



## Bulls Position for Planet Fitness Upside

**Ticker/Price:** PLNT (\$77.50)

### Analysis:

**Planet Fitness (PLNT)** active options trading yesterday with 3,450 August \$75/\$80 call spreads opening and becomes the most notable open interest in the name. A large trade on 4/8 rolled out of April \$57.50 calls and opened 5,100 November \$72.5/\$67.5 bull risk reversals that also remain in open interest. PLNT shares have been on an incredible parabolic run since 2017 despite the doubts casted by investors, and this week moving out of a small base that found support at \$74 with the rising 55 day MA supportive since the start of the year. The \$7.2B provider of fitness centers trades 40.8X Earnings, 48.7X FCF and 29.7X EV/EBITDA. Revenues grew 33% in 2018 with EBITDA rising more than 20% each of the last three years. In Q4 PLNT posted 10.1% growth in same store sales, and in Q1 posted 10.2% growth, its 49<sup>th</sup> consecutive quarter of positive comps. PLNT has more than 12.5M members with 1,742 stores and sees potential for 4,000 stores in the US alone. It has a broad appeal with its low membership costs and a 96% franchise model driving strong margins and cash flows. PLNT is also focusing on growing its equipment revenues. Analysts have an average target on shares near \$79 and short interest is steady at 6% of the float. Cowen raised its target to \$85 on 4/29 seeing continuous improvements in membership growth. Macquarie upgraded shares to Outperform on 5/7 and Jefferies raised its target to \$85 on 5/3 on great comps/margins and even calls the business model similar to Amazon (AMZN) as it expands marketing, affinity programs, and Black Card penetration. Hedge Fund ownership grew 8.8% in Q1 filings.

### Hawk Vision:



**Trading Strategy:** PLNT remains one of the best fundamental stories in “retail” and one of the best plays to the healthy living theme, a name to continue to own as fundamentals show strength.

**Confidence Ranking:** \$\$\$