



# Half Year Results 2024

11 September 2024





# Agenda

- 1 Overview**  
Will Orr
- 2 Financial Update**  
Luke Tait
- 3 Next Chapter Strategy – Progress Report**  
Will Orr
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Will Orr





# Overview

Will Orr

Chief Executive Officer

# Strong first half performance; well set for the full year

## Membership up 4%

to 905k (H1 2023: 867k)

## Yield up 9%

vs H1 2023

## Revenue up 12%

vs H1 2023

LFL<sup>1</sup> up 9%

## Strong cash generation

Net debt reduced by £11.8m since Dec 2023

Free Cash Flow of £24.5m, up 73% YoY

## Bank debt refinanced

£90m combined Term Loan and RCF; improved interest rates

## Accelerating new openings

Seven new sites opened to date (four in H1)

## Strategy early wins

Encouraging progress on Next Chapter growth plan to date

1. Like-for-like revenue vs 2023 includes all sites open as at 31 December 2021



# Financial Update

Luke Tait  
Chief Financial Officer

# Financial summary

## Average Members

**914k**

**+3%**

+30k vs PY

(Jun 2023: 884k)

## ARPM<sup>1</sup>

**£20.44**

**+9%**

+£1.63 vs PY

(Jun 2023: £18.81)

## Revenue

**£112.1m**

**+12%**

+£12.3m vs PY

(Jun 2023: £99.8m)

## Group Adjusted EBITDA Less Normalised Rent<sup>1</sup> (LNR)

**£22.1m**

**+28%**

+£4.9m vs PY

(Jun 2023: £17.2m)

## Statutory Profit before Tax

**£0.2m**

**+103%**

+£6.3m vs PY

(Jun 2023: loss of £6.1m)

## Free Cash Flow<sup>1</sup>

**£24.5m**

**+73%**

+£10.3m vs PY

(Jun 2023: £14.2m)

## Non-Property Net Debt<sup>1</sup>

**£(54.6)m**

**Reduced by £11.8m**

vs Dec 2023

(Dec 2023: £(66.4)m)

## Leverage Ratio<sup>1</sup>

**1.3x**

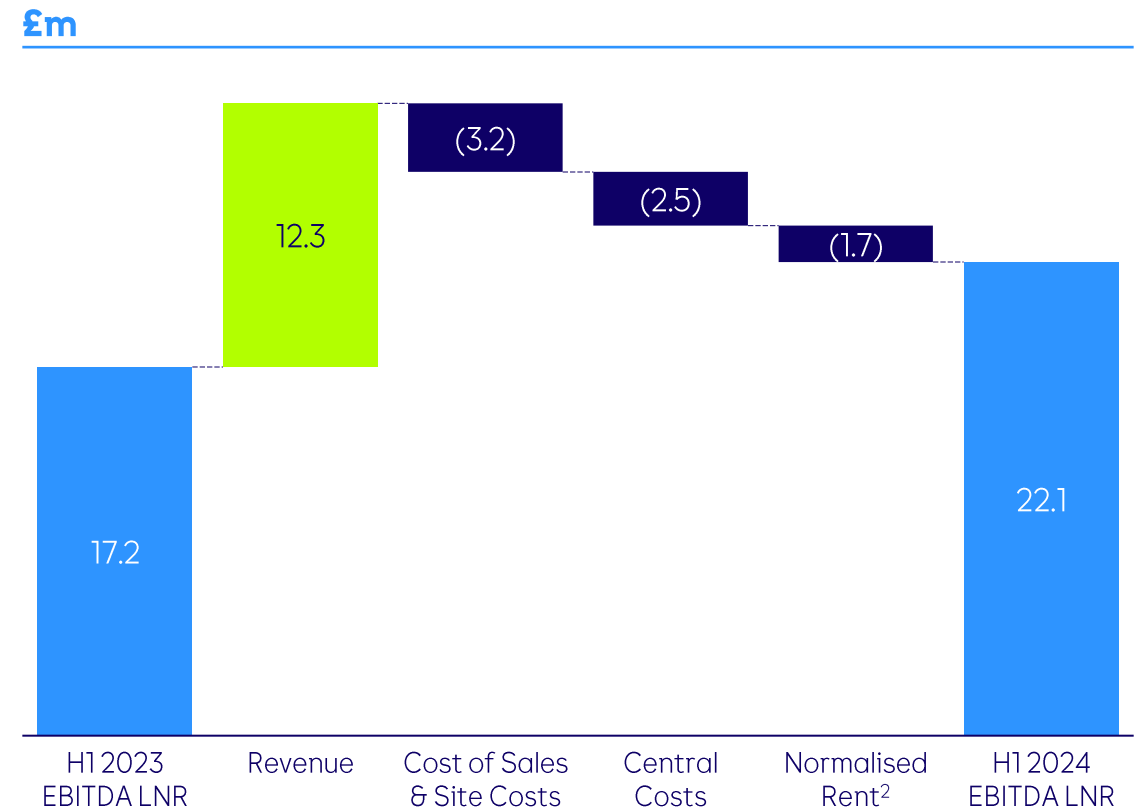
**Reduced by 0.4x**

vs Dec 2023

(Dec 2023: 1.7x)

# Group adj. EBITDA LNR<sup>1</sup> of £22.1m

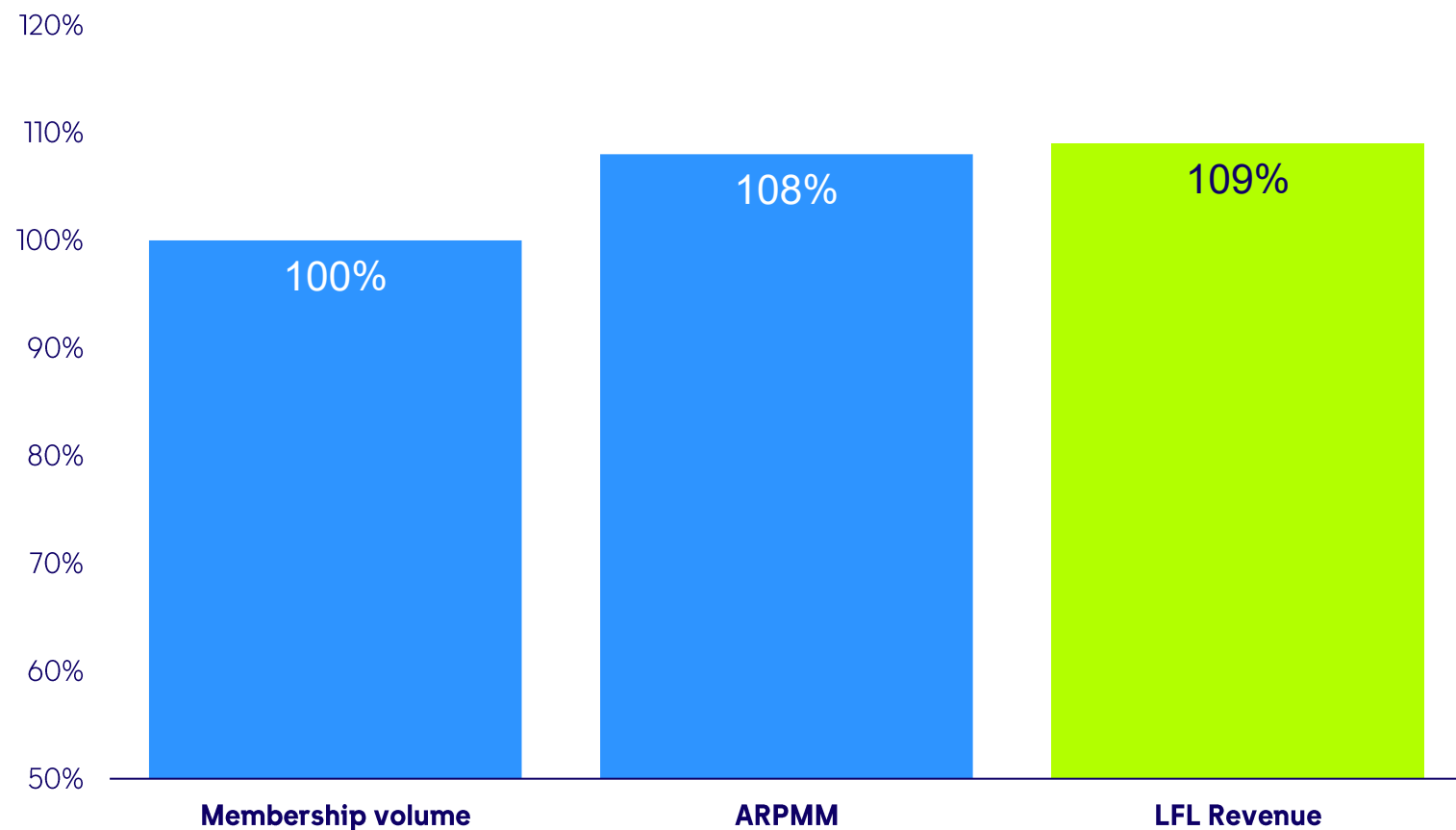
£m	H1 2024	H1 2023	YoY	%
Revenue	112.1	99.8	12.3	12%
Cost of Sales	(1.5)	(1.4)	(0.1)	(3%)
<b>Gross Profit</b>	<b>110.6</b>	<b>98.4</b>	<b>12.2</b>	<b>12%</b>
Site Costs (Excl. Normalised Rent)	(56.4)	(53.3)	(3.1)	(6%)
Central Costs (Excl. Normalised Rent)	(12.5)	(10.0)	(2.5)	(25%)
Normalised Rent <sup>2</sup>	(19.6)	(17.9)	(1.7)	(9%)
<b>Group Adjusted EBITDA LNR</b>	<b>22.1</b>	<b>17.2</b>	<b>4.9</b>	<b>28%</b>
<i>EBITDA LNR Margin</i>	20%	17%	3pp	15%
<i>Add back Normalised Rent</i>	19.6	17.9		
Share Based Payments	(1.0)	(1.4)	0.4	27%
Depreciation & Amortisation	(29.7)	(28.5)	(1.2)	(4%)
Net Financing Costs	(10.5)	(10.4)	(0.1)	0%
<b>Group Adjusted Profit/(Loss) Before Tax</b>	<b>0.5</b>	<b>(5.2)</b>	<b>5.7</b>	<b>110%</b>
Total Non-Underlying Items	(0.3)	(0.9)	0.6	70%
<b>Profit/(Loss) Before Tax</b>	<b>0.2</b>	<b>(6.1)</b>	<b>6.3</b>	<b>104%</b>



**EBITDA growth of 28% driven by strong first half LFL revenue performance**

# Strong LFL<sup>1</sup> from ARPMM increase driving growth in mature estate

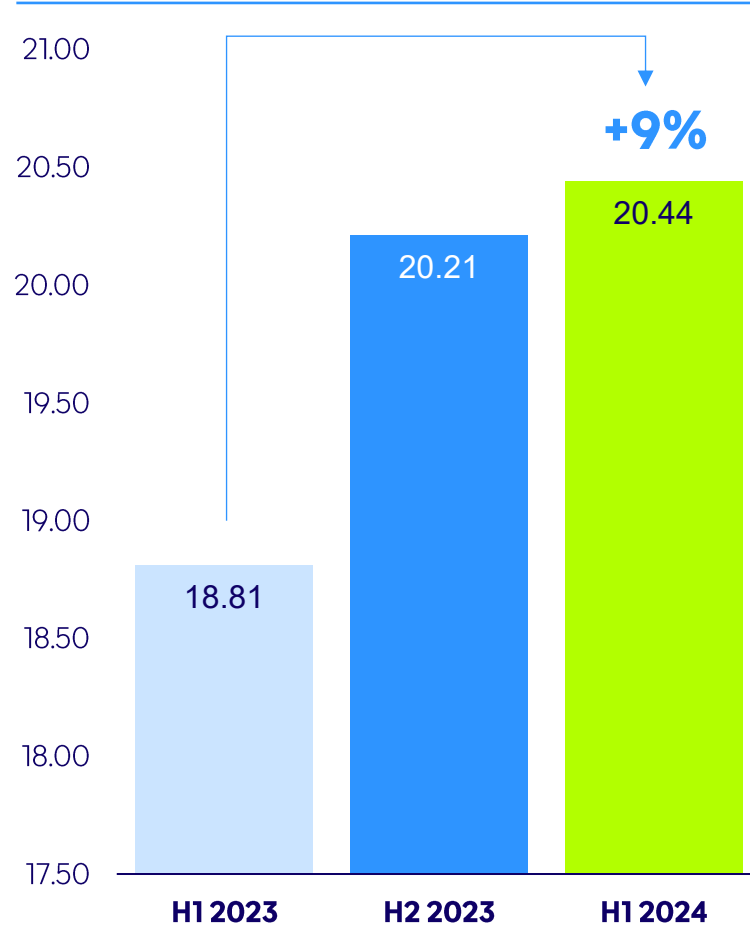
H1 2024 vs H1 2023





# ARPM growth of 9%

## ARPM (£)



## Average Standard headline rate (£)



## Key Drivers

- Headline rate increases
- Existing member repricing
- Joining fee optimisation
- Promotion optimisation

# Site costs in line with expectation

## Site costs inflationary pressures...

**National Living Wage** – Impacts staff costs and cleaning

**Rates** – New rating period and Uniform Business Rate

## Offset by cost optimisation initiatives...

**Staff Costs** – National Living Wage increase has been offset by efficiencies in staffing model

**Rates** – partially offset by successful rates challenges

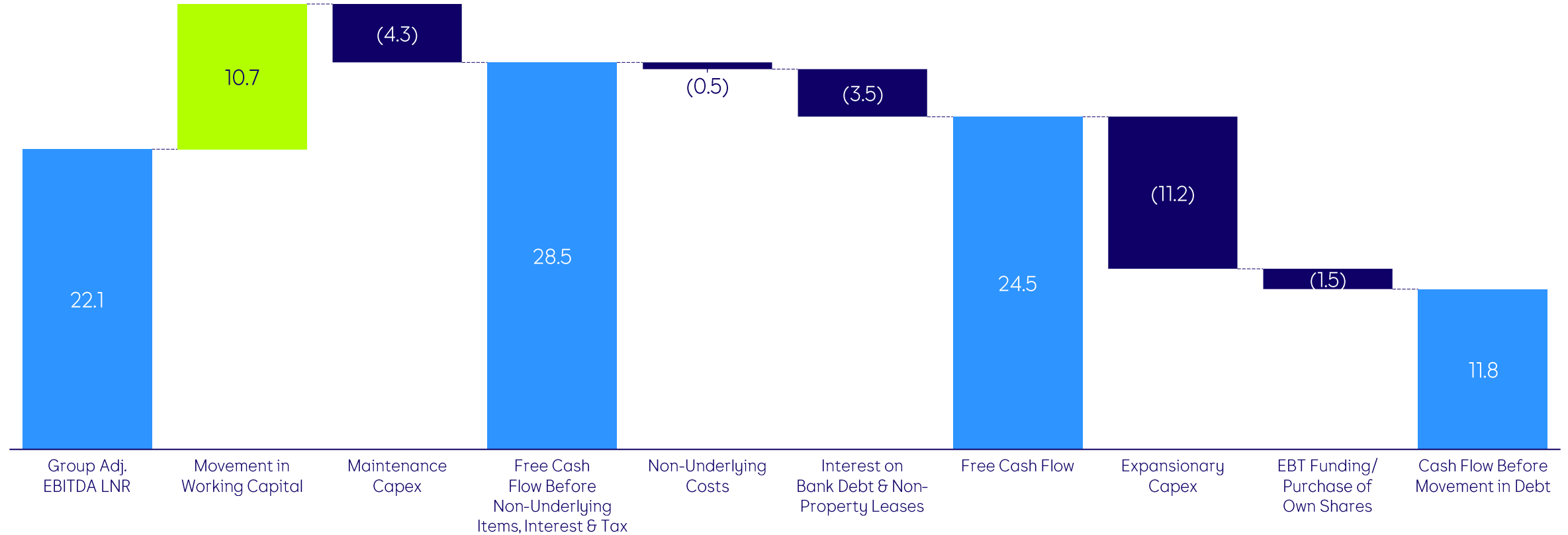
**Utilities** – rates are starting to normalise, alongside the impact of energy optimisation programmes

**Insurance** – softening market providing savings

**Expecting LFL site costs up 2-3% FY 2024**

# Strong cash flow generation

£m



**Free Cash Flow up 73% vs H1 2023**

# Reinvesting Free Cash Flow<sup>1</sup> to drive the business



## Expansionary

Four new sites opened in H1 2024 vs two in H1 2023, on track to open 10-12 this year

Continued investment in Tech & Data to deliver the Next Chapter initiatives



## Maintenance

Maintenance capex 4% of revenue in H1 2024 as we continue to invest in existing sites

## Capital expenditure and additions

£m	H1 2024	H1 2023	YoY
New Sites (including leases)	7.5	4.2	79%
Tech & Data	3.7	3.3	12%
Brand Relaunch	-	0.1	-
<b>Expansionary Capex<sup>1</sup></b>	<b>11.2</b>	<b>7.6</b>	<b>47%</b>
Enhancement (including leases)	2.2	4.9	(55%)
Other Maintenance	2.1	2.1	-
<b>Maintenance Capex<sup>1</sup></b>	<b>4.3</b>	<b>7.0</b>	<b>(39%)</b>
<b>Total Cash Flow Capex<sup>2</sup></b>	<b>15.5</b>	<b>14.6</b>	<b>6%</b>
<i>Movement in Capex Creditor</i>	<i>(0.5)</i>	<i>(7.2)</i>	<i>(93%)</i>
<b>Fixed Asset Additions</b>	<b>15.0</b>	<b>7.4</b>	<b>103%</b>

**Total full year capex expected between £35m and £40m**

## Net debt reduced by £11.8m

£m	H1 2024	FY 2023	H1 2023
Bank facilities	80.0	80.0	80.0
Lease facilities	11.5	12.4	12.8
<b>Total facilities</b>	<b>91.5</b>	<b>92.4</b>	<b>92.8</b>
RCF drawn	(56.0)	(59.0)	(63.0)
Cash & cash equivalents	7.4	1.5	5.1
<b>Bank net debt</b>	<b>(48.6)</b>	<b>(57.5)</b>	<b>(57.9)</b>
Non-property lease indebtedness	(6.0)	(8.9)	(11.8)
<b>Non-Property Net Debt<sup>1</sup></b>	<b>(54.6)</b>	<b>(66.4)</b>	<b>(69.7)</b>
<b>Adjusted Leverage<sup>1</sup></b>	<b>1.3x</b>	<b>1.7x</b>	<b>1.8x</b>
<b>Fixed Charge Cover<sup>1</sup></b>	<b>1.8x</b>	<b>1.7x</b>	<b>1.8x</b>

Leverage reduced to 1.3x



# New banking agreement signed June 2024

Combined £90m facility:

- £45m of Term Loan and £45m of RCF
- Maturing in June 2027 (plus two 1-year extension options)

Existing tier 1 banking syndicate remains in place; equal share (HSBC, Barclays, NatWest)

Improved interest terms – min. annual margin of 2.75% (was 2.85%) above SONIA

Quarterly financial covenant tests on Adjusted Leverage<sup>1</sup> and Fixed Charge Cover<sup>1</sup>

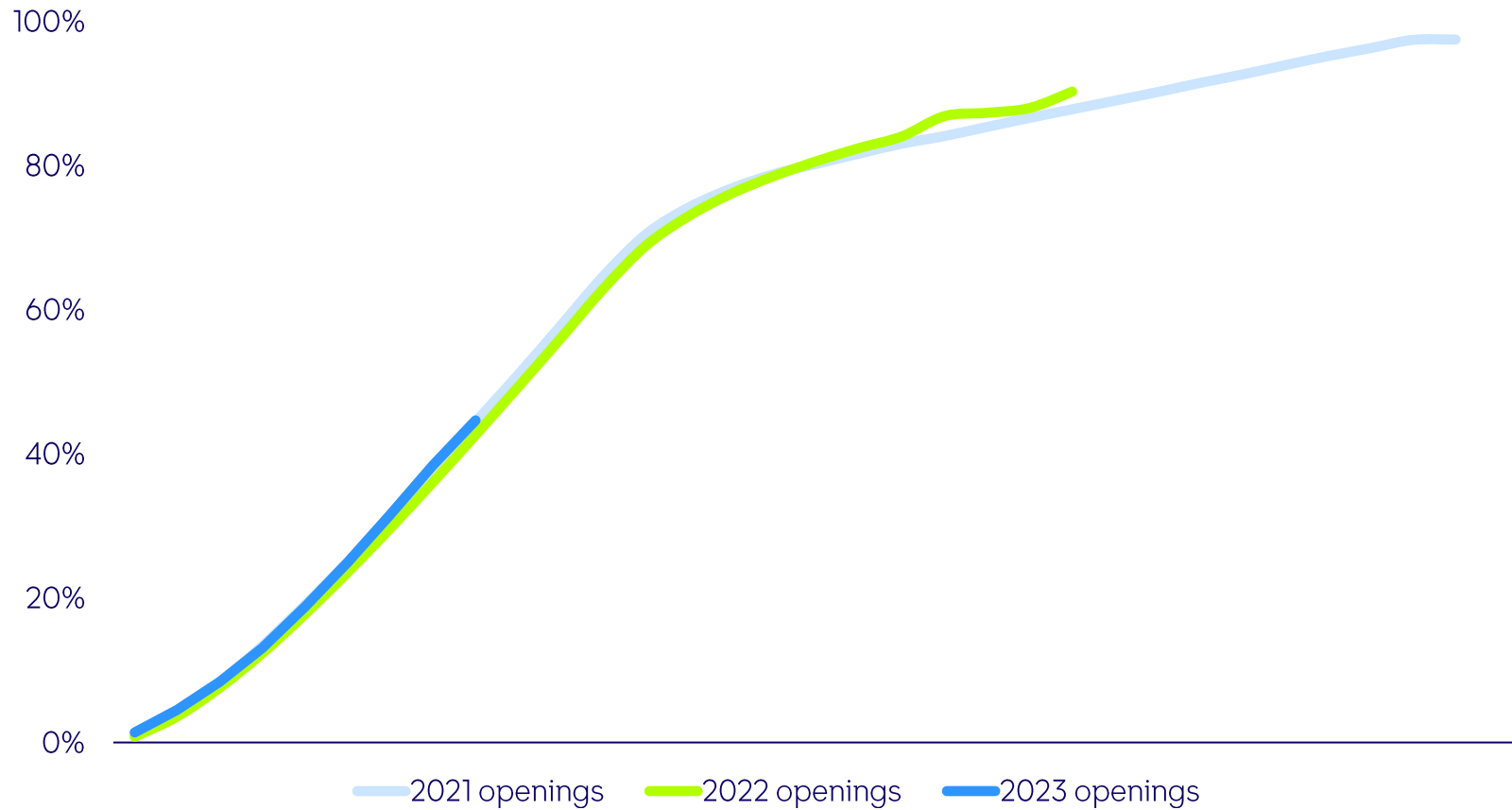
- Adjusted Leverage < 3.0 times
- Fixed Charge Cover > 1.5 times

Terms permit distribution of surplus cashflow to shareholders



# New sites performing well

## Revenue vs mature target



**2021 sites delivering ahead of 30% ROIC**

**2022 sites on track to deliver 30% ROIC**

**2023 sites progressing in line with expectations**

# Current trading & Outlook



## Current trading

- Trading momentum continues in July and August



## Outlook

- Expectation of improved LFL revenue growth of 5-6%
- We now expect to deliver at the top end of recently revised market expectations<sup>1</sup>



## Gym rollout on track

- Opened seven new gyms, four in H1
- On site at two gyms
- On track to deliver 10-12 new openings in 2024 as per guidance

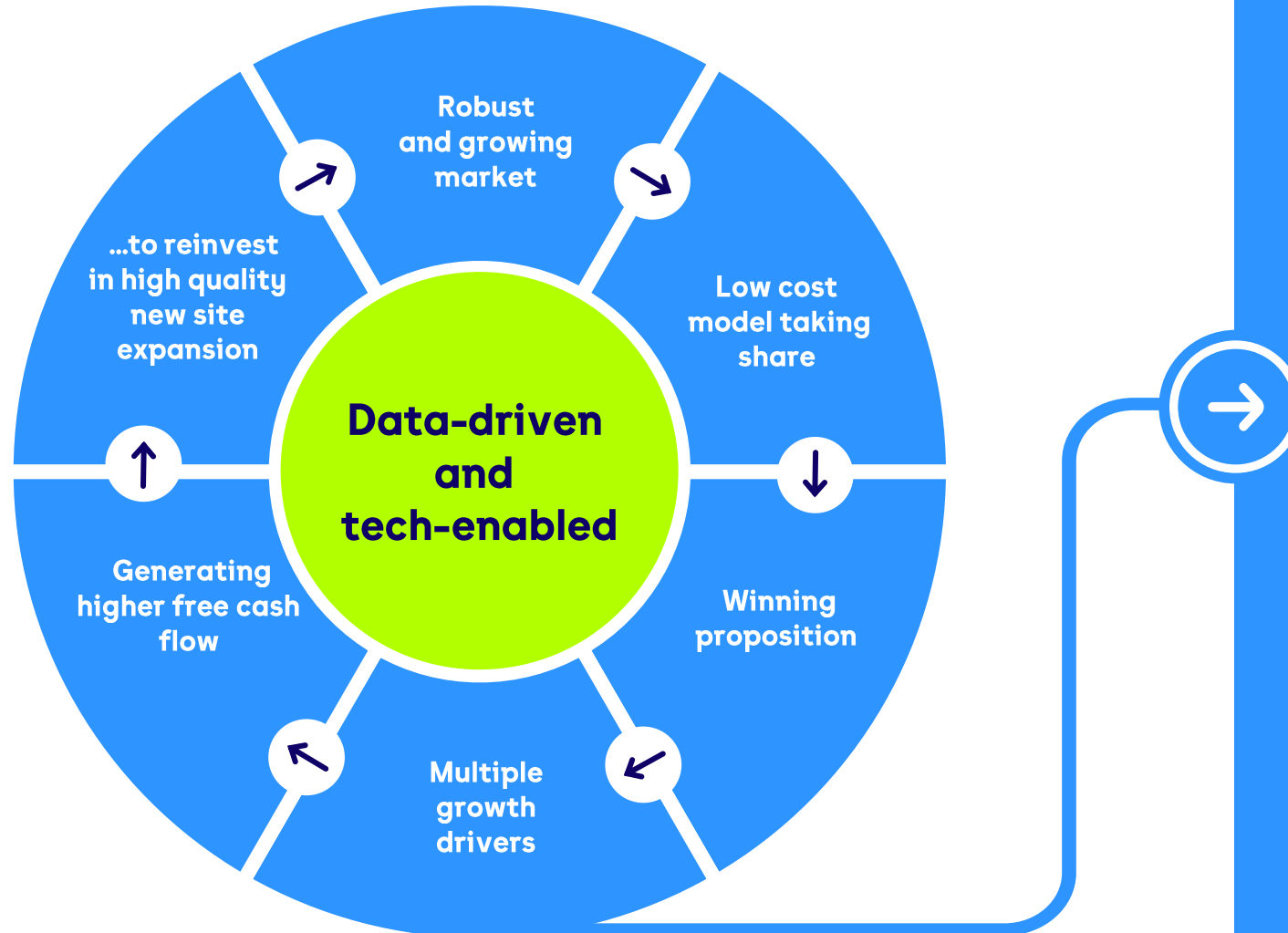




# Next Chapter Strategy – Progress Report

Will Orr  
Chief Executive Officer

# Investment case: sustained growth from free cash flow



**Price** optimisation and yield enhancement

**New customer volume** around existing sites

**Retention** of members for longer

**Quality new sites** in white space

# Strong market growth and low cost sector gaining share

**£5.9bn**  
Market Size

**10.7m**  
Gym Members

**28%**  
Low Cost Share  
(Members)

YoY Growth:

**+10%**

**+4%**

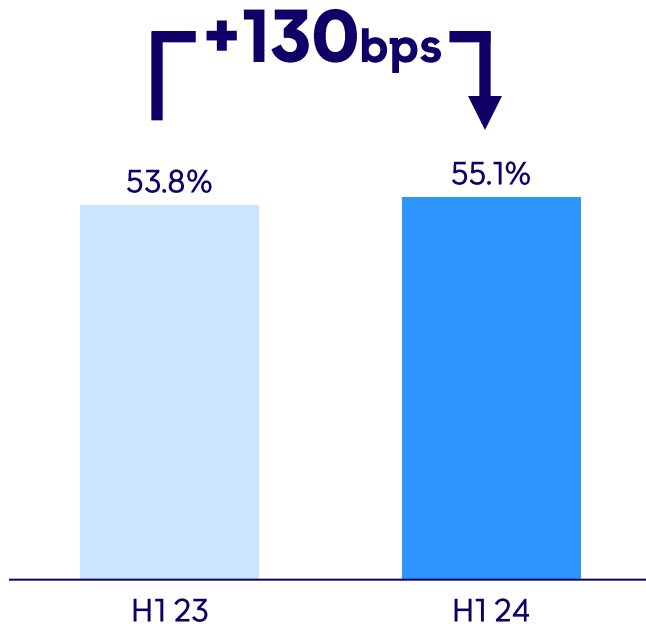
**+1.0 ppts**

**Top 2 operators** – The Gym Group & PureGym –  
now account for **81% of low cost members**

# A winning proposition

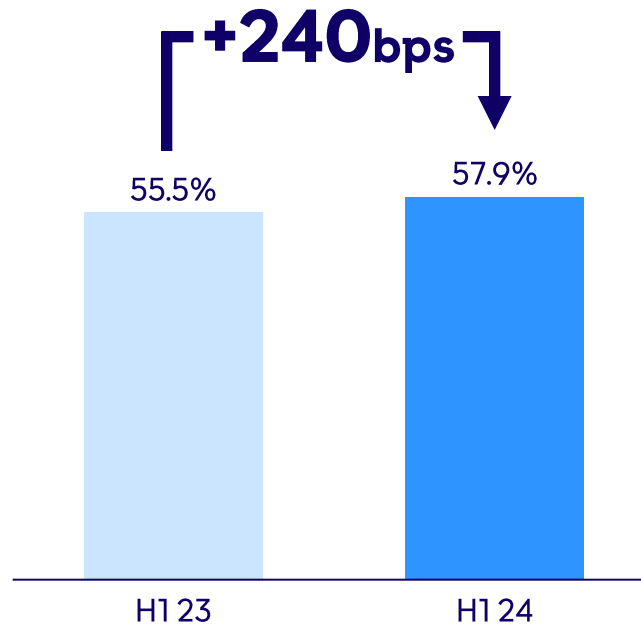
## More members visiting 4x per month

% Members Visiting 4+ Times per Month<sup>1</sup>,  
H1 2023 vs H1 2024



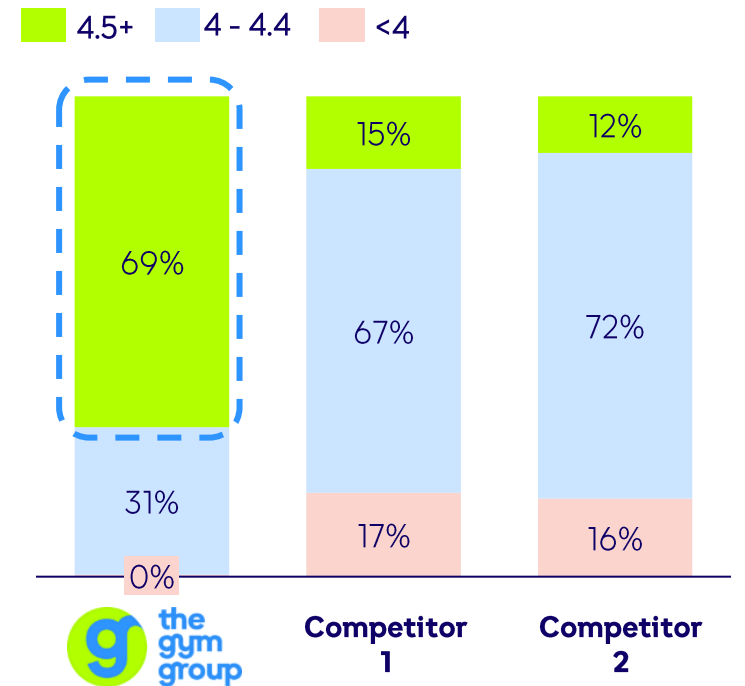
## Higher proportion scoring us 5 / 5

% Member Satisfaction Scoring 5 out of 5<sup>2</sup>,  
H1 2023 vs H1 2024

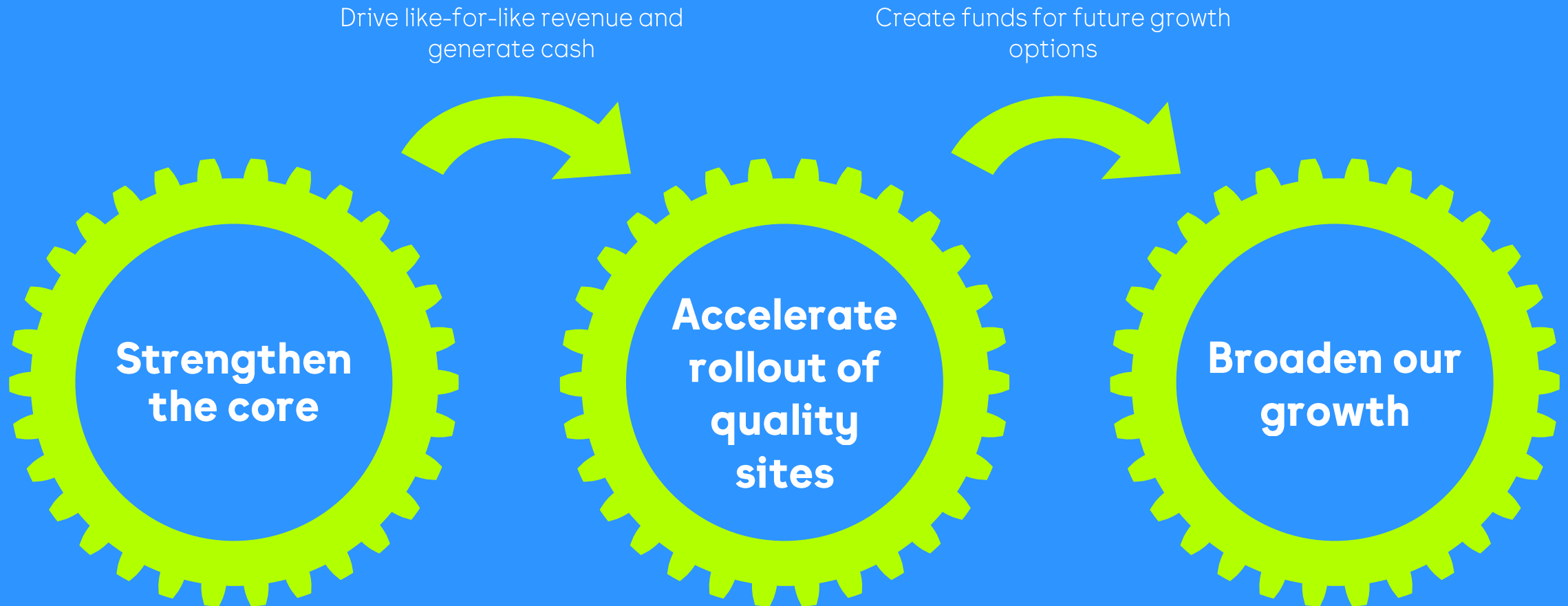


## Leading reviews in low cost sector

Distribution of Average Google Review Scores by  
Gym, August 2024



# A clear plan: The Next Chapter





**Pricing &  
Revenue  
Management**

+ £1 ARPMM =  
**£8.3m** revenue per year  
(adjusted for elasticity)

**Member  
Acquisition**

+ 1% Membership Volume =  
**£3.3m** revenue per year

**Member  
Retention**

+ 1 week tenure =  
**£5.9m** revenue per year

# Price & Promotions initiatives driving revenue

## Key Wins in H1 24

### Continuing to Close the Price Gap

Continued closing the gap in headline rates and joining fees to competitors, with profitability boosted by new 3 tier membership



### Member Repricing

Identified profitable new ways to close the price gap of existing members (350k members)

### Optimising Off-Peak

Improved off-peak pricing at site level to drive incremental volume and reduce cannibalisation - +1-2% revenue in optimised sites



### Promotions Innovation

Several strides developing more profitable promotions – including launch of a new mechanic to drive volume, retention and revenue

## Example – Closing the price gap

**We continue to increase our headline rates, but remain cheaper in competing locations**

Average difference to The Gym Group in competing locations

	Dec 2022	Dec 2023	Jun 2024
 PUREGYM	+£2.35	+£2.06	+£1.86
 JD GYMS	+£2.33	+£2.44	+£2.23

# Optimising mix and effectiveness of promotions

## Mix shifted towards less costly promotions...

Days on Promotion, H1 2023 versus H1 2024



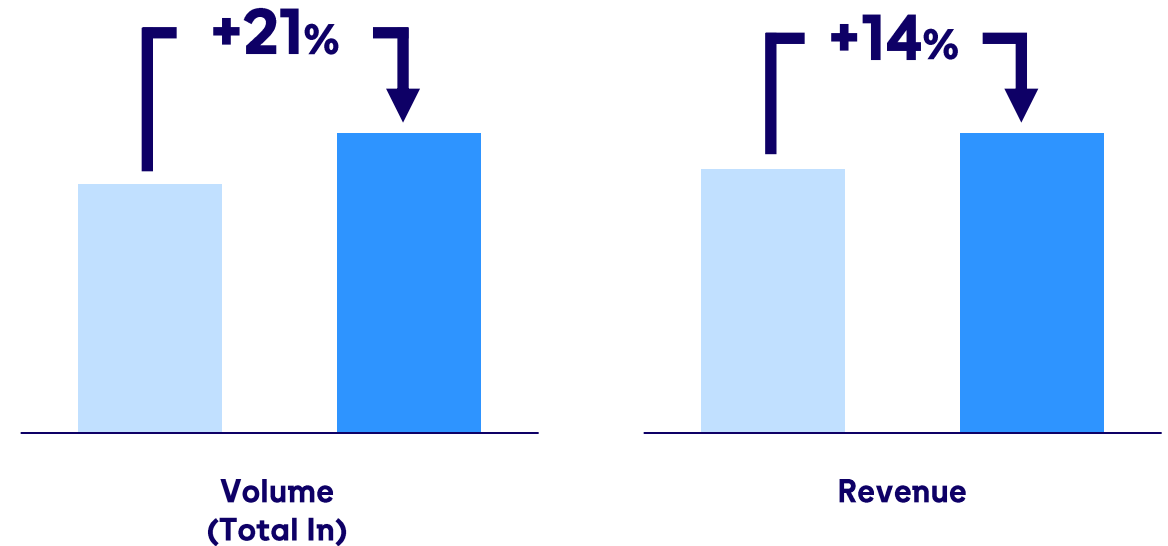
Note:

- Promotion days = number of days in H1 24 vs H1 23 where we ran a main channel promotion of each type
- Month 1 Discount = % discount versus total month 1 headline rate and joining fee at the end of H1-24, based on average site, discount and product mix

## ... and improved effectiveness when deployed

(Example) Volume and Revenue generated during Headline Rate Discount Period – with and without inclusion of Off-Peak Membership

Example: Using off-peak in our regular promotions has been volume and revenue enhancing



■ No Off-peak in Promo ■ With Off-peak in Promo



# Acquisition programme improving marketing returns

## Key Wins in H1 24

### Website Conversion Gains

New A/B testing programme yielding steady stream of incremental improvements – 15 tests in H1



### Dynamic Creative is Live

Recently launched real-time ad-tech creating more relevant ads to viewer location and demographics

### CPA / LTV Optimisation

Testing levels of performance marketing spend to identify opportunities for incremental volume, profit and cost efficiency

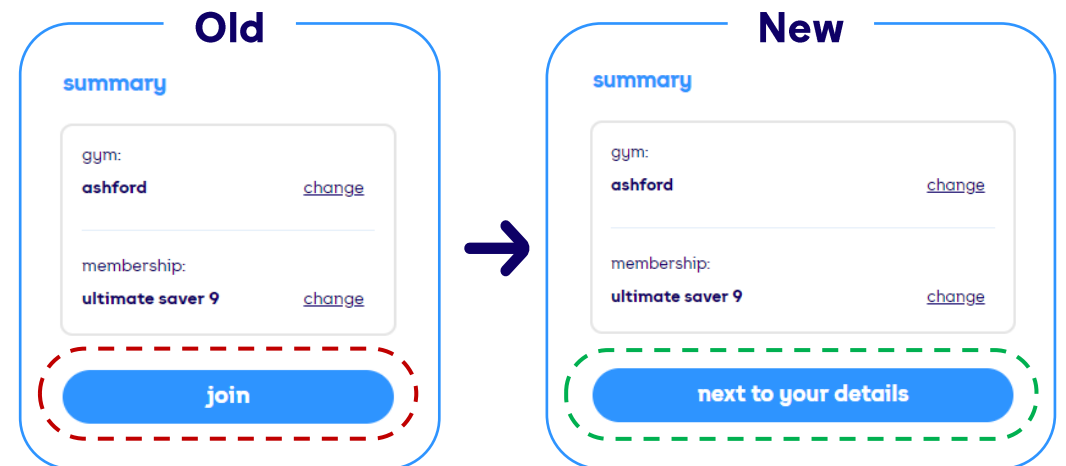
### Winning Brand Locally

Local focus in brand message and media strategy starting to deliver results in key brand metrics around our gyms

## Example – Website Conversion Gains

### Improving language in our join journey driving gains in conversion

Mobile conversion uplift through call-to-action (CTA) optimisation

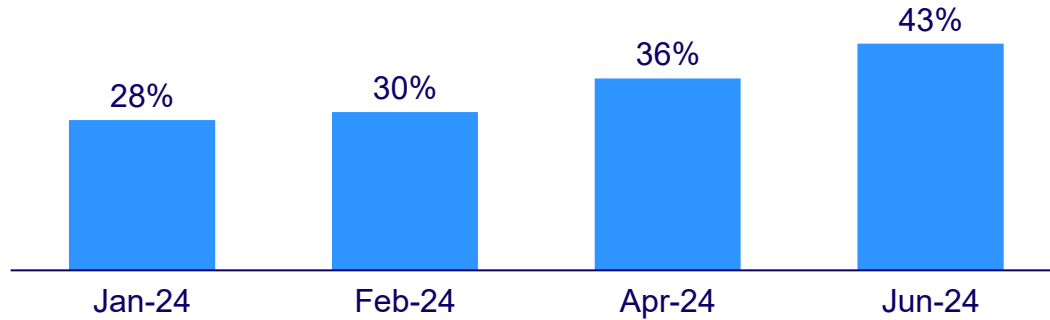


**+33bps**  
in conversion rate

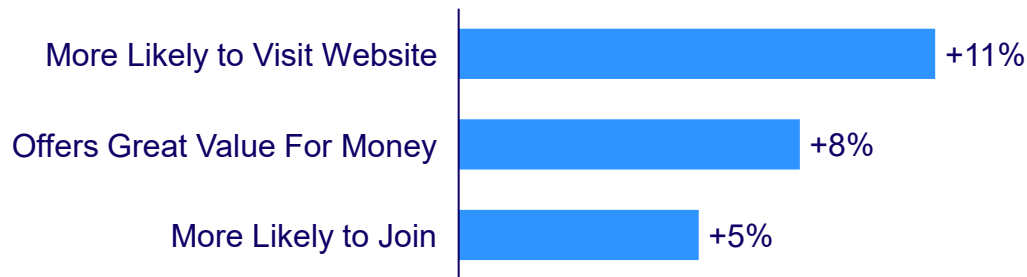
# Marketing focus on ‘winning locally’ showing progress

## Improved local consideration and likelihood to join

Consideration Within 3 miles, % Respondents<sup>1</sup>



Response to Advertising Creatives, Jan-Feb Campaign 2024 vs Sep-Oct Campaign 2023 to Jan/Feb 24<sup>2</sup>



there's a **gym group** round the corner  
 with lots of **top quality** equipment

from just **£13.99** a month\*

**the gym group**  
 \*based on off-peak starting price point

# Improving social media engagement at a local level

Every gym has an Instagram page with consistent messaging delivered locally

## Social Media is an increasingly important channel

### High Reach

80%+ of 18-49 year olds use at least one social media site  
The largest media channel worldwide by ad spend

### High Share of Attention

The average internet user spends 145 minutes a day on social media  
30% more time than they spend watching traditional TV

### Increasingly Influential

47% of Gen Z search via social ahead of a search engine  
90% of users follow at least one brand on social media

### Well Suited to Fitness

Broad relevance drives prominence  
550m hashtags for fitness globally on Instagram

## We are driving reach and engagement in gym-level 'local' social

Instagram Local Gym Pages – Key Reach Metrics, 12m to Jun 24

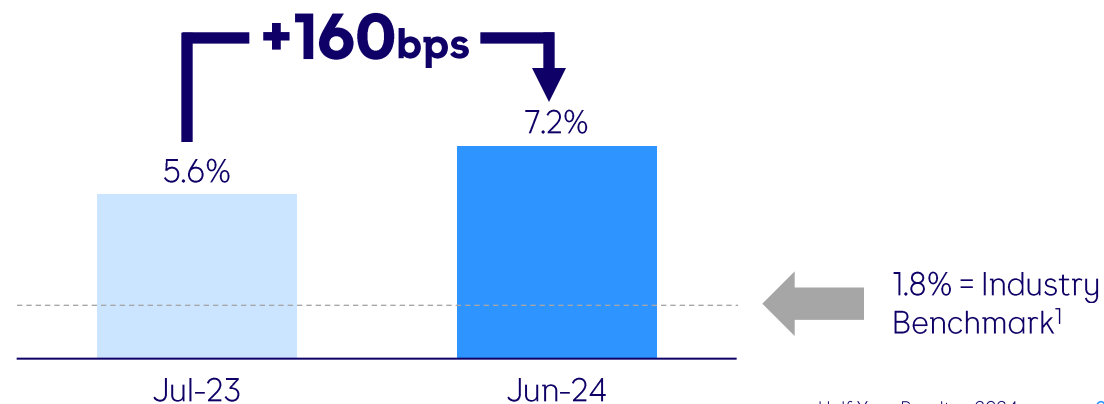
**8.7k**  
Number of posts

**10.6m**  
Unique impressions

**2.4m**  
Profile visits

**+120k**  
New followers

Instagram Local Gym Pages – Average Engagement Rate, Jul 23 vs Jun 24



# Retention programme gaining momentum

## Key Wins in H1 24

### Early Life CRM

Improved early life retention by 3.3% in trial of applying behavioural science to initial email engagement

### App Upgrade

Launched range of new app features to improve on-boarding and making it easier for members to get the most from our gyms

### Acquire to Retain

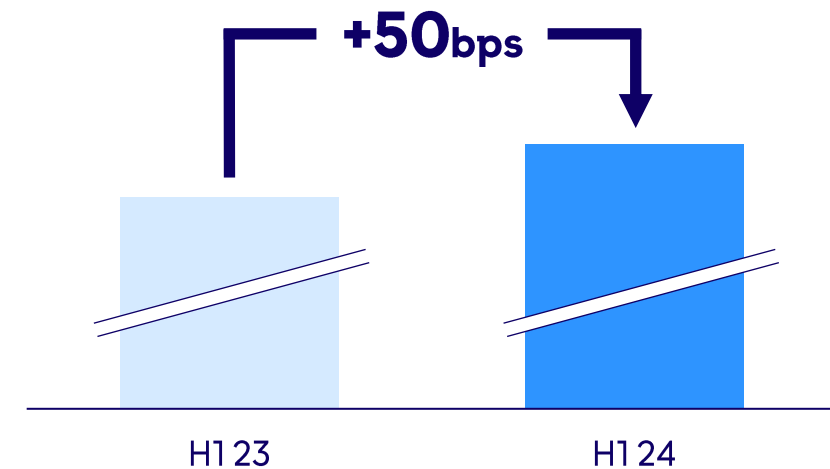
New promotional mechanics deployed to drive retention from the point of acquisition

### Targeting Key Thresholds

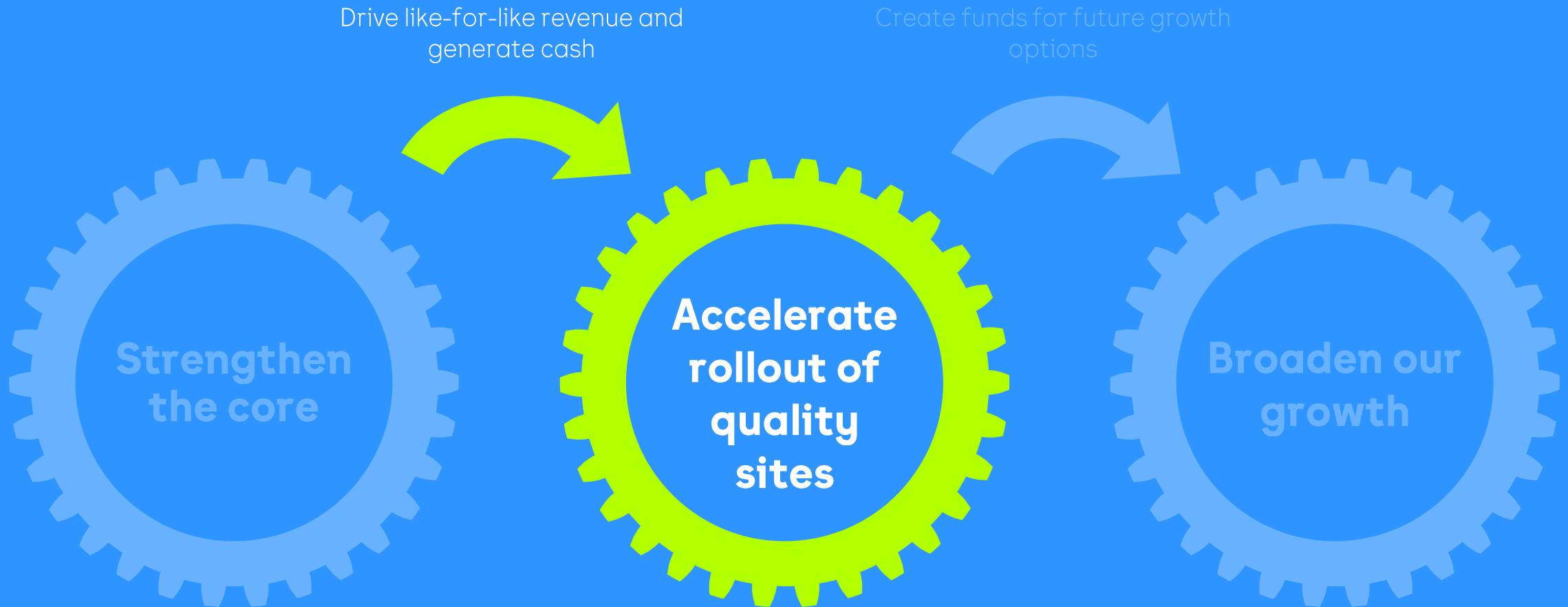
Trial underway to target key early life visit thresholds to build initial habit formation

## We have increased our retention rate in H1 24 vs H1 23

Average % of Members Retained per Month, H1 23 versus H1 24

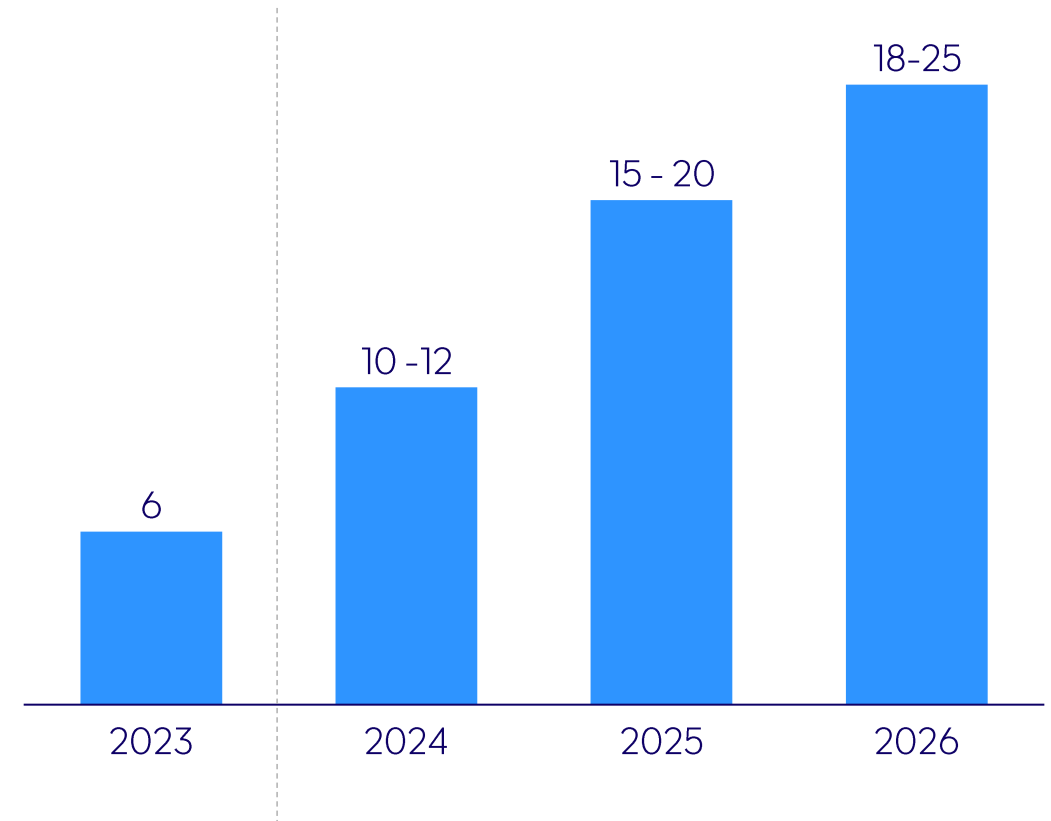


# The Next Chapter





# Accelerating rollout of 30% ROIC sites with proven characteristics


New Site targets by year, 2023 - 2025



 c.50 new sites over 3 years with an average 30% ROIC

 Targeting same characteristics as our 100+ gyms that return 30% or more

 On track to open 10-12 in 2024

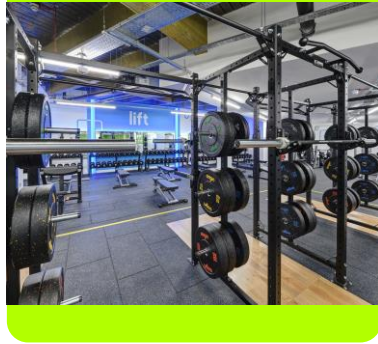
 Savills appointed to strengthen pipeline

# 2024 new sites showing strong initial performance

Orpington  
Greater London



Manchester Oxford Rd  
Urban Residential



Plaistow  
Greater London



Euston  
Greater London



Welwyn Garden City  
Urban Residential



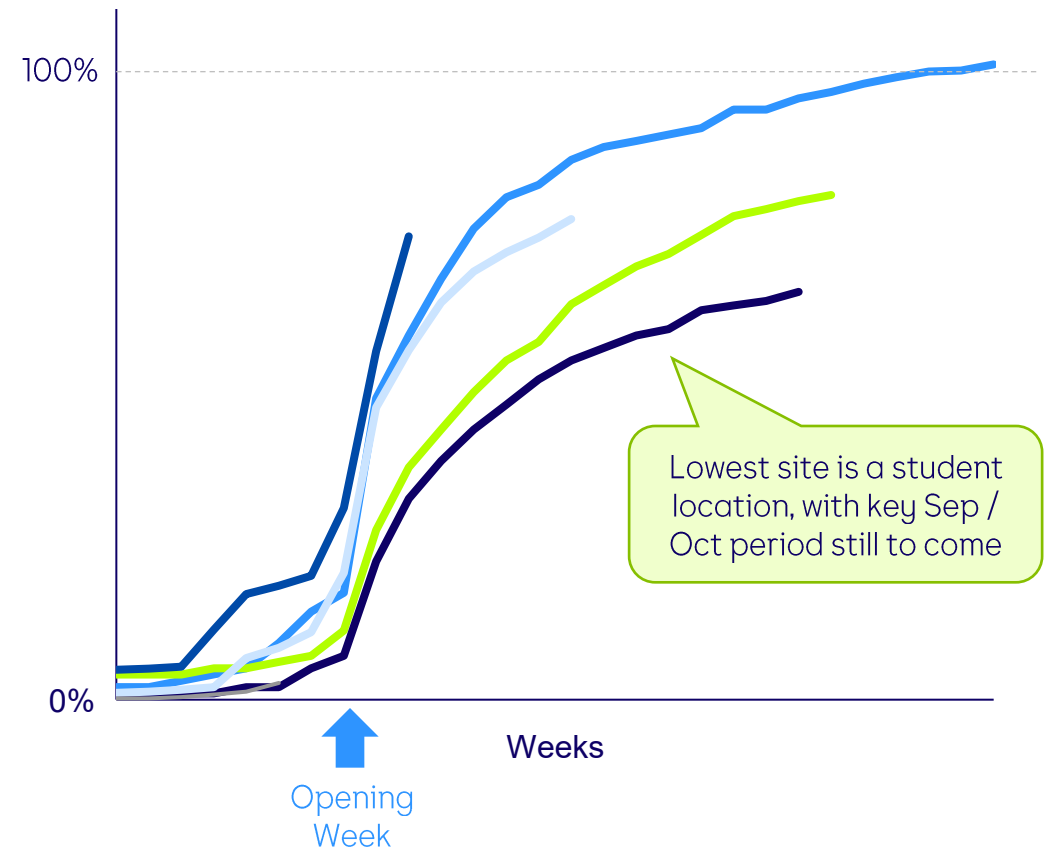
Dudley  
Urban Residential



London East Ham – Open 10 Sep

## All new sites are ahead of our appraisal expectations

2024 New Sites, % of Target Membership by Week to 31 Jul





# Summary

Will Orr

Chief Executive Officer



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## Membership up 4%

to 905k (H1 2023: 867k)

## Yield up 9%

vs H1 2023

## Revenue up 12%

vs H1 2023

LFL<sup>1</sup> up 9%

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## Accelerating new openings

Seven new sites opened to date (four in H1)

## Strategy early wins

Encouraging progress on Next Chapter growth plan to date

**Now expect to deliver full year results at top end of recently revised expectations**

# Q&A



# Appendix

# Appendix - Business KPIs (5 year)

Financial (£m)	H1 2024	H1 2023	H1 2022	H1 2021	H1 2020	YoY
Revenue	112.1	99.8	84.2	29.3	37.3	12%
Group Adj. EBITDA LNR	22.1	17.2	17.0	(8.1)	(8.2)	28%
Free Cash Flow	24.5	14.2	6.9	(4.4)	(5.0)	73%
Expansionary Capital Expenditure	11.2	7.6	15.0	8.7	15.4	47%
Non-Property Net Debt	(54.6)	(69.7)	(57.6)	(60.4)	(29.2)	18%

## Operational

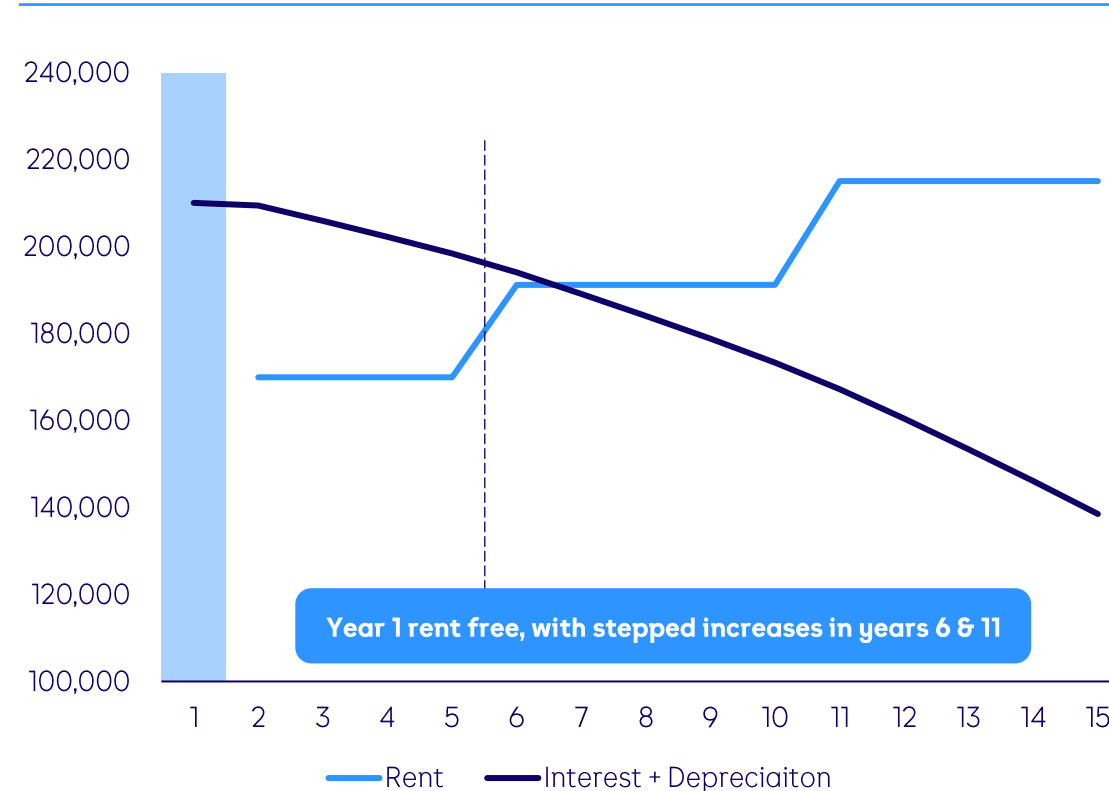
Gyms in operation	237	230	212	187	179	3%
Members at period end ('000)	905	867	790	730	698	4%
Average members ('000)	914	884	810	630	778	3%
Average revenue per member per month (£) <sup>1</sup>	20.44	18.81	17.36	17.61	18.42	9%

# Appendix - IFRS16 charges are currently £3m higher than cash rent

## Depreciation & Interest vs Property Payments

FY 2023	£m
Right of use asset depreciation	25.7
Property lease interest	14.5
<b>Total</b>	<b>40.2</b>
<b>Property lease payment</b>	<b>37.0</b>
Variance	3.2

## IFRS 16 - Annual Charge



**Anticipate IFRS16 charge and cash rent aligning in the next 2-3 years**

# Definition of non-statutory measures

## Average Revenue Per Member Per Month ('ARPM')

Revenue divided by the average number of members divided by the number of months in the period

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## Group Adjusted EBITDA LNR

Operating profit before depreciation, amortisation, share based payments and non-underlying items; less Normalised Rent.

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## Normalised Rent

The contractual rent payable, recognised in the monthly period to which it relates.

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## Adjusted Loss/Profit before Tax

Loss/profit before tax before non-underlying items.

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## Non-Property Net Debt

Bank and non-property lease debt less cash and cash equivalents.

## Brand Metric: Local Consideration

Source: YouGov survey and TGG analysis

Question: When you are next in the market for a gym membership, which of the following brands would you consider?

Base: 4 waves Jan, Feb, Apr, Jun 2024 of 163-185 18-45 year olds living within 3 miles of a TGG gym. Data not collected monthly.

## Maintenance capital expenditure

Costs of replacement gym equipment and premises refurbishment.

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## Free Cash Flow

Group Adjusted EBITDA LNR and movement in working capital, less maintenance capital expenditure, cash non-underlying items, bank and non-property lease interest and tax.

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## Expansionary capital expenditure

Costs of fit-out of new gyms (both organic and acquired), technology projects and other strategic projects. It is stated net of contributions from landlords.

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## Adjusted Leverage / Leverage Ratio

Non-Property Net Debt divided by Group Adjusted EBITDA LNR.

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## Fixed Charge Cover

Group Adjusted EBITDA divided by Finance costs (excluding interest costs on property leases) less Finance income plus Normalised Rent.

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## ROIC

Return on invested capital. Site Adjusted EBITDA LNR divided by initial invested capital less capital contribution and rent free.

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