



Life Time Group (LTH): The Illusion of Luxury

A Forensic Analysis of Structural Value Destruction

INVESTMENT THESIS / SHORT RECOMMENDATION

The Seduction: A Perfect Post-Pandemic Narrative

THE MOAT



The Bull Case

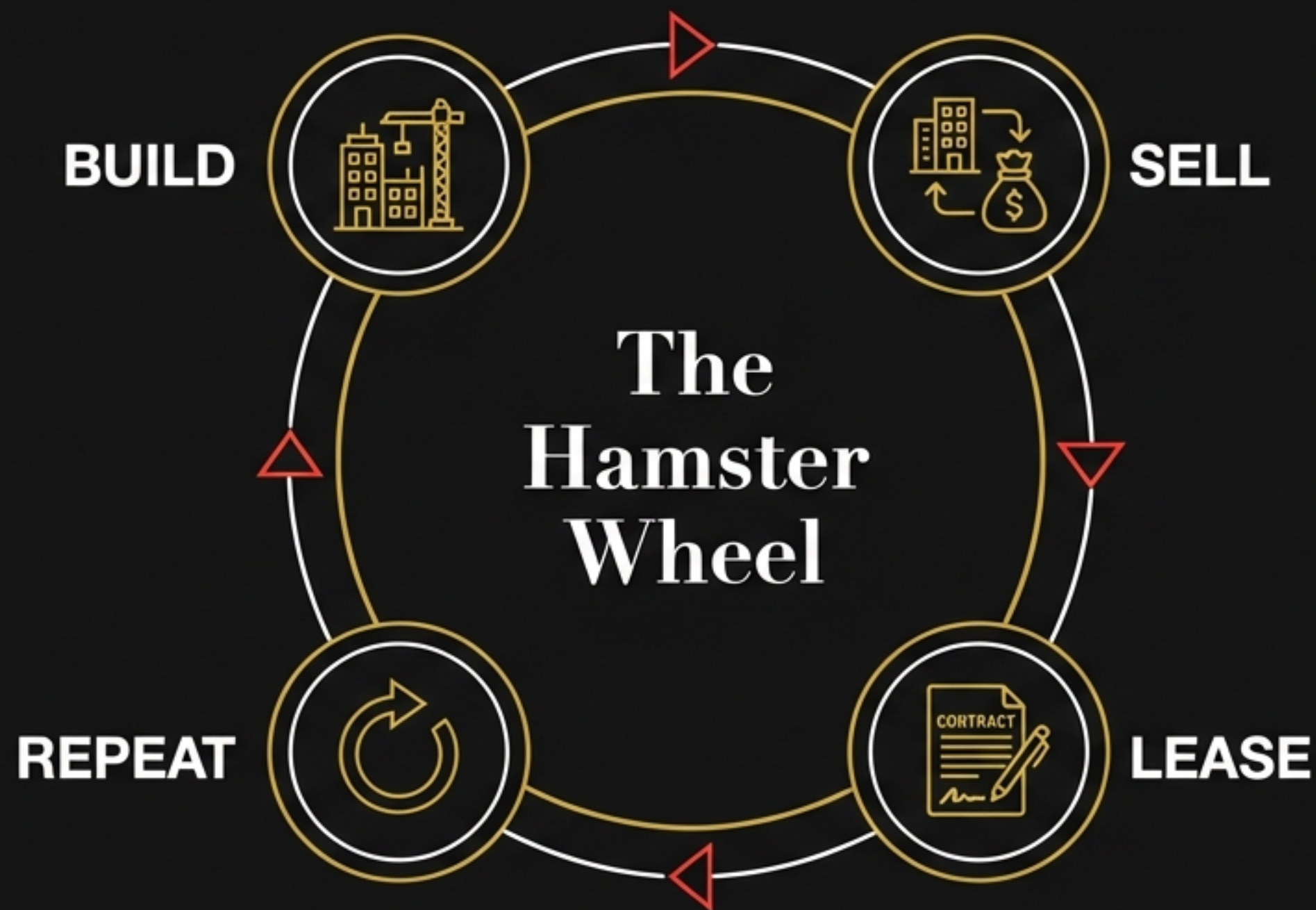
- **The Athletic Country Club:** 185 centers capturing the affluent “Work-from-Roam” demographic.
- **Pricing Power:** 18.2% revenue growth vs. 6.4% member growth (2024).
- **Margin Expansion:** Adjusted EBITDA margins expanding toward ~28%.
- **The Market View:** Stock up significantly YTD 2025; Market assumes flawless execution. ●

The Signal: If the Future is Bright, Why Cash Out?



“The smartest money in the room is leaving the building.”

The Engine of Illusion: Sale-Leaseback ‘Steroids’



Analysis

The Trap: Boosts short-term ROE but creates **escalating 20-year fixed liabilities**.

Dependency: Raised \$172.7M from SLBs in first nine months of 2025.

The Risk: Growth funded by **selling the foundation**.

The Leverage Iceberg

**Reported Net Debt:
~\$1.5 Billion**

**Operating Lease Liabilities:
~\$2.53 Billion**

Reported Net Debt: ~\$1.5B

Hidden Lease Liability: ~\$2.5B

Total Economic Debt: ~\$4.3 Billion

True Leverage: ~4.0x

Reported Leverage: 1.6x

The “Cash-on-Cash” Distortion

OPERATIONAL REALITY

$$\frac{\text{Club Cost (\$50M)}}{\text{EBITDA Generation}} = \text{Low Single Digit Return}$$

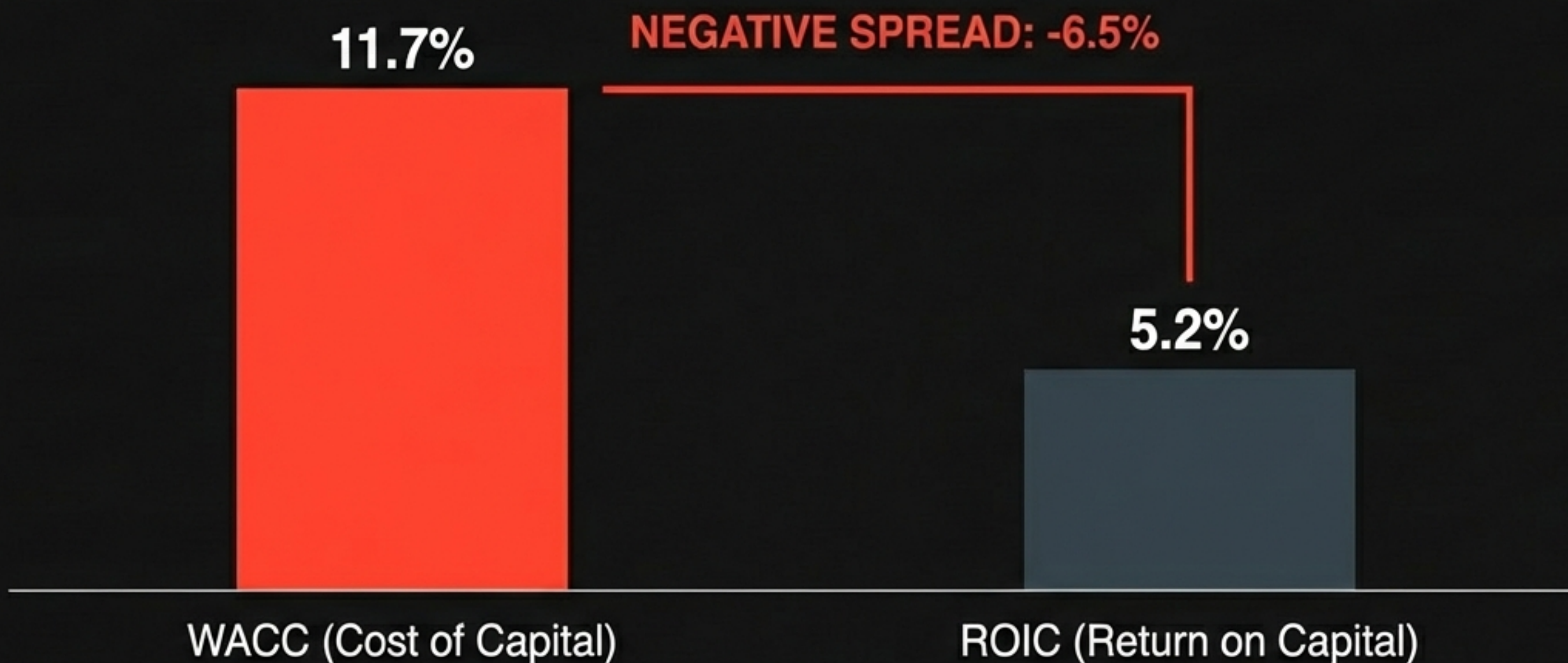
ENGINEERED REALITY

$$[\text{Club Cost} - \text{Sale-Leaseback Proceeds}] = \text{Near Zero Equity}$$

$$\text{Result} = \text{Infinite} / 30\%+ \text{“Return”}$$

Insight: Management’s metric measures the efficiency of financial engineering, not the asset itself.

The Value Destroyer: ROIC vs. WACC



Every dollar invested in growth today destroys economic value.

The Cash Flow Mirage

YTD Q3 2025 Free Cash Flow Bridge



Reality: Without selling real estate, the business is barely **cash flow breakeven**.

CapEx Intensity: **\$388.2M** spent in first 9 months of 2025.

Adjusted EBITDA vs. Economic Reality

Net Income	\$338.7M
Interest	\$2.9M
Taxes	\$0.1M
Depreciation	\$14.4M
Amortization	\$3.6M
Add-Backs & Adjustments	
Stock-Based Compensation: \$39.4M	← Real cost to shareholders
Pre-Opening Costs	← Recurring operational cost
Rent Expense	← Senior fixed obligation excluded from EBITDA
Other accountabilities	

Quality of earnings is **low**; relying on aggressive exclusions.

The Narrow Moat & Negative Cost Advantage



**PLANET FITNESS
(PLNT)**



**LIFE TIME
(LTH)**



Low Cost Provider

Asset-Light (Franchise)

High ROIC

Moat: Cost Advantage

High Cost Provider

Asset-Heavy (Owned/Leased)

Low ROIC

Moat: Branding Only

No Network Effects. High Fixed Costs (42,000+ employees).

Structural Headwinds

INFLATION

Lease Escalators on
\$2.5B liability.

**INTEREST
RATES**

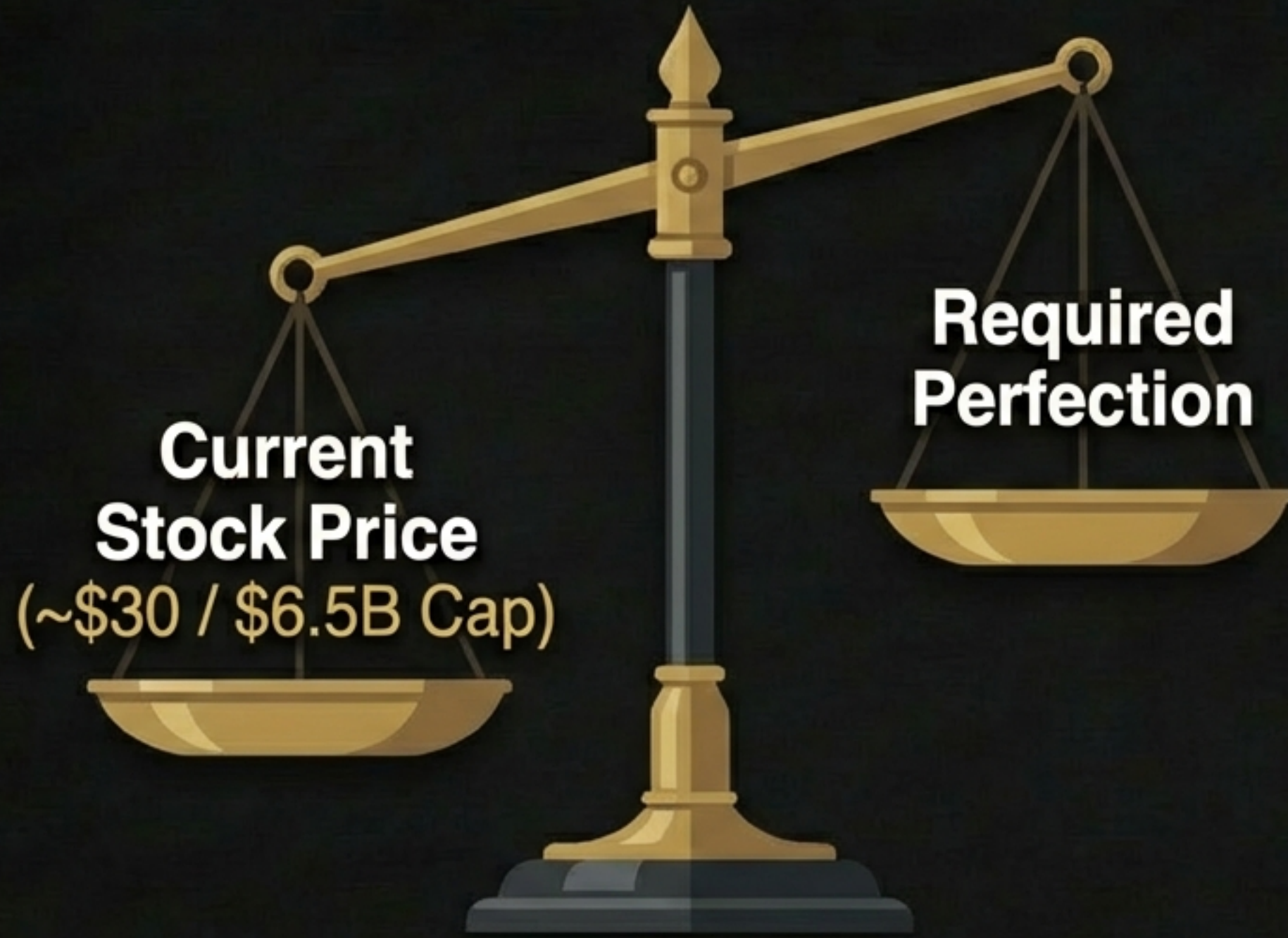
Cap Rate Risk **breaks**
the funding model.

**LABOR
COSTS**

Wage sensitivity on
42,000 employees.

LIFETIME®

Valuation: Priced for Perfection



- 12-15% Annual FCF Growth for 10 Years
- No Recession
- Perpetual Pricing Power
- Flawless Execution of 14 New Clubs/Year

The Macro Risk: High Beta & Operating Leverage

Revenue Impact

0%

-5% (Mild Churn)

EBITDA Impact

0%

-20% (High Fixed Costs)

Luxury gym memberships (\$3,000/year) are the first discretionary cut in a white-collar recession.

High operating leverage means small revenue misses lead to massive profit declines.

A man with dark hair is smiling and looking towards the right, partially submerged in a rooftop infinity pool. The pool's edge is visible on the right, with the water appearing to merge with the horizon. In the background, there's a modern building with a covered patio area featuring lounge chairs and umbrellas. The sky is a warm, golden color from the setting or rising sun, and a cityscape is visible in the distance under the glow of the light.

THE PRODUCT: Grade A+
Beloved experience, strong brand.

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Balance Sheet Assets		Financial Statement Debts	
Access sheet	3,083,000	Debit debts	\$ 3,250,290
Content to sectorate	268,800	Financial process and derier	29,000
Content consigned sesature	2,500,000	Plaid oracets	(30,000)
Cumgnt amunite	1,000,000	Paranarand capkes	-
Poreats and sinrores	-	Capitd intensual equipment	205,000
	392,026	Other ascats	-
Total Salesone	3,056,000	Total debts	13,290,290
Hakeral areas	225,000		
Total asmoent	506,000		
Scdesement		Order utoonents	
Cuitural elppment	1,056,000	Hame finanees asseement	580,000
Other cbalra	-	Pmareioal assesment	500
	-	Other debts	(80,300)
Total balance sheet	\$ 3,305,000		\$ 3,245,290
Capital Inteneive		Financial Statementsworitdebts	
Ractament cothisantheeders	\$ 455,000	Debts	
Capital nconceps	37,990	Debit debts	\$ 1,580,000
		Pcanplan senracturolisets	220,000
		Pogemrek upowties	277,000
			190,900
			114,125
			260,125
			16,250
			2100
			168,871,000
			\$ 160,950,950

Capital intensive, value destructive,
lease-burdened.

AVOID SHORT

- Asymmetric Downside Risk
- Target Price: High Teens (\$18-\$20)
- **Catalyst:** Comp sales < Inflation or SLB market freeze

The cost of the illusion is coming due.