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

4. **Summary**
   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[1] 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

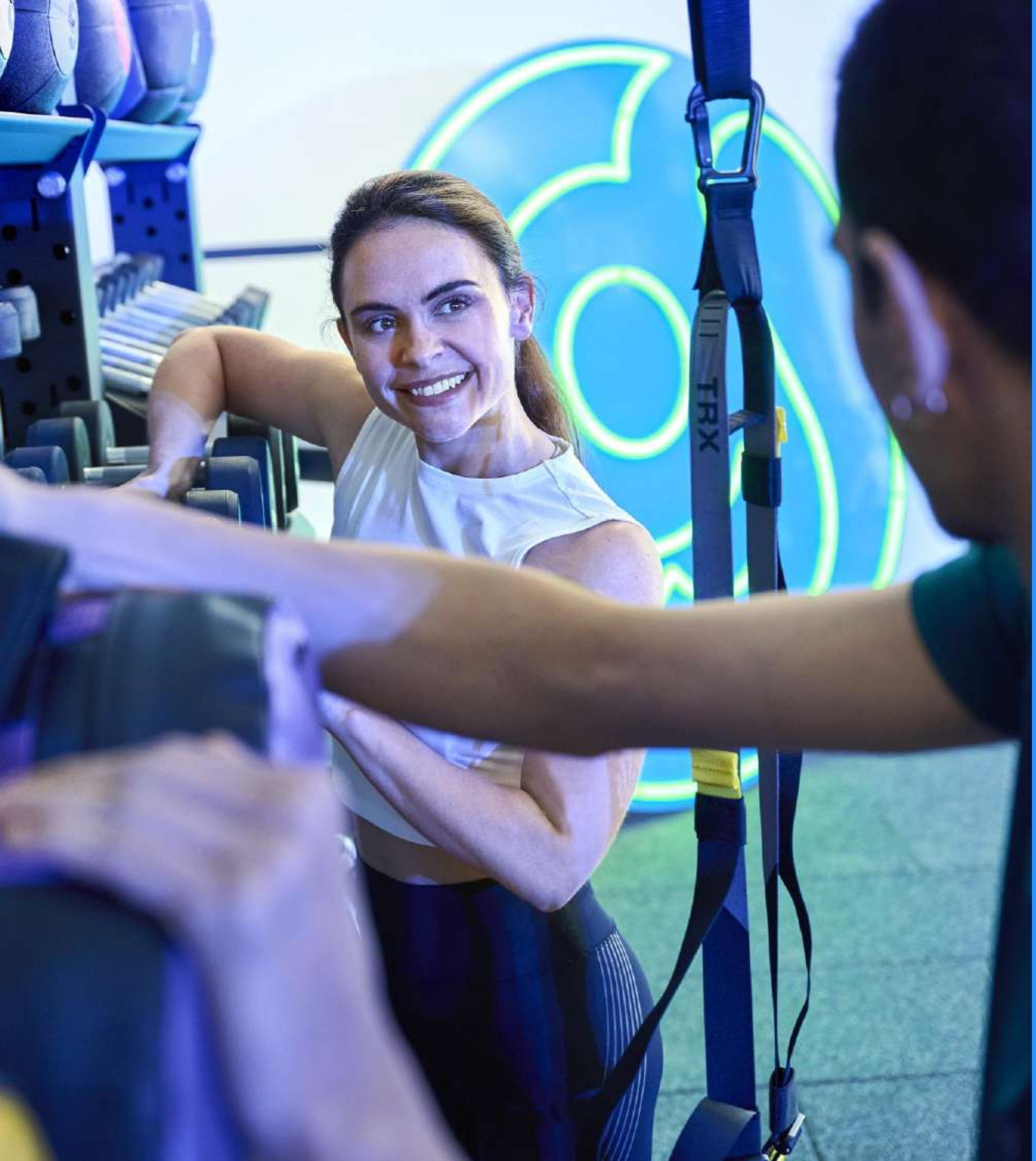
Accelerating new openings

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)

ARPMM[1]
£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[1] (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[1]
£24.5m
+73%
+£10.3m vs PY
(Jun 2023: £14.2m)

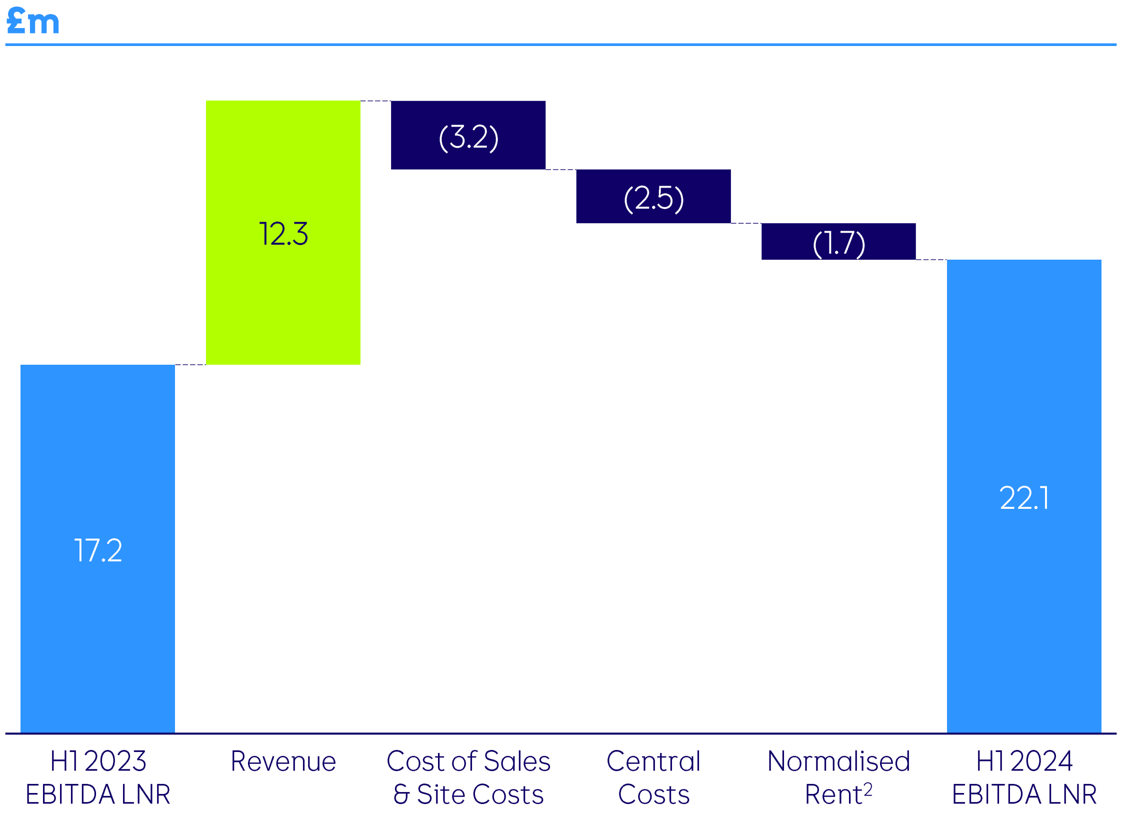
Non-Property Net Debt[1]
£(54.6)m
Reduced by £11.8m
vs Dec 2023
(Dec 2023: £(66.4)m)

Leverage Ratio[1]
1.3x
Reduced by 0.4x
vs Dec 2023
(Dec 2023: 1.7x)

1. Refer to appendix for definitions of non-statutory measures

Group adj. EBITDA LNR[1] 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%)
Gross Profit	**110.6**	**98.4**	**12.2**	**12%**
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[2]	(19.6)	(17.9)	(1.7)	(9%)
Group Adjusted EBITDA LNR	**22.1**	**17.2**	**4.9**	**28%**
EBITDA LNR Margin	*20%*	*17%*	*3pp*	*15%*
Add back Normalised Rent	*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%
Group Adjusted Profit/(Loss) Before Tax	**0.5**	**(5.2)**	**5.7**	**110%**
Total Non-Underlying Items	(0.3)	(0.9)	0.6	70%
Profit/(Loss) Before Tax	**0.2**	**(6.1)**	**6.3**	**104%**

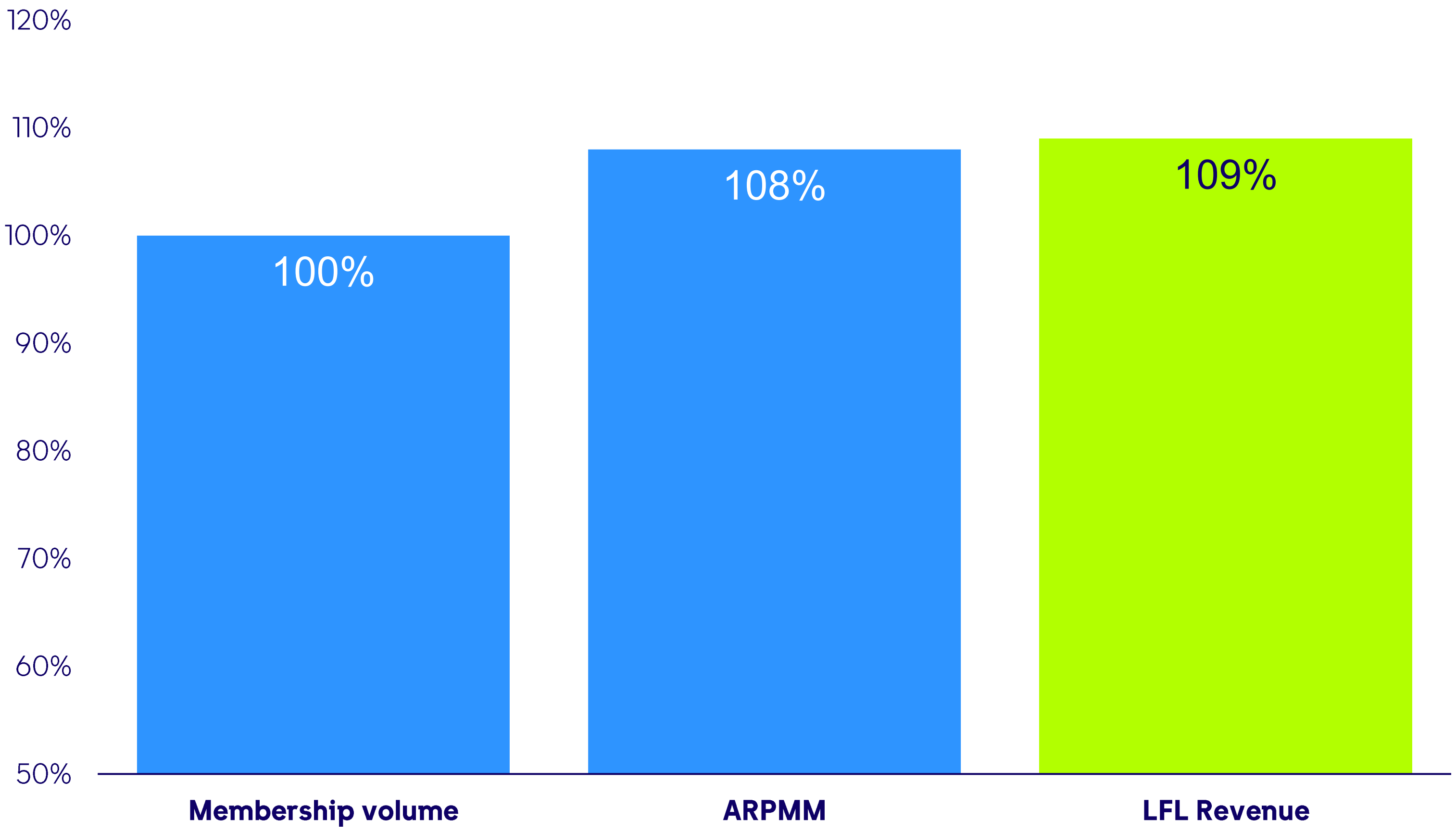


EBITDA growth of 28% driven by strong first half LFL revenue performance

1. Refer to appendix for definitions of non-statutory measures
2. Normalised Rent includes £0.2m in each period which relates to the central office

Strong LFL[1] from ARPMM increase driving growth in mature estate

H1 2024 vs H1 2023



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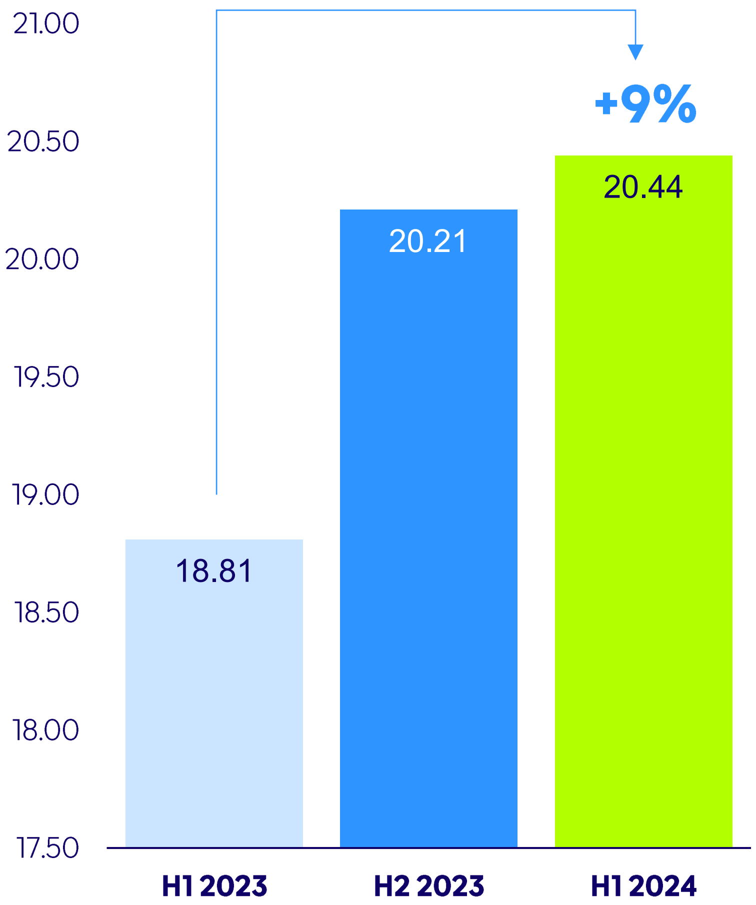
1. Like-for-like revenue vs 2023 includes all sites open as at 31 December 2021

ARPMM growth of 9%

ARPMM (£)



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

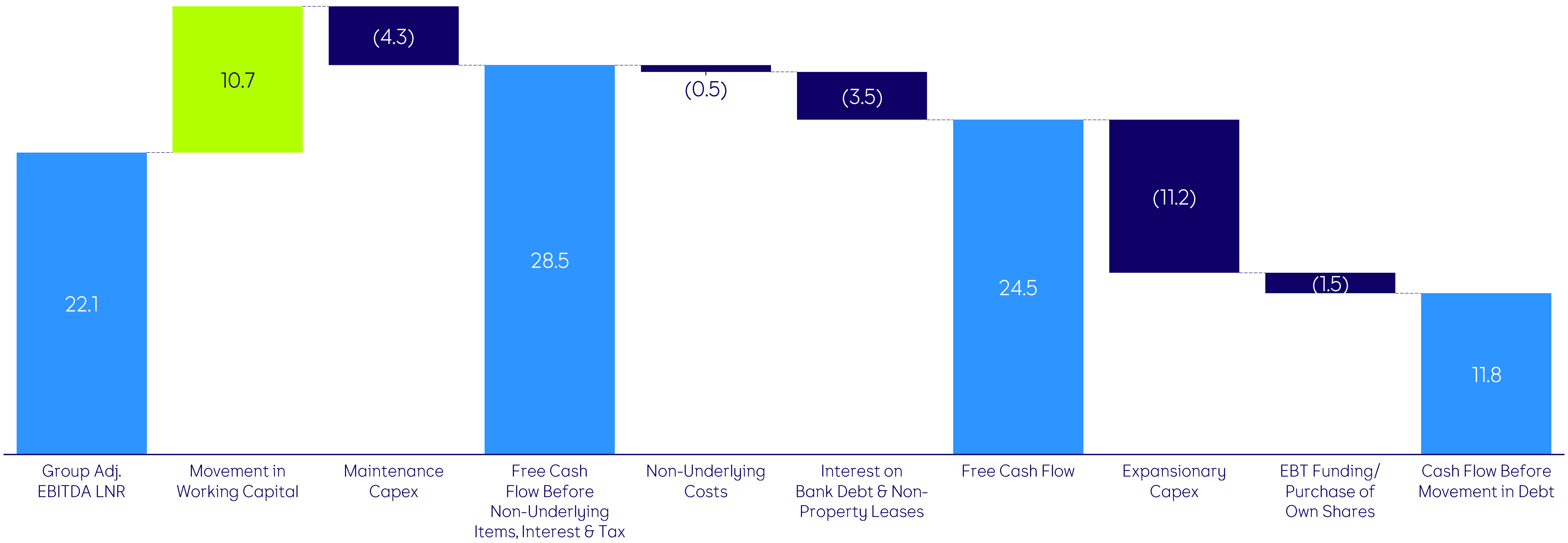
Utilities – rates are starting to normalise, alongside the impact of energy optimisation programmes

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[1] 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	-
Expansionary Capex[1]	**11.2**	**7.6**	**47%**
Enhancement (including leases)	2.2	4.9	(55%)
Other Maintenance	2.1	2.1	-
Maintenance Capex[1]	**4.3**	**7.0**	**(39%)**
Total Cash Flow Capex[2]	**15.5**	**14.6**	**6%**
Movement in Capex Creditor	*(0.5)*	*(7.2)*	*(93%)*
Fixed Asset Additions	**15.0**	**7.4**	**103%**

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

1. Refer to appendix for definitions of non-statutory measures
2. No lease additions in H1 2024

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
Total facilities	**91.5**	**92.4**	**92.8**
RCF drawn	(56.0)	(59.0)	(63.0)
Cash & cash equivalents	7.4	1.5	5.1
Bank net debt	**(48.6)**	**(57.5)**	**(57.9)**
Non-property lease indebtedness	(6.0)	(8.9)	(11.8)
Non-Property Net Debt[1]	**(54.6)**	**(66.4)**	**(69.7)**
Adjusted Leverage[1]	**1.3x**	**1.7x**	**1.8x**
Fixed Charge Cover[1]	**1.8x**	**1.7x**	**1.8x**

Leverage reduced to 1.3x

1. Refer to appendix for definitions of non-statutory measures

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[1] and Fixed Charge Cover[1]

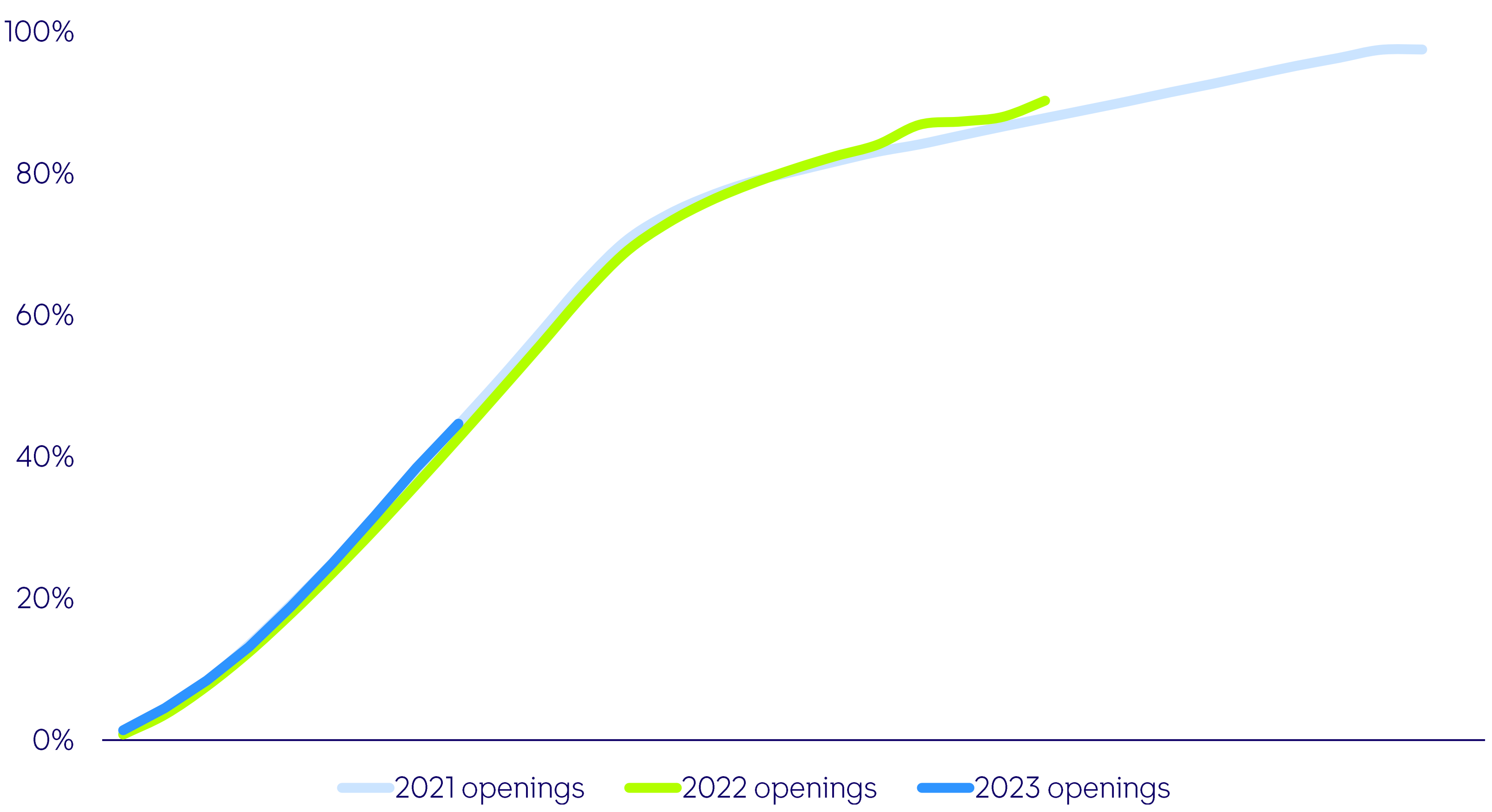
- Adjusted Leverage < 3.0 times
- Fixed Charge Cover > 1.5 times

Terms permit distribution of surplus cashflow to shareholders

1. Refer to appendix for definitions of non-statutory measures

New sites performing well

Revenue vs mature target



Open

2021 sites delivering ahead of 30% ROIC

2022 sites on track to deliver 30% ROIC

2023 sites progressing in line with expectations

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All averages above include a minimum of five open gyms

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[1]

Gym rollout on track

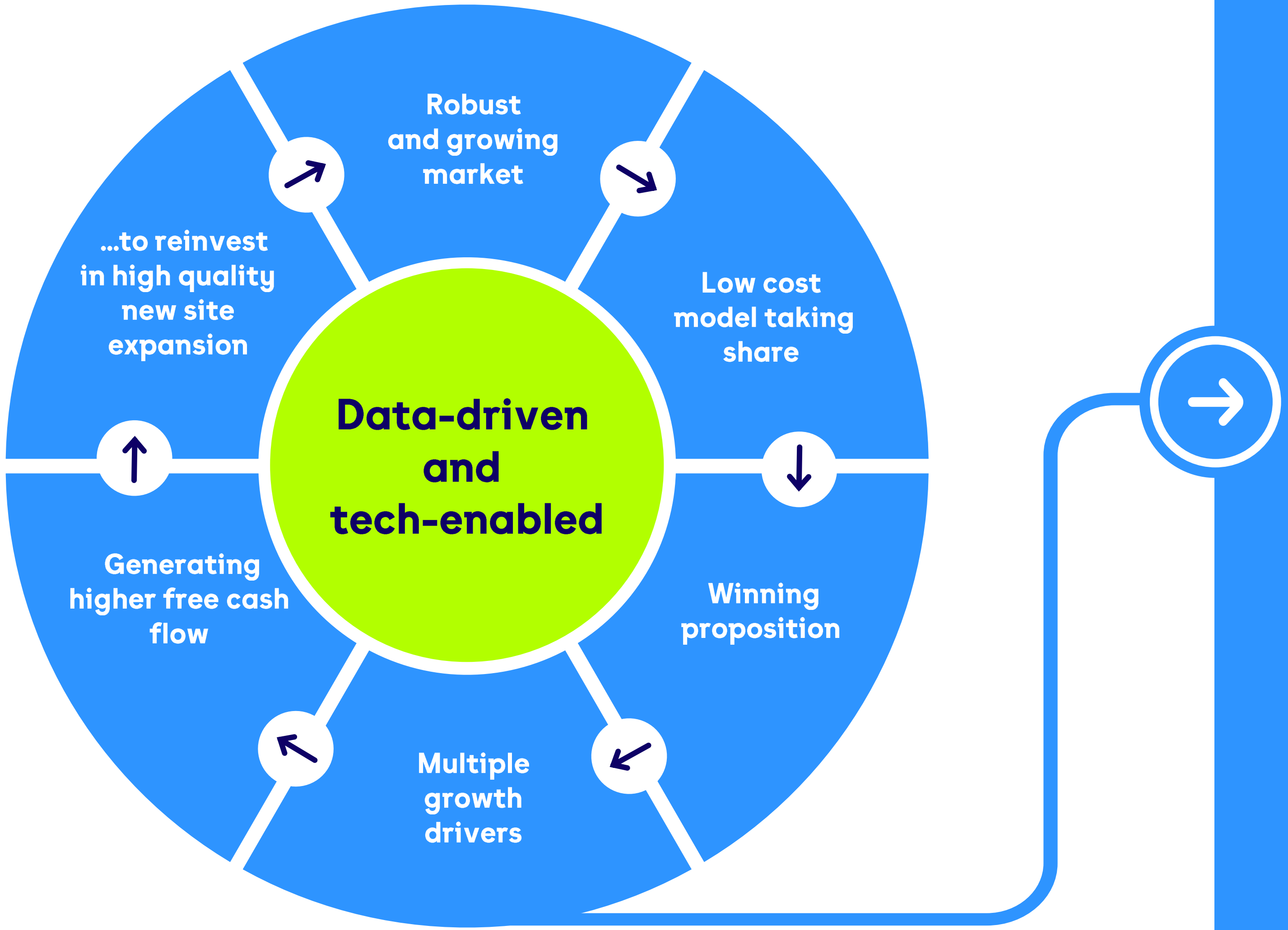
- Opened seven new gyms, four in H1
- On site at two gyms
- On track to deliver 10-12 new openings in 2024 as per guidance

1. Current Company-compiled analyst forecast range for EBITDA Less Normalised Rent is £42.4m-£44m.

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	10.7m	28%
Market Size	Gym Members	Low Cost Share (Members)
YoY Growth: +10%	+4%	+1.0 ppts

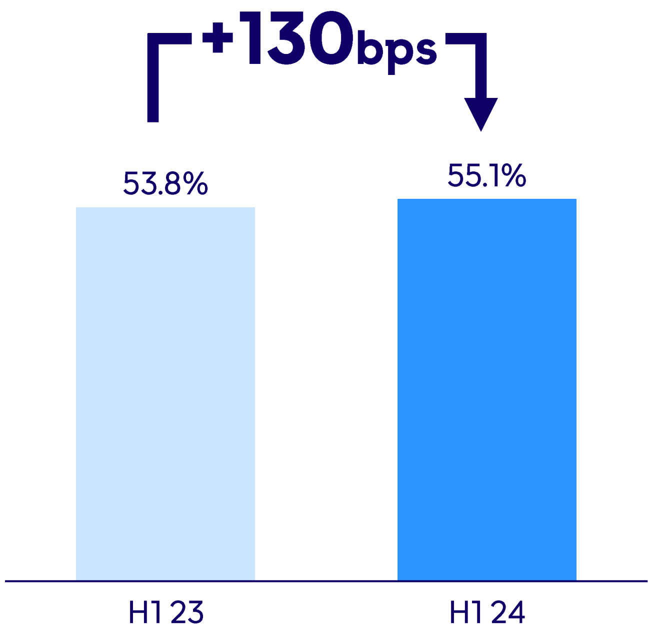
Top 2 operators – The Gym Group & PureGym – now account for **81% of low cost members**

Source: Leisure DB State of the UK Fitness Industry Report 2024, TGG analysis

A winning proposition

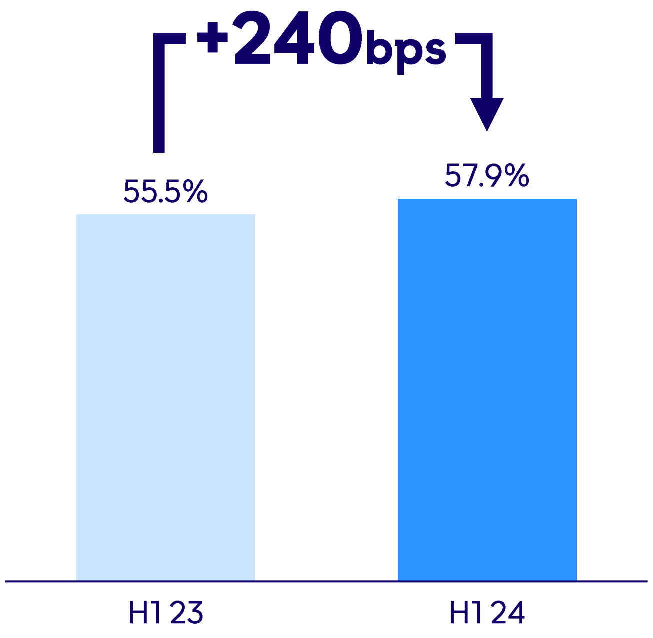
More members visiting 4x per month

% Members Visiting 4+ Times per Month[1], H1 2023 vs H1 2024



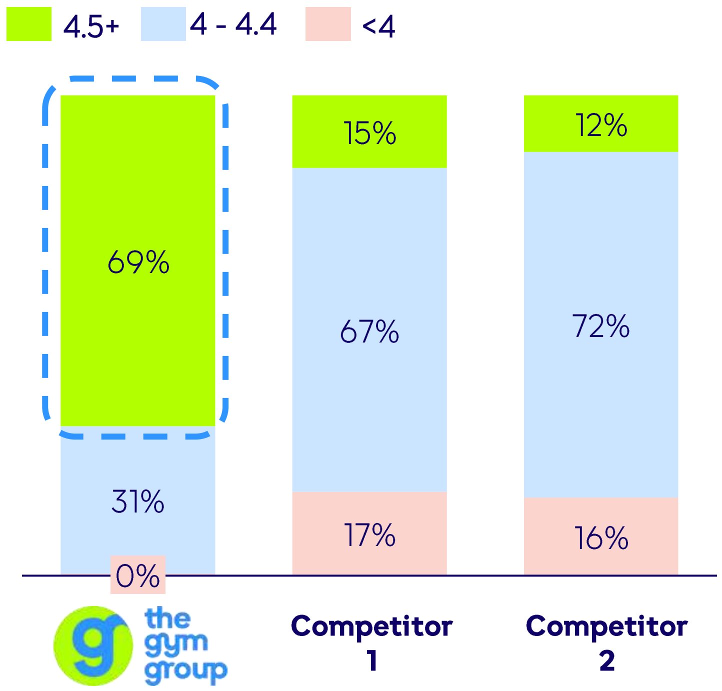
Higher proportion scoring us 5 / 5

% Member Satisfaction Scoring 5 out of 5[2], H1 2023 vs H1 2024



Leading reviews in low cost sector

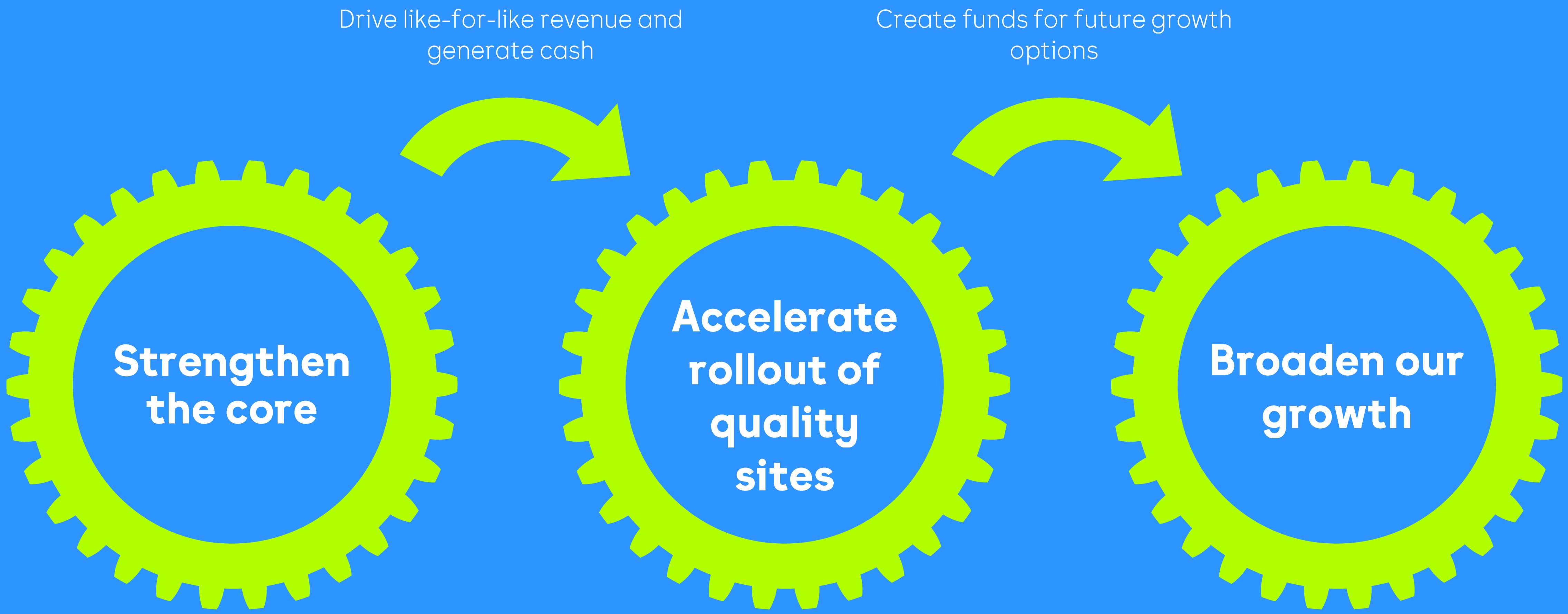
Distribution of Average Google Review Scores by Gym, August 2024



1. For comparability, visits data based on LFL pre-2021 sites, monthly products only, Excludes freeze and partial month members
2. Member satisfaction based on LFL pre-2021 sites and excludes June 2024 (switching survey provider)

Source: TGG visit data, TGG member satisfaction survey, Google

A clear plan: The Next Chapter



Strengthen the core

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

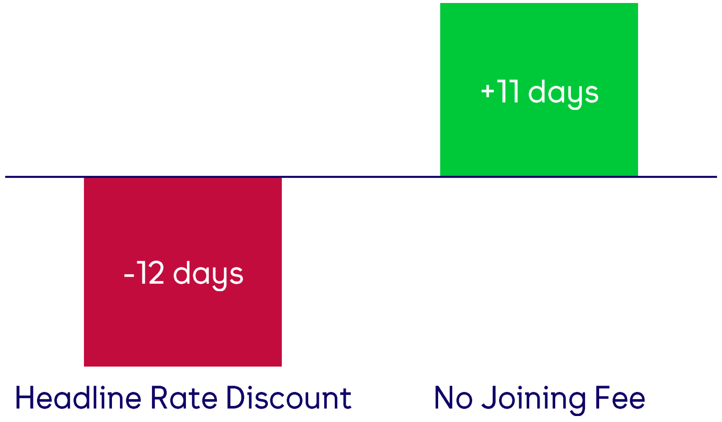
Average difference to The Gym Group in competing locations

	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



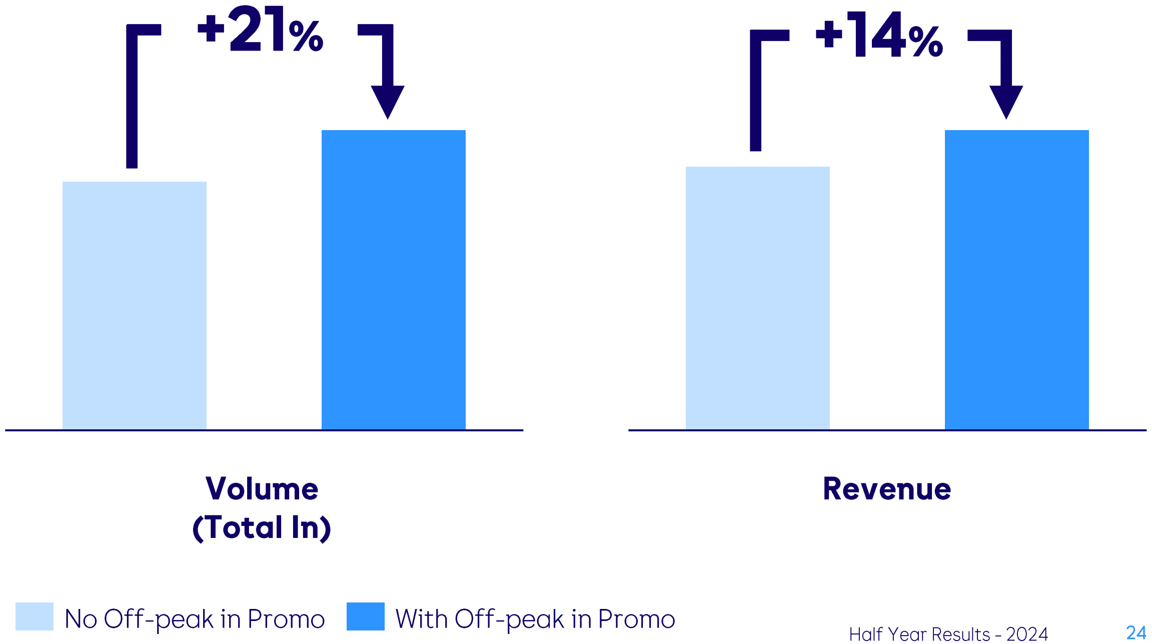
	Headline Rate Discount	No Joining Fee
Month 1 Discount: (approx.)	**-65%** **(£22)**	**-35%** **(£11.50)**

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 Headine 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



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

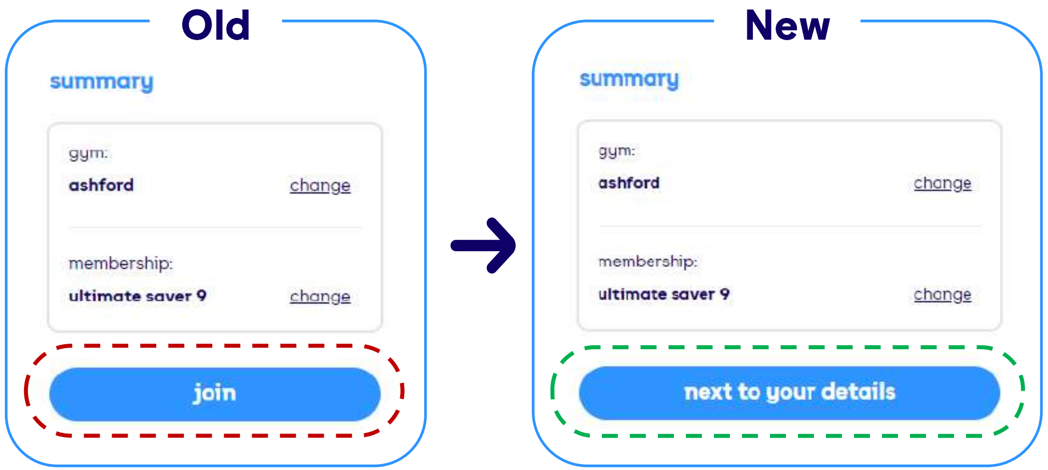
CPA / LTV Optimisation
Testing levels of performance marketing spend to identify opportunities for incremental volume, profit and cost efficiency

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

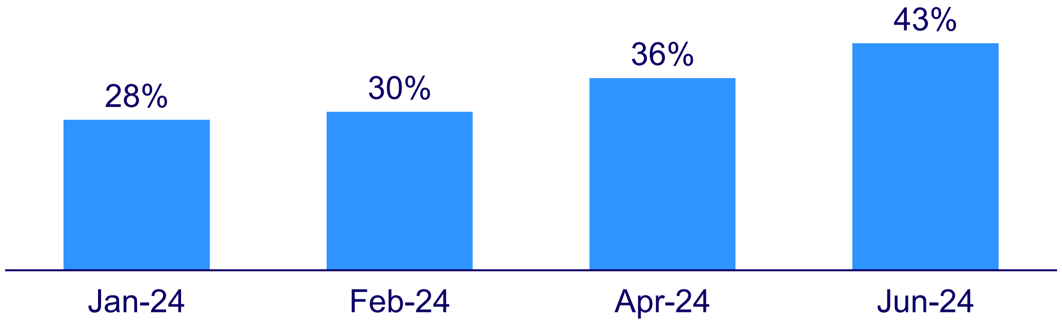


+33bps
in conversion rate

Marketing focus on 'winning locally' showing progress

Improved local consideration and likelihood to join

Consideration Within 3 miles, % Respondents[1]



Response to Advertising Creatives, Jan-Feb Campaign 2024 vs Sep-Oct Campaign 2023 to Jan/Feb 24[2]

1. Source: YouGov. % 18-45 y/o current / previous gym goers within 3m of a TGG gym (calculated by TGG). Data not collected monthly.
2. Source: The Nursery: 16-49 y/o potential gym goers within 10m of TGG gym

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

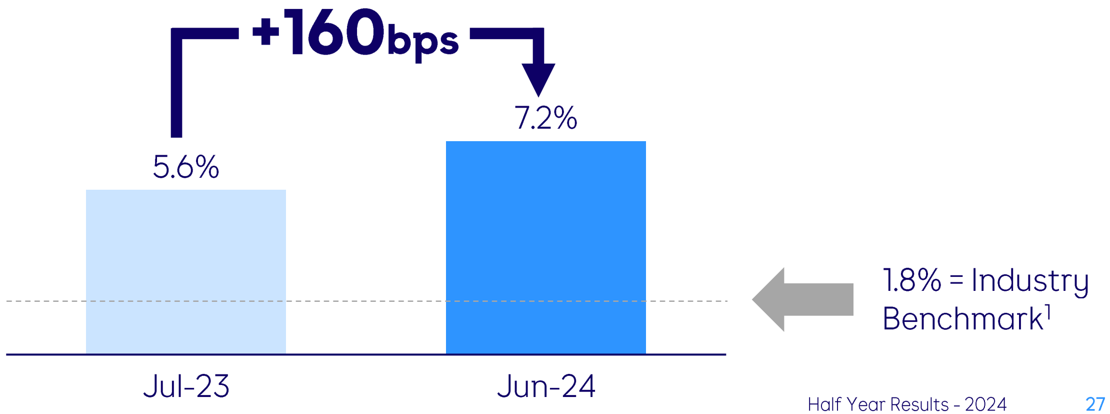
8.7k
Number of posts

10.6m
Unique impressions

2.4m
Profile visits

+120k
New followers

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



1. Overall Health & Wellness benchmark, Jun 24

Source: Mintel, Forbes, WARC Media

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

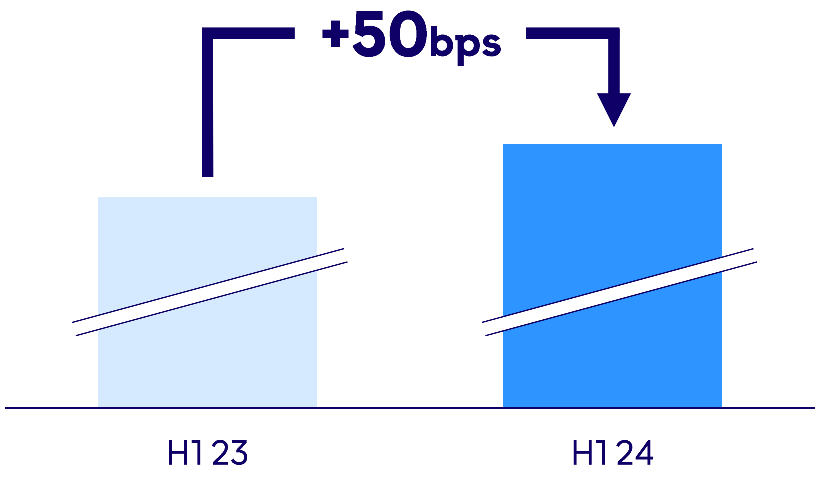
New promotional mechanics deployed to drive retention from the point of acquisition

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

Drive like-for-like revenue and generate cash

Create funds for future growth options

Strengthen the core

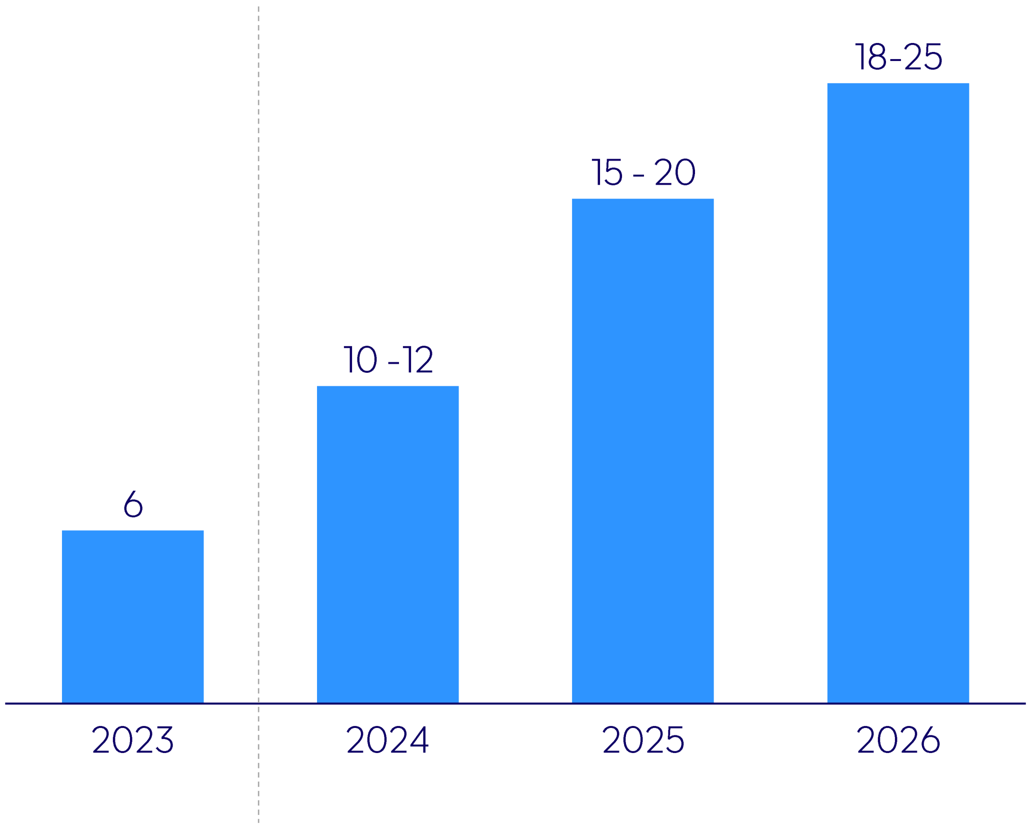
Accelerate rollout of quality sites

Broaden our growth

Accelerating rollout of 30% ROIC sites with proven characteristics

- 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

New Site targets by year, 2023 - 2025



2024 new sites showing strong initial performance

Orpington
Greater London

Manchester Oxford Rd
Urban Residential

Plaistow
Greater London

Euston
Greater London

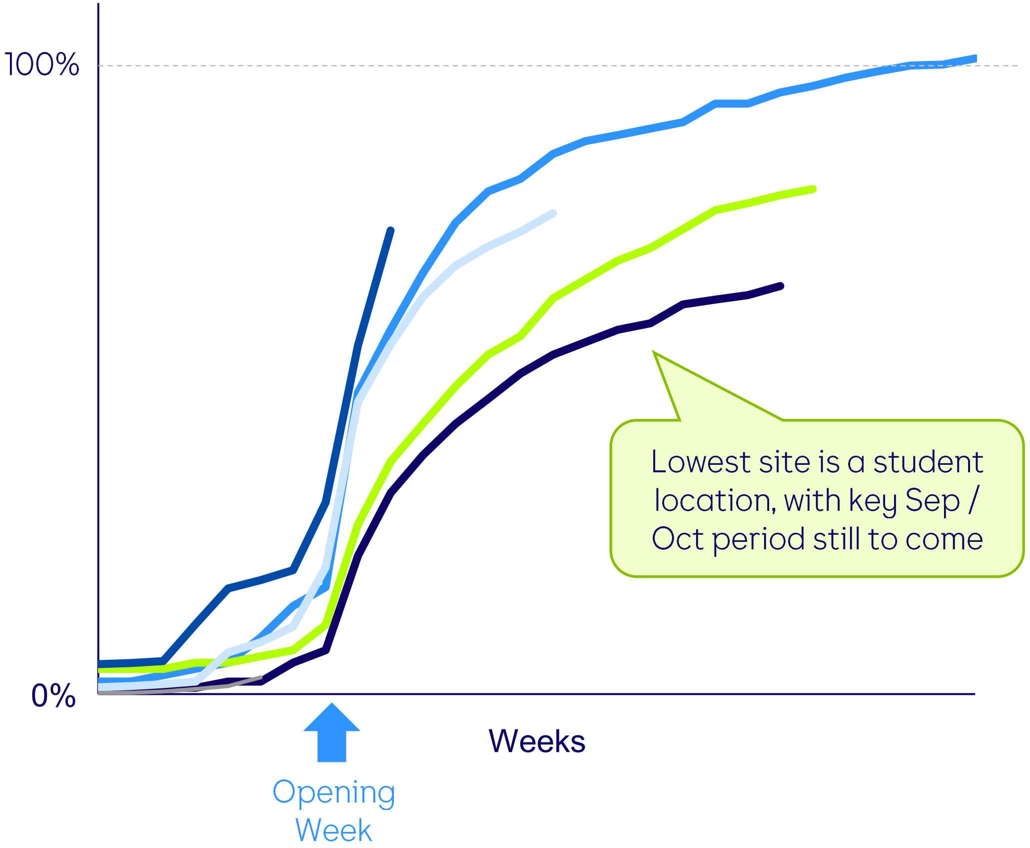
Welwyn Garden City
Urban Residential

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



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Summary

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Chief Executive Officer

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vs H1 2023

Revenue up 12%
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Accelerating new openings

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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

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

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 (£) [1]	20.44	18.81	17.36	17.61	18.42	9%

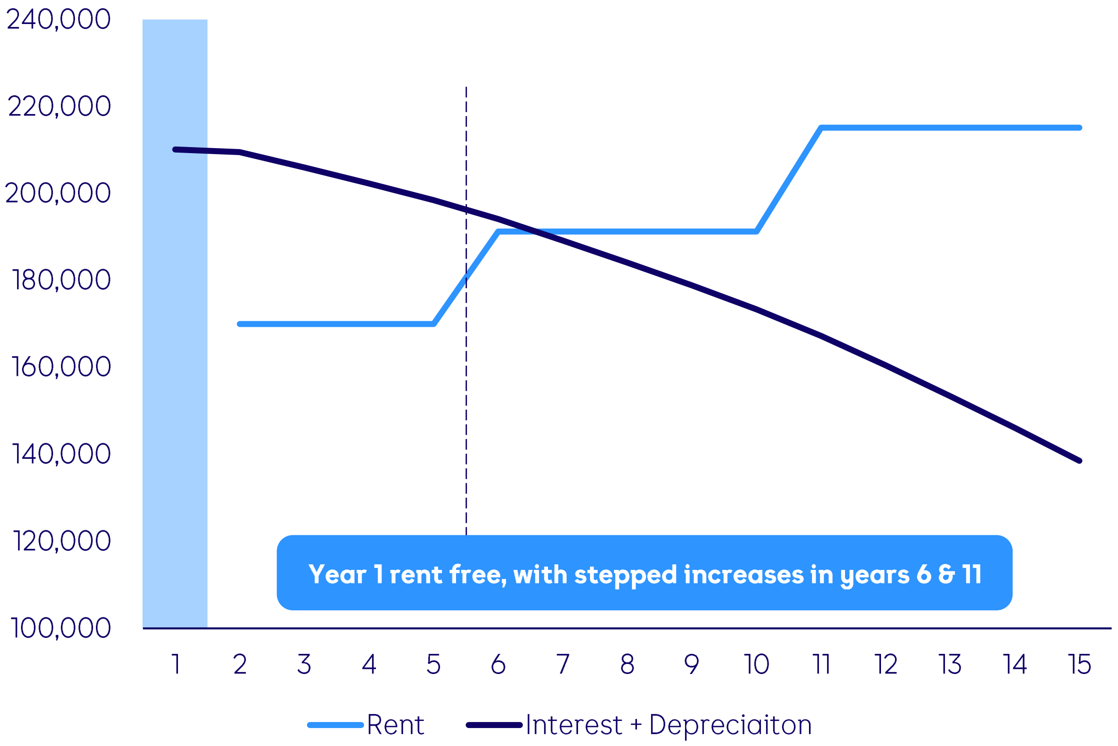
1. Average revenue per member per month is calculated as revenue divided by the average number of members divided by the number of months in the period

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
Total	**40.2**
Property lease payment	**37.0**
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 (‘ARPMM’)
Revenue divided by the average number of members divided by the number of months in the period

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

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

Adjusted Loss/Profit before Tax
Loss/profit before tax before non-underlying items.

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.

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.

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.

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

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

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

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These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are several factors which could cause actual results or development s to differ materially from those expressed or implied by these forward-looking statements. Any of the assumptions underlying these forward-looking statements could prove inaccurate or incorrect and therefore any results contemplated in the forward-looking statements may not actually be achieved.

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