



Full Year Results

16 March 2023



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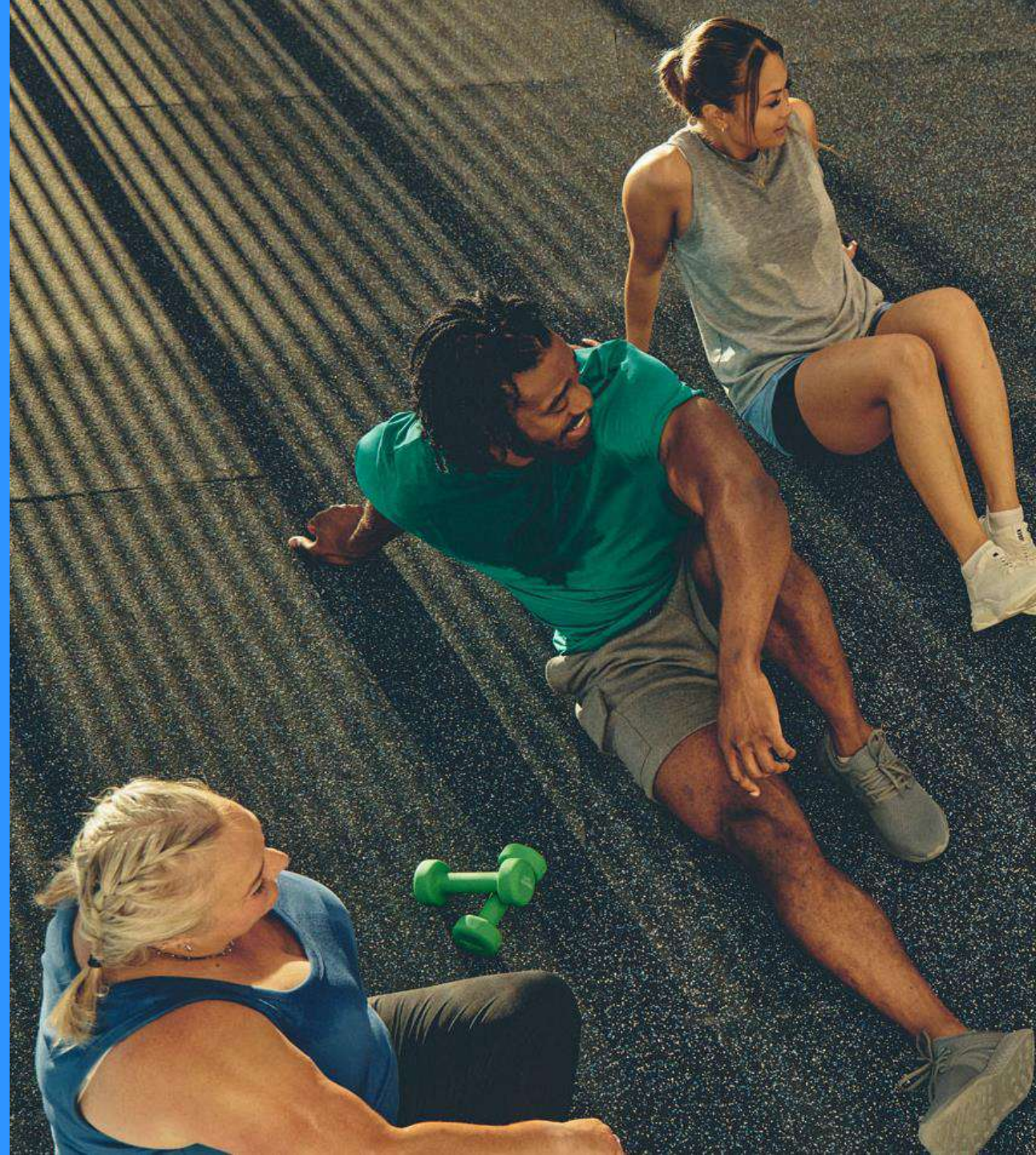
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Introduction

John Treharne
Chair of the Board



Introduction



01.

Year in review

- Post pandemic recovery – full year of sales delivering £38m of EBITDA LNR¹
- 28 new openings – highest ever in a single year
- Brand transformation completed
- New digital platform launched
- First carbon neutral gym chain in the UK

02.

Current year outlook

- Macroeconomic challenges
 - Consumer cost-of-living pressures and high utility cost inflation
- Revenue increases broadly offset by cost increases

03.

Medium term

- Continued yield optimisation
- Significant headroom for new site growth

2022 Highlights

229

Open sites

2021: 202

14%

Membership growth

2022: 821k 2021: 718k

+4%

ARPM¹ growth

H2 2022: £18.30

H2 2021: £17.60

£38.0m

EBITDA LNR²

2021: £5.7m

200

New Fiit classes

12%

**Increase to visits
per member³**

£3.3m

**Social value
generated per site⁴**

1st

**Carbon neutral
gym chain in the UK**

¹Average Revenue per Member per Month – calculated as total revenue divided by the average membership in the period

²Refer to appendix for definitions of non-statutory measures

³Increase in visits per member since 2019

⁴Total social value of £756m in 2022 divided by open sites at 31 December 2022



the
gym
group

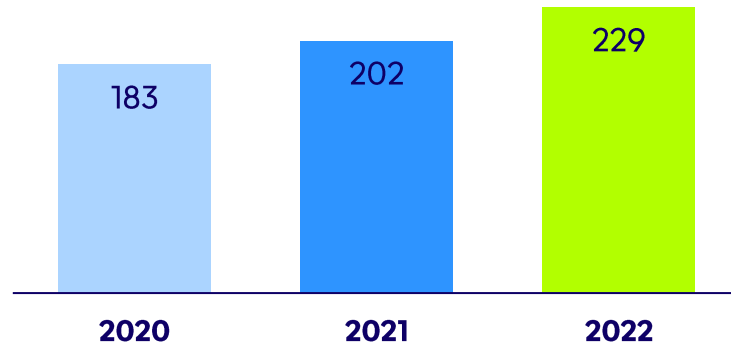
Financial update

Luke Tait

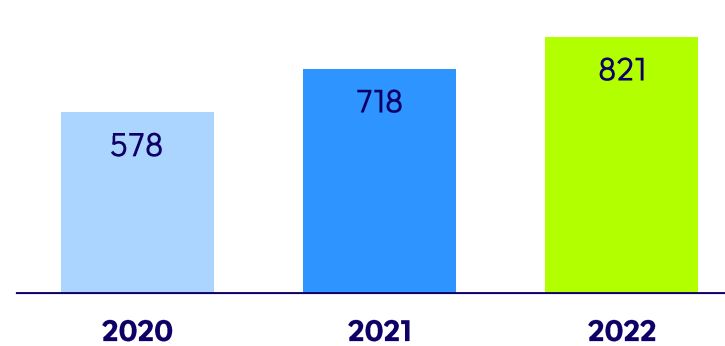
Chief Financial Officer

Financial summary

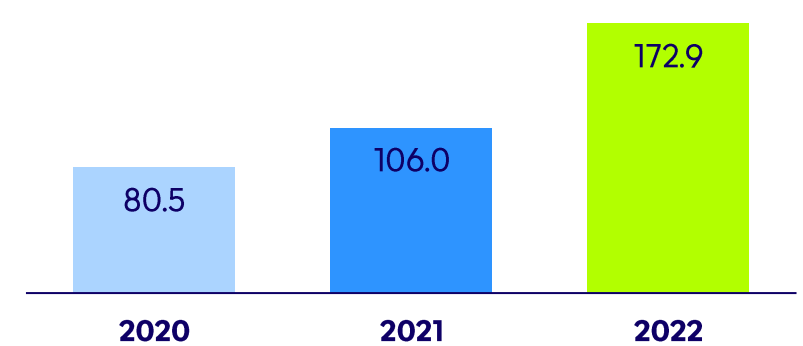
Gyms



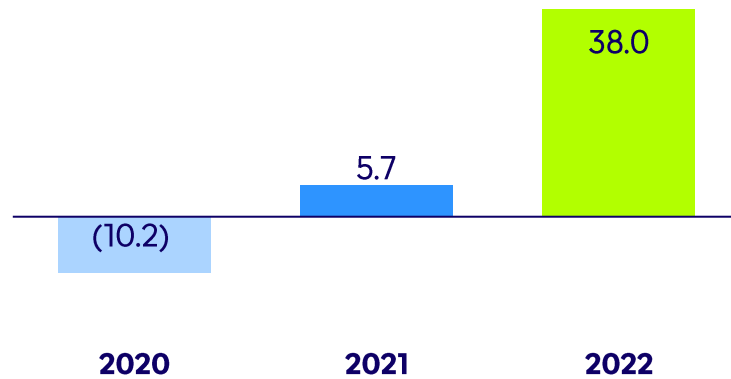
Closing Membership (k)



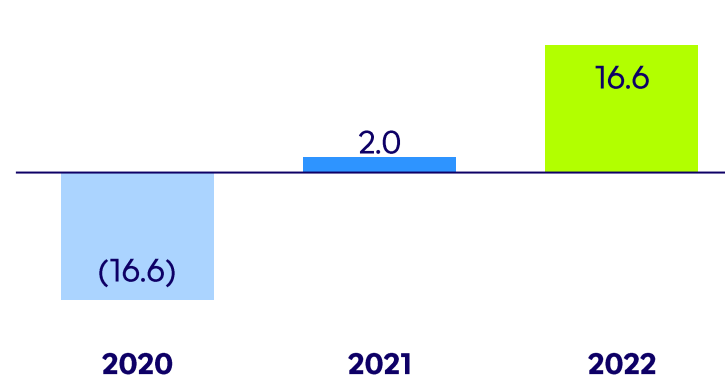
Revenue (£m)



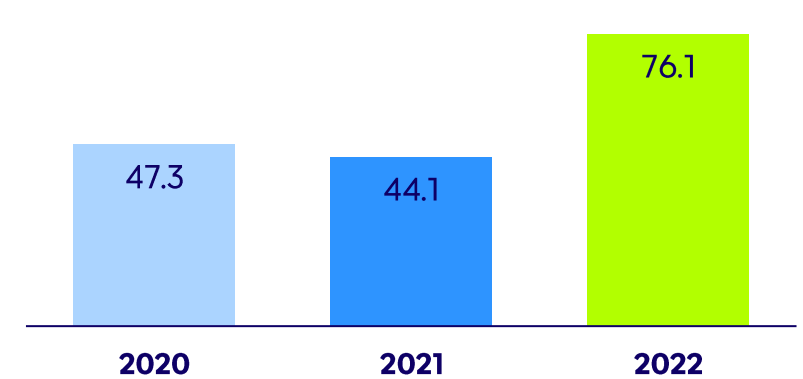
EBITDA LNR (£m)¹



Free cash flow (£m)¹



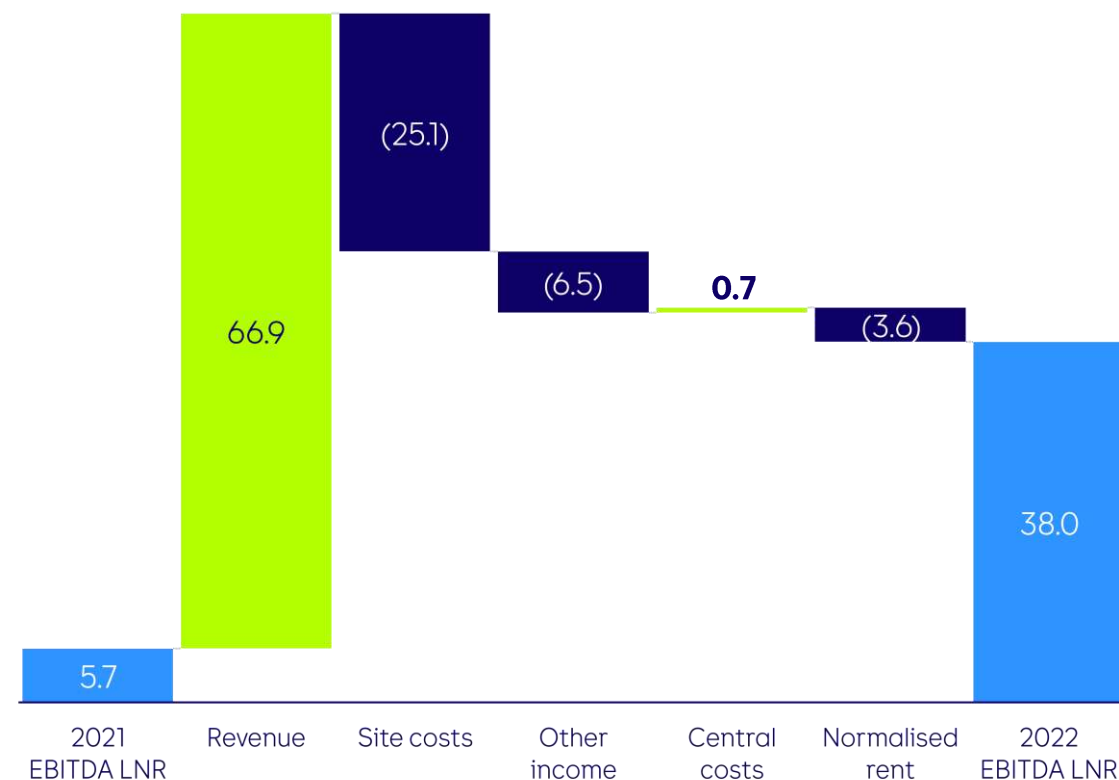
Non-property net debt (£m)¹



Group adj. EBITDA LNR of £38.0m

£m	2022	2021	2019
Revenue	172.9	106.0	153.1
Cost of sales	(2.0)	(1.7)	(1.4)
Gross Profit	170.9	104.3	151.7
Site costs	(85.0)	(60.2)	(64.5)
Other income	0.8	7.3	-
Central costs	(15.4)	(16.0)	(12.7)
Normalised rent	(33.3)	(29.7)	(25.9)
Group Adj. EBITDA LNR	38.0	5.7	48.5
<i>Margin %</i>	22%	5%	32%
<i>add back Normalised rent</i>	33.3	29.7	25.9
Depreciation & Amortisation	(59.3)	(52.7)	(41.5)
Net Financing costs	(16.1)	(16.6)	(14.9)
Share based payments	(1.4)	(2.9)	(1.9)
Group Adj. (Loss) / Profit before Tax	(5.5)	(36.8)	16.2
Total non-underlying items	(13.9)	(7.4)	(10.0)
(Loss) / Profit Before Tax	(19.4)	(44.2)	6.2

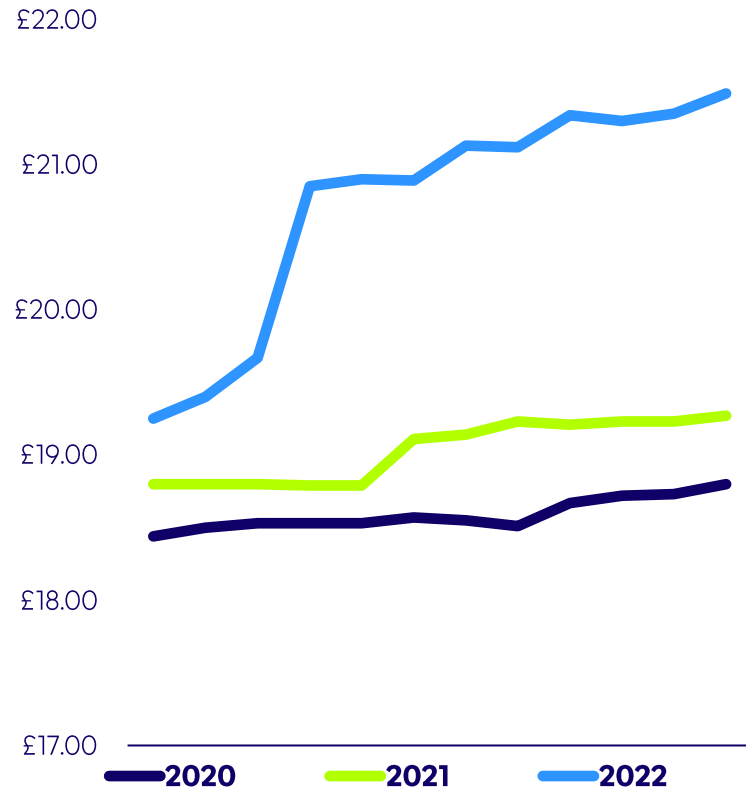
2022 brought a return to a full year of trading, with revenue increasing by 63% YoY; +13% vs 2019



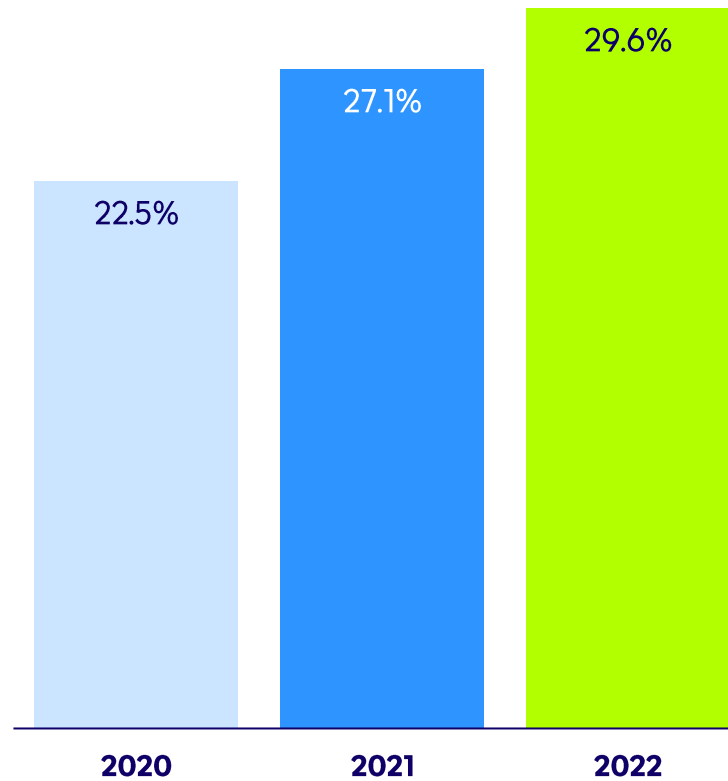
A full year of operations, plus the removal of Covid-19 assistance meant all site costs increased, up 41% YoY

ARPM growth of 4% from price optimisation and higher LIVE IT penetration

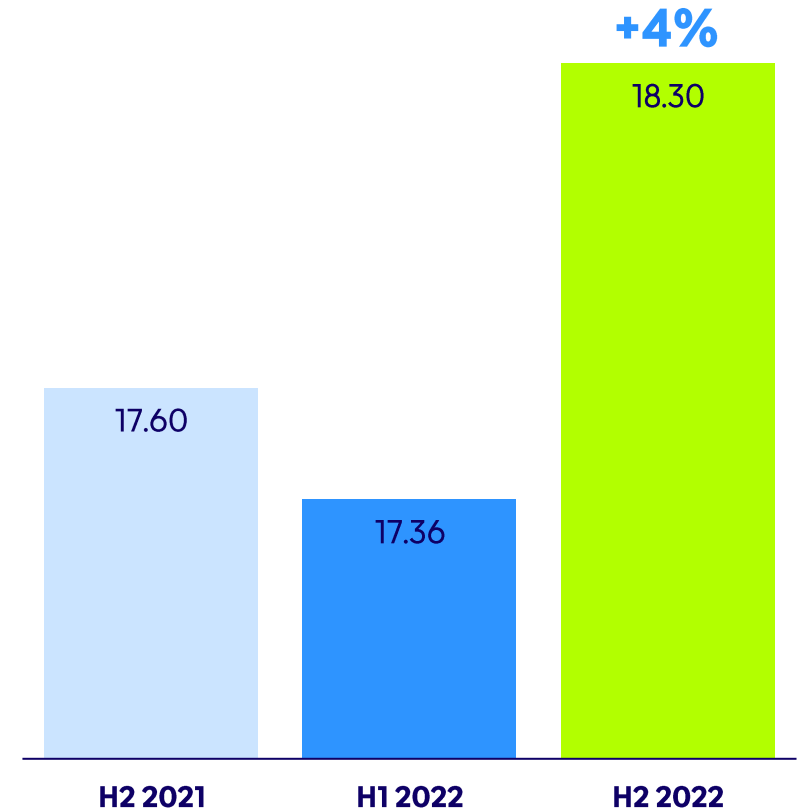
Average DO IT headline rate (£)



LIVE IT penetration (%)



ARPM (£)



Full year 2022 ARPM was £17.82

LFL revenue recovery for mature estate unchanged throughout the year

01.

LFL revenue recovery for our mature gyms open up to 2018 settled at 90% of pre Covid-19 levels throughout 2022

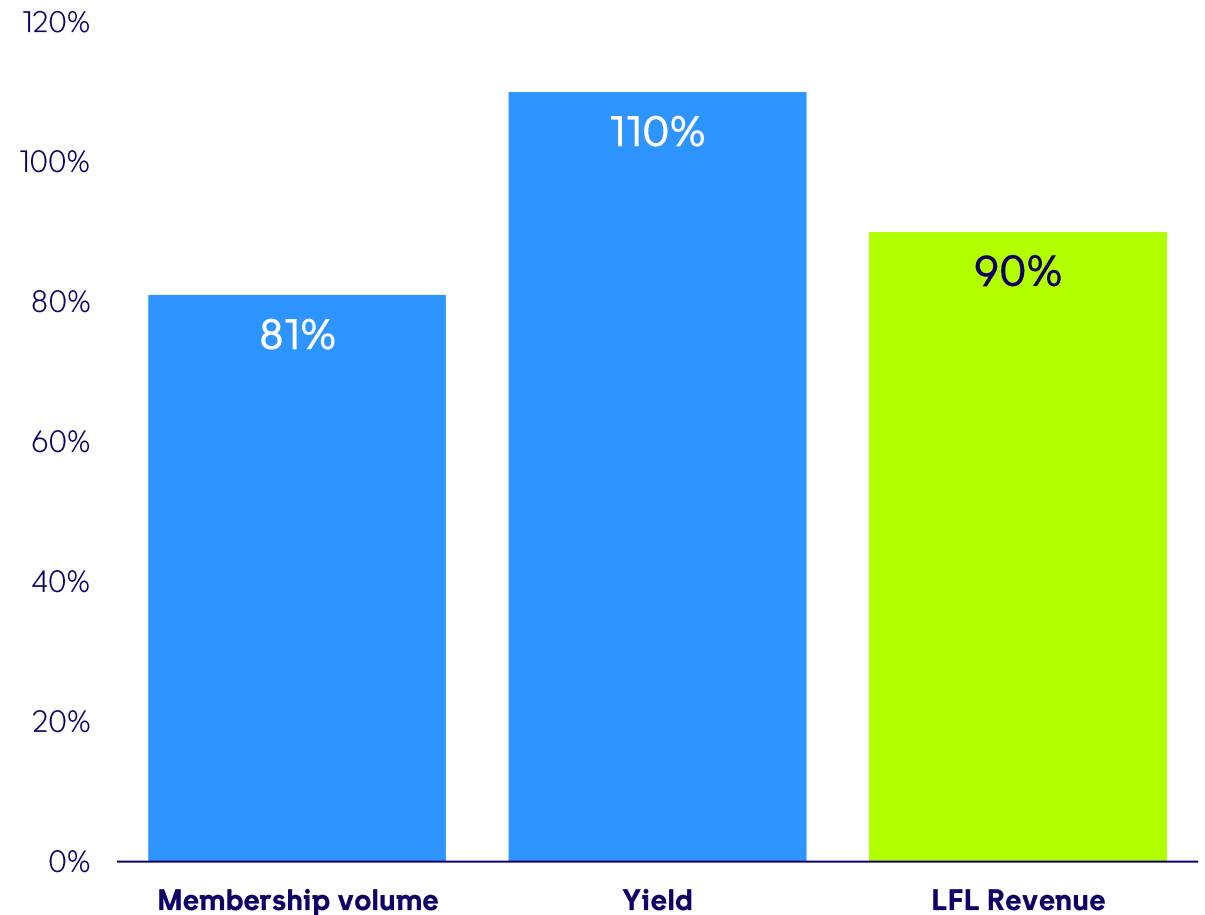
02.

Membership volume recovery on a LFL basis is c.81% of 2019 levels, with yield at c.110%

03.

Gyms in the North of the UK have recovered better than those in London and the South (LFL Revenue: North 98%; London 85%; South 89%)

YTD: Dec 2022 vs Dec 2019



28 new site openings

Expansionary

25 organic new sites were opened in 2022 at an average cost of £1.3m

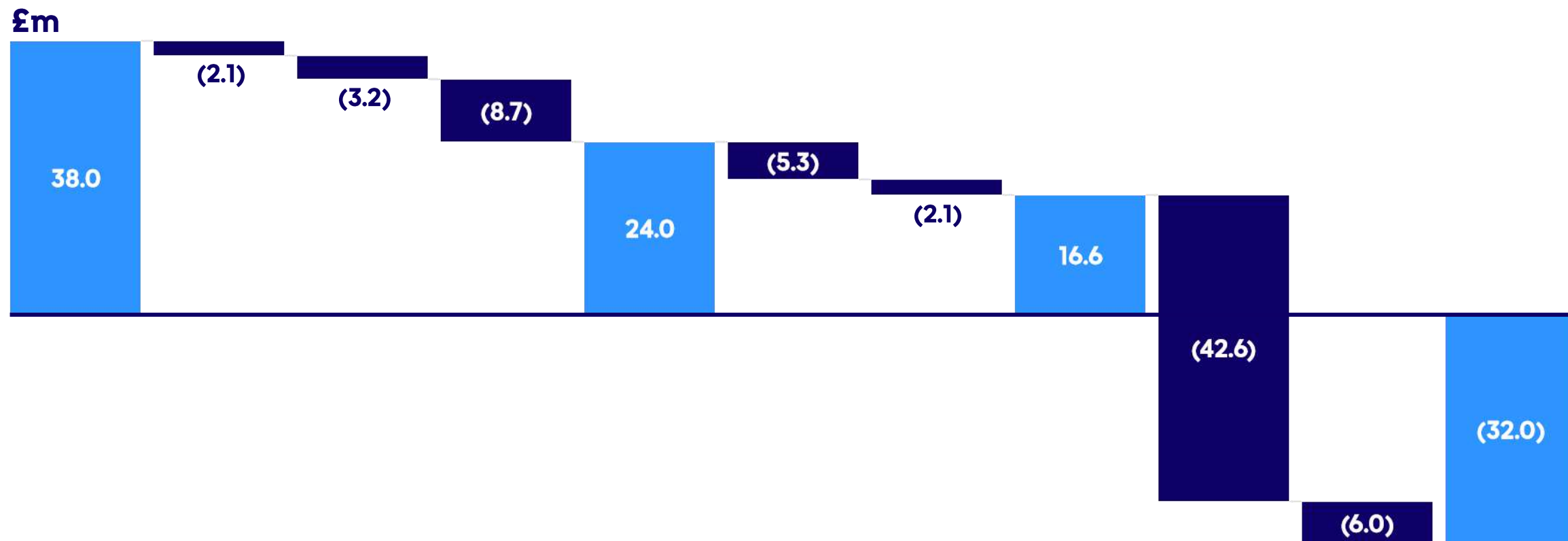
In addition, three sites were acquired from Fitness First in March 2022, bringing our total estate to 229 as at Dec 2022

Maintenance

Maintenance capex increased to 7% of revenue (2021: 5%)

£m	2022	2021	% YoY
New site capex	35.2	24.2	
Brand relaunch	2.5	-	
Tech & data capex	8.8	5.2	
Expansionary Capex Additions	46.5	29.4	58%
<i>Proceeds from disposal of equipment</i>	<i>(0.4)</i>	<i>-</i>	
<i>Expansionary Capex Creditor movement</i>	<i>(3.5)</i>	<i>(0.4)</i>	
Expansionary Capex Cash Flow	42.6	29.0	47%
Maintenance Capex Additions	11.9	4.7	153%
<i>Maintenance Capex Creditor movement</i>	<i>(3.2)</i>	<i>(0.8)</i>	
Maintenance Capex Cash Flow	8.7	3.9	123%
Total Capex Additions	58.4	34.1	71%
Total Cash Flow Capex	51.3	32.9	56%

Investment funded by Free Cash Flow of £16.6m and Non-Property Net Debt increase



Group Adj.
EBITDA LNR

Movement in Rent
Working Capital

Movement in Other
Working Capital

Maintenance
Capex

Group Operating
Cash Flow

Non-Underlying
Costs

Interest & Tax

Free Cash Flow

Expansionary
Capex (Net of
Disposal Proceeds)

Net Consideration
of Acquisition and
Refinancing Fees

Cash flow before
movement in debt

Net debt at 2.0x Adj. EBITDA LNR

£m	2022	2021
Bank facilities	80.0	100.0
Lease facilities ¹	15.0	-
Total facilities	95.0	100.0
RCF drawn	(70.0)	(45.0)
Cash & cash equivalents	5.4	7.3
Bank net debt	(64.6)	(37.7)
Finance lease indebtedness	(11.5)	(6.5)
Non-Property Net Debt²	(76.1)	(44.2)
Leverage²	2.0x	7.7x
Fixed charge cover²	2.0x	1.1x

Net debt to EBITDA at top end of planned operating range of 1.5x – 2.0x



ROIC of mature sites excl. acquisitions at 20%



The core mature estate ROIC has significantly recovered but has not returned to pre-pandemic levels



When excluding gyms which are workforce-dependent, the organic mature estate achieved 22% ROIC



The former easyGym and Lifestyle gyms reached 18% ROIC in 2022, due to the premium incurred to acquire these sites

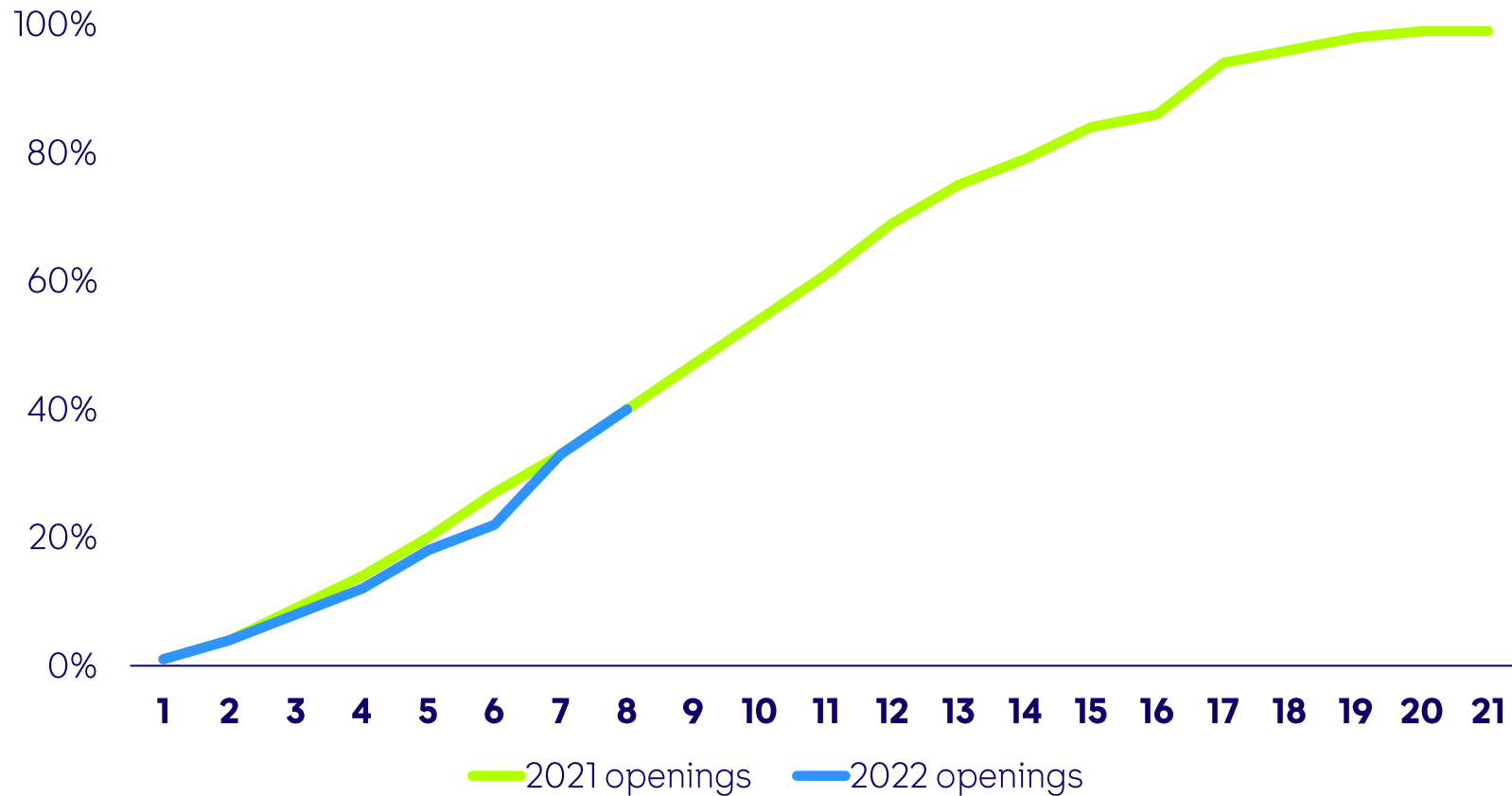
£m	Mature Excl. Acq	*Organic	*Acquisition
Number of gyms	154	140	26
Revenue	0.84	0.87	0.89
Gross profit	99%	99%	99%
Fixed property costs	(28)%	(27)%	(25)%
Other opex	(39)%	(37)%	(36)%
EBITDA LNR¹	0.27	0.30	0.34
EBITDA margin	32%	35%	38%
Average capital cost	1.4	1.4	1.9
Mature ROIC¹	20%	22%	18%

¹'Mature' includes all gyms open up to 2020

* 'Organic' and 'Acquisition' exclude the 16 workforce-dependent gyms

New sites performing well

Revenue vs mature target by month open



**Sites opened in 2021
reaching 100% of their
mature revenue targets**

**Sites opened in 2022
progressing well**

Continual focus on cost efficiency

Utilities

Current Outlook

- c. £10m increase in annual cost
- 96% of energy costs fixed until end of 2023
- Impact on mature ROIC c. -3%*

Mitigations Implemented

- Site energy auditing identifies high consumption gyms, setting specific targets for energy efficiency
- Centralising access to air conditioning control systems to allow optimisation across the estate
- Lighting across the estate is now 100% LED

Future Initiatives

- Installation of solar panels, voltage optimisation units and air heat pumps offer further opportunities to limit consumption

Other cost areas

Cleaning optimisation

Operational structures

Near-shoring technology development

Organisational effectiveness

Current trading and outlook



Jan/Feb trading

- 890,000 members as at Feb 2023, up 8% vs Dec 2022
- Revenue year to date up 19% vs Feb 2022 - average members up 8% and ARPMM up 10%
- L4L Revenue at 97% of 2019



2023 Full year outlook

- Revenue increase from yield and new openings now expected to broadly cover cost increases year on year



Investment in capex and strategic projects self financed from free cash flow

- Up to 12 new openings expected in 2023
- Leverage¹ to remain within range of 1.5-2.0x



Business & Strategy update

Richard Darwin
Chief Executive Officer

Business fundamentals performing strongly

Visits per member up
12% since 2019

Record OSAT¹ results,
with **57%** of
our gym members
giving **5/5** overall
satisfaction ratings

Highest ever social
value, generating
£756m in 2022
(2019: **£700m**)

Strong engagement
and Investors
in People Gold
accreditation

....but market recovery has been uneven post Covid-19

Market dynamics

Factors behind speed of recovery:



Establishment of post Covid-19 routines, digital fitness and continuation of working from home trends



Economic impact of cost-of-living crisis

Mitigated by:



Trading down to low cost

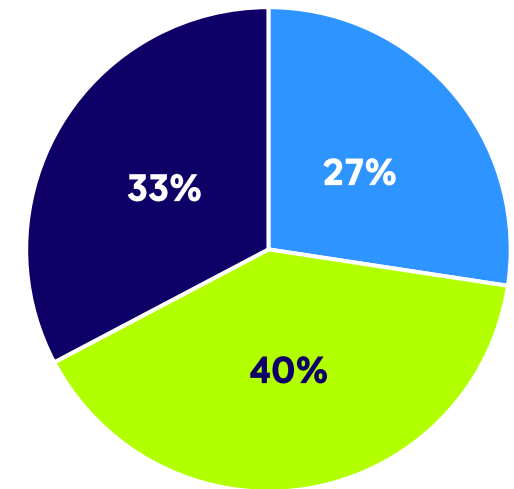


Development of hybrid model



New locations in residential areas

Share of UK gym membership 2022¹



- Low cost
- Mid-market & Premium
- Public

2022 Strategic priorities



**Market
opportunity &
organic rollout**



**Optimising yield
& profitability**



**Developing
the technology
platform**



**Rolling out
the new brand**

Post Covid, top 2 operators have taken market share



01.

The UK gym market is showing resilience post Covid-19, but is down 0.5m members since 2019¹

02.

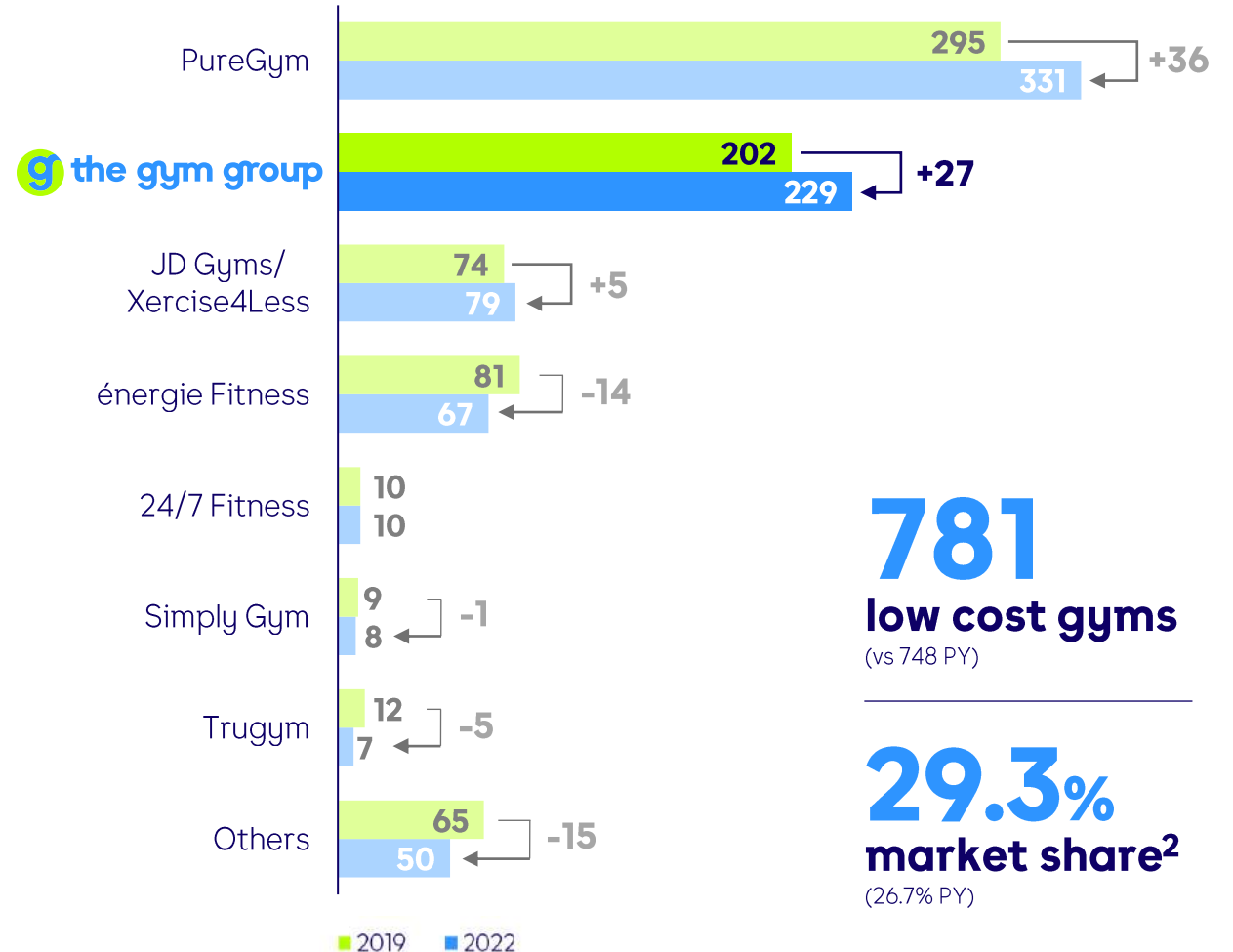
The low cost sector retained market share at 27% through the pandemic¹

03.

Mid-market and public sectors continue to lose members and market share¹

04.

The Gym Group grows market share to 29.3%



781
low cost gyms
(vs 748 PY)

29.3%
market share²
(26.7% PY)



Expansion since 2019 concentrated in residential and town – highest returning locations

01.

Substantial growth in high performing Urban Residential (+29%) and Greater London (+19%) locations

02.

City Centre locations have been impacted most by changes to workforce routines (except for student gyms)

03.

Town and urban locations enable a range of sizes between 7,000-21,000 sq. ft

04.

Focused growth in similar locations in for 2023

Number of sites by category 2019 - 2022



Growth delivered across a range of sizes



Birmingham Selly Oak

City Residential

Retail park

Opened August 2022

Size: 15,145 sq.ft



Romford

Greater London

Commuter town centre

Opened November 2022

Size: 20,839 sq.ft



Glenrothes

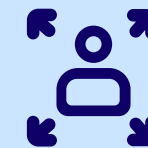
Town

Retail park

Opened August 2022

Size: 9,074 sq.ft

Optimising yield and profitability



Optimised price point

- Increased headline rates by +£2.22 Dec 2022 vs 2021
- Closing the gap to competitors while still delivering outstanding value

Remained lowest cost provider

- Other national chains still £2.00-£2.50 higher in competing locations

Launched pay up front membership

- 12-month membership at discounted monthly price
- High value option for members willing to commit to tenure



+2.5ppts Higher LIVE IT penetration

- Improved merchandising and promotional mechanics
- Enhanced value with inclusion of Fiit on-demand fitness app

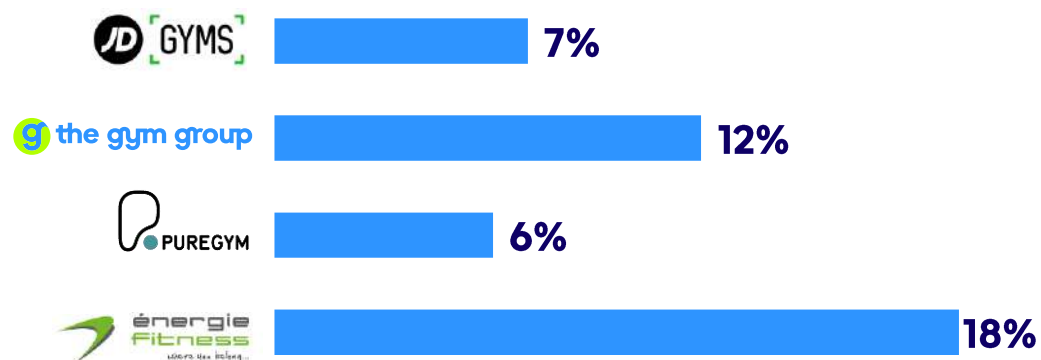
Developing 3 Tier architecture

- Designed to drive both yield and volume
- Trial planned for Summer 2023

Average difference to The Gym Group in competing locations

	Dec 2021	Dec 2022
 JD GYMS	+£4.12	+£2.33
 PUREGYM	+£4.48	+£2.35
 énergie Fitness	+£4.06	+£3.83

Price growth vs competitors in all locations 2021-2022



A best-in-class technology platform to drive performance

New Digital Platform and infrastructure

- Designed for mobile devices
- State of the art analytics and tracking
- Highly optimised for search and sales conversion
- Scalable, secure, resilient and cost efficient

Data Optimisation tools

- Data science models to support pricing decisions
- New data warehouse and analytics tools
- Churn models to support retention strategies

New Product and Proposition

- New 12-month pay upfront premium product
- The best online experience to members (one of the highest rated apps in the sector)
- Fiit app included in LIVE IT
- New corporate offering

Overall Benefits

- Improved sales conversion: conversion up 1.0-1.5% over 4 months
- Higher yields: increased yield sophistication
- Improved member experience: OSAT and visits per member at all-time high

Tech Statistics

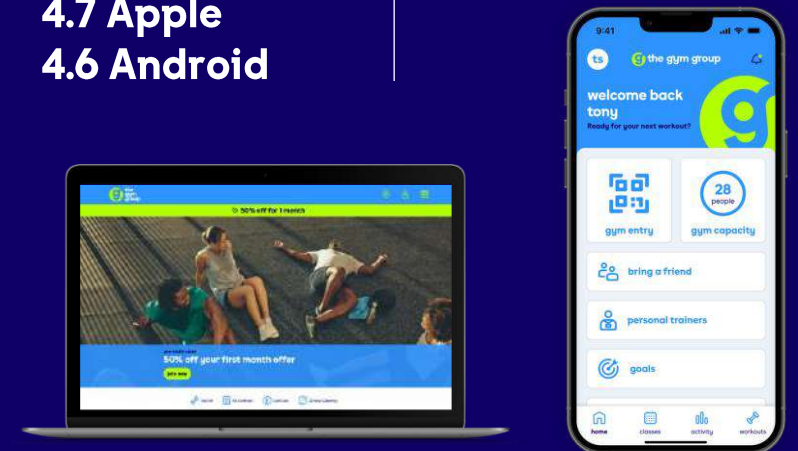
75% traffic on mobile

99.99% site reliability in key Jan/Feb period

App ratings:
4.7 Apple
4.6 Android

App users: **700,000** as at Feb 2023 (up 50,000 since Dec 2022)

400+ pricing changes made in 2022



Brand relaunched successfully in 2022



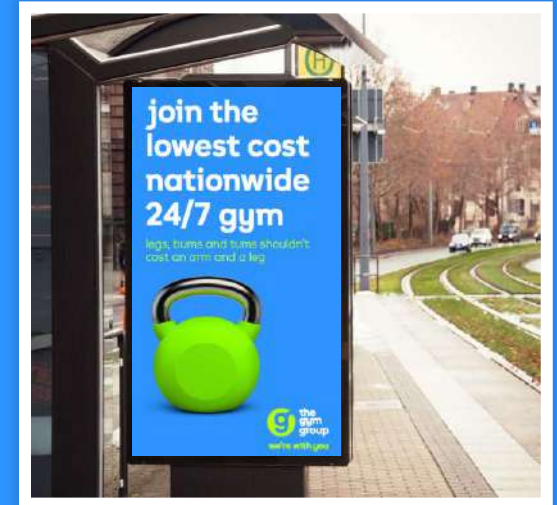
01. Creating a more memorable identity to drive marketing effectiveness

02. Relaunched brand in Aug 2022, updating our website, signage and app

03. New advertising campaign, Gym Face - talks to the gym intimidated / growth audience.

04. Most effective audio visual campaign creative to date with 14 percentage points increase in correct attribution from 2021 campaign assets (The Nursery, Nov 22)

05. Invested in media across Tik Tok, Meta and YouTube, to reach the 18-24 audiences with our new brand, and new campaign





Brand transformation project focused on improving a number of brand KPIs

Improving brand awareness will reduce price sensitivity and reliance on discounting, increasing yields.

A strong brand will improve search effectiveness, drive organic traffic, reduce performance media spend and CPAs

The impact is measured using 3 key metrics:

01. Brand awareness

- Unprompted awareness grew from 7% to 10%
- Prompted awareness grew from 16% in February 2022 to 21% in February 2023 (YouGov Brand Index)

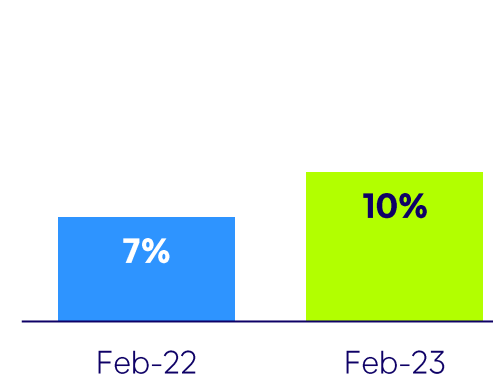
02. Organic search

- The Gym Group brand search demand has increased, with 2/3rds of all searches now for new brand
- Relunched brand drives more impressions and better click through rates

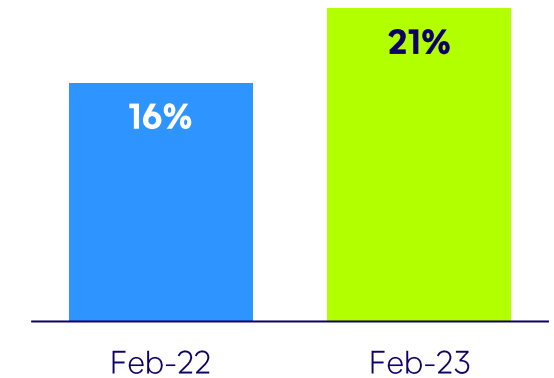
03. Performance marketing conversion rate

- Returns on brand search advertising spend has improved by 34%

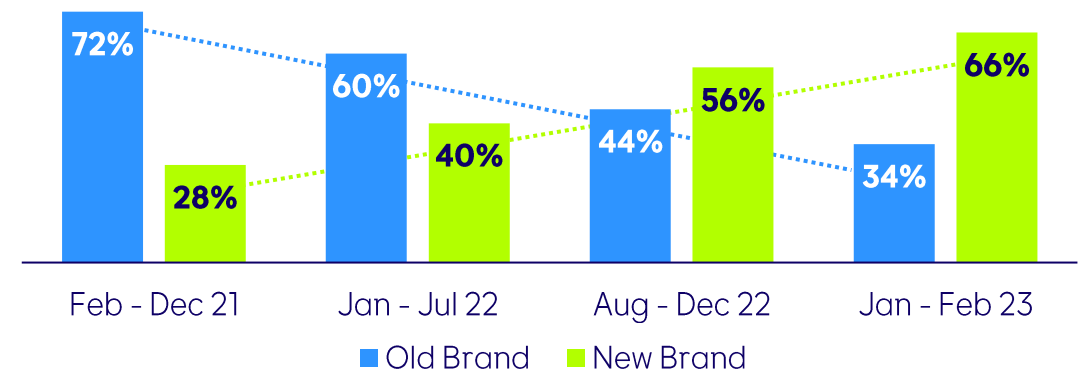
Unprompted awareness¹



Prompted awareness²



Clicks Brand Search Engine – Key Changes



Growing sustainably

2022 Highlights

Our environment

- 1st carbon neutral gym chain in the UK
- Submitted our pathway to net zero to SBTi for validation¹
- Reduced our Scope 1 and 2 emissions by 11%
- Launched energy saving initiatives

Our members

- Generated £756m of social value through exercise (vs target of £700m)
- Increased percentage of members visiting at least 4x per month by 7%

Our people

- Investor in People Gold award
- Improved senior leaders gender balance by 6.3 percentage points



Strategic Priorities for 2023



Optimise yield

New digital infrastructure enables implementation of a more flexible 3 price product architecture to optimise yield further (trial due to start in Summer 2023)



Mature estate performance

Continue to ensure operational excellence with strong member satisfaction, increase in visits per member and optimised performance



New site rollout

Business to self-fund growth in 2023 - new site rollout focussed on high returning sites in residential and town locations



Strong cost control

Ensure low cost advantage and mitigate part of energy inflation through initiatives to reduce consumption

Summary

A year of significant recovery

- 28 new sites opened
- Rebrand and tech launched

Price optimisation continues

- Yield increases
- 3 price product architecture

Difficult economic environment expected to continue in 2023

- Consumer discretionary spend
- High levels of inflation
- Revenue increases broadly offset by cost increases

Focused growth in 2023 to self fund

- High yielding sites in strong residential locations





Q&A



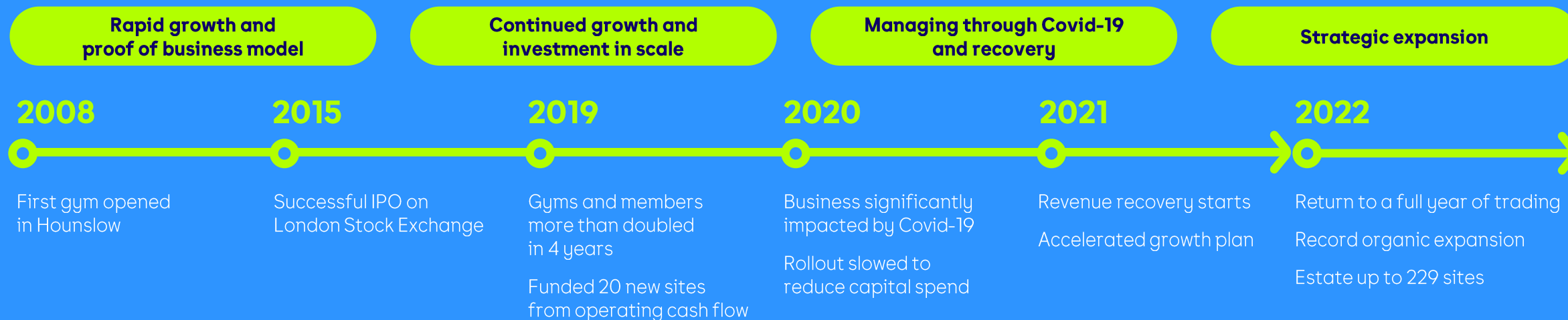
Business KPIs (5 year)

Financial	2022	2021	2020	2019	2018	YoY
Revenue	172.9	106.0	80.5	153.1	123.9	63%
Group Adj. EBITDA LNR	38.0	5.7	(10.2)	48.5	39.1	n/a
Group Operating Cash Flow	23.1	6.3	(16.3)	39.2	34.0	n/a
Group Operating Cash Flow Conversion	60.8%	110.6%	160.3%	80.8%	86.8%	(45%)
Expansionary Capital Expenditure	38.4	29.0	21.8	30.9	58.0	32%
Non-Property Net Debt	76.1	44.1	47.3	47.4	46.0	73%
Operational						
Gyms in operation	229	202	183	175	159	13%
Members at year end ('000)	821	718	578	794	724	14%
Average members ('000)	808	681	708	796	693	18%
Average revenue per member per month (£)¹	17.82	17.60	17.20	16.02	14.89	2%

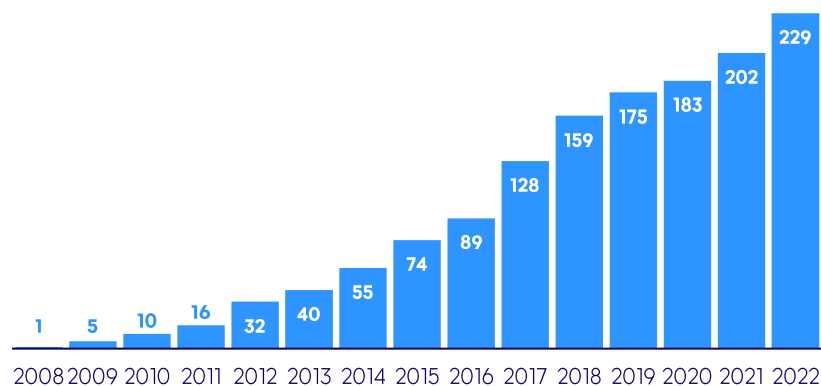
Definition of non-statutory measures

- **Group Adjusted EBITDA LNR** – operating profit before depreciation, amortisation, share based payments costs, non-underlying items and normalised rent.
- **Normalised Rent** – the contractual rent that would have been paid in normal circumstances without any agreed deferrals, recognised in the monthly period to which it relates.
- **Adjusted Loss/Profit before Tax** – loss/profit before tax before non-underlying items.
- **Group Operating Cash Flow** – Group Adjusted EBITDA Less Normalised Rent, movement in working capital and maintenance capital expenditure.
- **Free Cash Flow** – Group Operating Cash Flow less cash non-underlying items, bank and non-property lease interest and tax.
- **Non-Property Net Debt** – bank and non-property lease debt less cash and cash equivalents.
- **Leverage** – Non-Property Net Debt to Group Adjusted EBITDA LNR
- **Fixed Charge Cover** – Adjusted EBITDAR to Net Finance Charges and Normalised Rent
- **Return On Invested Capital of Mature Sites** – Mature Gym Site EBITDA divided by total capital initially invested in the mature sites.
- **Maintenance capital expenditure** – costs of replacement gym equipment and premises refurbishment.
- **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 towards landlord building costs.

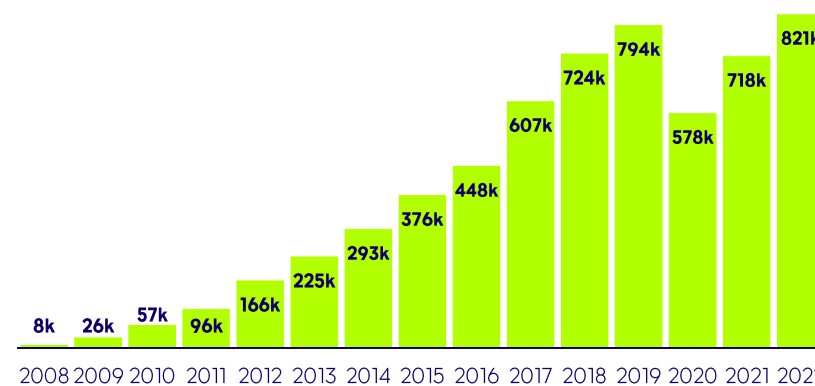
The story so far...



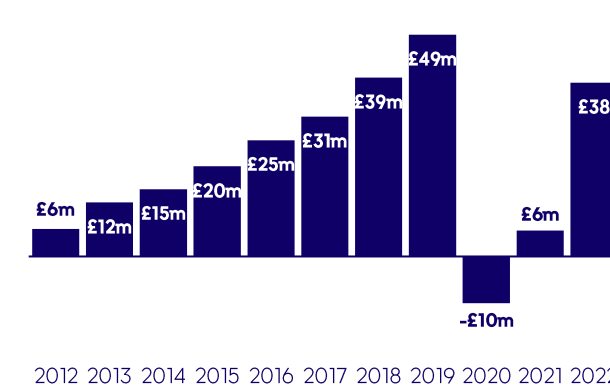
Number of gyms



Number of members¹



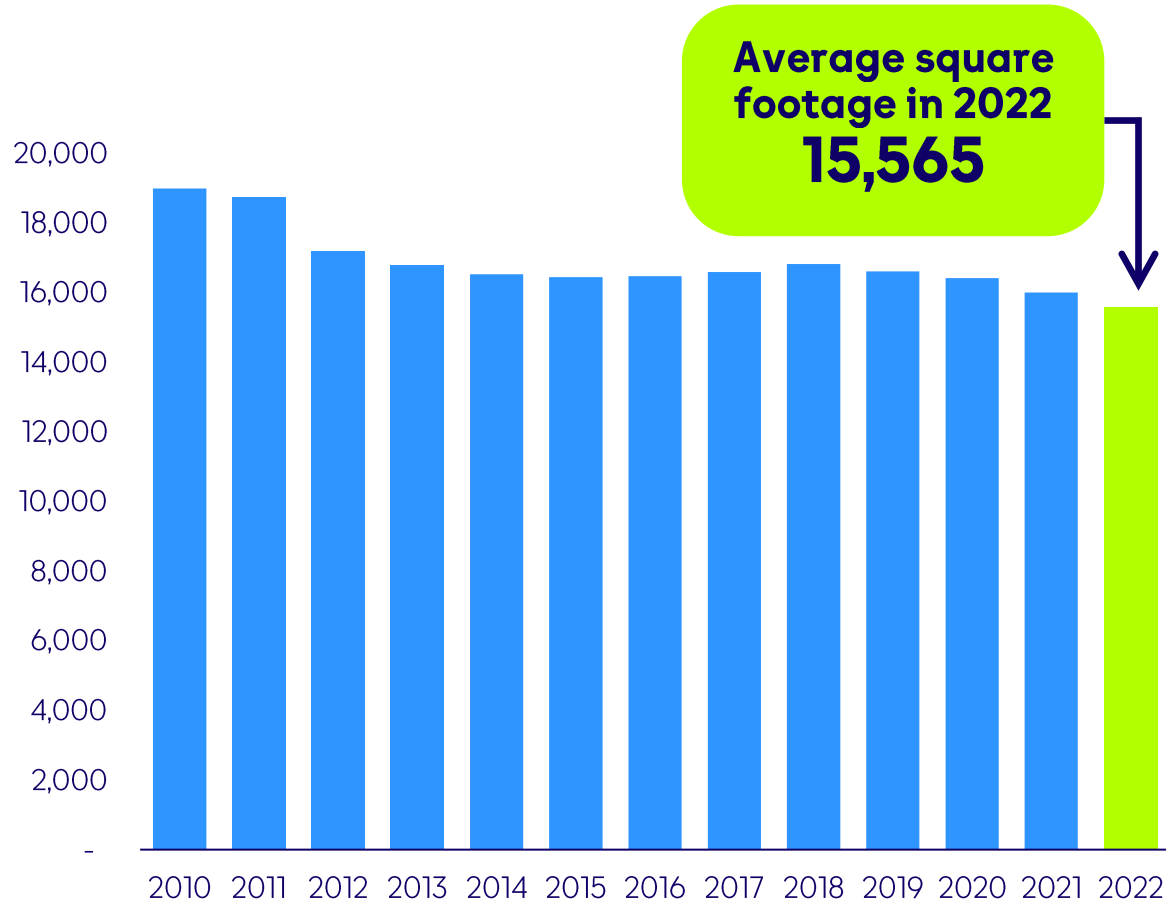
EBITDA £38m¹



¹Adjusted EBITDA refers to Adjusted EBITDA Less Normalised Rent - a reconciliation to Operating profit is provided on page 121 of the Annual Report and Accounts 2022. For 2012 and 2013, the number is presented on an aggregated basis as the Group did not constitute a single legal group until 13 June 2013. Adjusted EBITDA Less Normalised Rent for 2012-2014 has not been restated for IFRS 16.

Property

Rolling average sq. ft by year



Investment case

01. Growing market opportunity

Low cost segment leading growth of the UK health and fitness market

02. High quality gym estate

Disciplined site selection assisted by strong covenant for landlord

03. Compelling member proposition

Attractive low cost product drives high levels of member acquisition

04. Innovation in technology & marketing

Investment in tech & marketing capability enables a low cost, high marketing business

05. Sustainability at the core of our business

Supporting communities with affordable fitness and flexible careers in a sustainable way

06. Attractive financial model

High returns on capital, maintained as the market develops



Investment rationale



Post Covid-19

+ increased focus in health & fitness following Covid

+ strong value proposition means low cost gyms will be in high demand

+ locating in residential areas of urban areas and towns

+ multi-site network and hybrid product offer

+ scale advantages and market leading tech and marketing investments enable us to operate efficiently

+ expansion of our network will bring affordable fitness to more communities and increase social value

+ investment into energy saving initiatives reduce emissions

+ target high return on capitals

+ focus on opportunities that reflect lower membership and higher yield



Thank you

