Life Time Group (LTH): The Illusion of Luxury

A Forensic Analysis of Structural Value Destruction

INVESTMENT THESIS / SHORT RECOMMENDATION

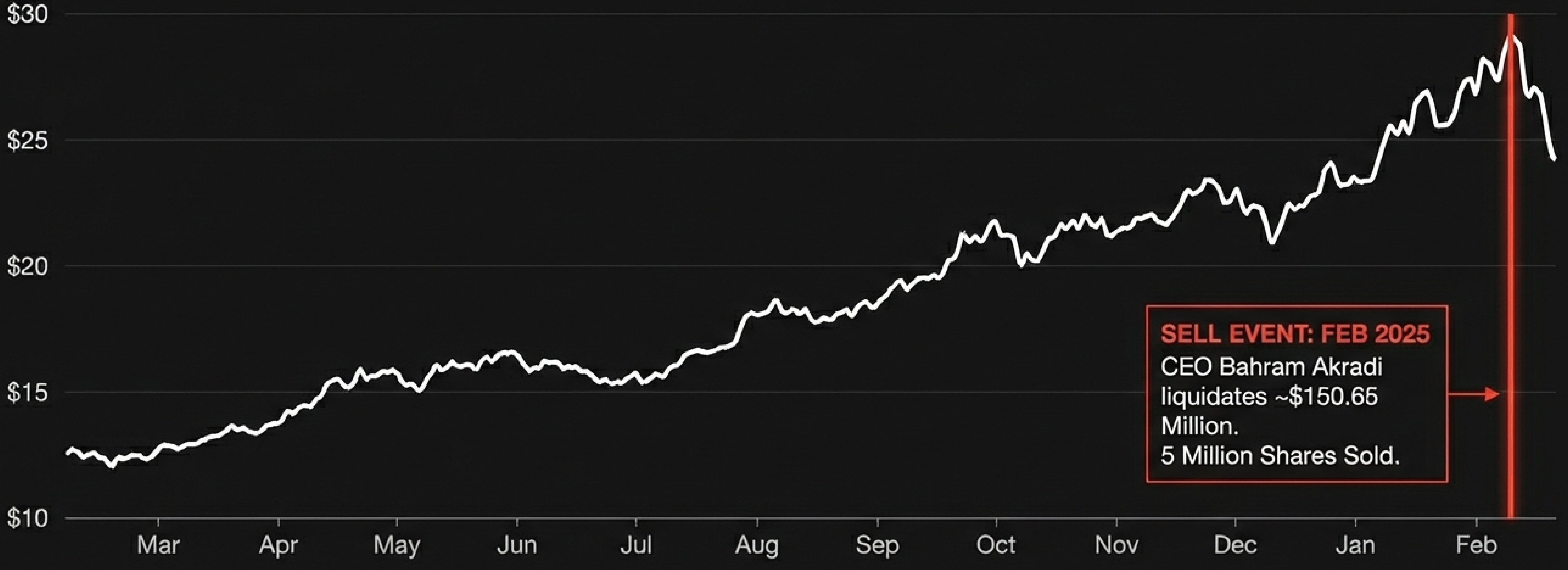
The Seduction: A Perfect Post-Pandemic Narrative

THE MOAT

The Bull Case

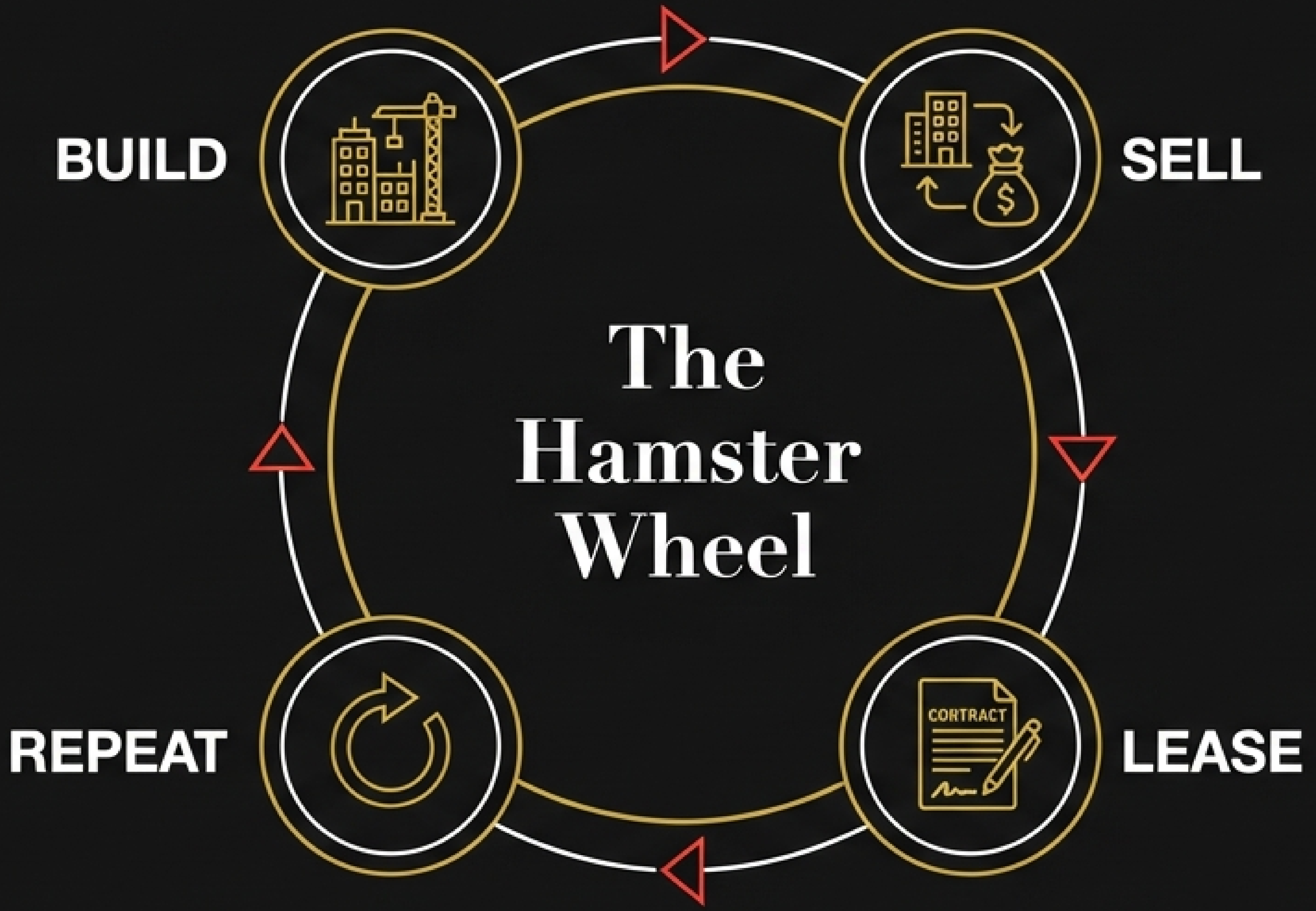
- **The Athletic Country Club:** 185 centers capturing the affluent "Work-from-Roam" demographic.
- **Pricing Power:** 18.2% revenue growth vs. 6.4% member growth (2024).
- **Margin Expansion:** Adjusted EBITDA margins expanding toward ~28%.
- **The Market View:** Stock up significantly YTD 2025; Market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



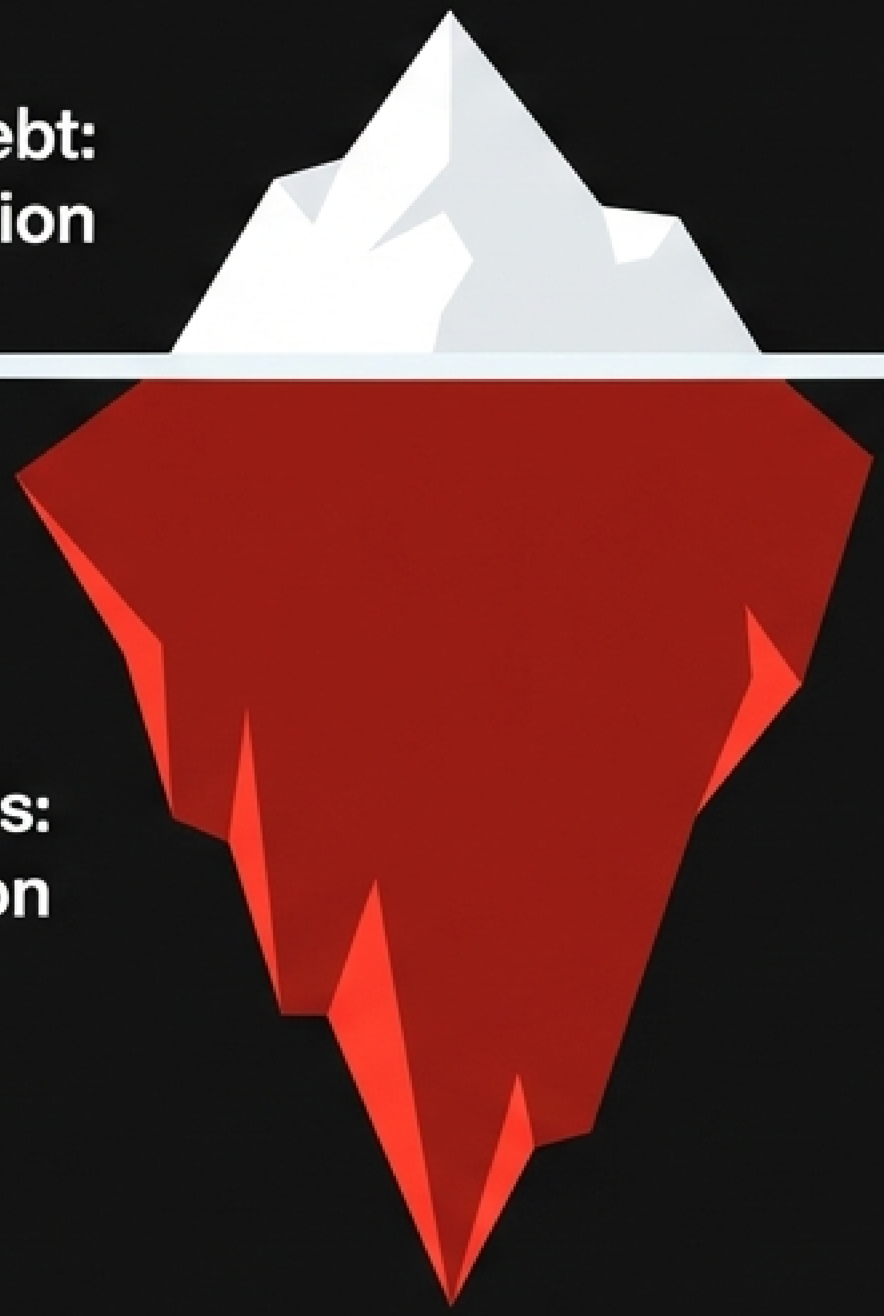
Analysis

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: ~$1.5B

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

Club Cost ($50M) / EBITDA Generation = Low Single Digit Return

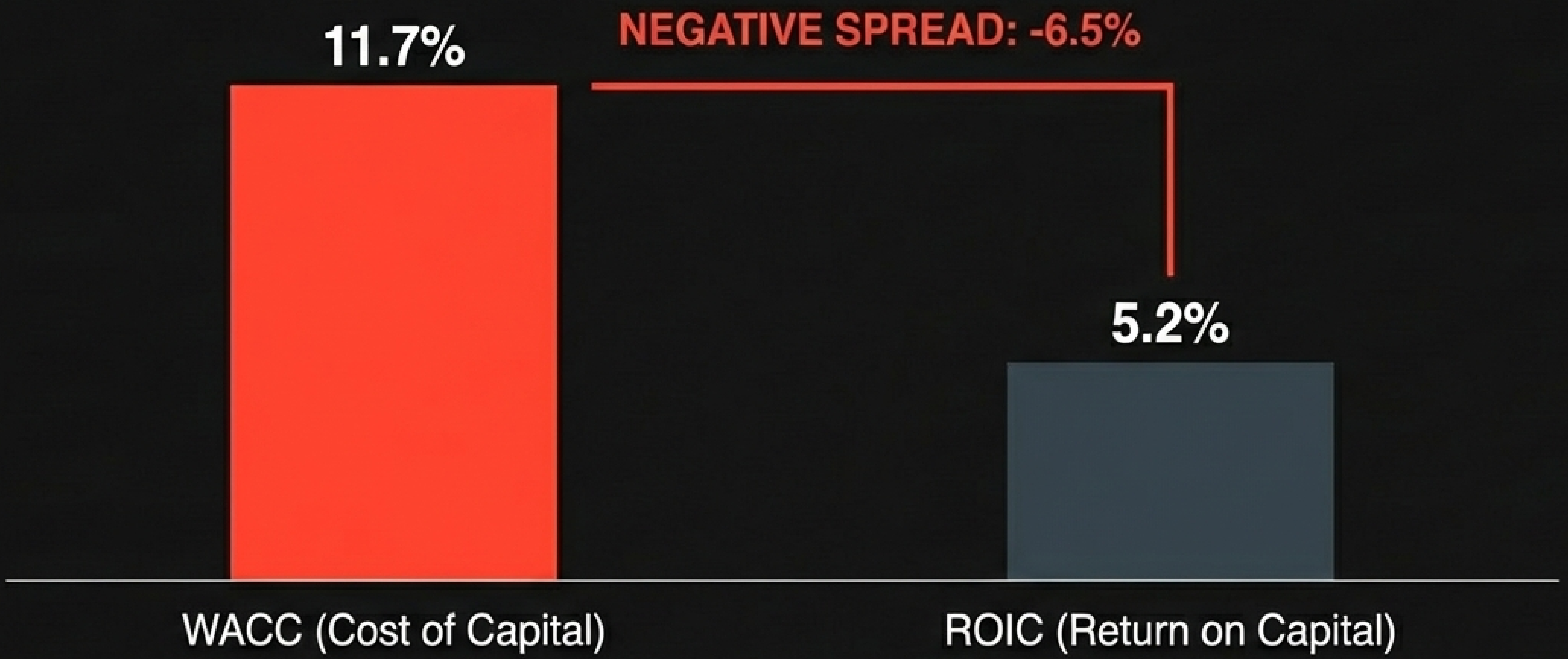
ENGINEERED REALITY

[Club Cost - Sale-Leaseback Proceeds] = Near Zero Equity

Result = Infinite / 30%+ “Return”

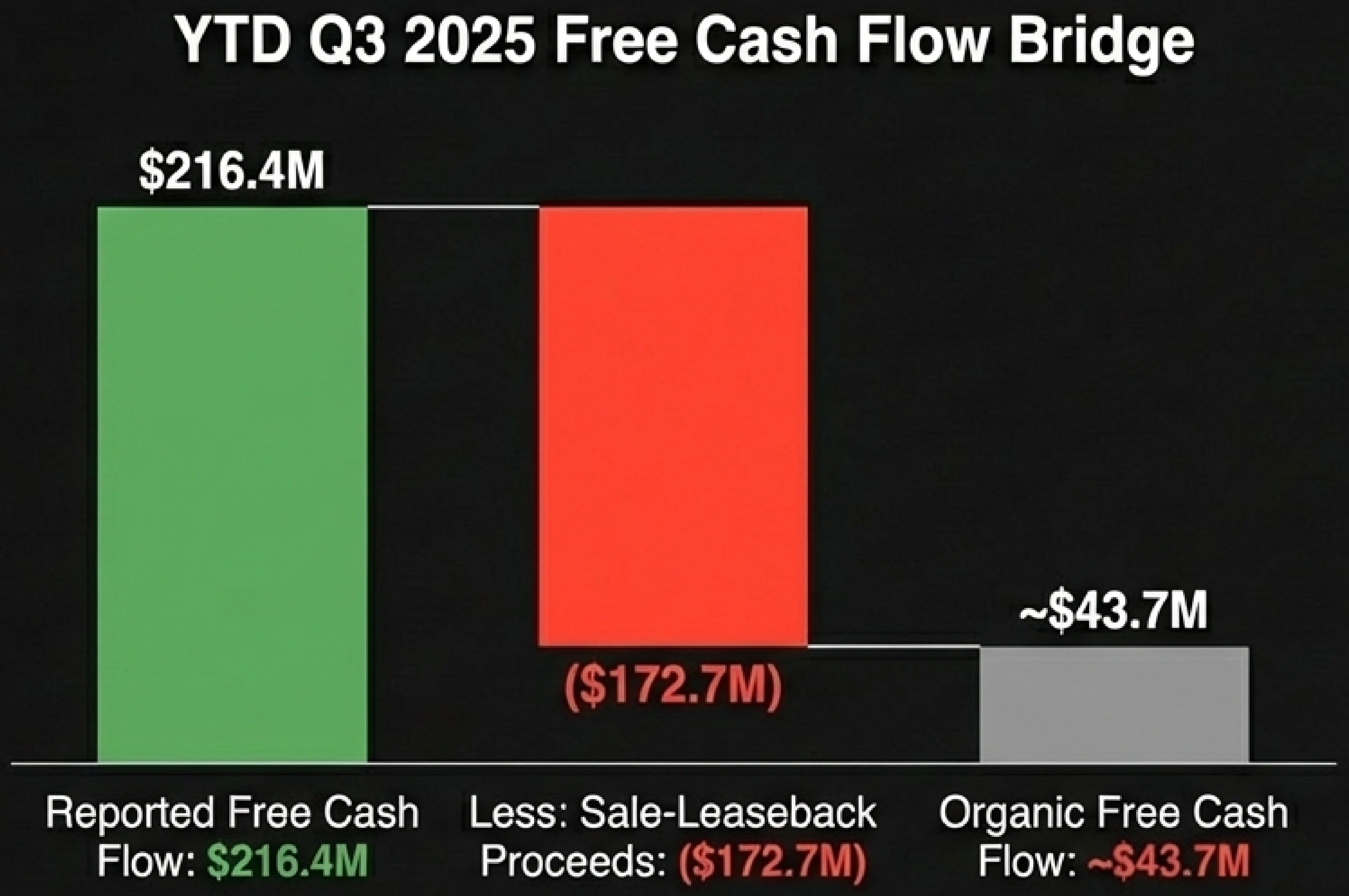
Insight: Management’s metric measures the efficiency of financial engineering, not the asset itself.

The Value Destroyer: ROIC vs. WACC



Every dollar invested in growth today destroys economic value.

The Cash Flow Mirage



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.

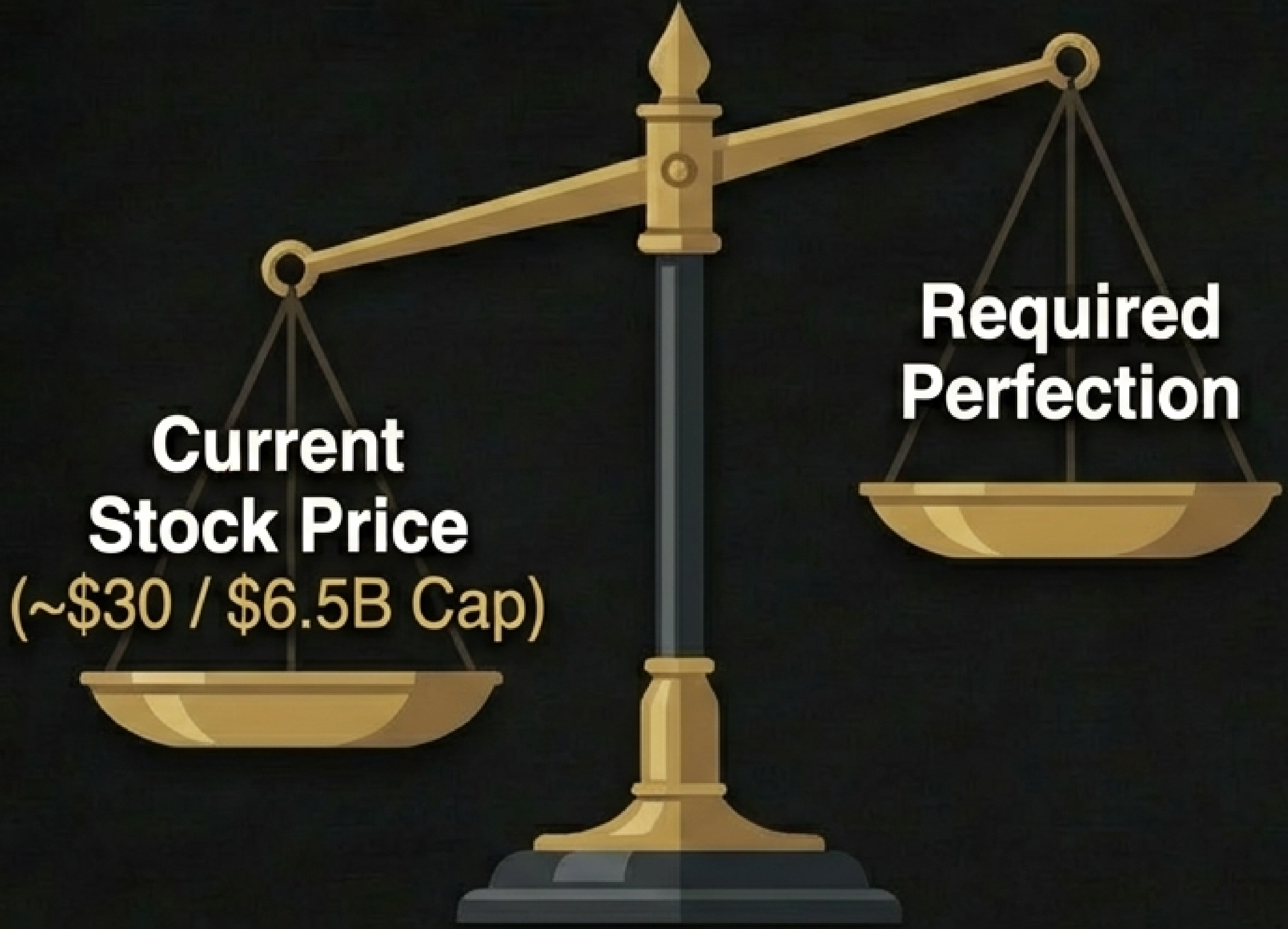
The Narrow Moat & Negative Cost Advantage

PLANET FITNESS (PLNT)	LIFE TIME (LTH)
Low Cost Provider	High Cost Provider
Asset-Light (Franchise)	Asset-Heavy (Owned/Leased)
High ROIC	Low ROIC
Moat: Cost Advantage	Moat: Branding Only

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

Structural Headwinds

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	EBITDA Impact
0%	0%
–5% (Mild Churn)	-20% (High Fixed Costs)

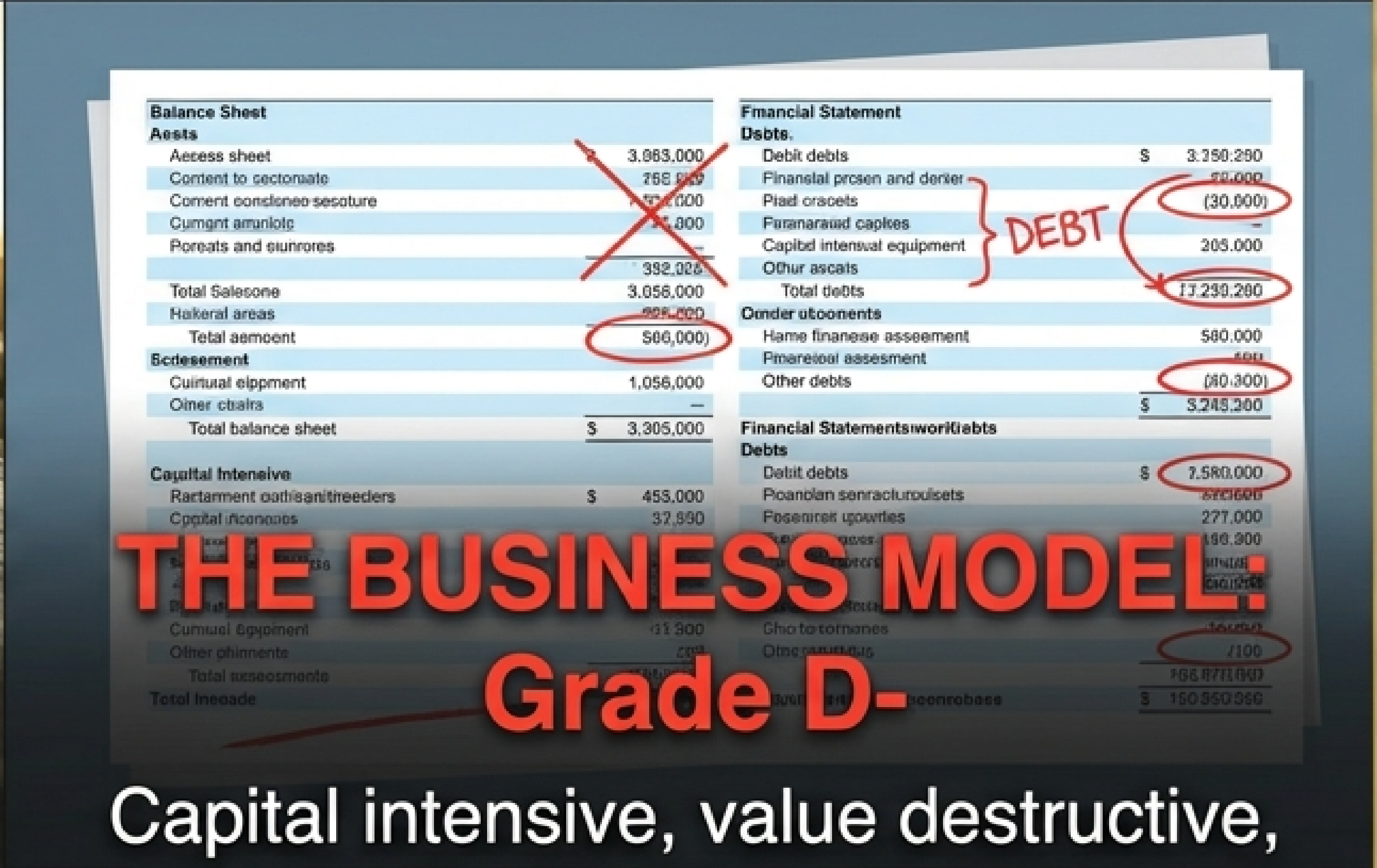
Luxury gym memberships ($3,000/year) are the first discretionary cut in a white-collar recession.

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

Conclusion: The Product vs. The Stock

THE PRODUCT: Grade A+

Beloved experience, strong brand.



THE BUSINESS MODEL: Grade D-

Capital intensive, value destructive, lease-burdened.

THE STOCK: Grade F (Overvalued, Insider Selling)

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.

LIFE TIME