

Third Point Took A Position In Planet Fitness, But There Is A Better Alternative To Test This Story

Nov 24, 2020 | By Alex Gavrish, Etalon Capital Ltd; author of "Story Investing"

Russian writer Ivan Bunin said that a man is made happy by three things: love, interesting work, and the opportunity to travel.

Some hedge fund managers apparently think that one has to add a fourth ingredient to this mix: sport.

Activist hedge fund Third Point recently disclosed a new holding in shares of Planet Fitness.

The story they “bought”, or as a minimum, attempt to test, is understandable: after prolonged periods covid-19 of lockdowns the human need for recreational activities, sport and travel will return.

Despite growth potential, Planet Fitness high price tag (stock is currently trading at a x26 EV/EBITDA FY 2019 multiple) makes one question if there are better alternatives available.

Without venturing too far away from the gym theme, one can take a look at Glanbia plc - a manufacturer and marketer of sport and lifestyle nutrition products.

At current market price, Glanbia is valued at a much more conservative EV/EBITDA (FY 2019) valuation multiple of x10.8.

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We think that Glanbia shares provide investors with the opportunity to profit from “return to gyms” story while at the same time offer a more conservative risk profile.

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