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NYSE: XPOF

Club Pilates is the Crown Jewel

A Premium Franchise Asset Buried Inside a Troubled Enterprise

From a distressed $200 million equity stub to a strategic review that could expose the private-market value hidden inside Club Pilates.

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Figure 1 - Club Pilates Illustration Developed by Mouda.

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The Thesis is About Extracting Hidden Value in XPOF

Xponential Fitness is priced as though more than $500 million of debt, weakening same-store sales, and the cost of its public-company structure will consume most of the value embedded in Club Pilates. That is possible. It is also the reason the setup is compelling: a Jefferies-led strategic review is already testing whether the crown jewel is worth more in private hands than the market assigns to the entire equity.

Information basis: financial statements through June 30, 2026; company process update September 8; ownership disclosures through September 30. The $4.09 reference price and chart are dated September 11, 2026. This revision updates underwriting and presentation, without implying a current market quote.

The asset case is stronger than the consolidated results suggest. Club Pilates generated $102 million of standalone adjusted EBITDA in 2024, and a bottom-up cohort model supports a working 2026 range of approximately $110 million to $115 million despite weak mature-studio comparisons. Under the report's base operating path, a sponsor targeting a 20% five-year return could support roughly $1.30 billion of enterprise value, or about 11.5x entry EBITDA. That does not establish a bid; it establishes a financeable private-market reference point.

The corporate enterprise is the obstacle. XPOF carried approximately $522 million of long-term debt at June 30, 2026, and a Club Pilates sale must repay secured obligations contemporaneously. Taxes, the Tax Receivable Agreement, legal accruals, transaction costs, dilution, and stranded overhead can absorb hundreds of millions of dollars between headline purchase price and common-equity value. Under the report’s more conservative transaction-underwriting case, $105 million of Club Pilates EBITDA at a 10x multiple produces $1.05 billion of gross proceeds.

The mechanism is credible but not guaranteed. Voss Capital pushed the board to force price discovery; the board launched a formal review on April 6, hired Jefferies, and reorganized the process around independent directors. Pleasant Lake then accumulated a 9.9% voting stake after the review began and preserved the right to participate in transactions. These facts create pressure and capability, not proof that a transaction is imminent.

The thesis therefore turns on one narrow question: can the strategic process monetize Club Pilates and the residual brands before operating deterioration and transaction leakage erase the separation value? The answer is asymmetric only if current Club Pilates economics remain intact, the process produces a credible private-market price, and the board prevents the post-sale corporate structure from consuming the proceeds.

Investment Thesis

The public market is valuing one leveraged, deteriorating corporate enterprise. A buyer can value Club Pilates, the remaining brands, and the financing structure separately. The opportunity exists in the gap between those two methods of appraisal - but only after every senior claim and transaction cost is paid.

Why the Market is Skeptical?

XPOF's discount is not mysterious. Second-quarter 2026 revenue fell 13% to $66.0 million, North American same-store sales declined 6.8%, run-rate AUV fell to $659,000, and adjusted EBITDA dropped 22% to $21.9 million. Management reduced full-year adjusted EBITDA guidance to $91 million-$97 million. The market is treating those figures as evidence that the asset values disclosed in 2025 are decaying faster than the strategic review can realize them.

That concern is amplified by leverage. Approximately $522 million of long-term debt and a costly credit structure leave little room for a weak process outcome. The stock is not cheap because investors have overlooked the balance sheet; it is cheap because the balance sheet makes the common equity a residual claim on a transaction that has not happened.

The chart captures the regime through September 11, 2026. The April strategic-review reaction has been fully unwound, and the shares sat below both the 20-day and 200-day moving averages near fresh lows. That is not technical confirmation. It is evidence that the market then demanded transaction proof rather than another strategic narrative.



Figure 2 - XPOF price chart through September 11, 2026. Source: Barchart.com.

The potential mispricing appears only after separating operating disappointment from asset ownership. XPOF operates a franchise platform, not a capital-intensive chain of company-owned studios. Its strongest brand can continue expanding its royalty base through new openings and cohort maturation even when mature-studio comparisons soften. The strategic review is the mechanism that can determine whether that distinction matters to buyers.

Club Pilates Is the Fulcrum

Club Pilates is the reason the equity can survive the debt stack. At the 2025 Analyst Day, the brand reported $958 million of 2024 North American system-wide sales, a $1.031 million run-rate AUV, 12% same-store sales growth, and $102 million of standalone adjusted EBITDA before corporate overhead. No other brand approaches that scale or earnings contribution.

2024 serves as the last company-disclosed brand-level earnings baseline, not as a proxy for current earnings. Because Xponential no longer discloses standalone EBITDA by brand, Volt Research reconstructs 2025–2026 Club Pilates earnings power using subsequent system-sales, studio-cohort, AUV, opening, closure, and same-store-sales disclosures.

2024 brand economics	System sales	Run-rate AUV	SSS	Adj. EBITDA*
Club Pilates	$958M	$1.031M	+12%	$102M
StretchLab	$260M	$550K	-5%	$29M
Pure Barre	$228M	$390K	+3%	$21M
YogaSix	$90M	$469K	+6%	$8M
All other N.A.	$178M	$464K	-	$5M
International	-	-	-	$9M
Corporate overhead	-	-	-	($57M)
Xponential total	**$1.714B**	**$668K**	**+7%**	**$116M**

Figure 3 - 2024 brand economics. Source: Xponential Fitness 2025 Analyst and Investor Day; standalone adjusted EBITDA is non-GAAP and before corporate overhead.

The historical figure is useful but insufficient. Franchise Evidence's summary of the 2026 Club Pilates franchise disclosure document reports 1,179 U.S. franchised outlets at year-end 2025, 153 openings, three other closures, 123 signed-but-unopened agreements, and 144 projected new outlets. Its qualified full-year studio sample averaged approximately $988,000 in 2025 revenue. These secondary-source figures inform the cohort assumptions; they are not current brand EBITDA or a North American system-wide AUV.

A cohort model reconciles to approximately $1.14 billion of 2025 North American system sales and produces roughly $113 million of 2026 standalone EBITDA. The model assumes lower mature-studio AUV and less opening-related contribution, so the result is not driven by an immediate same-store-sales recovery. Growth instead comes from the maturation of recent openings, additional studios, and a gradual mix shift toward 8% royalty agreements.

2026 CP underwriting case	Implied 2026 NA system sales	EBITDA / system-sales conversion	Estimated standalone EBITDA
Stress	$1.08B	9.0%	~$97M
Low / conservative	$1.10B	9.5%	~$105M
Base	$1.12B	10.0%	~$112M
Base-plus	$1.14B	10.25%	~$117M
Historical-conversion ceiling	$1.14B	10.65%	~$121M

Figure 4 - Conservative system-sales conversion sensitivity. Source: Volt Research estimates using Franchise Evidence's 2026 Club Pilates FDD summary, 2025 Analyst and Investor Day, and first-half 2026 Xponential filings.

The limitation is decisive: XPOF does not disclose current brand-level EBITDA. The model can tolerate mediocre mature-store comparisons, but not a sustained combination of falling AUV, slowing openings, rising closures, and franchisee distress. Until new evidence confirms the trajectory, $110 million-$115 million is a working range, not a reported fact.

The Strategic Process Has Real Weight

The review is more credible than a generic 'strategic alternatives' announcement because the mechanism formed in a visible sequence. Voss Capital publicly diagnosed the structural problem, demanded an adviser-led sale process, and argued that Club Pilates alone exceeded the company's enterprise value. One month later, the board launched a review that explicitly included a sale or merger, retained Jefferies, and refreshed its composition.

Date	Evidence	Interpretation
Mar. 4, 2026	Voss Capital converts to 13D and publicly urges an immediate formal sale process; cites Club Pilates standalone economics.	Hard activist catalyst; valuation thesis precedes the current price collapse.
Apr. 6, 2026	Board launches strategic alternatives review; sale, merger and other transactions explicitly in scope; Jefferies retained.	Board acts substantially in line with Voss's requested mechanism.
Q2 2026	Revenue -13%; SSS -6.8%; AUV $659K vs. $686K; adjusted EBITDA $21.9M vs. $28.1M; guidance reduced.	Maximum-disappointment operating evidence becomes visible.
Aug. 7, 2026	10-Q filed; strategic review remains an active disclosed process.	Catalyst is not merely an April headline.
Aug. 25, 2026	Fund 1 initial 13D establishes physical shares, swaps, and short puts; September amendment updates exposure and corrects an August trade.	Fresh sophisticated capital enters after review launch and during deterioration.

Date	Evidence	Interpretation
Sep. 11, 2026	Stock near ~$4.09, below 20-DMA and 200-DMA after another downside expansion.	Price has fully rejected the initial strategic-review enthusiasm; attention/faith has decayed.
Sep. 30, 2026	Amendment reports 4.160610M shares, 2.821118M-share swaps, and 2.5M-share $5 cash-settled puts; September 28 agreement permits up to 19.9% aggregate exposure.	Permitted exposure expands subject to proportional voting above 9.9%; no bid disclosed.

Figure 5 - Strategic-review evidence timeline. Source: Xponential April 6, 2026 Form 8-K; May 2026 compensation filing; Voss and Fund 1 Schedule 13D filings.

Governance changes reinforce the process without proving an outcome. Independent directors were assigned oversight; management compensation was revised for change-of-control scenarios; and the company appointed a permanent chief financial officer with M&A and financial execution experience. These steps reduce execution friction whether the result is a transaction or a standalone reorganization.

Jefferies also has relevant sector experience, and chairman Mark Grabowski has direct history with Club Pilates and private-equity ownership. The institutional network makes a serious evaluation more likely. It does not establish that any named sponsor is bidding, that a price has been agreed, or that the auction has reached a particular stage.

Evidence Boundary

A credible process is not the same as a credible bid. The report treats board structure, adviser experience, and management readiness as process capacity - not transaction evidence.

Activists Could Create a Second Path to Price Discovery

Voss created the original pressure. Its March 2026 letter converted a valuation complaint into a governance demand: retain independent advisers, explore a sale, and force the private market to price Club Pilates. The board's April response largely installed that requested mechanism.

Pleasant Lake entered after the review was underway. Its September 30 Schedule 13D amendment reports 4.160610 million physical shares, or 9.9% of Class A, acquired for approximately $25.804 million; 2.821118 million notional shares under cash-settled swaps; and short cash-settled $5 puts referencing 2.5 million shares expiring October 16. The prior September 18 puts expired unexercised. The physical-share revision corrects an August trade, and the filing reports no share transactions since the initial 13D. Derivatives create economic exposure without equivalent voting rights.

The September 28 agreement permits ownership and derivative exposure up to an aggregate 19.9%, subject to its terms, and requires proportional voting for votes above 9.9%. It expands permitted participation but does not establish a bid, acquisition agreement, or committed rollover.

Precedent makes Pleasant Lake's Item 4 language meaningful. The firm has previously moved from large minority shareholder to prospective buyer, acquisition proposer, consortium participant, or supporter of a



third-party transaction. That history makes participation in XPOF's process plausible; it does not show that a proposal, financing commitment, confidentiality agreement, or consortium currently exists.

Holder	Latest cited filing / letter	What changed	Next trigger to monitor
Voss Capital	May 2026 13D/A: 6.789M beneficial shares / ~16.2% after share-count expansion.	Percentage decline reflected larger denominator rather than disclosed selling.	Any sale, new letter, board agreement, nomination, cooperation agreement or transaction participation.
Fund 1 / Pleasant Lake	Sep. 30, 2026 13D/A: 4.160610M shares / 9.9%; ~$25.804M cost.	2.821118M-share cash-settled swaps; 2.5M short cash-settled $5 puts expiring Oct. 16. Prior puts expired unexercised; share revision corrects August trade.	New 13D amendments; derivative changes; physical purchases; compliance with 19.9% aggregate exposure limit; transaction proposals.
Kanen Wealth	Publicly urged strategic review in April 2026; ~4% cited in its letter.	Pressure preceded board's Jefferies announcement.	Any renewed public campaign or coordination signal.

Figure 6 - Activist ownership and monitoring. Source: Voss May 13, 2026 and Fund 1 September 30, 2026 Schedule 13D amendments; Kanen April 1 letter.

Together, the two holders create parallel mechanisms. Jefferies can produce a third-party outcome, while an activist with transaction precedent can establish or compete for a valuation reference point. Neither path is assured, but the review is more institutionally populated than the typical neglected small-cap process.

The Capital Structure Determines What Equity Receives

Headline purchase price is not shareholder value. XPOF can be monetized through a whole-company sale, a Club Pilates sale, or a sequential breakup, and each route produces different debt, tax, TRA, liability, fee, dilution, and stranded-cost outcomes.

Pathway	Mechanism	Post-transaction shareholder position	Primary valuation question
A - Whole-company sale	Buyer acquires the full XPOF platform	Shareholders receive merger consideration; public XPOF disappears	What whole-company EV survives debt and closing leakage?
B - Club Pilates sale	Crown jewel is sold; secured debt is repaid	Shareholders continue to own cash plus the residual brand portfolio	How much cash survives the CP sale, and what is the remaining public company worth?
C - Sequential breakup	Brands are sold to potentially different optimal owners	Shareholders ultimately own accumulated net proceeds / residual shell	Does separate asset monetization produce more value than one consolidated buyer?

Figure 7 - Alternative transaction structures. Source: Xponential strategic-alternatives disclosure, credit agreement, and Volt Research transaction analysis.

A Club Pilates disposition is specifically constrained by the credit agreement: secured obligations must be repaid in full contemporaneously. The asset-sale waterfall assumes a closing before December 8, 2026, approximately $532 million of debt and revolver takeout, and a rounded $16 million reserve for the 3% premium on term principal. From December 8, 2026, the premium falls to 2%; B.4 uses that later period for its December 31 closing.

Cash taxes are the largest unresolved deduction. XPOF reported approximately $118 million of gross deferred tax assets and $281 million of federal net operating loss carryforwards at year-end 2025, but utilization depends on tax basis, entity ownership, legal structure, and ownership-change limitations. The model therefore reserves 10%, 15%, or 20% of gross proceeds instead of presenting a false-precision tax bill.

The Tax Receivable Agreement is separate. XPOF disclosed approximately $88 million of potential unrecorded TRA liability, but public documents do not support assuming either zero cost or automatic full acceleration at closing. The model uses scenario reserves and places lenders ahead of any value that could migrate to common equity. The disclosed amount is a historical estimate, not a contractual ceiling on transaction liability.

The remaining deductions are also material: roughly $29.5 million of legal accruals, $8.6 million of contingent consideration, $35 million-$50 million of transaction expenses, and dilution from equity awards. Per-unit analysis uses approximately 52.7 million diluted economic units rather than the quoted Class A share count alone. Section D.1 provides the provisional bridge; award treatment remains transaction-specific.

Fully Burdened Transaction Valuation

The valuation becomes useful only after burdening the transaction before assigning value to the residual brands. In the conservative transaction-underwriting case, Club Pilates produces $105 million of EBITDA

and sells for 10x, or $1.05 billion. After debt takeout, the prepayment premium, a 15% gross-proceeds tax reserve, a $66 million TRA reserve, legal accruals, contingent consideration, and $40 million of transaction costs, approximately $225 million remains inside XPOF.

Waterfall item	Stress	Conservative Underwriting	Upper
CP EBITDA / multiple	$95M @ 8x	$105M @ 10x	$115M @ 13x
Gross CP proceeds	$760.0M	$1,050.0M	$1,495.0M
Existing cash / restricted cash	+$25.0M	+$25.0M	+$25.0M
Debt / revolver takeout	-$532.0M	-$532.0M	-$532.0M
Pre-Dec. 8 closing premium	-$16.0M	-$16.0M	-$16.0M
Cash-tax reserve	-$76.0M (10%)	-$157.5M (15%)	-$299.0M (20%)
TRA reserve	-$44.0M	-$66.0M	-$88.0M
Legal accrual reserve	-$29.5M	-$29.5M	-$29.5M
Contingent consideration	-$8.6M	-$8.6M	-$8.6M
Fees / severance / closing reserve	-$35.0M	-$40.0M	-$50.0M
Residual cash before remaining business	~$43.9M	~$225.4M	~$496.9M
Residual cash / 52.7M economic units	~$0.83	~$4.28	~$9.43

Figure 8 - Club Pilates asset-sale waterfall before December 8, 2026. Source: Volt Research estimates using Xponential's 2025 Form 10-K, credit agreement, Tax Receivable Agreement, and 2026 filings.

The tax deduction is a valuation reserve rather than an estimate of transaction taxes; actual cash taxes will depend on transaction structure, tax basis, available tax attributes, and applicable limitations.

The $225.4 million residual cash balance is the fulcrum, not the answer. The disclosed 2024 non-Club-Pilates North American brands plus all-brand international operations contributed about $72 million before approximately $57 million of corporate overhead. That historical perimeter includes international Club Pilates rights and an 'other brands' category that is not a current BFT-only result. If the historical cost structure survives a sale, the public stub may be worth little. Value depends on resizing overhead and retaining or selling clearly defined assets.

Residual-business outcome	Residual cash	Residual business value	Illustrative equity value	Per economic unit @ 52.7M
Minimal / unrestructured	$225.4M	$0M	$225.4M	$4.28
Conservative stub	$225.4M	$100M	$325.4M	$6.17
Restructured midpoint	$225.4M	$150M	$375.4M	$7.12
Successful restructuring	$225.4M	$300M	$525.4M	$9.97

Figure 9 - Residual-company value and total equity sensitivity. Source: Volt Research estimates using Xponential's debt, cash, diluted-unit, tax, TRA, legal, and transaction-cost disclosures.

The midpoint case combines $225.4 million of residual cash with $150 million of residual-company value and produces approximately $7.12 per diluted economic unit. A minimal or unrestructured stub produces about $4.28; a rationalized portfolio worth $300 million produces about $9.97. All use 52.7 million provisional economic units. Transaction structure and post-sale cost removal matter as much as the crown-jewel multiple.

Can a Buyer Finance the Price?

Precedent multiples are not enough. A sponsor must earn an acceptable return after financing costs, operating risk, and the exit value. The report therefore feeds the Club Pilates cohort model into a five-year debt schedule and solves for the maximum entry enterprise value at 15%, 20%, and 25% equity-return hurdles.

The financing assumptions are grounded by franchise royalty markets but remain conservative relative to the largest platforms. Initial debt is approximately 6.0x entry EBITDA, interest is about 6%, 75% of free cash flow is swept to debt, and an 8% reserve captures recurring cash needs not included in the simplified EBITDA bridge.

Case	2031 EBITDA	Exit multiple	15% IRR max EV	20% IRR max EV	25% IRR max EV
Downside	$140M	11x	~$1.210B (10.7x entry EBITDA)	~$1.108B (9.8x)	~$1.029B (9.1x)
Base	$165M	12x	~$1.449B (12.8x)	~$1.301B (11.5x)	~$1.186B (10.5x)
Operating	$184.7M	13x	~$1.672B (14.8x)	~$1.481B (13.1x)	~$1.333B (11.8x)

Figure 10 - Standalone Club Pilates maximum sponsor purchase price. Source: Volt Research LBO estimates using the Club Pilates operating build and Planet Fitness securitization filings as a financing reference.

Buyer returns thresholds bound the valuation range. At a 20% hurdle, the base case carries approximately $1.30 billion of enterprise value, or about 11.5x entry EBITDA; the operating case reaches roughly 13.1x. A buyer demanding 25% returns cannot justify the same price without synergies or more efficient financing. A

strategic owner or long-duration consumer sponsor can pay more because it may accept a lower hurdle or remove costs the standalone model retains.

The valuation is therefore buyer-specific. A 12x-14x precedent range is a legitimate sensitivity, not an automatic entitlement. The highest outcome requires a buyer with the financing capacity, return tolerance, and conviction to underwrite continued studio growth and cohort maturation.

Who is the Buyer and Potential Acquisition Semantics?

The natural buyer universe is weighted toward large consumer and franchise sponsors, fitness specialists, and multi-brand platforms. Club Pilates offers a scaled, capital-light royalty stream with category leadership, while the smaller brands may appeal to different owners. That makes both a whole-company sale and a multi-buyer breakup economically credible.

Priority	Buyer / archetype	Relevant experience	XPOF fit
Tier 1	L Catterton	Acquired majority stake in Solidcore; led 2026 Hyrox control investment.	Very high: Pilates/wellness category expertise and willingness to pay for category leaders.
Tier 1	Leonard Green & Partners	Acquired majority of Crunch Fitness from TPG in 2025; prior Life Time Fitness transaction history.	Very high: scaled fitness platform and sponsor-to-sponsor execution.
Tier 1	TPG / TPG Growth	Former majority owner of Crunch; deep consumer/fitness experience.	High: understands fitness franchising and sponsor financing; potential whole-company or CP interest.
Tier 1	Roark Capital / Purpose Brands	Backed Anytime Fitness and Orangetheory; franchise-specialist platform with thousands of locations.	Very high strategic logic, though portfolio overlap/complexity may affect appetite.
Tier 2	Franchise Equity Partners	Acquired Planet Fitness Australia franchisee Bravo Fit in 2026.	More natural for franchisee/platform assets than XPOF corporate whole, but relevant franchise capital.
Tier 2	Large consumer PE sponsors	Apollo, KKR, Blackstone, Ares, Advent, Sycamore-type capital pools.	Financial capacity is ample; fit depends on willingness to underwrite franchisee/legal complexity.
Strategic	Purpose Brands / other multi-brand wellness franchisors	Orangetheory + Self Esteem Brands created ~$3.5B system-sales / ~7,000-location platform.	Potential shared services and international synergies; antitrust/brand overlap and governance matter.
Strategic / carve-out	Single-category wellness operators	Could value individual brands more highly than the conglomerate enterprise.	Supports breakup rather than whole-company path.

Figure 11 - Illustrative buyer universe and asset fit. Source: Volt Research buyer-fit analysis; inclusion does not indicate participation in the strategic review.

A whole-company buyer can eliminate public-company costs and avoid a stranded stub, but may apply a blended multiple that undervalues Club Pilates. A crown-jewel buyer can pay more for the strongest royalty stream, but forces XPOF to repay debt and solve the overhead problem immediately. A sequential breakup can maximize asset-level value, yet introduces additional taxes, fees, time, and execution risk.

The board's task is not merely to obtain a high headline valuation. It must choose the structure that leaves the highest risk-adjusted value after every senior claim and after accounting for what remains. The most attractive gross bid can be inferior if its tax, financing, or residual-cost consequences are worse.

Monitoring the Strategic Review

The catalyst is semi-bounded. The board formally launched the review on April 6 and continued to describe it as active in the June-quarter filing, but it disclosed no deadline and warned that the process may not produce a transaction. Investors therefore have a formal destination without a contractual arrival date.

Clock	What creates pressure	What would make it negative
Process clock	Five+ months since formal Jefferies launch.	Multiple additional quarters with no visible progress or escalation.
Operating clock	Weak SSS/AUV can erode private-market value if allowed to persist.	Club Pilates economics deteriorate enough to impair SOTP.
Governance clock	Voss initiated the process; Pleasant Lake subsequently filed an active 13D.	Activists reduce exposure, become passive, or fail to escalate despite prolonged stagnation.
Financing clock	High-cost secured debt consumes cash and complicates independence.	Liquidity/covenant pressure forces a lender-driven rather than shareholder-driven outcome.

Figure 12 - Process, operating, governance, and financing clocks. Source: Volt Research monitoring framework based on Xponential filings, debt terms, process disclosures, and activist filings.

A five- to six-month process is not abnormal for a leveraged, multi-brand franchisor with an Up-C structure, legal complexity, and possible carve-out alternatives. It is long enough for credible bidders to complete substantial diligence, but silence remains ambiguous because confidential auctions are designed to be quiet.

Duration becomes negative evidence when the operating business weakens faster than the process advances. If the review extends toward nine to twelve months without a transaction, credible escalation, or a well-defined standalone alternative, the probability distribution should move downward. Time is not neutral when debt is expensive and the crown jewel's current earnings are not publicly disclosed.

Risks and Failure Conditions

The principal risk is not simply that the stock falls. It is that an assumption behind separation value fails before the board can monetize it. Re-underwriting becomes necessary when asset value, the transaction waterfall, or the probability of completion changes.

Risk	Why it matters	Monitoring test
Stale Club Pilates EBITDA	The $102M crown-jewel anchor is 2024; 2026 SSS deterioration may have reduced it materially.	Reconstruct current brand sales, royalties, studio cohorts and implied EBITDA.
Unattractive bids already surfaced	A five-month process can mean active diligence or inadequate buyer interest.	Watch process duration, leaks, board/activist escalation and subsequent filings.
Debt / transaction leakage	High leverage makes small EV changes enormous for common equity.	Maintain a closing waterfall using principal, premiums, cash, TRA, NCI, settlements and dilution.
No transaction obligation	Board can end review and remain independent.	Treat termination without an alternative value-realization plan as major thesis impairment.
Franchisee economics	Weak four-wall economics can damage royalty durability and buyer multiples.	Track AUV, SSS, closures, license sales, opening obligations and franchisee disputes.
Regulatory / legal overhang	Could create new cash claims or reduce buyer appetite.	Monitor SEC/DOJ/state matters and settlement payments.
False activist authority heuristic	Voss/Pleasant Lake can be wrong.	Independent SOTP must stand without relying on their reputation.

Figure 13 - Failure conditions and monitoring tests. Source: Xponential risk disclosures and Volt Research monitoring criteria.

1. The strategic review ends without a transaction, recapitalization, material asset sale, or credible alternative route to value realization.
2. Club Pilates shows a sustained combination of falling AUV, slowing openings, rising closures, and franchisee distress.
3. Debt, covenant, or liquidity pressure transfers bargaining power from shareholders to lenders or forces dilutive financing.
4. Cash taxes, TRA obligations, litigation, or transaction costs exceed the conservative waterfall reserves.
5. The post-Club-Pilates company cannot remove stranded overhead or monetize the remaining brands at defensible values.
6. Credible private-market bids imply asset values near or below the public enterprise value.

The stock does not need to have reached a bottom. The evidence-to-price relationship does need to remain favorable. A lower price with intact Club Pilates economics and an active process can improve asymmetry; a lower price accompanied by a broken operating model or failed process is a different security.

Conclusion

XPOF is compelling because the market and the strategic process are answering different questions. The market is pricing a leveraged public company with declining consolidated results. Jefferies and prospective buyers can price Club Pilates, the residual brands, the financing structure, and the cost base separately.

The strongest evidence is the crown jewel's operating model. A franchisee-funded system with nearly 1,200 U.S. franchised outlets, a large development pipeline, a cohort model that continues to support attractive brand-level economics, and a working 2026 EBITDA range near $110 million–$115 million can support private-market value well above the quoted equity. The strongest counterargument is the transaction waterfall: debt and leakage can absorb enough value that a merely acceptable sale leaves limited upside.

The outcome depends on confirming current Club Pilates economics and securing a transaction structure that leaves meaningful value for common shareholders after debt, taxes, the TRA, liabilities, fees, dilution, and residual overhead. Until then, XPOF should be evaluated as a strategic-review and separation-value opportunity whose outcome depends on both the price achieved and the value retained after closing.

Upcoming Thesis Milestones

Current Club Pilates unit economics; any strategic-review announcement; activist 13D amendments; debt and prepayment terms; transaction-specific tax and TRA treatment; and a credible plan for residual overhead and brand monetization.

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Detailed Underwriting Appendix

The detailed underwriting appendix exposes Club Pilates earning power, sponsor purchase-price capacity, transaction leakage, residual-brand value, process architecture, and the conditions that would change the underwriting. The sequence moves from operating facts to valuation and then to the common-equity outcome.

How to Read the Appendix

Company-reported facts anchor the models. Reconstructed operating results, transaction reserves, buyer returns, and residual values are Volt Research estimates. Disclosed evidence takes precedence over model accuracy.

A. Club Pilates Operating Model

A.1 The franchise system can grow through weak comparisons

Club Pilates does not need an immediate same-store-sales recovery to preserve meaningful standalone earnings. Its royalty base can expand through studio openings, the maturation of recent cohorts, and the increasing share of agreements carrying an 8% royalty rate. That growth algorithm is the central reason consolidated XPOF results can weaken while the crown jewel retains a different private-market profile.

Franchise Evidence's summary of the 2026 FDD supplies the U.S. outlet and pipeline assumptions in Figure 14. It reports 1,179 franchised studios at December 31, 2025, no company-owned locations, 153 openings, three other closures, 123 signed but unopened agreements, and 144 projected openings. These are historical U.S. observations and a franchisor projection, rather than a verified 2026 North American opening forecast.

2026 FDD operating evidence	Reported figure
U.S. franchised outlets, YE2025	1,179
Company-owned outlets	0
2025 openings	153
2025 ceased operations (other)	3
Terminations / non-renewals	0 / 0
Transfers	133
Signed but unopened agreements	123

2026 FDD operating evidence	Reported figure
Projected next-fiscal-year openings	144
Qualified-studio average 2025 gross revenue	$987,810
Qualified-studio median	$978,332
New-franchise royalty	8% of Gross Sales
Legacy royalty rates	Certain franchisees at 6%-7%

Figure 14 - U.S. outlet and unit-revenue evidence. Source: Franchise Evidence summary of Club Pilates 2026 FDD, Items 19 and 20; issued April 17 and amended August 7, 2026.

The secondary summary identifies 1,005 studios open for all of 2025, with average gross revenue of $987,810 and median gross revenue of $978,332. Its expanded-studio sample and opening-cohort monthly data illustrate variation and ramp timing. This report uses the full-year sample as a model calibration, while company-reported North American AUV was $966,000. Geography, qualification rules, measurement period, and outlet population differ; the two measures are not interchangeable.

The limitation is comparability. The FDD summary describes specific historical U.S. outlet populations and does not report studio costs or 2026 brand EBITDA. Low closures alone do not establish franchisee health; 133 reported transfers in 2025 also warrant scrutiny. Cohort assumptions should be tested against current company disclosures and the original FDD before transaction underwriting.

A.2 Cohort maturation explains the revenue bridge

The model treats studios differently by age because a new opening does not contribute a full mature AUV in its first calendar year. An opening-year studio contributes partial-year system sales, then approaches mature economics over subsequent periods. This distinction prevents opening counts from being converted mechanically into full-year revenue.

Cohort age	Modeled revenue contribution
Opening calendar year	~$450K average calendar-year system sales per new studio
Second calendar year	~85% of prevailing mature AUV
Third year onward	100% of prevailing mature AUV

Figure 15 - Studio cohort revenue assumptions. Source: Volt Research assumptions calibrated to Franchise Evidence's 2026 FDD cohort summary.

The resulting studio model begins with approximately 1,241 North American locations in 2025 and allows mature-studio AUV to decline in 2026. System growth is produced primarily by net openings and cohort maturation, rather than a forecast that weak mature-store comparisons reverse immediately.

Year	NA studio base	Net additions	Modeled mature AUV	Mature SSS assumption	Modeled CP system sales
2025 anchor / model	1,241	~+166	~$988K	n/a	~$1.14B
2026E	1,331	+90	~$958K	-3.0%	~$1.21B
2027E	1,441	+110	~$968K	+1.0%	~$1.33B
2028E	1,566	+125	~$987K	+2.0%	~$1.46B
2029E	1,701	+135	~$1.012M	+2.5%	~$1.63B
2030E	1,846	+145	~$1.037M	+2.5%	~$1.81B
2031E	1,996	+150	~$1.063M	+2.5%	~$2.01B

Figure 16 - North American studio and system-sales model. Source: Volt Research estimates using Franchise Evidence's FDD outlet summary and Xponential system-sales disclosures.

The 2025 studio count and approximate system sales are company-reported anchors; mature AUV and cohort revenue are model inputs. Figure 4 separately applies a lower $1.08 billion–$1.14 billion 2026 sales sensitivity as a conservative conversion cross-check. Figure 16's approximately $1.21 billion cohort forecast is the operating model, and Figure 17 allows for lower opening-related EBITDA despite higher modeled sales.

By 2031, the modeled North American studio count remains near 2,000, below management's longer-run ambition for more than 2,100 domestic studios. International growth is not aggressively capitalized. Those choices leave room for upside, but they also keep the model dependent on execution in the market where the evidence is most observable.

A.3 System sales convert into a working EBITDA range

The 2024 Analyst Day provides the calibration point: $958 million of North American system sales and $102 million of standalone adjusted EBITDA, equal to approximately 10.65% of system sales. The bottom-up model decomposes that relationship into royalties, technology revenue, opening and equipment contribution, and other brand-level economics.

Year	Royalty contribution	Technology	Opening / equipment contribution	Other brand contribution	Modeled standalone EBITDA
2025 reconstructed	$78.8M	$6.1M	$15.9M	$13.5M	$114.4M
2026E	$83.6M	$6.8M	$8.6M	$14.0M	$113.1M
2027E	$91.9M	$7.3M	$10.6M	$15.0M	$124.8M
2028E	$101.4M	$7.9M	$12.0M	$16.0M	$137.4M
2029E	$112.8M	$8.6M	$13.0M	$17.5M	$151.9M
2030E	$125.4M	$9.4M	$13.9M	$19.0M	$167.7M
2031E	$139.2M	$10.1M	$14.4M	$21.0M	$184.7M

Figure 17 - Club Pilates standalone EBITDA contribution model. Source: Volt Research estimates calibrated to Xponential's 2025 Analyst and Investor Day brand economics.

The central 2026 result is approximately $113 million of standalone EBITDA. Earnings remain roughly flat with the reconstructed 2025 level even as modeled system sales rise because opening-related contribution falls and mature-studio performance remains weak. The resulting $110 million-$115 million working range does not require the brand to recover its prior same-store-sales momentum.

The model's failure condition is operational, not cosmetic. It can absorb mediocre mature-store comparisons. It cannot absorb a sustained combination of lower AUV, slower openings, higher closures, weak signed-pipeline conversion, and franchisee distress. If several of those variables deteriorate together, the EBITDA range and sponsor purchase-price ceiling should fall immediately.

Year	Downside EBITDA	Base EBITDA	Operating-case EBITDA
2026E	$113M	$113M	$113.1M
2027E	$116M	$122M	$124.8M
2028E	$121M	$132M	$137.4M
2029E	$127M	$143M	$151.9M
2030E	$133M	$154M	$167.7M
2031E	$140M	$165M	$184.7M

Figure 18 - Standalone EBITDA paths. Source: Volt Research downside, base, and operating cases.

B. Sponsor Purchase Price Capacity

B.1 Premium multiples must survive buyer return math

A precedent multiple is only relevant if a buyer can finance it and still earn an acceptable return. The sponsor model therefore fixes initial debt at approximately 6.0x entry EBITDA, applies a five-year operating path, sweeps 75% of free cash flow to debt, and solves for the enterprise value consistent with 15%, 20%, and 25% equity-return hurdles.

LBO assumption	Underwriting input
Entry EBITDA	~$113M
Initial debt	6.0x entry EBITDA (~$678M)
Cash interest rate	6.0%
Hold period	5 years: acquisition at 2026 entry, exit in 2031
Cash tax rate	25% of EBITDA less cash interest, floored at zero
Maintenance / technology capex	2% of EBITDA
Other recurring cash needs	8% of EBITDA
Debt sweep	75% of post-interest, post-tax modeled free cash flow
Downside exit multiple	11.0x
Base exit multiple	12.0x
Operating-case exit multiple	13.0x
Sponsor distributions during hold	None; 25% unswept FCF excluded from exit value as a conservative convention

Figure 19 - Standalone Club Pilates financing and return assumptions. Source: Volt Research assumptions; Planet Fitness December 2025 securitization filings provide the financing reference.

Planet Fitness supplies a public franchise royalty financing reference. Its December 2025 securitization priced notes at 5.274% and 5.649%, with anticipated repayment dates approximately five and seven years later; these are distinct from legal final maturities. Club Pilates is smaller and less seasoned, so the model does not assume Planet's exact pricing or debt capacity.

The other-cash-needs reserve is deliberately conservative. It captures recurring investment, working capital, support expense, and cash items omitted from a simplified EBITDA bridge. Transaction diligence could improve cash conversion, but it could also reveal expenses that reduce debt paydown and buyer capacity. The standalone schedules sweep 75% of modeled free cash flow; the remaining 25% receives no exit-cash credit as a conservative valuation convention. They also omit acquisition fees and use simplified taxes without an interest-deductibility limit. B.4 includes fees, retained cash, and a simplified Section 163(j) constraint, so the two models are not directly comparable on financing terms alone.

B.2 Debt paydown creates return capacity

The downside case assumes modest EBITDA growth and an 11x exit. Free cash flow still reduces debt, but the sponsor's return remains highly sensitive to the entry price because the operating path supplies limited expansion in both earnings and exit value.

Year	EBITDA	Beginning debt	Cash interest	Cash tax	Capex	Other cash needs	FCF	75% debt sweep	Ending debt
2027	$116.0M	$678.0M	$40.7M	$18.8M	$2.3M	$9.3M	$44.9M	$33.7M	$644.3M
2028	$121.0M	$644.3M	$38.7M	$20.6M	$2.4M	$9.7M	$49.7M	$37.2M	$607.1M
2029	$127.0M	$607.1M	$36.4M	$22.6M	$2.5M	$10.2M	$55.2M	$41.4M	$565.7M
2030	$133.0M	$565.7M	$33.9M	$24.8M	$2.7M	$10.6M	$61.0M	$45.7M	$519.9M
2031	$140.0M	$519.9M	$31.2M	$27.2M	$2.8M	$11.2M	$67.6M	$50.7M	$469.2M

Figure 20 - Downside standalone debt schedule. Source: Volt Research downside LBO case; figures are estimates, not financing terms.

The base case combines stronger cohort maturation with a 12x exit multiple. Debt falls more quickly, allowing a larger share of the terminal enterprise value to accrue to sponsor equity. The operating case extends the same logic using the cohort model substantially as constructed and a 13x exit.

Year	EBITDA	Beginning debt	Cash interest	Cash tax	Capex	Other cash needs	FCF	75% debt sweep	Ending debt
2027	$122.0M	$678.0M	$40.7M	$20.3M	$2.4M	$9.8M	$48.8M	$36.6M	$641.4M
2028	$132.0M	$641.4M	$38.5M	$23.4M	$2.6M	$10.6M	$56.9M	$42.7M	$598.7M
2029	$143.0M	$598.7M	$35.9M	$26.8M	$2.9M	$11.4M	$66.0M	$49.5M	$549.2M
2030	$154.0M	$549.2M	$33.0M	$30.3M	$3.1M	$12.3M	$75.4M	$56.5M	$492.7M
2031	$165.0M	$492.7M	$29.6M	$33.9M	$3.3M	$13.2M	$85.1M	$63.8M	$428.8M

Figure 21 - Base standalone debt schedule. Source: Volt Research base LBO case; figures are estimates, not financing terms.

Year	EBITDA	Beginning debt	Cash interest	Cash tax	Capex	Other cash needs	FCF	75% debt sweep	Ending debt
2027	$124.8M	$678.6M	$40.7M	$21.0M	$2.5M	$10.0M	$50.6M	$37.9M	$640.7M
2028	$137.4M	$640.7M	$38.4M	$24.7M	$2.7M	$11.0M	$60.5M	$45.4M	$595.3M
2029	$151.9M	$595.3M	$35.7M	$29.0M	$3.0M	$12.2M	$71.9M	$54.0M	$541.3M
2030	$167.7M	$541.3M	$32.5M	$33.8M	$3.4M	$13.4M	$84.6M	$63.5M	$477.9M
2031	$184.7M	$477.9M	$28.7M	$39.0M	$3.7M	$14.8M	$98.6M	$73.9M	$403.9M

Figure 22 - Operating-case standalone debt schedule. Source: Volt Research operating LBO case; figures are estimates, not financing terms.

These schedules are not forecasts of an actual capital structure. A buyer could use securitization, conventional term debt, preferred capital, seller financing, or a combination. Their purpose is to test whether the asset's cash generation can carry the modeled purchase prices.

B.3 The return hurdle identifies the likely winning buyer

The solved purchase-price grid shows why buyer type matters. At a 20% hurdle, the stronger operating path adds roughly $180 million of purchase-price capacity relative to the base path. A buyer requiring 25% returns gives up much of that capacity unless synergies or better financing close the gap.

The debt schedules expose the cash mechanics beneath the maximum-enterprise-value grid. Changes in financing cost, cash conversion, or operating growth should therefore move the purchase-price ceiling directly.

A long-duration consumer sponsor willing to accept a 15%-20% return can outbid a conventional sponsor with a 25% hurdle. A strategic platform can pay above the standalone ceiling if it removes duplicated costs or creates revenue synergies. The upper end of the valuation range therefore requires a specific buyer advantage, not merely a favorable precedent.

B.4 Whole-Company LBO and Take-Private Economics

A buyer acquiring Xponential in its entirety must underwrite consolidated earnings, corporate overhead, and transaction liabilities alongside Club Pilates' growth. The standalone Club Pilates model establishes purchase-price capacity for that business. A whole-company LBO addresses a separate question: what can a sponsor pay for XPOF's equity while refinancing the consolidated capital structure and retaining the remaining portfolio?

This model assumes a December 31, 2026 acquisition and a five-year holding period through December 31, 2031. Club Pilates remains the principal cash-flow engine, while the remaining brands receive conservative earnings assumptions. Debt capacity and exit valuation are calculated on consolidated EBITDA after corporate overhead.

Operating earnings and consolidated financing

The entry model reconciles approximately $113 million of estimated Club Pilates EBITDA and $46 million of residual portfolio contributions to $94 million of consolidated adjusted EBITDA, the midpoint of management's 2026 guidance. The resulting approximately $65 million corporate overhead deduction is an implied reconciliation rather than a separately disclosed corporate expense figure.

Club Pilates is modeled through studio additions, cohort maturation, same-store sales, and royalty, technology, opening, and other contributions. The base case applies an increasing haircut to the bottom-up operating forecast, producing approximately $165 million of Club Pilates EBITDA in 2031. Residual contributions grow only modestly, from $46 million to $47 million. This residual category includes international contributions across all brands; the separate Club Pilates schedule covers North America.

EBITDA bridge ($ millions)	2026 Entry	2031 Base Case
Club Pilates	113.0	165.1
Remaining North American brands and international operations	46.0	47.0
Corporate overhead	(65.0)	(52.0)
Consolidated adjusted EBITDA	94.0	160.1

Figure 23 - Whole-Company EBITDA Bridge: Club Pilates, Residual Operations, and Corporate Overhead, 2026E–2031E.

The base case therefore requires both Club Pilates growth and approximately $13 million of annual corporate cost reduction. Neither future brand contributions nor overhead savings should be treated as company guidance.

Initial acquisition debt is $470 million, or 5.0x consolidated entry EBITDA, with a 9% cash interest rate. The model assumes annual mandatory amortization equal to 1% of original principal and a 75% sweep of cash flow remaining after mandatory amortization. Unswept cash accumulates for the equity holders.

Cash conversion includes a normalized 25% tax rate, maintenance capital expenditure equal to 3% of EBITDA, and an additional recurring cash reserve equal to 8% of EBITDA. Restructuring cash costs are $10 million in 2027 and $5 million in 2028. Interest deductibility is constrained through a simplified Section 163(j) calculation. No NOL or incremental purchase-price tax-basis benefits are credited in the default case.

Acquisition uses, Up-C economics, and transaction liabilities

The purchase-price calculation uses a provisional 52.7 million diluted economic units: 42.196 million Class A shares, 7.035 million outstanding Class B-linked LLC economic interests, 3.349 million awards, and a 0.120 million estimated cushion. The award population already includes approximately 0.842 million target PSUs. The LLC interests are counted once; Class B voting shares create no additional economic claim. Issued versus outstanding LLC interests, performance vesting, and award settlement require a final transaction-specific reconciliation.

At an illustrative $10 offer per economic unit, total common consideration is $527 million. The acquisition must also refinance existing debt and fund transaction costs and liabilities:

Illustrative sources and uses at $10 per unit	$ millions
Common consideration, including any rolled value	527.0
Existing term principal and revolver payoff	532.4
Accrued interest/payoff fees and term prepayment premium	12.4
Legal reserve after the identified subsequent payment	25.5
Contingent consideration reserve	8.6
Franchise guarantee reserve	2.0
Fixed transaction costs, variable acquisition fees, and new debt fees	42.3
Total acquisition uses	***1,150.2***
New acquisition debt	(470.0)
Available balance-sheet cash after restrictions and minimum cash	(14.2)
Required equity capitalization	***665.9***

Figure 24 - Illustrative Whole-Company Acquisition Sources and Uses at $10 per Diluted Economic Unit.

Existing debt balances and cash are closing proxies rather than payoff statements. The legal and contingent consideration reserves also require closing-date diligence; contingent consideration may vary with the acquisition price. The assumed closing date falls within the existing credit agreement's 2% term-loan prepayment premium period.

The Up-C structure introduces a separate tax receivable agreement obligation. The default model retains a $66 million underwriting allowance, pays $6 million annually during the holding period, and deducts the remaining $36 million from exit equity value. These are modeling allowances rather than a confirmed settlement amount or contractual payment schedule.

An alternative settlement case pays the assumed obligation at closing and removes the corresponding future payments and exit deduction. The retained and settled treatments are mutually exclusive. The TRA's allocation of 85% of covered tax benefits must also be considered if tax savings are enabled. A change of control should not automatically be assumed to require an immediate $66 million payment; the contractual valuation provisions and any termination or acceleration consequences require separate review.

Debt repayment, exit value, and maximum acquisition price

In the base case, consolidated EBITDA reaches approximately $160 million in 2031. Applying a 10.0x consolidated exit multiple produces approximately $1.60 billion of enterprise value. After repayment of approximately $278 million of remaining debt, addition of approximately $56 million of accumulated excess cash, deduction of the remaining TRA allowance, and 2% exit transaction fees, equity proceeds are approximately $1.31 billion.

The maximum acquisition price is solved by discounting those equity proceeds at the sponsor's target return and deducting the acquisition's fixed net funding requirements. Price-dependent acquisition fees are included in the calculation.

Five-year sponsor IRR hurdle	Base-case maximum offer per diluted economic unit	Stronger operating-case maximum offer
15%	$9.73	$16.37
20%	$7.40	$12.77
25%	$5.58	$9.96

Figure 25 - Maximum Whole-Company Acquisition Price at 15%, 20%, and 25% Sponsor IRRs.

The stronger operating case combines the Club Pilates forecast before the base-case haircut, improved residual earnings, lower corporate overhead, an 8% financing rate, lower annual TRA payments, and an 11.0x consolidated exit multiple. Its higher purchase-price capacity reflects several favorable assumptions working together.

The downside case does not support a nonnegative acquisition price at any of the three return hurdles and requires approximately $60 million of additional liquidity during the holding period. This highlights the importance of consolidated cash conversion: weaker Club Pilates performance, persistent overhead, and higher interest expense can absorb the cash otherwise available for debt repayment.

At a $10 acquisition price, the base case generates approximately a 14.5% sponsor IRR. The stronger operating case generates approximately 24.9%. These are conditional underwriting results rather than predictions of a negotiated offer.

Pleasant Lake rollover versus full cash-out

Pleasant Lake's 4.160610 million physically held shares are the eligible population for the hypothetical rollover comparison. Cash-settled swaps and put positions are excluded from rolled equity. The analysis does not assume an agreed take-private transaction or committed participation.

At a $10 offer, a full rollover of those physical shares contributes approximately $41.6 million of equity value. Sponsor cash funding falls from approximately $665.9 million under full cash-out to $624.3 million, and the sponsor owns approximately 93.75% of the resulting equity capitalization.

At a $10 offer per economic unit	Full cash-out	Full physical-share rollover
Sponsor cash equity ($ millions)	665.9	624.3
Pleasant Lake rolled equity ($ millions)	—	41.6
Sponsor equity ownership	100.00%	93.75%
Base-case sponsor IRR	14.5%	14.5%

Figure 26 - Pleasant Lake Full Cash-Out versus Physical-Share Rollover: Sponsor Funding, Ownership, and Returns.

When the sponsor and rolling shareholder invest on identical terms, rollover reduces the sponsor's cash contribution and its share of exit proceeds proportionately. It therefore leaves sponsor IRR and maximum purchase-price capacity unchanged. Different preferences, fees, governance arrangements, or financing terms could change that result, but require explicit modeling.

The whole-company analysis places a separate constraint on acquisition pricing. Club Pilates' standalone value can support buyer interest, while consolidated overhead, financing costs, and inherited obligations determine how much of that value can support an offer for XPOF equity. Under the base assumptions, a sponsor targeting a 20% return can pay approximately $7.40 per diluted economic unit. Higher offers require stronger operating performance, more favorable financing or exit valuation, or a lower return hurdle.

Source basis: XPOF's second-quarter 2026 earnings release and Form 10-Q; existing credit agreement; tax receivable agreement; Pleasant Lake's September 2026 Schedule 13D amendment; and the accompanying whole-company LBO workbook. Brand forecasts, future overhead, financing terms, liability allowances, exit multiples, and transaction costs are underwriting assumptions. Section D provides the broader transaction and legal waterfall discussion.

C. Private Market Multiples and Earnings Reconstruction

C.1 Fitness transactions are not one homogeneous comp set

Club Pilates should not be benchmarked against every gym or wellness transaction at the same multiple. Asset quality depends on unit economics, capital intensity, growth, recurring royalties, brand leadership, and franchisee-funded expansion. A category-leading franchisor can command more than a capital-intensive operator with comparable headline EBITDA.

Transaction / target	Model	TEV	TEV / LTM EBITDA
L Catterton / Solidcore (2024)	Multi-unit boutique fitness	$650M	13.0x
Pure Gym / Blink (2024)	Fitness operator	$121M	10.7x
LLCP / SEV Laser (2023)	Multi-unit wellness	$260M	20.0x
Pure Gym / Fitness World (2019)	Fitness operator	$459M	7.2x
LGP / Pure Gym (2017)	Fitness operator	$785M	8.4x
OMERS / Forefront Dermatology (2016)	Multi-unit wellness	$450M	15.0x
Non-franchise set median			11.9x
Basic-Fit / Clever Fit (2025)	Higher-growth franchised model	$204M	13.6x
Rhône / Freddy's (2025)	Higher-growth franchised model	$700M	12.7x
LGP / Crunch Fitness (2025)	Higher-growth fitness franchise	$1.50B	15.0x

Transaction / target	Model	TEV	TEV / LTM EBITDA
MTY / BBQ Holdings (2022)	Franchised restaurant	$205M	10.1x
RBI / Firehouse Subs (2021)	Franchised restaurant	$1.00B	20.0x
JAB / Krispy Kreme (2016)	Franchised / multi-unit	$1.35B	18.3x
Higher-growth franchise set median			***14.3x***

Figure 27 - Selected fitness and franchise transaction multiples. Source: European Wax Center 2026 merger proxy, Moelis selected transactions analysis; values are third-party transaction estimates, not XPOF valuation guarantees.

The selected precedents span a broad range. Traditional fitness operators cluster nearer the high-single-digit to low-double-digit area, while scarce, growing wellness and franchise assets can reach the low- to mid-teens. Solidcore's 13.0x transaction shows that a scaled boutique-fitness asset can clear at a premium, but it does not prove Club Pilates deserves the same price.

C.2 Public evidence points to a higher current earnings zone

The 2024 $102 million figure remains the only company-disclosed standalone EBITDA anchor, but 2025 system-sales mix and franchise data permit a more current reconstruction. Club Pilates represented approximately 65% of XPOF's $1.75 billion of 2025 North American system-wide sales, implying roughly $1.14 billion for the brand. Mature-studio revenue and outlet additions reconcile to that scale.

Club Pilates operating bridge	2024 actual	2025 reconstructed / disclosed	2026 H1 evidence
North America system-wide sales	$958M	~$1.138B (65% of $1.75B)	Not separately disclosed
Run-rate AUV	$1.031M	$966K	Not separately disclosed
Same-store sales	+12%	+3% full year	-4% Q1; -5% Q2
North America studios	n/a in Analyst Day table	1,241 at year-end	Continued net system expansion
Standalone Adj. EBITDA	$102M	Not disclosed	Not disclosed
EBITDA / system-sales conversion	10.65%	Unknown	Unknown

Figure 28 - Historical Club Pilates operating evidence. Source: 2025 Analyst Day; FY2025 and first-half 2026 earnings-call remarks, reproduced by Motley Fool and Investing.com; company filings; Volt Research calculations.

The separate conversion sensitivity in Figure 4 produces approximately $97 million–$121 million of standalone EBITDA from a deliberately lower sales range. The $110 million–$115 million working zone comes from the cohort and contribution model in Figures 16 and 17. These are distinct methods; the sensitivity is a cross-check rather than the cohort forecast's sales assumption.

The operating bridge prevents the historical 2024 conversion rate from being carried forward mechanically. The current range instead reflects studio cohorts, opening contribution, and weaker mature-unit performance.

The evidence remains indirect. Consolidated same-store sales can obscure differences among brands, and current standalone costs are not disclosed. The underwriting range should move when brand-specific system sales, royalties, closures, franchise transfers, or expense data become available.

C.3 Seller value and buyer capacity must agree

The seller-side model can generate attractive values at 12x-14x, but the buyer-side model defines when those values are financeable. A purchase price near 13x is plausible under the operating path at a 20% return hurdle or under the base path at a lower return requirement. It is not broadly financeable under every sponsor mandate.

Entry multiple	Entry EV @ $113M EBITDA	Initial debt @ 6.0x	Sponsor equity	5-year IRR
10x	$1.130B	$678M	$452M	28.0%
11x	$1.243B	$678M	$565M	22.4%
12x	$1.356B	$678M	$678M	18.0%
13x	$1.469B	$678M	$791M	14.4%
14x	$1.582B	$678M	$904M	11.4%

Figure 29 - Entry-price returns under Module B base assumptions. Source: Volt Research calculation; $113M entry EBITDA, $678M initial debt, base debt schedule, $165M exit EBITDA, 12x exit, no retained-cash credit or acquisition fees.

Buyer case	Initial debt	Interest	EBITDA growth	Exit multiple	Approx. max entry multiple for 20% IRR
Conservative	5.0x	6.5%	3%	11x	8.9x
Base	5.5x	6.25%	5%	12x	10.2x
Growth	6.0x	6.0%	7%	13x	11.8x
Premium franchise	6.5x	5.75%	8%	14x	13.0x

Figure 30 - Sponsor purchase-price sensitivity under alternative financing and growth assumptions. Source: Volt Research calculation; $113M entry EBITDA, annual growth from entry through 2031, 25% tax on EBITDA less interest, 2% capex, 8% other cash needs, 75% FCF debt sweep; no fees or exit-cash credit.

This reconciliation narrows the plausible buyer universe. The highest values are most likely to come from a sponsor or strategic owner with patient capital, franchise expertise, and access to efficient financing. A buyer with a high hurdle and no synergies will anchor closer to the lower end of the private-market range.

D. Fully Burdened Transaction Waterfall

D.1 The legal structure changes the value path

XPOF can reach shareholders through three structures: a whole-company sale, a Club Pilates sale followed by a residual company, or a sequential breakup. Those routes are not economically interchangeable. Each produces a different debt payoff, tax allocation, TRA treatment, fee burden, dilution outcome, and residual-cost problem.

Item	Current fact / anchor	How used in valuation	Status
Club Pilates 2024 standalone EBITDA	$102M	Historical anchor for CP earnings power	Company-disclosed
2026 consolidated adjusted EBITDA guidance	$91M-$97M	Current consolidated earnings context	Company-disclosed
Cash / restricted cash at 6/30/26	~$25.0M	Added where economically available	Company-disclosed
Long-term debt	~$522.4M reported; ~ $532M conservative gross takeout allowance	Debt extinguishment assumption	Reported + conservative modeling
2026 prepayment premium	3% before Dec. 8, 2026	~$16M base reserve	Contractual
Aggregate legal accruals at 6/30/26	~$29.5M	Conservative reserve; avoid double count at closing	Company-disclosed
Contingent consideration	~$8.6M	Conservative reserve pending transfer/termination analysis	Company-disclosed
Gross deferred tax assets at 12/31/25	~$118.4M	Potential shelter; realization/limitations matter	Company-disclosed
Federal NOL carryforwards	~$280.7M	Potential cash-tax shelter subject to limitations	Company-disclosed
Unrecorded TRA liability at 12/31/25	~$88.4M	Historical estimate for sensitivity; not a contractual cap	Company-disclosed
Current economic common units	~49.231M	Undiluted economic denominator	Company-disclosed
Outstanding RSUs / PSU population	~3.349M awards, including ~842K target PSUs	Transaction dilution sensitivity	Company-disclosed

Figure 31 - Financial and transaction inputs with evidence status. Source: Xponential 2025 Form 10-K, 2026 filings, credit agreement, and Volt Research assumptions where identified.

The Up-C structure requires the model to follow economic units rather than Class A shares alone. At the relevant reporting dates, the common-equity denominator included both Class A shares and Class B-linked

LLC units. Equity awards add further transaction dilution, especially when change-of-control provisions accelerate or modify vesting. The common denominator throughout is 52.7 million provisional diluted economic units: 42.196 million Class A + 7.035 million outstanding LLC interests + 3.349 million awards + 0.120 million cushion. The awards already include 0.842 million target PSUs. The 7.110 million issued LLC interests include 0.075 million treasury units; final closing consideration must reconcile outstanding ownership and award terms.

Dilution case	Economic units used	Interpretation
Current / undiluted	49.231M	Existing Class A + Class B / LLC economic units
Working transaction dilution	52.700M	49.231M outstanding economic units + 3.349M awards + 0.120M cushion; provisional

Figure 32 - Provisional diluted economic-unit reconciliation. Source: Xponential 2025 Form 10-K, 2026 Proxy Statement, equity-plan filings, and Volt Research estimates.

D.2 Debt is paid before separation value reaches equity

A Club Pilates sale must extinguish secured obligations contemporaneously. The asset-sale waterfall assumes a closing before December 8, 2026, approximately $532 million of debt and revolver takeout, and a rounded $16 million premium reserve. A later closing requires the applicable 2% premium in year two. Gross principal and payoff obligations, rather than a carrying value net of financing discounts and costs, are the appropriate closing anchors.

Whole-company waterfall item	Treatment / current underwriting
Headline enterprise value	Buyer value assigned to 100% of operating assets.
Cash	Add ~$25.0M to equity bridge, subject to minimum cash / transaction uses.
Debt principal	Deduct ~$522.4M long-term debt principal/economic obligation; include revolver if still drawn at close.
Prepayment premium	3% before first anniversary of Dec. 2025 HPS financing; ~2% thereafter in year two.
Legal accruals	$29.477M aggregate legal/settlement accrual at June 30, 2026; avoid double-counting amounts already embedded in net debt/working capital.
Contingent consideration	Deduct only amounts that survive/change on closing; final amount requires transaction-date balance sheet.
TRA	Do not automatically deduct a hypothetical full accelerated TRA. Change of control changes valuation assumptions; voluntary early termination or material breach accelerates. TRA payments rank junior to borrowed-money debt.
Transaction / severance costs	Use explicit $15M–$30M scenario allowance until a proxy supplies actual banker/legal/change-in-control amounts.

Whole-company waterfall item	Treatment / current underwriting
Equity awards	May vest if not assumed by acquirer. Model incremental diluted shares/cash-equivalent awards at transaction price rather than using basic Class A shares only.
Economic-unit denominator	52.7M provisional diluted economic units: outstanding Class A and LLC economic interests plus awards and cushion; see D.1. Class B voting shares are not counted again.

Figure 33 - Whole-company equity waterfall assumptions. Source: Xponential credit agreement, Tax Receivable Agreement, 2025 Form 10-K, and 2026 filings.

A whole-company sale can avoid stranded overhead and multiple closing processes, but a buyer may apply a blended multiple to the entire portfolio. A crown-jewel sale can maximize the value of Club Pilates, but it leaves the board with a debt-free residual platform whose worth depends on cost removal and further monetization.

D.3 Taxes and the TRA are the largest unresolved deductions

The model does not apply the statutory tax rate to gross proceeds. XPOF reports meaningful deferred tax assets, net operating losses, and an Up-C structure that affects the allocation of gain and taxes. Neither current Club Pilates tax basis nor transaction-specific tax allocation is disclosed. Historical book purchase allocation does not establish tax basis. Section 382, interest limitations, legal structure, and actual tax-asset utilization can restrict the benefit.

Tax variable	Public evidence	Valuation implication
Historical purchase allocation	Book allocation is distinct from tax basis	No numerical current basis credited in the model
Tax-basis amortization	Club Pilates current tax basis and amortization schedule not disclosed	Requires seller-specific tax records; no automatic goodwill shelter
2026 CP-specific tax basis	Not publicly disclosed	Cannot calculate exact taxable gain
XPO Inc. ownership of XPO LLC	85.6% at June 30, 2026	Public-company tax burden is not simply 100% of LLC gain
Federal NOLs	$280.674M at 12/31/25	Potentially meaningful shelter, subject to 80% rule and §382
State NOLs	$220.546M	Additional shelter varies by jurisdiction/limitations
TRA	85% of specified realized tax benefits payable to TRA parties	Tax savings and TRA leakage must be modeled together

Figure 34 - Tax variables and transaction implications. Source: Xponential 2025 Form 10-K, June 2026 Form 10-Q, and Tax Receivable Agreement; no assumed current Club Pilates tax basis.

Until transaction documents identify the legal seller, asset allocation, basis, and available tax attributes, the report reserves 10%, 15%, or 20% of gross proceeds. The range is intentionally broad. Its purpose is to keep equity value from depending on an unobservable tax assumption.

Tax case	Reserve assumption	$760M CP sale	$1.050B CP sale	$1.495B CP sale	Interpretation
Low	10% of gross proceeds	$76M	$105M	$150M	Meaningful tax-asset utilization / favorable structure
Base	15% of gross proceeds	$114M	$158M	$224M	Conservative working reserve
High	20% of gross proceeds	$152M	$210M	$299M	Punitive asset-sale reserve

Figure 35 - Asset-sale cash-tax reserve sensitivity. Source: Volt Research reserve cases pending transaction-specific tax structure and basis disclosure.

The TRA requires a separate reserve. XPOF disclosed approximately $88.4 million of potential unrecorded liability, but the agreement does not support treating every asset sale or change of control as an automatic full cash acceleration. A transaction can nevertheless increase the likelihood that covered tax benefits will be used. The historical $88.4 million estimate is not a contractual cap; an actual change-of-control valuation may differ materially.

TRA case	Reserve	Interpretation
Low	$44M	Roughly 50% of the disclosed unrecorded potential liability
Base	$66M	Roughly 75%; conservative but not full acceleration
High	$88M	Historical disclosed estimate used as a high-reserve sensitivity; not a cap

Figure 36 - Historical TRA reserve sensitivity. Source: Xponential Tax Receivable Agreement and 2025 Form 10-K; reserve cases are Volt Research estimates.

D.4 The base waterfall leaves $225 million before the residual business

The base transaction assumes $105 million of Club Pilates EBITDA at 10x, producing $1.05 billion of gross proceeds. After existing cash, debt takeout, the prepayment premium, a 15% tax reserve, a $66 million TRA reserve, legal accruals, contingent consideration, and $40 million of fees and severance, approximately $225 million remains.

The tax, TRA, debt, dilution, and legal schedules separate contractual deductions from provisional reserves. Transaction documents should replace the latter as structure-specific terms become known.

The result corrects the most tempting valuation error: subtracting debt from gross proceeds and treating the remainder as distributable equity. The difference between that shortcut and the burdened model is large

enough to change the investment conclusion. Even an attractive transaction headline can produce limited common-equity value when leakage is underestimated.

E. Residual Brands and Breakup Value

E.1 Positive brand EBITDA does not guarantee a valuable public stub

The 2024 disclosure attributes $29 million to StretchLab, $21 million to Pure Barre, $8 million to YogaSix, $5 million to other North American brands, and $9 million to international operations across all brands. Their $72 million subtotal is a historical sensitivity anchor, not a clean current residual EBITDA measure. International Club Pilates rights may transfer with the asset, while the other-brand category includes a different portfolio from today's five brands. The same period had approximately $57 million of corporate overhead.

Historical 2024 component	Standalone EBITDA
StretchLab	$29M
Pure Barre	$21M
YogaSix	$8M
Historical other NA brands	$5M
All-brand international	$9M
Historical non-CP NA plus all international	$72M
Corporate overhead	-$57M
Historical subtotal less full overhead	~$15M

Figure 37 - Historical non-Club-Pilates NA and all-brand international earnings. Source: Xponential 2025 Analyst and Investor Day brand economics.

Figures 38–40 use that historical subtotal to show overhead sensitivity and illustrative asset values. Actual retained earnings must exclude sold Club Pilates international rights and divested brands, and reflect current performance; these examples should not be summed with a whole-company value or treated as current residual guidance.

That cost structure can erase most of the residual earnings if Club Pilates is removed without an immediate restructuring. The public stub's value therefore depends less on the historical sum of brand EBITDA than on how quickly management can eliminate costs designed for the larger platform.

Post-CP corporate overhead	Historical-perimeter sensitivity EBITDA	5x EV	6x EV	7x EV
$57M - historical full overhead	$15M	$75M	$90M	$105M
$40M	$32M	$160M	$192M	$224M
$35M	$37M	$185M	$222M	$259M
$30M	$42M	$210M	$252M	$294M

Figure 38 - Historical residual-perimeter overhead sensitivity. Source: Volt Research estimates using disclosed 2024 brand EBITDA and corporate overhead.

E.2 Individual buyers may value the brands more highly

A breakup can avoid the stranded-overhead penalty because an asset buyer does not need to inherit XPOF's entire public-company infrastructure. The residual brands also deserve different multiples. Pure Barre's category position and positive 2025 same-store sales support a different range from StretchLab, whose 2025 same-store sales were weaker. YogaSix and BFT carry smaller scale and greater execution risk.

Brand	2024 standalone EBITDA	2025 operating read-through	Buyer-side multiple range	Illustrative gross asset value
StretchLab	$29M	~14% of 2025 NA system sales; AUV $483K; SSS -12%	6x-9x	$174M-$261M
Pure Barre	$21M	~14% of 2025 NA system sales; ~650 studios; SSS +4%	7x-10x	$147M-$210M
YogaSix	$8M	AUV $525K; SSS +2%; >170 studios currently marketed	6x-9x	$48M-$72M
BFT illustrative proxy	$5M historical all-other proxy; not reported BFT EBITDA	BFT AUV $404K in 2025; smaller/less proven	3x-6x	$15M-$30M

Figure 39 - Illustrative brand asset values using historical earnings. Source: Volt Research estimates using disclosed brand EBITDA and selected franchise transaction multiples.

On historical EBITDA, the four-brand gross asset-value range exceeds the value assigned to an unrestructured public stub. That gap is not free equity value: each additional sale creates taxes, fees, support obligations, and execution risk. It does explain why a sequential breakup can be superior to preserving a subscale listed company.

Residual pathway	Illustrative value range	What must be true	Primary risk
Unrestructured public stub	$0-$150M	Remaining brands retain positive economics but overhead remains burdensome	Public-company costs consume most brand EBITDA
Restructured public company	$150M-$300M	Corporate overhead falls toward ~$30M-$40M and brands remain viable	Execution delay / weaker 2026 earnings
Sequential asset sales	~$300M-$400M+ gross before incremental leakage	Different buyers value brands on standalone economics	Additional taxes, fees, timing and wind-down costs

Figure 40 - Residual portfolio monetization pathways. Source: Volt Research breakup analysis based on Xponential operating and transaction disclosures.

E.3 Residual value determines the common-equity outcome

Using the base Club Pilates waterfall, approximately $225.4 million remains before assigning value to the residual portfolio. If the company cannot resize overhead, the resulting $4.28 per diluted unit is close to the reference market price. If the brands can support $150 million of residual value, the same transaction produces approximately $7.12 per unit. A $300 million realization supports approximately $9.97.

The $150 million residual-value midpoint depends on overhead removal. Accordingly, a Club Pilates transaction alone does not determine the common-equity outcome: at moderate sale values, the board's ability to eliminate stranded overhead and monetize or rationalize the remaining brands becomes a major component of shareholder value. Separate asset sales can produce a different result because buyers can acquire individual brands without inheriting the public stub's entire cost structure.

The upper outcomes require the board to continue monetization or operate the remaining platform efficiently. The downside requires only that leakage is high and the residual business remains burdened. That asymmetry makes residual-cost planning a core diligence item rather than an afterthought.

Scenario	Residual transaction cash	Residual-business assumption	Illustrative total equity	Per diluted unit
Stress CP / poor stub	~$43.9M	$0M	~$43.9M	~$0.83
Stress CP / modest residual	~$43.9M	$150M	~$193.9M	~$3.68
Base CP / restructured midpoint	~$225.4M	$150M	~$375.4M	~$7.12
Base CP / successful restructuring	~$225.4M	$300M	~$525.4M	~$9.97
Upper CP / restructured residual	~$496.9M	$150M	~$646.9M	~$12.28
Upper CP / strong breakup realization	~$496.9M	$400M gross*	~$896.9M before extra leakage*	~$17.02 before extra leakage*

Figure 41 - Fully burdened equity-value scenarios at 52.7M units. Source: Volt Research scenario analysis; outputs are not price targets.

F. Process Architecture and Activist Pressure

F.1 The board enabled a real price-discovery mechanism

The strategic review became credible through sequence. Voss first identified the separation-value problem and asked the board to retain advisers and pursue a sale. The board then hired Jefferies, explicitly included a sale or merger, assigned oversight to independent directors, and refreshed its composition. Management compensation was later adjusted for change-of-control outcomes, and the company hired a permanent finance chief with transaction experience.

Date	Observed event	What it supports	What it does not prove
Mar. 4, 2026	Voss (~19.3%) demands advisers and sale exploration	Large shareholder identifies structural/SOTP mispricing and demands hard catalyst	No buyer or bid
Apr. 1-6	Three directors resign; Haughey joins; independent directors lead review; Jefferies hired	Board architecture changes and formal process begins	No disclosed special committee or auction stage
May 12-14	Executive severance plan and CIC equity amendments	Management incentives/retention prepared for change-of-control possibilities	No agreed transaction
May-Aug.	Operating deterioration and guidance reductions	Public/private valuation gap can widen; urgency increases	Crown-jewel economics are not immune
Aug. 25	Pleasant Lake/Fund 1 files 9.9% 13D plus swaps and $5 short puts	Second event-driven investor enters after process is underway	No MNPI or known deal date
Sep. 8	Jennifer Ryu appointed CFO, effective Oct. 19	Finance/M&A/strategic execution capacity added during review	Not an imminent-deal signal
Sep. 28–30	Agreement permits aggregate physical and derivative exposure up to 19.9%; 13D/A updates swaps and October puts, with no intervening share trades.	Broader permitted exposure, subject to proportional voting above 9.9%.	No agreed acquisition, committed rollover, or September physical-share buying.

Figure 42 - Governance and activist process milestones. Source: Xponential April 6, 2026 Form 8-K, May 2026 compensation filing, CFO filing, and board disclosures.

The machinery increases the probability of a disciplined evaluation, but none of it demonstrates a bid. Board experience, adviser credentials, severance terms, and a transaction-capable CFO describe readiness. They should not be promoted into evidence that an announcement is imminent.

F.2 Pleasant Lake adds a transaction-capable participant

Pleasant Lake's entry is strategically relevant because it occurred after the review existed and after deterioration became visible. The firm built a 9.9% voting stake, added cash-settled economic exposure, and preserved the ability to discuss transactions involving the company or individual assets, including transactions in which it might participate.

Pleasant Lake has previously expressed acquisition interest and strategic participation. Destination XL confirmed Fund 1's nonbinding full-company proposal in December 2024. Funko's February 2026 Schedule 13D describes strategic engagement and willingness to participate in a sale process. May 2016 reporting on MagnaChip describes acquisition interest and a proposed consortium. These precedents support a range of possible roles, not a completed acquisition record or evidence of XPOF negotiations.

Potential role	Current assessment	Evidence basis
Activist shareholder supporting strategic value realization	High	9.9% 13D; stated strategic engagement; existing review
Supporter of a third-party transaction	High	Event-driven mandate and prior support of strategic outcomes
Rollover investor / transaction participant	Credible	XPOF Item 4 language plus prior participation behavior
Consortium member with a larger sponsor	Credible	Historical MagnaChip consortium proposal reported in May 2016; not a completed consortium acquisition
Direct bidder for XPOF	Possible	MagnaChip indication of interest; Destination XL full-company proposal
Sole acquirer of entire XPOF	Possible but less likely	Debt and transaction size increase capital requirements
Already part of an agreed transaction	No evidence	No disclosed bid, consortium, agreement or MNPI relationship

Figure 43 - Potential Pleasant Lake transaction roles. Source: Fund 1 September 30, 2026 amendment; Destination XL December 23, 2024 company release; Funko February 2026 Schedule 13D; historical MagnaChip proposal as reported by Insider Monkey in May 2016.

Pleasant Lake has the precedent and disclosed flexibility to become a bidder, consortium member, rollover participant, or supporter of a third-party deal. The public record does not establish that it has made a proposal, entered a confidentiality agreement, secured financing, or received nonpublic process information.

F.3 Activist pressure matters even without activist ownership

An activist does not need to acquire XPOF to affect the outcome. A credible indication of interest, financing-supported proposal, or willingness to roll equity can create a valuation reference point and force the board or competing bidders to respond. Voss created the initial governance pressure; Pleasant Lake adds a second route through capital participation.

The position ledger establishes exposure; the behavioral precedents define the range of actions that exposure may motivate. Neither establishes that a transaction is underway.

Both holders can be wrong. Their losses increase their incentive to seek value realization, but they do not validate the model. The SOTP, operating reconstruction, and closing waterfall must stand independently of reputation or position size.

G. Buyer Universe and Process Duration

G.1 Different assets may have different optimal owners

The likely buyer universe is weighted toward consumer and franchise sponsors, fitness specialists, and multi-brand wellness platforms. Club Pilates can support a standalone sponsor underwriting, while smaller brands may be more attractive as carve-outs. A whole-company buyer can eliminate stranded costs, but may not pay a crown-jewel multiple for every asset.

The winning buyer is most likely to combine category knowledge, patient return requirements, and financing access rather than simply having the largest balance sheet.

Named buyers remain hypotheses. The table identifies economic fit and execution capability; it does not imply participation in Jefferies' process. Buyer interest becomes evidence only through a filing, definitive agreement, credible process disclosure, or attributable reporting.

G.2 The process is bounded by pressure, not by contract

XPOF has disclosed no deadline for the strategic review. The process is therefore semi-bounded: a formal mechanism exists, the outcome set is finite, and delay creates economic and governance cost, but the board is not legally required to announce a transaction by a specified date.

Case	Public / process start	Outcome milestone	Approx. duration	Read-through
Parkland Corp.	Mar. 5, 2025 strategic review	May 5, 2025 Sunoco transaction	~2 months	Fast case; discussions with bidder intensified after review.
Precision Nutrition	Adviser retained earlier in 2025; exact start not stated	July 2025 asset sale	Not precisely disclosed	Completion release establishes sale and outreach, not a precise process duration.
XPOF	Apr. 6, 2026 review	Review described as ongoing in Sep. 8, 2026 release	~5 months to cited update	No company deadline; update is historical, not a new October status confirmation.

Figure 44 - Illustrative strategic-review and sale milestones. Source: Parkland March 5 and May 5, 2025 announcements; SSG Precision Nutrition July 2025 completion release; XPOF April 6 and September 8, 2026 releases. Selected examples are not a statistical backtest.

The selected examples illustrate variation rather than establish a typical duration. Parkland announced an agreement about two months after its review began; Precision Nutrition completed a sale in July after retaining its adviser earlier that year, without an exact public start date. XPOF's September 8 release still described its review as ongoing, roughly five months after April 6. Subsequent silence does not itself establish stage or failure. A nine- to twelve-month process combined with operating deterioration and no credible alternative would warrant more negative underwriting.

G.3 Four clocks govern the holding period

The holding period is controlled by four interacting clocks. The process clock measures elapsed time since Jefferies was retained. The operating clock measures deterioration in the assets buyers must value. The financing clock measures the cost and flexibility of the debt stack. The governance clock measures whether the board and activists continue pressing toward resolution.

Process duration becomes adverse when it combines with weaker operating evidence, tighter financing, or declining governance pressure. Elapsed time alone is not the decision rule.

No single clock determines the outcome. A longer process can be acceptable if operating evidence stabilizes and stakeholder pressure remains high. The same duration becomes dangerous when Club Pilates weakens, financing pressure rises, and activists reduce exposure or become passive.

H. Valuation Sensitivities and Thesis Impairment

H.1 Principal Drivers of Valuation

The valuation of Xponential Fitness is principally determined by the standalone earnings capacity of Club Pilates, the multiple attributable to its franchise economics, the realizable value of the remaining brand portfolio, and the financial obligations that must be satisfied before value accrues to common shareholders.

These variables introduce considerable dispersion between enterprise value and residual equity value. Consequently, modest changes in operating assumptions, transaction structure, or the treatment of contractual obligations can produce disproportionate changes in implied per-share consideration.

The sensitivity framework below illustrates the principal assumptions underlying three distinct valuation environments.

Variable	Stress	Base	Upside
Club Pilates EBITDA	$95M	$105M	$115M
Club Pilates multiple	8x	10x	13x
Other-brand multiples	3x–5x	5x–7x	7x–9x
Corporate / stranded-cost deduction	$200M	$100M	$50M
Transaction leakage	High / fully burdened	Conservative	Normalized

Figure 45 - Principal valuation assumptions across stress, base, and upside scenarios. Source: Volt Research estimates and valuation framework.

Club Pilates remains the dominant source of enterprise value. Its earnings capacity and applicable valuation multiple exert substantially greater influence over the aggregate valuation than incremental changes in the remaining brand portfolio. At the same time, corporate overhead,

indebtedness, transaction-related obligations, and potential tax receivable agreement liabilities materially constrain the portion of enterprise value attributable to common equity.

Such considerations become especially consequential when evaluating the potential equity proceeds from a strategic transaction. A favorable enterprise valuation does not necessarily translate into proportionate consideration for common shareholders. The ultimate equity outcome depends on the allocation of transaction proceeds across the capital structure and the contractual obligations arising upon a change of control.

Strategic Transaction Outcomes

The realization of underlying enterprise value represents a separate analytical consideration from the economic value of the operating assets themselves. Although a strategic transaction may accelerate price discovery, the structure and scope of that transaction can materially influence the consideration ultimately attributable to common shareholders.

Strategic Outcome	Economic Implications
Standalone continuation	Operating value remains embedded within the consolidated business; realization depends on improved financial performance, capital structure sustainability, and market recognition
Recapitalization or restructuring	May address financial constraints but could introduce dilution, additional senior claims, or changes in residual equity participation
Partial asset monetization	Enables realization of selected brand values while introducing questions concerning stranded corporate costs, remaining obligations, and proceeds allocation
Whole-company acquisition	Establishes transaction consideration for the consolidated enterprise, subject to financing, contractual obligations, and the equity distribution waterfall
Competitive sale process	May support a higher transaction valuation through bidder competition, although incremental enterprise value remains subject to the same equity-level deductions

Figure 46 - Strategic alternatives and implications for equity value realization. Source: Volt Research analysis.

These outcomes are not inherently aligned with the stress, base, or upside operating valuation scenarios. A transaction may occur under unfavorable operating conditions, just as a business with attractive standalone economics may remain independent.

Accordingly, the valuation framework distinguishes between the economic value of Xponential Fitness's underlying assets and the mechanisms through which that value may ultimately be realized. The former establishes the potential valuation range; the latter determines the timing, structure, and distribution of proceeds.

H.2 Fundamental Risks to the Valuation Thesis

The principal risk to the valuation thesis is not the absence of an immediate transaction, but a deterioration in the economic value available for realization.

The investment thesis rests on the proposition that Club Pilates possesses durable franchise economics capable of supporting a standalone valuation materially above the value implied by Xponential Fitness's consolidated equity capitalization, after accounting for corporate obligations and the remaining portfolio.

Several developments could materially weaken that proposition including the following:

Deterioration in Club Pilates unit economics. Persistent declines in average unit volumes, weakening franchisee profitability, elevated closures, or declining franchise development activity would challenge the durability of the brand's earnings capacity. Negative same-store sales are not independently sufficient to establish structural impairment; their significance depends on whether weakness reflects temporary comparisons, market maturation, or a sustained deterioration in underlying franchise economics.

Compression in realizable valuation multiples. Even if Club Pilates maintains its earnings capacity, lower acquisition multiples could materially reduce the value available to common shareholders. The valuation is particularly sensitive to the distinction between multiples applicable to high-quality, asset-light franchise systems and those attributable to businesses facing slower growth, operational uncertainty, or constrained buyer demand.

Erosion of residual equity value. Increased indebtedness, unfavorable treatment of tax receivable obligations, transaction expenses, or other contractual claims could absorb a greater portion of enterprise value. This risk is amplified by the relatively narrow residual equity claim compared with the estimated value of the underlying operating assets.

Limitations on strategic value realization. A strategic review does not guarantee a transaction, nor does the existence of valuable operating assets establish that their full economic value can be realized through a sale. Buyer financing, transaction complexity, contractual restrictions, and the willingness of prospective acquirers to assume the consolidated business may constrain achievable consideration.

The most consequential adverse scenario would involve simultaneous deterioration in Club Pilates earnings, compression in its applicable valuation multiple, and increased claims against transaction proceeds. Under those circumstances, the economic separation value supporting the thesis could contract substantially, irrespective of whether a strategic transaction ultimately occurs.

Conversely, continued resilience in Club Pilates franchise economics, stabilization of the consolidated cost structure, and a transaction structure that preserves residual equity value would reinforce the underlying valuation thesis.

The central analytical distinction is therefore between uncertainty surrounding the timing and realization of value and permanent impairment of the value itself. The former may delay recognition; the latter directly undermines the investment thesis.

I. Board Composition and Transaction Readiness

I.1 The independent directors bring complementary transaction disciplines

The board formally assigned the strategic review to its independent directors when it announced the process on April 6, 2026. Their mandate expressly includes a sale, merger, or other strategic or financial transaction, with Jefferies serving as financial adviser. The current five-member board consists of Chairman Mark Grabowski, Chief Executive Officer Mike Nuzzo, and independent directors Rachel Lee, Nicole Parent Haughey, and Lily Yang. The relevant governance question is therefore not whether every director has the same background, but whether the group can evaluate valuation, financing, accounting, execution, and shareholder outcomes across a contested set of alternatives.

The independent group covers those functions with unusual density. Lee spent nearly fifteen years at Ares Management, ultimately leading consumer private equity, and previously executed leveraged buyouts, mergers and acquisitions, and debt and equity financings at JPMorgan. Haughey brings nearly two decades of Wall Street experience, corporate strategy and development work at United Technologies, and board-level experience through Altra Industrial Motion's 2023 acquisition by Regal Rexnord. Yang led accounting at Pinterest through its initial public offering and held senior finance roles at Medivation before its acquisition by Pfizer. The proxy identifies all three as financially sophisticated directors, and each serves across the board's standing committee structure.

Director	Transaction-relevant background	Likely process contribution	Evidentiary limit
Mark Grabowski Chairman	Founder and Managing Partner of Snapdragon Capital Partners; Partner at TPG Growth overseeing consumer investments; former Managing Director at L Catterton; earlier roles at AEA Investors and American Capital Strategies.	Private-equity pattern recognition, consumer-sector underwriting, sponsor and financing fluency, and informed assessment of counterparty credibility.	He is not classified as independent. His network does not establish bidder contact, process participation, or a transaction.
Rachel Lee Independent	Former Partner and Head of Consumer Private Equity at Ares; managed the full investment lifecycle; former JPMorgan investment banker executing LBOs, M&A, and debt and equity financings.	Bid valuation, capital-structure analysis, sponsor-return underwriting, negotiation, and comparison of whole-company versus asset-level outcomes.	Experience strengthens evaluation capability; it does not indicate that Ares or any prior affiliation is involved.

Director	Transaction-relevant background	Likely process contribution	Evidentiary limit
Nicole Parent Haughey Independent	Nearly twenty years on Wall Street; strategy, M&A, and capital-allocation experience; former United Technologies corporate strategy and development executive; Altra director through its 2023 acquisition.	Board-side process governance, strategic-alternative comparison, transaction negotiation, and oversight of shareholder-value tradeoffs.	Her appointment coincided with the review announcement, but public filings do not state that she was recruited solely to sell the company.
Lily Yang Independent	Former CFO of Strava (November 2021–July 2025), adviser since July 2025; former Chief Accounting Officer of Pinterest through its IPO; senior finance roles at Medivation before Pfizer's acquisition.	Financial diligence, accounting quality, disclosure controls, separation readiness, and scrutiny of closing adjustments and residual liabilities.	Prior transaction exposure is relevant to execution, not evidence of a current buyer or agreed structure.
Mike Nuzzo Chief Executive Officer	Led Eyemart Express through its January 2025 acquisition by VSP Vision; played a pivotal role in Petco's 2016 sale and 2021 IPO.	Management continuity, operating diligence, buyer access to information, execution planning, and post-transaction integration or separation work.	As management and a non-independent director, his role differs from the independent directors charged with evaluating alternatives.

Figure 47 - Board experience and transaction capabilities. Source: Xponential Fitness 2026 Proxy Statement; Board of Directors and Committee Composition pages; April 6, 2026 strategic-review announcement.

I.2 The chairman is embedded in the consumer private-equity ecosystem

Grabowski's career places the chairman at the intersection of consumer investing, growth equity, and private-equity ownership. He founded Snapdragon Capital Partners, whose stated focus includes health and wellness; oversaw consumer investments as a partner at TPG Growth; served as a managing director at L Catterton; and held earlier roles at AEA Investors and American Capital Strategies. Those firms span large-scale consumer investing, middle-market buyouts, growth capital, and structured finance. The practical relevance is broader than a list of affiliations: he has spent decades evaluating how sponsors price consumer assets, finance acquisitions, conduct diligence, select management teams, and plan exits.

That network can improve the board's ability to distinguish credible counterparties from opportunistic expressions of interest. A chairman familiar with sponsor economics can test whether a proposed valuation is financeable, whether a buyer's diligence requests indicate genuine intent, whether rollover or carve-out structures are executable, and whether separate assets could attract different pools of capital. He can also understand the return thresholds behind a bid and the conditions under which a sponsor might pay more for Club Pilates than for the consolidated portfolio.

The inference must remain disciplined. The public record does not show that Grabowski has approached former colleagues, that Snapdragon, TPG, L Catterton, AEA, or American Capital is participating, or that any affiliation has supplied financing. His background expands the board's transaction vocabulary and potential

connectivity; it is not evidence of a live bid. Moreover, the company has explicitly placed evaluation of the process with the independent directors, so his network should be viewed as an institutional resource surrounding the process rather than a substitute for independent oversight.

I.3 The governance architecture is configured for evaluation and execution

The April 6 sequence materially changed the board's transaction profile. Xponential announced the formal review, named Jefferies, specified that the independent directors would evaluate the alternatives, appointed Haughey, and disclosed the departures of Jair Clarke, Chelsea Grayson, and Bruce Haase. Haughey's addition introduced direct corporate-development and acquired-company board experience at the moment the review became public. Timing alone does not prove the purpose of her appointment, but the resulting board is more concentrated around capital allocation and transaction oversight than the predecessor group.

Committee assignments reinforce that concentration. Lee, Haughey, and Yang—the three directors identified as independent in the proxy—serve across Audit, Human Capital Management, and Nominating and Corporate Governance. That overlap gives the same independent group visibility into the financial statements and reserves that determine the transaction waterfall, compensation and retention arrangements that affect execution, and governance decisions that shape the review. It also reduces the risk that valuation, management incentives, and board process are evaluated in isolated channels.

Nuzzo supplies a separate execution layer. His experience with Eyemart Express's sale to VSP Vision, Petco's prior sale, and Petco's later IPO does not give him authority to replace independent judgment, but it is directly relevant to management presentations, data-room discipline, buyer diligence, operating forecasts, and transition planning. Yang's accounting background and Lee's financing experience complement that operating role, while Haughey brings board-level M&A and capital-allocation judgment.

Taken together, the biographies and committee structure reduce one category of process risk: the possibility that a board lacking transaction experience cannot properly evaluate a complex sale, carve-out, or breakup. They do not remove the harder risks. Asset performance may weaken during diligence, bids may fail to clear the fully burdened equity waterfall, taxes and TRA treatment may compress value, financing markets may limit leverage, or the board may conclude that remaining independent is superior. Board readiness increases the credibility of price discovery; it cannot manufacture an acceptable price.

I.4 The May compensation amendments reduced management's transaction friction

The board altered executive incentives after the strategic review had begun. On May 12, 2026, it adopted a formal executive severance plan. On May 14, it amended the omnibus incentive plan, and Xponential disclosed both actions in a Form 8-K filed May 18. The sequence matters because the amendments addressed the personal financial consequences executives could face if a strategic alternative displaced management or left outstanding equity awards without an equivalent public-market replacement.

The equity-plan amendment defined a complete liquidation or dissolution as a change in control and established specific treatment for awards in a transaction. If an acquirer or surviving entity does not assume the awards in publicly traded stock on terms at least as favorable as the existing awards, time-based awards vest in full; in-process performance awards vest based on actual performance; and awards whose performance periods have not begun are forfeited. If awards are assumed on qualifying terms, time-based vesting generally continues and in-process performance awards become earned at closing but remain subject to the applicable time conditions. The provisions replace uncertainty with a defined transaction framework rather than granting indiscriminate acceleration in every outcome.

The severance plan created a second layer of protection. An eligible executive terminated during the change-in-control protection period can receive a lump-sum cash payment based on salary and target bonus, any earned but unpaid prior-year bonus, a prorated current-year bonus, full vesting of time-based equity, and continued health coverage. Outside the protection period, the plan generally provides installment severance and prorated rather than full equity vesting. That distinction reduces the economic penalty management might otherwise bear for cooperating with a transaction that eliminates or changes executive roles.

Date	Evidence	Transaction relevance
May 12, 2026	Board adopts an executive severance plan with enhanced benefits for qualifying terminations during the change-in-control protection period.	Protects eligible executives against salary, bonus, equity-vesting, and benefit disruption if a transaction changes management roles.
May 14, 2026	Board amends the omnibus incentive plan to define liquidation or dissolution as a change in control and specify award treatment when awards are or are not assumed.	Creates predictable closing economics for outstanding equity and limits uncertainty over whether awards survive, accelerate, or are forfeited.
May 18, 2026	Xponential files the Form 8-K disclosing the severance plan and equity-plan amendment.	Makes the transaction-related incentive architecture observable to shareholders, counterparties, and analysts.
May 20, 2026 coverage	Published coverage reports a Northland upgrade from Market Perform to Outperform with an $8 target, reduced from $9.	Coverage ties the rating change to executive equity treatment and severance protections; this is analyst interpretation, not evidence of an agreed transaction.

Figure 48 - Executive compensation and analyst interpretation timeline. Source: Xponential Fitness Form 8-K filed May 18, 2026; Northland Securities rating action as reported by The Fly and Investing.com on May 20, 2026.

May 20 coverage reported that Northland upgraded XPOF from Market Perform to Outperform while reducing its target from $9 to $8. The reports tied the upgrade to executive equity treatment, severance protections, and confidence in a strategic alternative. The publication date should not be equated with the precise rating-action date. Reprinted accounts differ on whether market capitalization reflected takeout prospects; this report does not rely on that disputed wording.

The rating action is evidence of analyst interpretation, not a buyer. Northland viewed the compensation changes as meaningful despite a lower target. The amendments reduce management's compensation uncertainty and clarify award treatment, but do not establish negotiations or require acceptance of an inadequate bid. Their relevance is the sequence: formal

review, independent oversight, transaction-specific compensation rules, and a contemporaneous upgrade tied to those rules.

I.5 Additional references

1. Xponential Fitness, May 18, 2026 incentive-plan and severance 8-K; direct filing link appears in the main References.
2. Northland upgrade coverage, May 20, 2026: The Fly via TipRanks; Investing.com.