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PRESENTATION

Operator

Good day, everyone, and welcome to the Bank of America Securities Planet Fitness Conference Call. Today's conference is being recorded. And as a reminder, this call is not for media representatives or Bank of America security investment bankers or commercial bankers, including corporate and commercial FX. All such individuals are instructed to disconnect now. A replay will be available for Bank of America Securities, investment bankers and commercial bankers, including corporate and commercial FX. Replay is not available to the media.

At this time, I'd like to turn the conference over to Rafe Jadrosich. Please go ahead.

Rafe Jason Jadrosich - *BofA Merrill Lynch, Research Division - Associate*

Hi, good afternoon. Thank you, everyone, for joining the Planet Fitness fireside chat. I am Rafe Jadrosich, I work in equity research at Bank of America Securities. So this presentation was initially supposed to be a fireside chat at the BofA conference, but we've converted to the conference call due to concerns around the coronavirus. So we appreciate everyone's patience and hope you and your families are safe and healthy. It's my pleasure to introduce Planet Fitness. As most of you know, Planet Fitness is one of the largest and fastest-growing franchisors and operators of fitness clubs in the U.S. with 14 million members. Joining us from management today, we have CEO, Chris Rondeau; President, Dorvin Lively; and the newest member of the management team, CFO, Tom Fitzgerald. Before we go into Q&A, and I'll turn it over to Brendon for the safe harbor statement and then some brief remarks from Chris. Brendon?

Brendon Frey - *ICR, LLC - MD*

Thanks, Rafe. Please keep in mind that all forward-looking statements are subject to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the expectations and assumptions mentioned today. A detailed discussion of these factors and uncertainties is contained in the company's filings with the Securities and Exchange Commission.

With that, I'll turn it over to Chris.

Christopher J. Rondeau - *Planet Fitness, Inc. - CEO & Director*

Thank you, Brendon. My name is Chris Rondeau, and thanks again for everybody joining us for the call today. I want to start off, first off with what's top of mind of everybody, I'm sure, is coronavirus. Here at PF so far we have not seen any meaningful changes in some very key metrics that you see this signal first, which would be member attendance has transpired to be the same as well as joining and cancel trends as well have been the same year-over-year. So nothing there has changed today. Some of the things that we've stepped up here from an internal, external messaging



to the members and the franchisees and staff is just to reiterate our cleaning policies and procedures as well as with our members etiquette within the facilities. We've always had cleaning stations in our clubs. And fortunately, we've always used a product that for this virus, the government has approved as one of the key hospital-grade disinfectants to kill the virus that we use called Virex II 256. So we've always been adamant with our cleaning and policies and procedures and etiquettes with our members who aren't cleaning their machines when they're before and after as well as our staff cleaning.

So it's -- while that message has already been in place as well as investigating with our vendors on supply chain, which actually was about 6, 8 weeks ago, we were ahead of that one. We have 3 key vendors, Precor, Life Fitness and Matrix. Precor and Life Fitness most of that product is all manufactured here in the States. Matrix is made in Taiwan. All the plants are up and running today. And because they are out of country, they've always had a rolling 6 months of inventory on-site here in the States. So they still have that 6-month rolling inventory here. So no issue as at this point with any kind of supply chain issues and getting stores opened, so that's been more important and checked as well. I think when our members, when we look at things that we've had in the past, like the hurricane in Puerto Rico, which we had all 11 stores at that time completely closed, some for as little as few days and some for as many as 6 months. Puerto Rico a good example in the sense that we had members with no access to fitness for a while, which members have frozen and so club has reopened.

And others were of 3, 4 days, which they're up and running and back to working out. So -- and also in Puerto Rico, where, if you recall, you had a lot of reports where a large section of the population had moved out of country or out of the territory of Puerto Rico and into the States just because their homes were destroyed and jobs were lost. I'm happy to announce that even after as severe as that hurricane was, all 11 stores are back up and running within a year or less. And they all a year later are performing better than they were pre-hurricane. And in fact, that franchisees had actually opened another store within that same year to now have 12 in Puerto Rico. So it's a good example of just how members can go through something as catastrophic as that and come back and stores perform just as good, if not better than they were previously. I think, true with our customer at \$10 a month, which is a good piece of this. We have many of our customers, as you know, as I've mentioned in the past, that half of them don't use the club in a 30-day period. And in fact, some for months at a time don't use the club, where -- then I start looking at cancel, but they might take summers off, they might take -- come back in September, they may take November through Christmas off, and then they come back in January. So I think a situation like this, even though we haven't seen any changes today, that if it does escalate, I don't think necessarily they're going to cancel. If they cancel in person, I think they just might take a month or 2 off until this subsides. With that, Tom, has a couple of words on that.

Thomas J. Fitzgerald - Planet Fitness, Inc. - CFO

Yes. Thanks, Chris. I think going back to Chris' initial comments. We haven't -- at this point, haven't seen any meaningful trend changes in our business. And while we didn't and don't provide specific Q1 guidance, we wanted to share that the quarter is unfolding like we anticipated. So I just want to point out that this discussion is being webcast in public. And therefore, we won't be commenting again on our business trends until our next public disclosure, which is really our Q1 call in May. So Rafe, let me turn it back over to you.

QUESTIONS AND ANSWERS

Rafe Jason Jadrosich - BofA Merrill Lynch, Research Division - Associate

Can you first talk about how your clubs have performed in different economic environments in the past and including maybe going back to the last recession?

Christopher J. Rondeau - Planet Fitness, Inc. - CEO & Director

Sure. Yes. We've had -- again, Puerto Rico was one example in a -- was a smaller situation. But even in the '08, '09 period, what we saw was actually comps continue to maintain. We've had 13 straight years of positive comps, were encapsulated in the '08, '09 period. But also, what we see is a lot of members who are other business, other brands that were paying a higher price, for example. And being more cautious of the spending in harder



times, realized that, well, I'm not going to stop working out, but I'm also not -- haven't used the pool in 6 months, and I never used a rock wall, so why am I paying for it? So we got people who are obviously trading down in those periods of time, but not necessarily stopped working out. I think they're just more cautious of their spending at that point.

Dorvin Donald Lively - Planet Fitness, Inc. - President

I think, Rafe, the other thing I would add is that, at least back in that time period, kind of the recessionary time. What -- we were a much smaller company back then and pre that time period, we were competing with lots of retailers that are not in existence today or certainly contracted in size, be it the OfficeMax, Office Depot, Staples kind of situation in the office supply business or back in that day, Circuit City, Best Buy, Old Navy, you name it. A lot of people were all competing for the same space. And then we now know the environment today where we're a national tenant. We get calls from every major REIT or landlord when space comes available. We are taking only main -- the main sites now. Where back in that day, we'd have to take a B or even a C site because that's all we could get at that point in time. The other difference today, if we go into a kind of a recessionary period versus back then is that the financial wherewithal of our franchisees today is so drastically different than it was back in '08, '09. We had about 190 groups when we went public, franchise groups. Today, we're down to about 130. We have 13 private equity-backed franchisees today. The businesses are -- we've compounded positively for 13 straight years. So the amount of cash flow that these businesses are throwing off is significantly higher on a per box basis than it was back in that day in time. 4-wall store will generate high 30s EBITDA margins today, which generates incredible cash returns, which is why our franchisees are opening stores at a faster rate than actually required under the area development agreements. And it's why, quite frankly, the private equity guys like this business because it's a simplistic model that doesn't have all the moving parts and pieces like a QSR business on a franchising side. I mean, a great example of that is that given that it's a fixed cost model and the flow-through impact of incremental same-store sales, it's like 84% to the bottom line. You would have to comp about 3x our comp on a QSR basis to get the same amount of flow-through to the bottom line, so we guided to 8%. QSR have to comp 24% to get the same flow-through impact that we get because of their cost of goods sold, et cetera, et cetera. And so we view that our brand, we're almost, if not the largest, we're almost the largest gym chain in almost every market we're in today. And therefore, the real estate opportunities for us in markets that could have a difficult time in a recessionary period, we think it actually benefits us.

And quite frankly, I think we're in a better position than some of the other chains maybe to kind of withstand the -- any type of economic kind of crisis issue. I mean, we don't depend on ancillary services. So we don't do fitness training. We don't have classes. We're not trying to sell a bunch of retail to make money at the front counter. And so because of that, our model is so different than really everybody else. But I think those are things that we try to convey to our investors when they're thinking about our model in a time like potentially an economic downturn.

Rafe Jason Jadrosich - BofA Merrill Lynch, Research Division - Associate

That's really helpful. And then you mentioned the franchisees opening clubs faster than they have to according to the ADA agreements. So can you talk about the 240-club guidance for 2020? It's a little bit below what you did last year. So how are you thinking about that going forward? And then also within that, can you talk about your confidence in the 4,000-club target that you initiated 5 years ago, how do you feel about that target today than maybe when you first introduced it 5 years ago?

Dorvin Donald Lively - Planet Fitness, Inc. - President

Sure. So we use the same kind of methodology to give guidance for 2020 as we did in the last couple of years as well. So there are certain data points that we know. We know what's required to be open.

Last year, that 260 number was more than that was required to my point earlier about franchisees opening stores really quicker and doing it just because of the economics of the model and the return they get on their cash. We have over 1,000 in the pipeline that are committed under area development agreements. And about half of those are in the next 3 years. So what we look at is, we're sitting here early Q1, we've got a lot of insight into the next 3 months. And typically, from the time you sign a lease to the time you get a store open, is about 3 months.

So all of our stores that are going to open in Q1, generally speaking, at the beginning of the year had a lease signed in some stage of development. And then past that, we have some more insight.

Generally, from the time you start looking for a site, negotiating an LOI, finally getting a lease signed and getting up. That's about a 6-month period. So incremental to the 3 months once you get the lease signed, it could take up to another 3 months in terms of finding the location, getting an agreement, getting your permitting, all those kinds of things before you can ultimately start construction. And I think everybody knows, but we approve every single location, and we approve every layout, the architectural drawings of every site. So there's a timing element to getting a lease signed, getting an architect, getting the drawings done, getting it approved, and then ultimately, getting your GC and start construction.

So we have some insights into that next 3 months. But past that, basically, the back half of the year, most, if not all, of those stores that we're going to open in the back half of the year, there's no lease signed. We know and franchisees know which towns and cities and how many stores they think they'll open. But you got to bring all that together in terms of finding the site, negotiating the site, make sure the pricing is right and the terms of lease and those kinds of things. So what we looked at, same thing last year, we looked at where are we, what are we hearing from our franchisees, what's required, and then based on both qualitative and quantitative factors, what do we think is an appropriate number to guide to for equipment placements. And we came up with a 240. Last year was 225 at the same time of the year, which was slightly down from what we had opened in 2018, what we have placed equipment in, in 2018.

And so we said last year and this year that as we get further into the year and start getting data points on that back half of the year, how many leases are signed, how many leases are being negotiated on, how many leases have sites under development, et cetera, then we have better visibility and can put more clarity around that back half. So we obviously are assuming stores will open, but without a lot of fixed data points, particularly the last 6, 8 weeks of the year. It's hard to nail down exactly what that number would be. But we feel comfortable with the 240. It would still be the second highest ever in the history of the company. We did indicate on our Q4 call that Q1 would be down 10 to 12 sites. Last year's Q1 was the highest placements that we had ever had in terms of equipment placements by the company in Q1. Our indication of being down 10% to 12% in Q1, which still -- it's still be higher than it was back in '17 and then '18. So still a good quarter in terms of equipment placements. And then we said second half would be flat or second quarter would be flat to slightly up, giving us then to the full year guide of that 240.

In terms of the 4,000 locations, we talk about this on a lot of calls. It seems like the more stores we open in some of our markets, particularly the more penetrated markets we're in, it seems like the more we can open. And I think it speaks to -- we're going after the 80%. We're not trying to steal someone that's going to a boutique. We're not getting the fit fitter. We're going after the first timers and bringing them a very high quality, very affordable option that they most likely didn't even have. And when we do that, and we get closer and closer on a proximity basis to some of those 80% of the people. And we give them a great opportunity to give it a try. And we try to be within a 12- to 15-minute drive time. Because you get past that, it's -- there's enough excuses not to join a general workout. And so as we keep penetrating some of these markets, where we're already at, we're spending a lot of ad dollars in those markets today, and they're comping positively. And so every incremental member that goes into these existing stores just helps fund the next members growth, including another stores growth.

And so when you're shouting the message in a market in a DMA and you have more stores in there, you're shouting the message even louder and louder. And so where we're at today in terms of where we were back at the time we went public, we feel even more confident in that 4,000 opportunity than we did back then.

Christopher J. Rondeau - Planet Fitness, Inc. - CEO & Director

Yes. I think, one quick thing I'd add to that too is, we look at the 4,000-club pipeline, which we've had in the area development growth over the last few years we've talked about. And even in the last -- recent couple of years, opened 500 locations. We continue to sell new units and still have over 1,000 pipelines. And I think what's even more intriguing to hear on that is, last year was a record new unit sales for us, new units. This last year was a record for us. And almost half of those units were in existing ADAs that we might have the sold 7 or 8 club ADA -- a 10-club ADA and there are 8 clubs in and the franchisees coming to us saying, "You sold me 10 clubs, I could buy 15 here." So almost half of new units sales or existing ADAs comes back to that more we can open, the more we can open. And the franchisees are seeing the same thing that we see, which has been great today. They understand the same the thing.



Rafe Jason Jadrosich - BofA Merrill Lynch, Research Division - Associate

Good. I'll ask one more and then open it up to everybody that dialed in for Q&A. Can you talk about the changes that you made to your marketing strategy over the last 2 quarters? What sort of happened last year? What was the headwind? And then what's the benefit that you would expect going forward?

Christopher J. Rondeau - Planet Fitness, Inc. - CEO & Director

Sure. This is Chris Rondeau. As I mentioned on some previous calls was that the -- what I suspected when we dove in with our SVP of Data Analytics and Strategy when our former Chief Commercial Officer left, really rolled up our sleeve and dug into previous sales and overperforming ones, the underperforming ones as we saw the trend changing last year. And a couple of things that we called out was that as the NAF continues to grow, as Dorvin was talking about every incremental member is incremental marketing dollars. The NAF, as it was coming to corporate, the national ad fund. What we saw was in digital marketing an overallocation of the growth of that NAF was going towards digital. And the regular media traditional like TV, for example, wasn't growing at the same clip. And also, especially in the cable advertising, cable TV network situation. So we saw past sales really heavy GRPs in TV and specifically cable, definitely seems to move the needle. So that was some of the learnings that we put in place tail end of Q3 and some in Q4, which drove some of the comps for us and use those learnings here for the 2020 plan, which we're happy to see the momentum continue here. On top of that, what we did towards tail end of the fourth quarter is the 7% local spend, we saw the dollars they were spending, but not the media mix that they, too, were spending on. And we saw certain markets of DMA throughout the country that would perform better than other DMAs. We really didn't know best practices, if you will, right, on what those were doing. Yes, they spent some money but what was it on. So what we said during towards the tail end of Q4 with our franchisee marketing committee, which is made up of about 7 CMOs from the larger franchisee groups in the system that we started using their expertise as well to design the 2020 plan and to get the local advertising spend and their mix done. Now we're starting to capture that now. So what we're now doing is recommending by best practices what the 7% locally should be spent on, so that essentially, on the NAF we do a national promotion, we're all rolling in the same direction. So I'm thrilled, both on the fact that I think that in addition to a better mix with the national, we could continue to get some momentum here.

Rafe Jason Jadrosich - BofA Merrill Lynch, Research Division - Associate

Freida, can we open the line for audience Q&A?

Operator

Absolutely. (Operator Instructions) And it appears that we do not have any phone questions in the queue at this time.

Rafe Jason Jadrosich - BofA Merrill Lynch, Research Division - Associate

Yes. I'll have a few more of these that I can ask while people queue for Q&A. So I wanted to follow up on -- can you just talk about the priorities of capital allocation. You just completed it in ASR. How do you think about additional buybacks with especially considering like the recent pullback in the stock?

Dorvin Donald Lively - Planet Fitness, Inc. - President

Sure. So we -- the way we think about our kind of overall debt structure is we did the securitization back in '18, and we said we would try to maintain the leverage kind of in the 4 to 6x our EBITDA, and that's what we levered up to. We had delevered down, and we did a 4-year and a 7-year tranche initially with the incremental capacity from our generation of more EBITDA, we decided to access the markets again with a 10-year tranche. So we really have our debt ladder out with a 3, a 6 and the 10 now with the deal we did late last year, and rates were down, so we got a better fixed cost 10-year tranche than we did in the initial 4 and 7. So what we like about where we're at today is we got fixed rate debt, split ladder out

nicely, delevered back up to that approximately 6x, and then that now gives us the flexibility over time as we generate more EBITDA, we can term out the earlier tranche and add on another tranche if we so chose to do so.

From an allocation perspective, if you look at where a lot of our cash -- capital has gone over the last couple of years or so, you've got our corporate store fleet, where we've opened just a handful of stores a year. It's about \$2 million a store. This year, we said we'd do about 8 stores. So that's, call it, \$16 million or thereabout. We have our replacement equipment cycle, which we require franchisees to do.

So we do the same thing. We're placing the equipment on a 5-year cycle for cardio and a 7-year cycle for strength. And then we have technology investments that we've made over the last -- primarily 3 years, where we've spent in the neighborhood of \$10 million to \$12 million a year or so leading up to, as you guys may recall on the last couple of calls, Chris has addressed what we're doing in our mobile and digital arena, but with our mobile app now that we rolled out kind of mid- to late summer last year and some of the benefits associated with that.

So that's kind of the next biggest layer. The real maintenance CapEx that we have in the business is relatively small. It's -- it kind of grows a little bit with revenue. But it's -- generally speaking, it's the typical things you would see around kind of headquarters operations with our own internal systems just maintaining those on a go-forward basis, with the majority of the capital being either technology or corporate store capital requirements.

Rafe Jason Jadosich - BofA Merrill Lynch, Research Division - Associate

And then you opened up Australia at the end of last year. You've been growing in Mexico and testing out in some different regions. Can you talk about the -- what you see in terms of your international store opportunity? It'd be great if you could talk about how big do you think some of the markets like Canada and Mexico cope with these longer term, and then maybe some of the challenges and differences between the U.S. and a few of those other markets?

Dorvin Donald Lively - Planet Fitness, Inc. - President

Sure. We said in our guide at 240 that probably 5% to 10% of those would be international stores this year. Our largest number of stores are in Canada, where we have about 40-plus stores. That was our first international market to go into. All of the franchisees today and all of our countries today are U.S.-based franchisees that wanted more territory. So we have a group of U.S. franchisees that are building out Canada. We believe Canada is about 300 total site opportunities, kind of using the same formulas that we used in the U.S. to come up with the 4,000 opportunity. Mexico is a little bit more difficult because getting data, the kind of data that you can use, it's just not readily available like it is in the U.S. and even in Canada. Most people we've talked to say that the retail kind of opportunity in Mexico is probably similar to a Canadian opportunity, so maybe 300 locations there. We had -- I think it was 3 at the end of the year. We've opened the fourth one down in Mexico. What we see economics in terms of the model is not that far off from in the U.S. Average members per store is pretty similar, if not better. Australia, we opened the first 2 there. We were -- we had a couple of U.S.-based franchisees that decided to kind of form a JV and they did a transaction with an individual that owned a small gym chain in Australia. So not only did we have someone that was local on the ground, but had all of the back-of-house functions from billings, collections, accounting, et cetera, and they immediately converted 2 of his gyms over to the Planet brand, and we'll do some more as well as greenfield. We said that territory, ADA we sold was like 30, 35 store ADA. But -- and those stores are off to a good start as well. So we believe that albeit you have to do a little bit of customization to the brand and opportunity when you go to some of these markets.

Over there, we build biweekly because that's the standard of the way gym memberships work over there. Whereas in the U.S., we bill monthly. Over there bagels is not a big deal, they do muffins. So yes, a little customizations to the culture, but yet, it's -- in many ways, it's not that much different. I mean, no one's really going after the first timers, like we are. Australia is a great example. Only 15% of the population have a gym membership. In Mexico, it's like less than 2%. They have a gym membership in most countries, that's what you see. It's even much less in the U.S. U.S. has a higher percentage of the population that belong to gym. So we -- with what we have today, we know those are certainly -- those countries are certainly adapting to our brand and to our product offering. And if you look at all the other countries, no one is really going after the first timers. Even though they may be low cost, they're not low cost in the sense of the difference in the U.S. of our low cost versus the other players that are out there. So when we bring in a very high-quality product at a real value. So far, it's done really well. So we believe that the footprint for our model will really resonate with consumers even as we expand outside of the existing countries.

Rafe Jason Jadrosich - BofA Merrill Lynch, Research Division - Associate

And then can you talk a little bit about the investments you've made in technology? And then, I think a few -- 2 years ago, you kind of made a big push to have more innovation on the equipment side. Can you discuss sort of the opportunity there? What you've seen that's new from the vendors? And how that could impact like your Black Card penetration?

Christopher J. Rondeau - Planet Fitness, Inc. - CEO & Director

Sure. Sure, Rafe. This is Chris. And they're a little bit intertwined between the technology within our app and the equipment part of it as well. So yes, the equipment piece we started testing with 3 manufacturers in 15 stores, so 5 each. And it was what we call premium console where your membership card to get through the front door is also the -- turns the piece of cardio on. So the treadmill or bike would have you know, it's Rafe or it's Chris on it. And if I'm a White Card member, if I'm a Black Card member. So -- and how we have it working, how we have working is that if you're a Black Card member it would unlock features where you could log into your Netflix or your Spotify or a run through the Grand Canyon or virtual running, if you will. So that is there and up and running and start to capture some interesting info. I mean, using Netflix or something like that would be -- or Spotify would be much more widely used and come to find out it was Netflix out of those different experiences is #1 with only 9%. I guess, the beauty of that is that without premium consoles or without member signing in, we would have no idea that, that was the case.

So manufacturers for decades now have put features on cardio, but don't really have any way of tracking what people who can use are like.

So we're able to now dive in and figure out. Get rid of this, add that, so on and so forth. So we now have in 2 other clubs more recent. So now we're in 17 clubs, the 2 new clubs how it works now and now the app is launched, where you still log in to equipment with your key tag and now got rid of a couple of things like the Pandora, Spotify, Hulu, kept Netflix, fine-tune some of the offerings there. But also, now when you get off the cardio, by the time you get to the car in the parking lot, what you just did on a bike or treadmill, for example, is now in your history on your app. So you can open up your app and, say, look at your history, figure all the days you worked out, the calories you burn, the speed you went, the miles, you can in fact start looking at it and comparing how you're progressing over time with your membership and utilizing the club.

So the first time it's ever been done where you now leave the club and your data is on your app from a cardio standpoint. So that's happening in real-time right now in that -- those 2 new stores and fine-tuning that offering. And right now, with those 2 stores, we're focusing mostly on Matrix at this point and getting it right with them and then go back and have the other 2 manufacturers catch up to them once we -- instead of us trying to coach 3 vendors at the same time, the default, what we want to happen, usually the one is the beachhead there and then come back to the other 2 once we get it really nailed down. On the app side of things, how that's running now. We launched last summer and then, more recently, in fourth quarter launched the ability that a member can refer a friend to join, which was not really a formal way for you to do that before. It was basically have to drag you to the front door or whatever, and someone want to bring them in to try it. Now our members can actually refer a member, they open up their either e-mail box, their text messages or whatever is sent off a link to join at a cheaper discount, for example, at no enrollment fee, first month free. So as a member, you got to give your friend a little perk there. And the conversion rate has been really good. It's been double-digit conversion rate, which if you compare that to most means of marketing, for example, it's -- postcard for example, is lucky to get 2% in a good day. So double-digit conversion there. And then the other side of that, we have Black Card upgrades. So before, in order to get a White Card member upgrade, they would physically have to come into the facility, sign some paperwork and upgrade their membership. Where now it's a 1 click and you're upgraded to terms and conditions right on your app, and it's by proceeding to do with our impulse. So this proposal has proved out to be really, really, really good. As well as what was interesting, which we've never expected is that we signed up and we talked about 25% to 30% of our joins every month come through our website. We have a lot of joins that are now coming in where people are downloading the app first and joining through the app as opposed to -- it's almost backwards, you think you joined the club first and then download the app and get familiar with the functions of the app. But they're actually downloading the app, joining through the app, which is a new avenue we never saw before.

So some really interesting things there.

Later this quarter, next couple of weeks, if not it will be in the second quarter, is we're launching push notifications in in-app messaging.



So when we look at the referrals and upgrades that we're having already with no real way to alert them and motivate them or incentivize a member to do so. Once those go live, will be interesting to see how we can push those even further with special offers and new discounts and deals.

So that's really exciting stuff for us. Right now, we only have about 16% of the members that have the app utilizing it. So our main goal right now besides the updates of what we have coming on the pike here in just a few weeks or month is really just onboarding. How do we get more and more members onboard into the app. So that's our main focus. One is getting card members to onboard it. And the most important, the easiest one right now is with every new join, how do we get them to download the app because it's really point of sale, point of purchase, how do we get them excited about the app and download it on the fly while they're joining the club at the same time. So those -- that's our main feature because the kind of conversion rate we're getting, we just need more people to have the app, so we can talk to them.

Rafe Jason Jadrosich - BofA Merrill Lynch, Research Division - Associate

We only have a couple more minutes here. I just want to -- operator, can we check if there's any questions in the queue before I ask a final question?

Operator

Absolutely. And it looks like, at this time, we do not have anyone in the phone queue.

Rafe Jason Jadrosich - BofA Merrill Lynch, Research Division - Associate

Okay. So I'll ask one more. Chris and Dorvin, you both bought stock recently. Can you just talk about how you feel about the overall direction of the business? Like what makes you most excited? Where do you feel you have the most risk? It's definitely a broad question, but just how do you feel about the business today, maybe where it was a year or 2 years ago, even when you went public 5 years ago?

Christopher J. Rondeau - Planet Fitness, Inc. - CEO & Director

Yes. I would say the confidence in that 4,000 number, although it was always there, I think now it's almost inevitable that if we get there, I don't see -- from the trends we see from new store openings and opening stores in markets where we opened our 19th store in New Hampshire.

When we setup franchising in 2003, we had 5 stores. And if you told me will have 19 stores, I don't know where you're going to put them because there's only 1.3 million people in the whole state. And I believe we can probably fit 2 or 3 more in the state. So of the 4,000 potentials, that's -- I don't see how it doesn't happen. And I think the other side of that is the confidence and excitement the franchisees that I share with them on where the business is today and what they're seeing in their markets, which is what we're seeing from a national standpoint on that 4,000-club potential is, like I mentioned earlier, we sold a record number of units last year. And half of those were in markets that our franchisees are in there, they're coming to us saying, "I want to add 3 or 4 in my area. There's no way that you'd still be 10 stores. I can fit more than 10." So I just think about that momentum we have in the deceleration, I see that the other national competitors in this industry are -- I just see that our moat is widening faster and faster. And then our sophistication and data research that we have and then the launch and investments in technology, it just widens the moat. And I look at the marketing spend and how the clubs perform today, even our oldest 100 stores we did a study on, our oldest 100 stores in our system, which have had nothing but encroachment, have had nothing but cannibalization, have had nothing but low-cost competitors come in. As we invented this low-cost thing, we started franchising it, there wasn't a low-cost chain in the entire country, but us. And those first 100 rooms or 100 stores let 2019 comped slightly higher than the mature averages of their peers.

So in theory, you would think that would not happen. But in reality is that more marketing dollars and more spend. So we have 3,000 stores and marketing spend is up by another 30%. I just -- it's exciting to me.

I don't know how this doesn't continue to execute when we stay focused.



Dorvin Donald Lively - Planet Fitness, Inc. - President

Yes. The only other thing I'd add is that -- and Chris touched it, but the size and scale and the moat is, I think, our biggest advantage we have today, in that no one is anywhere close to our size, no one is doing what we're doing. No one can pull together the sophistication of franchisees that are as excited about growing the brand as we have.

We follow about roughly 15 small or kind of copycat type of businesses that we would call competitors. Last year, the entire group opened like 100 stores. We opened 260 stores. I don't believe that we all understand just how hard some of these guys are actually having to make money. And when I think about how the economics of our model works and the comp flow-through to the bottom line. And then ultimately, to us, as the franchisor, I think it's just as exciting as it's ever been. So to me, it's -- the opportunity ahead is probably greater than what we've seen in the last 3 or 4 years.

Rafe Jason Jadrosich - BofA Merrill Lynch, Research Division - Associate

That's really helpful and insightful. We really appreciate you guys. That's all the time we have. Thank you for all the comments and thanks for everybody who dialed in.

Dorvin Donald Lively - Planet Fitness, Inc. - President

Yes. Thank you, Rafe.

Christopher J. Rondeau - Planet Fitness, Inc. - CEO & Director

Thank you, everyone, for joining us.

Operator

And this concludes today's call. Thank you for your participation. You may now disconnect.

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