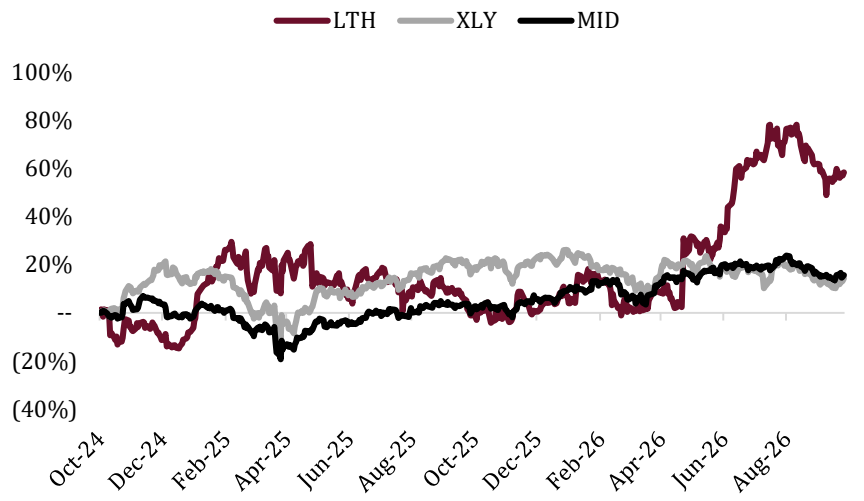
Life Time Group Holdings

NYSE: LTH

Recommendation: **Buy**

Price (10/12/2026)	$40.37
Price Target	$50.17
Potential Upside	33.8%
Market Cap ($Mn)	$8,960
Shares Out. (Mn)	222
52-wk Hi-Lo	$47-$24
P/E	26.7x
EV/EBITDA	10.1x
Operating Margin	17.3%
1 Yr Revenue Growth	14.3%

Two-Year Stock Performance



Investment Rationale

- We recommend a Buy on Life Time Group Holdings (NYSE: LTH)
- Cutting discounted memberships in favor of full-price families and couples lifts revenue per member and in-center spend more than the Street credits
- New clubs are larger, open with wait lists, and earn more per member, driving our 15.2% revenue CAGR (FY25 to FY28E) vs. the Street at 11.8%
- An affluent member base with a $160,000 median household income keeps demand resilient through macro headwinds

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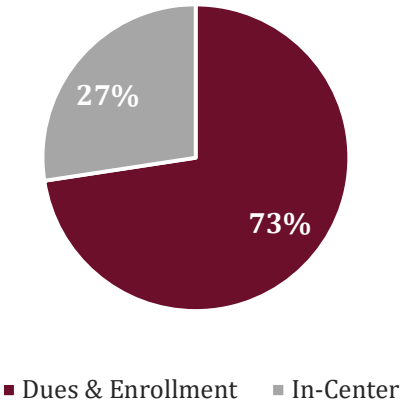
Table of Contents

1. Investment Rationale
2. Business Overview
3. Industry Overview
4. Thesis 1
5. Thesis 2
6. Thesis 3
7. Risks
8. Comparable Companies
9. Valuation
10. Appendix

Business Overview

Life Time Group Holdings (NYSE: LTH) is a premium fitness brand offering a wide range of wellness and health-related experiences to over 1.5Mn members. The Company operates 185 centers across 31 U.S. states and one Canadian province, serving communities in both suburban and urban markets. Depending on the size and location of a particular center, these gyms, or as Life Time calls them, "resort-like athletic country club destinations," include expansive fitness floors with top-of-the-line equipment, locker rooms, group fitness studios, recovery spaces, pools, bistros, tennis courts, pickleball courts, basketball courts, spas, cafes, and childcare programs. Members have a median household income of $160,000.

Fig 1: FY25 Center Revenue Mix



Life Time runs a month-to-month subscription model. Dues and enrollment fees comprise 72% of center revenue and the rest comes from in-center businesses like Dynamic Personal Training, LifeSpa, LifeCafe, and kids programming. The Company has built out a set of adjacent offerings, including MIORA, a longevity and performance clinic now in eight locations, LTH, a branded nutritional supplement line, and a digital app with L.AI.C, an AI health companion. Life Time also operates 15 Life Time Work co-working spaces and 4 Life Time Living luxury residences near its clubs.

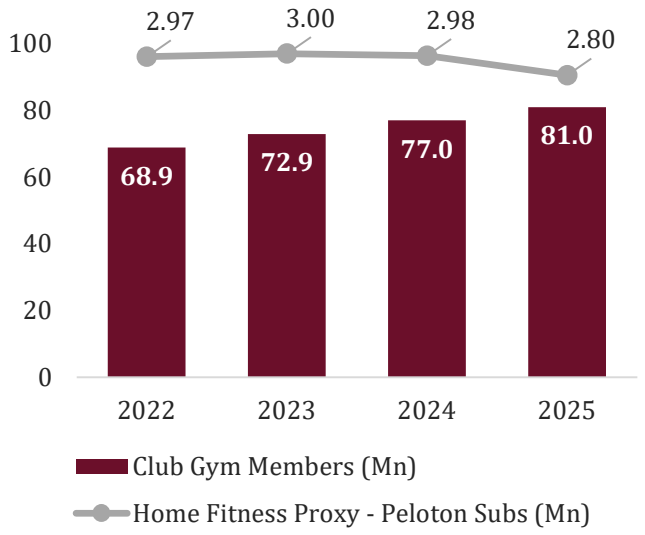
Jargon: DPT (Dynamic Personal Training), Comp (comparable center revenue growth at clubs open more than a year), Qualified Medical Memberships (discounted memberships paid for through insurance partners), In-Center Revenue (member spending beyond dues, such as training, spa, and cafe), Sale-Leaseback (selling a club property and leasing it back to fund new builds), MIORA (Life Time's longevity and performance clinic).

Sources: 10K, Company Website, Investor Presentations

Industry Overview

Home gyms are popular, but club gyms are even more in demand. A report from the Health and Fitness Association found that 81 million Americans belonged to a gym, studio, or other fitness facility in 2025, marking an all-time high and a 5.2% increase from 2024. While 21% of respondents of a CivicScience survey have a home gym, 36% have a membership to a gym or pay for some kind of classes. The cost of creating a decent home gym is rising and as consumers continue to feel constricted in the economy, a membership to a club gym appeals more than ever. Demand for smaller group sessions and personal trainers is climbing as well.

Fig 2: Club Gym vs. Home Fitness Users (Mn)



Market segmentation is fairly split, with ages 18-34 and 35-50 each occupying 28.7% of the market. Ages 50+ account for ~24% and under 18 holds 18.6% market share. Boutique and high-end facilities are reporting significantly higher retention, 70.0%-80.0%, compared to standard gyms, which tend to retain 50.0%-60.0% of members.

Revenue within the industry is predominantly made through membership fees, which accounted for ~70% of industry revenue in 2026. Personal trainers and food & beverage follow, generating 13.3% and 5.3% of industry revenue respectively. Monthly and annual memberships offer predictable cash flow. Tiered pricing models, which can include options like basic access, group fitness, or full-service memberships, help clubs appeal to a wide range of budgets.

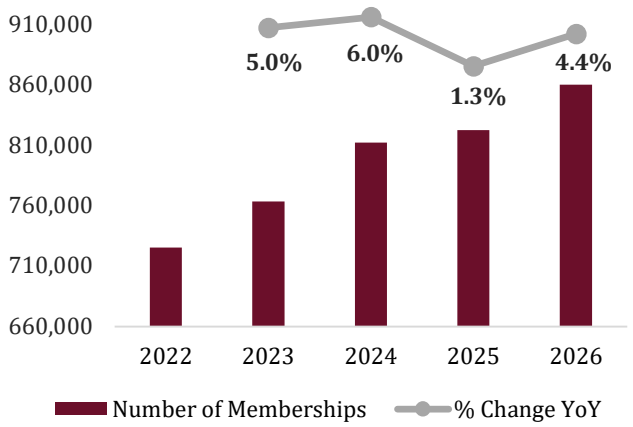
Sources: Health & Fitness Association, Bloomberg, CivicScience, IBISWorld

Quality Over Quantity

Trading discounted members for couples and families lifts in-center spend and comp growth more than the Street anticipates

An initial glance at Life Time's cooling membership count (763k FY23, 812k FY24, 822k FY25) might be a concern. Qualified memberships were cut in 2Q26 (down 19% YoY), while non-qualified memberships grew 4.2% YoY. This change amounted to 13.3% YoY growth in total dues revenue. Large insurance partners pay a discounted wholesale price on many memberships, which they give to people on their plan. By reducing these memberships, more spots open up for members who will pay full price, which boosts margins. LTH also raised full-year guidance for revenue, EBITDA, and same store sales, and with a history of modest guidance, another beat is feasible.

Fig 3: # of Center Memberships



LTH continues to expand and evolve in-club offerings, and in-center revenue now contributes close to 3% of same store growth. New group training additions include Hybrid XT (a med-high intensity class blending cardio and functional strength) and CTR (Core. Tone. Reform. a Pilates class), both designed to drive multi-generation and family engagement. Both programs are included in the membership, so they do not add to in-center revenue directly, but they expose members to Life Time's wider offerings and help retain dues. With Dynamic Personal Training and Spa both growing at double digits YoY, management has shifted its focus to improving food & beverage. Life Time's track record of launching new segments and getting existing ones efficient faster gives it room to add new concepts. As food & beverage is optimized, we expect demand for all in-club purchases to remain strong, providing higher revenue and comp growth as additional services arise.

The size and flexibility of LTH's clubs is a distinct advantage when it comes to adding new concepts and programming. Club usage is split around 50% training/exercise and 50% social activities tailored to family, kids, and sports. DPT reaches ~50-60% of customers and contributed 2.9% to 2Q26 in-center comp. In-center revenue growth accelerated 250bps to +9% YoY on a per-club basis and drove comp acceleration. Family and couple memberships are the most engaged, with sessions in pickleball, DPT, Dynamic Stretch, Small Group Training, and ARORA all rising in FY25 vs. FY24. As the member mix shifts toward these households, the fitness side of LTH will sustain growth while the social and event side draws in new customers and drives retention.

We believe the Street is undervaluing how long in-center strength can last. Doubts stem from potentially volatile consumer habits and more aggressive expansion plans. We believe Life Time is well positioned to keep delivering on their offerings, supported by higher revenue per member. Mature clubs will add to the top line, and new concepts have been well received by both new and existing members. We believe the Street's hesitation over fewer members alongside more expansion is overly bearish. We are roughly in line with the Street on year-ending centers over the next 3 years, and our membership count is only ~2% above consensus. We model comp growth of 11.7% in FY26E against 9.4% for the Street, driving center revenue per membership 4.5% above consensus in FY26E and ~10% above by FY28E.

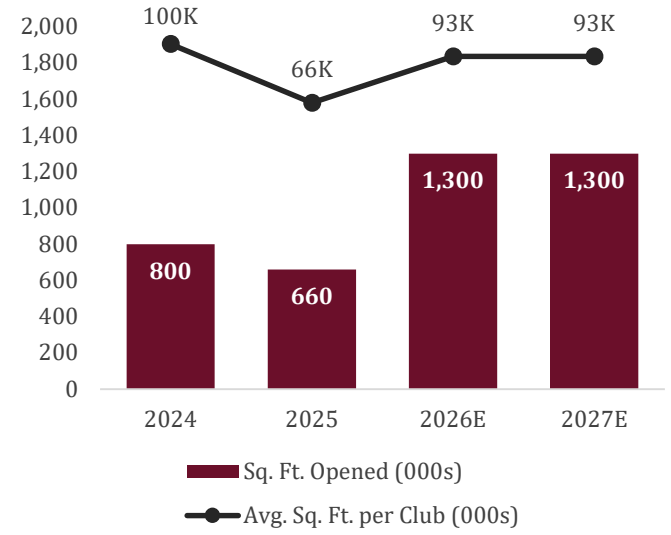
Sources: Earnings Calls, Investor Presentations, SEC Filings, Bloomberg, Wells Fargo, Mizuho, UBS, Deutsche

Opening Strength

New clubs in wealthy areas are opening stronger and earning more per member than Street expects

Life Time plans to expand further into affluent markets at a rapid pace. Starting in 2026, the Company is guiding to add 12-14 centers per year, with an emphasis on suburban and urban areas around Boston, New York City, Chicago, Florida, and California. Management claims that the 12-14 new center estimate is going to be the new baseline of club openings, which is more ambitious than the prior bar of 10-12 openings. After achieving BB a year earlier than anticipated, LTH decided to accelerate the pipeline in order to gain greater market share.

Fig 4: Square Footage Opened



The average 2026 club is roughly 95,000 square feet versus about 66,000 in 2025, and 11 of the 14 are large-format builds. As a result, LTH is opening nearly double the square footage it opened in either 2024 or 2025, and management expects 2027 to look similar. 2026 already has strong visibility since 7 of the 14 clubs are already open, and 10 of the 12-14 clubs planned for 2027 are currently under construction. New centers have usually taken 3-4 years to fully ramp up to expected performance, but recently, clubs are opening stronger. There is a substantial wait list (leading to higher launch prices) and they open with no discounted or qualified medical programs. Due to higher revenue per member, LTH is planning for 3,000-4,000 memberships per club instead of 4,400-4,600 at existing clubs.

Despite an excellent track record, the Street is concerned about how long LTH can maintain its pricing power. The number of memberships certainly matters, but revenue per membership is the far more important indicator of success. Right after COVID, clubs used to need sheer volume to reach utilization. Now, many fitness center parking lots are full as the customer mix shifts towards family and couples and away from third-party and discounted memberships.

Our revenue build projects an implied 15.2% revenue CAGR from FY25 to FY28E versus 11.8% for the Street. The stock is mostly driven by two contentious numbers: revenue per membership and comparable center growth. Comp growth is LTH's organic growth, measuring revenue at clubs open more than a year, and it is driven mostly by revenue per membership because membership counts are growing slowly. We model revenue per membership up 14.0% in FY26E against the Street's roughly 9%. The Street is cautious because it doubts LTH can keep pricing power as the club base grows. We are more optimistic on these figures because the customer mix is shifting toward a valuable base of families and couples. We assume 14 club openings in 2026E, roughly in line with the Street, and ending centers within 1% of consensus through FY28E. If revenue per membership and comp growth continue to climb, we believe this will drive upside in the stock.

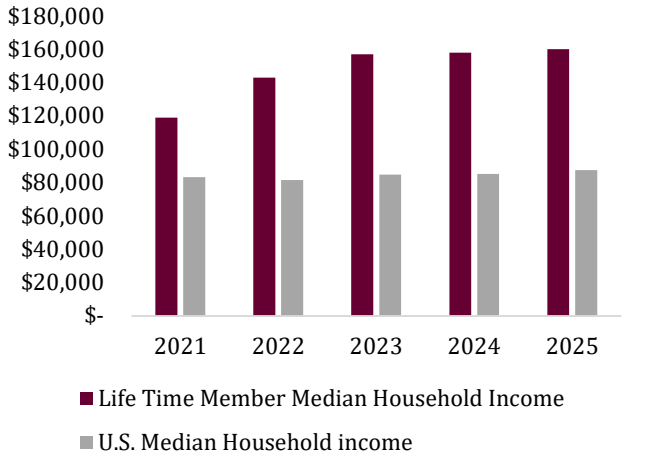
Sources: Earnings Calls, Investor Presentations, SEC Filings, Bloomberg, Wells Fargo, Mizuho, UBS, Deutsche

Affluent and Resilient

Diversity of services for affluent consumer base supports operations through macro headwinds more than the Street appreciates

During FY25, Life Time members had a median household income of $160,000, which is 1.4x the median income in markets where competitors operate. 73% of members own a home, and ~60% are on a couples or family membership. Consumer spending remains stable, especially among higher income households, and management did not cite any concern on a geographic or income basis. As clubs mature, they continue to pull in more revenue each year ($597k FY23, $693k FY24, $797k FY25), even as the broader consumer has tightened.

Fig 5: Median Household Income: LTH vs. U.S.



We believe LTH members are less likely to cut spending because the membership is used heavily and bought on purpose. LTH has >70% retention and >150 visits per membership annually. That was put to the test when the stock dipped on concerns that Meta's new AI agent Muse, which can cancel subscriptions for users, would hit Life Time. Jefferies recommended buying the weakness, with analyst Randal J. Konik noting that Muse is "far more relevant to low-engagement, low-dollar subscriptions that monetize inertia than to a high-ticket, heavily utilized membership bought on purpose." Affluent members are more intentional with their spending, tracking where their money goes and using each subscription to its fullest.

LTH stock has returned 53.3% so far this year, while the Consumer Discretionary sector has returned -14.1%. The market is already rewarding consistent earnings beats, but we believe the stock is still undervalued. The Street is discounting LTH for a shrinking membership count, but we believe its affluent, highly engaged members make it less exposed to macro pressure. Consensus projects EBIT margin near 17% through FY27E, while we model expansion to 18.7% as high-income members keep paying premium dues and spending in-club. That gap drives our FY27E net income of $497Mn, 19.3% above the Street. We also model Other Revenue ~14% above the Street on average through FY28E, since LTH's non-club streams, like digital and Life Time Work, target the higher income customers who can and will keep paying for them. If upcoming earnings track near our estimates, we expect this will boost share appreciation.

Sources: Earnings Calls, Investor Presentations, SEC Filings, Bloomberg, Wells Fargo, Mizuho, UBS, Deutsche, BofA

Risks

Significant Macroeconomic Headwinds
LTH relies on affluent members paying premium dues. A recession or a fall in household wealth could slow comps and revenue per membership. Higher rates would also raise the cost of building clubs and weaken demand for the sale-leasebacks that help fund growth.

Changing Fitness Industry Trends
Boutique studios, at-home fitness, and low-cost gyms all compete for the same dollars. New competitors entering its affluent markets would add to that pressure.

Delays in New Center Openings
Our model assumes 14 openings in FY26E. Construction, permitting, or financing delays would push revenue into later periods. Larger clubs make each delay cost even more.

Sources: SEC Filings, Earnings Calls, Bloomberg

Comparable Companies

Name	Ticker	Mkt Cap ($Mn)	P/E	EV/EBITDA	EV/EBITDAR	1 Yr Rev Gr	Operating Margin	Net Debt/EBITDA
Life Time Group Holdings	**LTH**	**$8,960**	**26.7x**	**10.1x**	**9.2x**	**14.3%**	**17.3%**	**4.66x**
Fitness & Wellness Operators								
Planet Fitness	PLNT	$3,570	16.2x	9.4x	16.9x	12.1%	30.9%	3.77x
Xponential Fitness	XPOF	$249	11.0x	6.6x	7.9x	(1.7%)	6.2%	16.90x
Peloton Interactive	PTON	$2,210	22.8x	4.6x	9.2x	(1.8%)	6.6%	1.91x
Mean			16.7x	6.9x	11.3x	2.9%	14.6%	7.53x
Median			16.2x	6.6x	9.2x	(1.7%)	6.6%	3.77x
Leisure								
Vail Resorts	MTN	$5,250	31.3x	10.4x	10.9x	(4.3%)	14.8%	4.15x
Topgolf Callaway Brands	CALY	$2,460	17.2x	8.5x	13.5x	(51.4%)	7.6%	(0.02x)
Mean			24.2x	9.5x	12.2x	(27.8%)	11.2%	2.07x
Median			24.2x	9.5x	12.2x	(27.8%)	11.2%	2.07x

Commentary:

We compared LTH with two tiers of companies: Fitness & Wellness Operators and Leisure. Against fitness peers, LTH trades at a premium on P/E (26.7x vs. 16.2x median) and EV/EBITDA (10.1x vs. 6.6x median). Its 14.3% revenue growth and 17.3% operating margin compare to a fitness median of -1.7% and 6.6%. Because LTH leases many of its clubs, EV/EBITDAR is the cleaner comparison, and on that basis LTH trades in line with the fitness median at 9.2x and below the leisure median of 12.2x. We include leisure names like Vail Resorts because LTH competes for the same premium discretionary dollar with a destination experience. LTH carries higher leverage at 4.66x Net Debt/EBITDA, which reflects its build-and-own strategy and is supported by sale-leaseback proceeds.

Sources: Bloomberg

Valuation

Year	2026E	2027E	2028E	2029E	2030E	Terminal
UFCF Walk						
EBIT	**$607**	**$741**	**$888**	**$1056**	**$1251**	**$1251**
Effective Tax Rate	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*
(-) Unlevered Taxes	(170)	(207)	(249)	(296)	(350)	(350)
NOPAT	**$437**	**$533**	**$639**	**$760**	**$900**	**$900**
(+) D&A	$351	$418	$481	$537	$581	$581
(+/-) Chg in WC	$22	$23	$22	$22	$23	$23
(-) CapEx	($1175)	($1234)	($1246)	($1184)	($1065)	($668)
Unlevered Free Cash Flow	**($365)**	**($259)**	**($103)**	**$135**	**$439**	**$836**
Discount Period (Mid-Year Convention)	**0.5**	**1.5**	**2.5**	**3.5**	**4.5**	**5.0**
PV of UFCF	**($350)**	**($230)**	**($84)**	**$102**	**$304**	**$557**

Discount Rate	8.5%
Exit Multiple (EV/EBITDA)	11.5x
Perpetuity Growth Rate	2.0%
Implied Exit Multiple (EV/EBITDA)	7.2x

Exit Multiple Method	
Sum of PV of UFCFs	($258)
PV of TV @ 11.5x Multiple	$14,029
EV	$13,771
Less: Net Debt	($1,303)
Equity Value	$12,469
Diluted Shares (MM)	231
Implied Share Price	**$54.00**
Implied Return	*33.8%*

Perpetuity Growth Method	
Sum of PV of UFCFs	($258)
PV of TV @ 2.0% Perp. Growth	$8,774
EV	$8,516
Less: Net Debt	($1,303)
Equity Value	$7,213
WADSO	231
Implied Share Price	**$31.24**
Implied Return	*-22.6%*

Commentary:

Using a discounted cash flow analysis with an 11.5x exit EV/EBITDA multiple and a 8.5% WACC, we arrived at an implied share price of $54.00 and an implied upside of 33.8%. Unlevered free cash flow is negative through FY28E as LTH spends heavily on new clubs, so most of the value comes later in the projections and in the terminal year once the 2026 & 2027 clubs ramp up. This scenario primarily reflects our assumptions of higher revenue per membership and stronger comp growth than the Street. Bull and bear cases accounted for realistic changes in club openings, membership growth, and revenue per membership.

Implied Equity Value p/sh | Implied Return @ 2030 Exit Multiple Method

Step		$54.00	9.5x	10.5x	11.5x	12.5x	13.5x	33.8%	9.5x	10.5x	11.5x	12.5x	13.5x
Discount Rate	1.0%	**6.5%**	$48.41	$54.21	$60.01	$65.81	$71.60	**6.5%**	20%	34%	49%	63%	77%
Exit Multiple	1.0x	**7.5%**	$45.85	$51.38	$56.92	$62.45	$67.99	**7.5%**	14%	27%	41%	55%	68%
		8.5%	$43.43	$48.71	$54.00	$59.28	$64.56	**8.5%**	8%	21%	34%	47%	60%
		9.5%	$41.14	$46.19	$51.23	$56.28	$61.33	**9.5%**	2%	14%	27%	39%	52%
		10.5%	$38.97	$43.80	$48.62	$53.44	$58.26	**10.5%**	(3%)	8%	20%	32%	44%

Implied Equity Value p/sh | Implied Return @ Perpetuity Growth Method

Step		$31.24	1.0%	1.5%	2.0%	2.5%	3.0%	(22.6%)	1.0%	1.5%	2.0%	2.5%	3.0%
Discount Rate	1.0%	**6.5%**	$42.17	$47.35	$53.69	$61.62	$71.84	**6.5%**	4%	17%	33%	53%	78%
Perp. Growth	0.50%	**7.5%**	$32.69	$36.20	$40.36	$45.35	$51.45	**7.5%**	(19%)	(10%)	(0%)	12%	27%
		8.5%	$25.83	$28.34	$31.24	$34.62	$38.63	**8.5%**	(36%)	(30%)	(23%)	(14%)	(4%)
		9.5%	$20.66	$22.52	$24.64	$27.06	$29.85	**9.5%**	(49%)	(44%)	(39%)	(33%)	(26%)
		10.5%	$16.63	$18.06	$19.66	$21.46	$23.50	**10.5%**	(59%)	(55%)	(51%)	(47%)	(42%)

Sources: SEC Filings, Earnings Calls, Investor Presentations, Bloomberg

Appendix

Amenities	Services	Activities, Products and Events
Indoor and Outdoor Pools	Dynamic Personal Training	Athletic Leagues and Tournaments
Group Fitness Studios	Dynamic Stretch	Kids' Birthday Parties
Cycle Studios	Small Group Training	Parents Night Out
Yoga & Pilates Studios	ARORA	Summer and Vacation Camps for Kids
Indoor and Outdoor Tennis Courts	MIORA	Sports Training Camps
Indoor and Outdoor Pickleball Courts	Weight Loss Coaching	Athletic Events
LifeCafe with Poolside Service	Nutrition Coaching	LT Games
Bar and Lounge	LifeSpa and Medi-spa	Social Events
Free Weight and Resistance Equipment	Physical Therapy and Chiropractic	Outdoor Group Runs
Cardiovascular Equipment	Assessments and Lab Testing	Outdoor Group Cycle Rides
Steam Room and Sauna	Sport Specific Coaching	Swim Meets
Cold Plunges	Endurance Coaching	Charity Events
Racquetball and Squash Spaces	Swim Lessons and Team Coaching	LTH Nutritional Supplements
Locker Rooms	Towel and Locker Service	Apparel
Child Center and Kids Academy	Experience Life	
Basketball/Volleyball Courts		

