
Provision for income taxes	1,230	108	1,921	892
Net income	738	8,303	20,890	23,512
Less net income attributable to non-controlling interests	4,631	176	4,857	494
Net income (loss) attributable to Planet Fitness, Inc.	$(3,893)	$8,127	$16,033	$23,018
Net income (loss) per share of Class A common stock[(1)]:				
Basic	$0.05		$0.05	
Diluted	$0.04		$0.04	
Weighted-average shares of Class A common stock outstanding[(1)]:				
Basic	35,661		35,661	
Diluted	98,710		98,710	

(1) Represents earnings per share of Class A common stock and weighted-average shares of Class A common stock outstanding for the period from August 6, 2015 through September 30, 2015, the period following the

recapitalization transactions and IPO (see Note 14).

See accompanying notes to condensed consolidated financial statements.

Planet Fitness, Inc. and subsidiaries

Condensed consolidated statements of comprehensive income (loss)

(Unaudited)

(Amounts in thousands)

	For the three months ended September 30, 2015	For the three months ended September 30, 2014	For the nine months ended September 30, 2015	For the nine months ended September 30, 2014
Net income including non-controlling interests	$738	$8,303	$20,890	$23,512
Other comprehensive loss, net:				
Losses on interest rate swaps	—	—	—	(92)
Unrealized loss on interest rate caps, net of tax	(557)	(29)	(1,497)	(29)
Foreign currency translation adjustments	198	5	245	5
Total other comprehensive loss, net	(359)	(24)	(1,252)	(116)
Total comprehensive income including non-controlling interests	379	8,279	19,638	23,396
Less: total comprehensive income attributable to non-controlling interests	4,423	176	4,649	494
Total comprehensive income (loss) attributable to Planet Fitness, Inc.	$(4,044)	$8,103	$14,989	$22,902

See accompanying notes to condensed consolidated financial statements.

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Planet Fitness, Inc. and subsidiaries

Condensed consolidated statements of cash flows

(Unaudited)

(Amounts in thousands)

	For the nine months ended September 30, 2015	2014
Cash flows from operating activities:		
Net income	$ 20,890	$ 23,512
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,160	23,585
Amortization of deferred financing costs	1,070	1,006
Amortization of favorable leases and asset retirement obligations	380	251
Deferred tax (benefit) expense	(141)	2
Provision for bad debts	547	74
Gain on disposal of property and equipment	(76)	(269)
Unrealized gain on interest rate swaps	—	29
Loss on extinguishment of debt	—	4,697
Equity-based compensation	4,647	—
Changes in operating assets and liabilities, excluding effects of acquisitions:		
State income taxes	969	(2,243)
Accounts receivable	8,830	4,187
Notes receivable and due from related parties	4,532	1,280
Inventory	237	471
Other assets and other current assets	(563)	(197)
Accounts payable and accrued expenses	(11,745)	(10,573)
Other liabilities and other current liabilities	57	(241)
Equipment deposits	823	3,782
Deferred revenue	626	(1,300)
Deferred rent	1,330	1,022
Net cash provided by operating activities	56,573	49,075
Cash flows from investing activities:		
Additions to property and equipment	(13,830)	(7,667)
Acquisition of franchises	—	(38,638)
Proceeds from sale of property and equipment	76	274
Net cash used in investing activities	(13,754)	(46,031)
Cash flows from financing activities:		
Proceeds from issuance of Class A common stock sold in initial public offering, net of underwriting discounts and commissions	156,946	—
Use of proceeds from issuance of Class A common stock to purchase Holdings Units	(156,946)	—

Proceeds from issuance of long-term debt	120,000	390,000
Principal payments on capital lease obligations	(343)	(997)
Repayment of long-term debt	(3,525)	(184,825)
Payment of deferred financing and other debt-related costs	(1,698)	(7,785)
Premiums paid for interest rate caps	(880)	(2,373)
Distributions to variable interest entities	—	(458)
Distributions to Continuing LLC Members	(171,101)	(193,981)
Net cash used in financing activities	(57,547)	(419)
Effects of exchange rate changes on cash and cash equivalents	(102)	4
Net (decrease) increase in cash and cash equivalents	(14,830)	2,629
Cash and cash equivalents, beginning of period	43,291	31,267
Cash and cash equivalents, end of period	$ 28,461	$ 33,896
Supplemental cash flow information:		
Net cash paid for income taxes	$ 1,105	$ 1,824
Cash paid for interest	$ 17,063	$ 14,061
Non-cash investing activities:		
Non-cash consideration for acquisition of franchises	$ —	$ 3,000
Non-cash additions to property and equipment	$ 709	$ —

See accompanying notes to condensed consolidated financial statements.

Planet Fitness, Inc. and subsidiaries

Condensed consolidated statement of changes in equity

(Unaudited)

(Amounts in thousands)

	Members' equity	Class A common stock Shares	Class A common stock Amount	Class B common stock Shares	Class B common stock Amount	Accumulated other comprehensive loss	Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total equity
Balance at December 31, 2014	$146,156	—	$—	—	$—	$(636)	$—	$—	$6,229	$151,749
Distributions to members prior to the recapitalization transactions	(164,693)	—	—	—	—	—	—	—	—	(164,693)
Net income prior to the recapitalization transactions	14,412	—	—	—	—	—	—	—	264	14,676
Other comprehensive loss prior to the recapitalization transactions	—	—	—	—	—	(1,054)	—	—	—	(1,054)
Equity-based compensation expense recorded in	4,525	—	—	—	—	—	—	—	—	4,525

connection with recapitalization transactions										
Effect of the recapitalization transactions	(400)	26,107	3	72,603	7	—	—	138	252	—
Issuance of Class A common stock in IPO, net of commissions	—	10,491	1	(10,491)	(1)	—	—	—	—	—
Net income subsequent to the recapitalization transactions	—	—	—	—	—	—	—	1,621	4,593	6,214
Tax benefit arrangement liability and deferred taxes arising from the recapitalization transactions and IPO	—	—	—	—	—	—	—	(19,135)	—	(19,135)
Equity-based compensation expense subsequent to the recapitalization transactions	—	—	—	—	—	—	122	—	—	122
Distributions paid to non-controlling unit holders	—	—	—	—	—	—	—	—	(6,408)	(6,408)
Other comprehensive loss	—	—	—	—	—	(198)	—	—	—	(198)

subsequent to the recapitalization transactions														
Balance at September 30, 2015	$—	36,598	$ 4	62,112	$ 6	$ (1,888	)	$ 122	$ (17,376	)	$ 4,930	$ (14,202	)	

See accompanying notes to condensed consolidated financial statements

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Planet Fitness, Inc. and subsidiaries

Notes to Condensed Consolidated financial statements

(Unaudited)

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

(1) Business organization

Planet Fitness, Inc. (the "Company"), through its subsidiaries, is a franchisor and operator of fitness centers, with more than 7.1 million members and 1,040 owned and franchised locations (referred to as stores) in 47 states, the District of Columbia, Puerto Rico and Canada as of September 30, 2015.

The Company serves as the reporting entity for its various subsidiaries that operate three distinct lines of business:

- Licensing and selling franchises under the Planet Fitness trade name.
- Owning and operating fitness centers under the Planet Fitness trade name.
- Selling fitness-related equipment to franchisee-owned stores.

The Company was formed as a Delaware corporation on March 16, 2015 for the purpose of facilitating an initial public offering (the "IPO") and related transactions in order to carry on the business of Pla-Fit Holdings, LLC and its subsidiaries ("Pla-Fit Holdings"). As of August 5, 2015, in connection with the recapitalization transactions discussed below, the Company became the sole managing member and holder of 100% of the voting power of Pla-Fit Holdings and 37.1% of the economic interest. Pla-Fit Holdings owns 100% of Planet Intermediate, LLC which has no operations but is the 100% owner of Planet Fitness Holdings, LLC, a franchisor and operator of fitness centers. With respect to the Company, Pla-Fit Holdings and Planet Intermediate, LLC, each entity owns nothing other than the respective entity below it in the corporate structure and each entity has no other material operations, assets, or liabilities.

Initial Public Offering

On August 11, 2015, the Company completed an IPO pursuant to which the Company and selling stockholders sold an aggregate of 15,525,000 shares of Class A common stock at a public offering price of $16.00 per share. The Company received $156,946 in proceeds from its sale of 10,491,055 shares of Class A common stock, net of underwriting discounts and commissions, which were used to purchase an equal number of limited liability company units ("Holdings Units") from existing holders ("Continuing LLC Owners") of interests in Pla-Fit Holdings, at a purchase price per unit equal to the IPO price per share of Class A common stock, net of underwriting discounts and commissions.

Recapitalization Transactions

In connection with the IPO, the Company and Pla-Fit Holdings completed a series of recapitalization transactions on August 5, 2015 which are described below (also see Note 12):

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

- The Company issued 72,602,810 shares of Class B common stock with voting rights but no economic rights to Pla-Fit Holdings' existing owners on a one-to-one basis for each Holdings Unit owned.
- The Company merged with Planet Fitness Holdings L.P., a predecessor entity to the Company that held indirect interests in Pla-Fit Holdings, for which the Company issued 26,106,930 shares of Class A common stock to the holders of interests in Planet Fitness Holdings L.P. (the "Direct TSG Investors").

Subsequent to the IPO and the related recapitalization transactions, the Company is a holding company whose principal asset is a controlling equity interest in Pla-Fit Holdings. As the sole managing member of Pla-Fit Holdings, the Company operates and controls all of the business and affairs of Pla-Fit Holdings, and through Pla-Fit Holdings, conducts its business. As a result the Company consolidates Pla-Fit Holdings' financial results and reports a non-controlling interest related to the portion of Holdings Units not owned by the Company. As of September 30, 2015, the Company owned 100% of the voting interest, and approximately 37.1% of the economic interest of Pla-Fit Holdings. As future exchanges of Holdings Units occur, the economic interest in Pla-Fit Holdings held by Planet Fitness, Inc. will increase.

Planet Fitness, Inc. and subsidiaries

Notes to Condensed Consolidated financial statements

(Unaudited)

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

The recapitalization transactions are considered transactions between entities under common control. As a result, the financial statements for periods prior to the IPO and the recapitalization transactions are the financial statements of Pla-Fit Holdings as the predecessor to the Company for accounting and reporting purposes. Unless otherwise specified, "the Company" refers to both Planet Fitness, Inc. and Pla-Fit Holdings throughout the remainder of these notes.

Variable Interest Entities

The results of the Company have been consolidated with Matthew Michael Realty LLC ("MMR") and PF Melville LLC ("PF Melville") based on the determination that the Company is the primary beneficiary with respect to these variable interest entities ("VIEs"). These entities are real estate holding companies that derive a majority of their financial support from the Company through lease agreements for corporate stores.

(2) Summary of significant accounting policies

(a) Basis of presentation and consolidation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, these interim financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented have been reflected. All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated financial statements as of and for the three and nine months ended September 30, 2015 and 2014 are unaudited. The condensed consolidated balance sheet as of December 31, 2014 has been derived from the audited financial statements at that date but does not include all of the disclosures required by U.S. GAAP. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2014 and related notes included in our final prospectus for the Company's IPO dated August 6, 2015 filed pursuant to Rule 424(b) under the Securities Act of 1933, as amended (the "Securities Act"), with the SEC (the "Prospectus"). Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

As discussed in Note 1, as a result of the recapitalization transactions, Planet Fitness, Inc. consolidates Pla-Fit Holdings and Pla-Fit Holdings is considered to be the predecessor to Planet Fitness, Inc. for accounting and reporting purposes. The Company also consolidates entities in which it has a controlling financial interest, the usual condition of which is ownership of a majority voting interest. The Company also considers for consolidation certain interests where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a VIE, is required to be consolidated by its primary beneficiary. The primary beneficiary of a VIE is considered to possess the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the rights to receive benefits from the VIE that are significant to it. The principal entities in which the Company possesses a variable interest include franchise entities and certain other entities. The Company is not deemed to be the primary beneficiary for Planet Fitness franchise entities. Therefore, these entities are not consolidated. See Note 3 for further information related to the Company’s VIEs.

(b) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although these estimates are based on management’s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Significant areas where estimates and judgments are relied upon by management in the preparation of the consolidated financial statements include revenue recognition, valuation of assets and liabilities in connection with acquisitions, valuation of equity-based compensation awards, the evaluation of the recoverability of goodwill and long-lived assets, including intangible assets, income taxes, including deferred tax assets and liabilities and reserves for unrecognized tax benefits, and the liability for the Company’s tax receivable agreements.

Planet Fitness, Inc. and subsidiaries

Notes to Condensed Consolidated financial statements

(Unaudited)

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

(c) Fair Value

The table below presents information about the Company’s assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014:

	Total fair value at September 30, 2015	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate caps	$ 1,010	$ —	$ 1,010	$ —

	Total fair value at December 31, 2014	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate caps	$ 1,711	$ —	$ 1,711	$ —

(d) Recent accounting pronouncements

The FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, in April 2015. This guidance requires reporting entities to present debt issuance costs as a direct deduction from the carrying amount of the related debt liability. The guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity must apply this guidance retrospectively to all prior periods presented in the financial statements. The Company expects the only impact of the adoption of this guidance to be on balance sheet presentation.

The FASB issued ASU No. 2015-02, Income Statement—Consolidation, in February 2015. This guidance affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the guidance 1) modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, 2) eliminates the presumption that a general partner should consolidate a limited partnership, 3) affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, and 4) provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

The FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, in September 2014. This guidance requires that an entity recognize revenue to depict the transfer of a promised good or service to its customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for such transfer. This guidance also specifies accounting for certain costs incurred by an entity to obtain or fulfill a contract with a customer and provides for enhancements to revenue specific disclosures intended to allow users of the financial statements to clearly understand the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 for public companies. The Company is currently evaluating the impact, if any, the adoption of this guidance will have on its consolidated financial statements.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This guidance requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The guidance is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2015. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

Planet Fitness, Inc. and subsidiaries

Notes to Condensed Consolidated financial statements

(Unaudited)

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

(3) Variable interest entities

The carrying values of VIEs included in the consolidated financial statements as of September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
PF Melville	$ 3,666	$ —	$ 3,479	$ —
MMR	$ 2,902	—	2,750	—
Total	$ 6,568	$ —	$ 6,229	$ —

The Company also has variable interests in certain franchisees mainly through the guarantee of certain debt and lease agreements as well as financing provided by the Company and by certain related parties to franchisees. The Company’s maximum obligation, as a result of its guarantees of leases and debt, is approximately $2,040 and $2,896 as of September 30, 2015 and December 31, 2014, respectively.

The amount of the Company’s maximum obligation represents a loss that the Company could incur from the variability in credit exposure without consideration of possible recoveries through insurance or other means. In addition, the amount bears no relation to the ultimate settlement anticipated to be incurred from the Company’s involvement with these entities, which is estimated at $0.

(4) Acquisition

On March 31, 2014, the Company purchased certain assets from one of its franchisees, including eight franchisee-owned stores in New York, for consideration of $42,931, including a cash payment of $39,931 and a $3,000 discount to be applied to future equipment purchases. The $3,000 equipment discount has been recorded as deferred revenue by the Company and is being recognized as future equipment sales are made by the Company to the franchisee. In addition, as a result of the transaction, the Company incurred a loss on unfavorable reacquired franchise rights of $1,293, which has been reflected in other operating costs in the statement of operations. The loss incurred reduced the net purchase price to $41,638. The Company financed the purchase through its credit facility. The purchase consideration was allocated as follows:

	Amount
Fixed assets	$7,634
Reacquired franchise rights	8,950
Membership relationships	5,882
Favorable leases, net	700
Other assets	35
Goodwill	19,771
Liabilities assumed, including deferred revenues	(1,334)
	$41,638

(5) National advertising fund

On July 26, 2011, the Company established Planet Fitness NAF, LLC (“NAF”) for the creation and development of marketing, advertising, and related programs and materials for all Planet Fitness stores located in the United States and Puerto Rico. On behalf of the NAF, the Company collects 2% of gross monthly membership billings from franchisees, in accordance with the provisions of the franchise agreements. The Company also contributes 2% of monthly membership billings from stores owned by the Company to the NAF. The use of amounts received by NAF is restricted to advertising, product development, public relations, merchandising, and administrative expenses and programs to increase sales and further enhance the public reputation of the Planet Fitness brand. The Company consolidates and reports all assets and liabilities held by the NAF. Amounts received by NAF are reported as restricted assets and restricted liabilities within current assets and current liabilities on the condensed consolidated balance sheets. The Company provides administrative services to NAF and charges NAF a fee for providing those services. These services include accounting services, information technology, data processing, product development, legal and administrative support, and other operating expenses, which amounted to $342 and $274 for the three months ended September 30, 2015 and 2014, respectively, and $1,026 and $829 for the nine months ended September 30, 2015 and 2014, respectively. The fees paid to the Company by NAF are included in the condensed consolidated statements of operations as a reduction in general and administrative expense, where the expense incurred by the Company was initially recorded.

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

(6) Property and equipment

Property and equipment as of September 30, 2015 and December 31, 2014 consists of the following:

	September 30, 2015	December 31, 2014
Land	$ 910	$ 910
Equipment	27,226	22,137
Leasehold improvements	36,337	27,361
Buildings and improvements	5,107	5,119
Vehicles	155	155
Other	4,587	4,250
Construction in progress	3,309	5,375
	77,631	65,307
Accumulated Depreciation	(23,296)	(15,728)
Total	$ 54,335	$ 49,579

The Company recorded depreciation expense of $2,716 and $2,450 for the three months ended September 30, 2015 and 2014, respectively, and $8,360 and $6,483 for the nine months ended September 30, 2015 and 2014, respectively.

(7) Goodwill and intangible assets

A summary of goodwill and intangible assets at September 30, 2015 and December 31, 2014 is as follows:

September 30, 2015	Weighted average amortization period (years)	Gross carrying amount	Accumulated amortization	Net carrying Amount
Customer relationships	11.1	$171,782	(53,585)	$ 118,197
Noncompete agreements	5.0	14,500	(8,402)	6,098
Favorable leases	7.5	2,935	(1,159)	1,776
Order backlog	0.4	3,400	(3,400)	—
Reacquired franchise rights	5.8	8,950	(2,335)	6,615
		201,567	(68,881)	132,686

Indefinite-lived intangible:				
Trade and brand names	N/A	146,300	—	146,300
Total intangible assets		$347,867	$ (68,881)	$ 278,986
Goodwill		$176,981	$ —	$ 176,981

December 31, 2014	Weighted average amortization period (years)	Gross carrying amount	Accumulated amortization	Net carrying Amount
Customer relationships	11.1	$171,782	$ (41,130)	$130,652
Noncompete agreements	5.0	14,500	(6,229)	8,271
Favorable leases	7.5	2,935	(779)	2,156
Order backlog	0.4	3,400	(3,400)	—
Reacquired franchise rights	5.8	8,950	(1,167)	7,783
		201,567	(52,705)	148,862
Indefinite-lived intangible:				
Trade and brand names	N/A	146,300	—	146,300
Total intangible assets		$347,867	$ (52,705)	$295,162
Goodwill		$176,981	$ —	$176,981

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

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(8) Long-term debt

Long-term debt as of September 30, 2015 and December 31, 2014 consists of the following:

	September 30, 2015	December 31, 2014
Term loan B requires quarterly installments plus interest through the term of the loan, maturing March 31, 2021. Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the election of the borrower (4.75% at September 30, 2015 and December 31, 2014)	$ 503,550	$ 387,075
Revolving credit line, requires interest only payments through the term of the loan, maturing March 31, 2019. Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the election of the borrower (4.25% at September 30, 2015 and December 31, 2014)	—	—
Total debt	$ 503,550	$ 387,075
Current portion of long-term debt and line of credit	5,100	3,900
Long-term debt, net of current portion	$ 498,450	$ 383,175

On March 31, 2014, the Company entered into a five-year $430,000 credit facility with a consortium of banks and lenders to refinance its existing indebtedness, as well as to provide funds for working capital, capital expenditures, acquisitions, a $173,900 dividend and general corporate purposes. The facility consisted of a $390,000 Term Loan and a $40,000 Revolving Credit Facility. On March 31, 2015, the Company amended this credit facility to increase the

Term Loan to $510,000 to fund a cash dividend of $140,000. The unused portion of the Revolving Credit Facility as of September 30, 2015 was $40,000. The Term Loan calls for quarterly principal installment payments of $1,275 through March 2021. Capitalized debt issuance costs associated with the outstanding term loan and revolving credit line totaled $9,930 and are reflected in other long-term assets in the Company's condensed consolidated balance sheet, net of accumulated amortization of $2,007 as of September 30, 2015.

The credit facility requires the Company to meet certain financial covenants, which the Company was in compliance with as of September 30, 2015. The facility is secured by all of the Company's assets, excluding the assets attributable to the consolidated VIEs (see Note 3).

Future annual principal payments of long-term debt as of September 30, 2015 are as follows:

	Amount
Remainder of 2015	$1,275
2016	5,100
2017	5,100
2018	5,100
2019	5,100
Thereafter	481,875
Total	$503,550

(9) Derivative instruments and hedging activities

The Company utilizes interest-rate-related derivative instruments to manage its exposure related to changes in interest rates on its variable-rate debt instruments. The Company does not enter into derivative instruments for any purpose other than cash flow hedging. The Company does not speculate using derivative instruments.

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

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

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

During 2014, the Company utilized LIBOR-based interest rate swap agreements that were entered into to manage fluctuations in cash flows resulting from changes in the benchmark interest rate of LIBOR. It was determined on March 31, 2014 that the hedge was ineffective and expense of $92 was reclassified from other comprehensive income to interest expense. The interest rate swaps were all terminated by September 2014.

In September 2014 and September 2015, the Company entered into a series of interest rate caps. As of September 30, 2015, the Company had interest rate cap agreements with notional amounts of $328,000 outstanding that were entered into in order to hedge LIBOR greater than 1.5%.

The interest rate cap balances of $1,010 and $1,711 were recorded within other assets in the condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014, respectively. These amounts have been measured at fair value and are considered to be a Level 2 fair value measurement. The Company recorded a reduction to the value of its interest rate caps of $1,497, net of tax of $80, within other comprehensive loss during the nine months ended September 30, 2015.

As of September 30, 2015, the Company does not expect to reclassify any amounts included in accumulated other comprehensive income (loss) into earnings during the next 12 months. Transactions and events expected to occur over the next twelve months that will necessitate reclassifying these derivatives' loss to earnings include the re-pricing of variable-rate debt.

(10) Deferred revenue

The summary set forth below represents the balances in deferred revenue as of September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Prepaid membership fees	$ 4,433	$ 5,382
Enrollment fees	1,639	1,692
Equipment discount	2,629	2,689
Annual membership fees	4,773	5,696
Area development and franchise fees	10,921	8,420
Total deferred revenue	24,395	23,879
Long-term portion of deferred revenue	12,033	9,330
Current portion of deferred revenue	$ 12,362	$ 14,549

Equipment deposits received in advance of delivery, placement and customer acceptance as of September 30, 2015 and December 31, 2014 were $7,498 and $6,675, respectively.

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

(11) Related party transactions

Amounts due from stockholders/members as of September 30, 2015 and December 31, 2014 relate to reimbursements for certain taxes owed and paid by the Company.

	September 30, 2015	December 31, 2014
Accounts receivable – related entities	$ 34	$ 11
Accounts receivable – stockholders/members	4,674	1,130
	4,708	1,141
Due from related parties, current portion	4,708	1,141
Due from related parties, net of current portion	$ —	$ —

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Franchise revenue	$ 298	$ 178	$ 868	$ 524
Equipment revenue	425	1,796	1,108	3,115
Total revenue from related parties	$ 723	$ 1,974	$ 1,976	$ 3,639

The Company paid management fees to TSG Consumer Partners, LLC (TSG) totaling $1,384 and $250 during the three months ended September 30, 2015 and 2014, respectively, and $1,899 and $831 for the nine months ended September 30, 2015 and 2014, respectively. In connection with the IPO, the Company paid a $1,000 termination fee related to the termination of its management agreement with TSG, which is included in the fees paid for three and nine months ended September 30, 2015.

(12) Stockholder's equity

The recapitalization transactions

We refer to the Merger, Reclassification and entry into the Exchange agreement, each as described below, as the "recapitalization transactions." The Merger was effected pursuant to a merger agreement by and among the Company and Planet Fitness Holdings, L.P. (a predecessor entity to the Company) and the recapitalization transactions were effected pursuant to a recapitalization agreement by and among the Company, Pla-Fit Holdings, the Continuing LLC Owners and Direct TSG Investors.

Merger

Prior to the Merger, the Direct TSG Investors held interests in Planet Fitness Holdings, L.P., a predecessor entity to the Company that held indirect interests in Pla-Fit Holdings. Planet Fitness Holdings, L.P. was formed in October 2014 and had no material assets, liabilities or operations, other than as a holding company owning indirect interests in Pla-Fit Holdings. The Direct TSG Investors consist of investment funds affiliated with TSG. Pursuant to a merger agreement dated June 22, 2015, upon the pricing of the IPO, Planet Fitness Holdings, L.P. merged with and into the Company, and the interests in Planet Fitness Holdings, L.P. held by the Direct TSG Investors were converted into 26,106,930 shares of Class A common stock of the Company. We refer to this as the "Merger." All shares of Class A common stock have both voting and economic rights in Planet Fitness, Inc.

The Merger was effected on August 5, 2015, prior to the time our Class A common stock was registered under the Exchange Act and prior to the completion of the IPO.

Reclassification

The equity interests of Pla-Fit Holdings previously consisted of three different classes of limited liability company units (Class M, Class T and Class O). Prior to the completion of the IPO, the limited liability company agreement of Pla-Fit Holdings was amended and restated to, among other things, modify its capital structure to create a single new class of units, the Holdings Units. We refer to this capital structure modification as the "Reclassification."

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The Direct TSG Investors' indirect interest in Pla-Fit Holdings was held through Planet Fitness Holdings, L.P. As a result, following the Merger, in which Planet Fitness Holdings, L.P. merged with and into the Company, the Direct TSG Investors' indirect interests in Pla-Fit Holdings are held through the Company. Therefore, the Holdings Units received in the Reclassification were allocated to: (1) the Continuing LLC Owners based on their existing interests in Pla-Fit Holdings; and (2) the Company to the extent of the Direct TSG Investors' indirect interest in Pla-Fit Holdings. The number of Holdings Units allocated to the Company in the Reclassification was equal to the number of shares of Class A common stock that the Direct TSG Investors received in the Merger (on a one-for-one basis).

The Reclassification was effected on August 5, 2015, prior to the time our Class A common stock was registered under the Exchange Act and prior to the completion of the IPO.

Following the Merger and the Reclassification, the Company issued to Continuing LLC Owners 72,602,810 shares of Class B common stock, one share of Class B common stock for each Holdings Unit they held. The shares of Class B common stock have no 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 the Company. The Continuing LLC Owners consist of investment funds affiliated with TSG and certain employees and directors.

Pursuant to the LLC agreement that went into effect at the time of the Reclassification ("New LLC Agreement"), the Company was designated as the sole managing member of Pla-Fit Holdings. Accordingly, the Company has the right to determine when distributions will be made by Pla-Fit Holdings to its members and the amount of any such distributions (subject to the requirements with respect to the tax distributions described below). If the Company authorizes a distribution by Pla-Fit Holdings, the distribution will be made to the members of Pla-Fit Holdings, including the Company, pro rata in accordance with the percentages of their respective Holdings Units.

The holders of Holdings Units will incur U.S. federal, state and local income taxes on their allocable share of any taxable income of Pla-Fit Holdings (as calculated pursuant to the New LLC Agreement). Net profits and net losses of Pla-Fit Holdings will generally be allocated to its members pursuant to the New LLC Agreement pro rata in accordance with the percentages of their respective Holdings Units. The New LLC Agreement provides for cash distributions to the holders of Holdings Units for purposes of funding their tax obligations in respect of the income of Pla-Fit Holdings that is allocated to them, to the extent other distributions from Pla-Fit Holdings for the relevant year have been insufficient to cover such liability. Generally, these tax distributions are computed based on the estimated taxable income of Pla-Fit Holdings allocable to the holders of Holdings Units multiplied by an assumed, combined tax rate equal to the maximum rate applicable to an individual or corporation resident in San Francisco, California (taking into account the non-deductibility of certain expenses and the character of the Company's income).

Exchange agreement

Following the Merger and the Reclassification, the Company and the Continuing LLC Owners entered into an exchange agreement under which the Continuing LLC Owners (or certain permitted transferees thereof) have the right, from time to time and subject to the terms of the exchange agreement, to exchange their Holdings Units, along with a corresponding number of shares of Class B common stock, for shares of Class A common stock (or cash at the option of the Company) on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends, reclassifications and similar transactions. As a Continuing LLC Owner exchanges Holdings Units, along with a corresponding number of shares of Class B common stock, for shares of Class A common stock, the number of Holdings Units held by the Company will be correspondingly increased as it acquires the exchanged Holdings Units and cancels a corresponding number of shares of Class B common stock.

Offering transactions

In connection with the completion of the IPO on August 11, 2015, in order to facilitate the disposition of equity interests in Pla-Fit Holdings held by Continuing LLC Owners affiliated with TSG, the Company used the net proceeds received to purchase issued and outstanding Holdings Units from these Continuing LLC Owners that they received in the Reclassification. In connection with the IPO, the Company purchased 10,491,055 issued and outstanding Holdings Units from these Continuing LLC Owners for an aggregate of $156,946. This is in addition to the 26,106,930 Holdings Units that the Company acquired in the Reclassification on a one-for-one basis in relation to the number of shares of Class A common stock issued to the Direct TSG Investors in the Merger. Accordingly, following the IPO, the Company holds 36,597,985 Holdings Units, which is equal to the number of shares of Class A common stock that were issued to the Direct TSG Investors and investors in the IPO. The Direct TSG Investors, who did not receive Holdings Units in the Reclassification but received shares of Class A common stock in the Merger, sold 5,033,945 shares of Class A common stock in the IPO as selling stockholders. All expenses of the IPO, other than underwriter discounts and commissions, were borne by Pla-Fit Holdings or reimbursed by Pla-Fit Holdings to the Company and amounted to $2,167 and $7,239 for the three and nine

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months ended September 30, 2015, respectively. These amounts were recorded in selling, general, and administrative expense in the accompanying statements of operations and could not be capitalized because the Company did not retain any proceeds from the IPO.

As a result of the recapitalization transactions and the offering transactions, upon completion of the IPO:

- the investors in the IPO collectively owned 15,525,000 shares of our Class A common, representing 15.7% of the voting power in the Company and, through the Company, 15.7% of the economic interest in Pla-Fit Holdings;
- the Direct TSG Investors own 21,072,985 shares of our Class A common stock, representing 21.4% of the voting power in the Company and, through the Company, 21.4% of the economic interest in Pla-Fit Holdings; and
- the Continuing LLC Owners collectively hold 62,111,755 Holdings Units, representing 62.9% of the economic interest in Pla-Fit Holdings and 62,111,755 shares of our Class B common stock, representing 62.9% of the voting power in the Company.

(13) Equity-based compensation

The Company has granted equity awards to employees in the form of Class M Units. During the nine months ended September 30, 2015, there were forfeitures of 21.053 Class M units. There were no grants of Class M Units during the nine months ended September 30, 2015. During the nine months ended September 30, 2015, the Company modified the vesting terms of 10.737 outstanding Class M Units such that those units are fully vested and eligible to receive distributions following a liquidity event. In connection with the IPO and related recapitalization transactions as described in Note 1, all of the outstanding Class M Units were converted into Holdings Units and Class B common shares of Planet Fitness, Inc. in accordance with the terms of the awards. The Company’s IPO constituted a qualifying event under the terms of the awards and as a result 4,238,338 Holdings Units and corresponding Class B Common shares were issued to the existing Class M Unit holders with a weighted-average grant date fair value of $1.52 per share. The Company recorded $4,584 of compensation expense in the three and nine months ended September 30, 2015 related to these awards. As of September 30, 2015, 2,194,402 Holdings Units were vested. The amount of total unrecognized compensation cost related to all awards under this plan was $875 as of September 30, 2015.

Stock Options

In August 2015, the Company adopted the 2015 Omnibus Incentive Plan (the "2015 Plan") under which the Company may grant options to purchase up to 7,896,800 shares and other equity-based awards to employees, directors and officers. In connection with the IPO, the Company granted options to purchase up to 106,030 shares to certain employees with an exercise price of $16.00 per share. Options to purchase an additional 10,660 shares were granted during the three months ended September 30, 2015, with an exercise price of $17.50 per share. All stock options awarded vest annually over a period of four years.

The fair value of stock option awards granted during the three and nine months ended September 30, 2015 was determined on the grant date using the Black-Scholes valuation model based on the following weighted-average assumptions:

Expected term (years) (1)	6.25
Expected volatility (2)	35.4%
Risk-free interest rate (3)	1.82%
Dividend yield (4)	—

(1) Expected term represents the estimated period of time until an award is exercised and was determined using the simplified method.
(2) Expected volatility is based on the historical volatility of a selected peer group over a period equivalent to the expected term.
(3) The risk-free rate is an interpolation of yields on U.S. Treasury securities with maturities equivalent to the expected term.
(4) We have assumed a dividend yield of zero as we have no plans to declare dividends in the foreseeable future.

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A summary of stock option activity for the three and nine months ended September 30, 2015:

	Stock Options	Weighted average exercise price
Outstanding at beginning of period	—	$ —
Granted	116,690	16.14
Exercised	—	—
Forfeited	—	—
Outstanding at end of period	116,690	$ 16.14

The weighted-average grant date fair value of stock options granted during the three and nine months ended September 30, 2015 and 2014 was $6.14. During the three and nine months ended September 30, 2015, $60 was recorded to selling, general and administrative expense related to the stock options. As of September 30, 2015, there were 116,690 stock options outstanding none of which were exercisable. As of September 30, 2015, total unrecognized compensation expense related to unvested stock options, including an estimate for pre-vesting forfeitures, was $634, which is expected to be recognized over a weighted-average period of 3.9 years.

Restricted stock units

During the three and nine months ended September 30, 2015, the Company granted 8,160 restricted Class A stock units (“RSUs”) to one member of its Board of Directors under the 2015 Plan. The RSUs granted vest in three equal annual installments beginning on first anniversary of the grant date, provided that the recipient continues to serve on the Board of Directors through the vesting dates. The grant date fair value of these awards totaled $150. The Company is recognizing the expense relating to these awards on a straight-line basis over the service period of each award, commencing on the date of grant.

(14) Earnings Per Share

Basic earnings per share of Class A common stock is computed by dividing net income attributable to Planet Fitness, Inc. for the period from August 6, 2015 through September 30, 2015, the period following the recapitalization transactions and IPO, by the weighted-average number of shares of Class A common stock outstanding during the same period. Diluted earnings per share of Class A common stock is computed by dividing net income attributable to Planet Fitness, Inc. by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities. There were no shares of Class A or Class B common stock outstanding prior to August 6, 2015, therefore no earnings per share information has been presented for any period prior to that date.

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

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

	August 6, 2015 through September 30, 2015
Basic net income per share:	
Numerator	
Net income	$ 6,214
Less: net income attributable to non-controlling interests	4,593
Net income attributable to Planet Fitness, Inc.	$ 1,621
Denominator	
Weighted-average shares of Class A common stock outstanding - basic	35,661,284
Earnings per share of Class A common stock - basic	$ 0.05
Diluted net income per share:	
Numerator	
Net income available to Class A common stockholders	$ 1,621
Reallocation of net income assuming conversion of Holdings Units	4,518
Incremental tax effect of reallocation of net income assuming conversion of Holdings Units	(1,740)
Net income attributable to Class A common stockholders - diluted	$ 4,399