

The Gym Group plc

Trading Update

RESILIENT PERFORMANCE WITH FURTHER MEMBERSHIP AND YIELD GROWTH

The Gym Group plc, ('The Gym Group', or 'the Company') the nationwide operator of 224¹ low cost, high quality, 24/7 gyms, announces the following trading update for the four months ended 31st October 2022.

Key highlights

- Membership increased through the period, reaching 838,000 at 31st October 2022, an increase of 16.7% from the end of last year (Dec 2021: 718,000)
- Revenue for the ten months ended 31st October 2022 was £143.2m, up 78% versus the prior year (10 months October 2021: £80.5m)
- Like for like revenue in the majority of the pre-Covid mature estate (sites open up to end of 2018) was 93% in October 2022 compared to October 2019; however, performance in 16 workforce-dependent sites continues to be significantly impacted by changes in working practices
- The Company remains on track to achieve its target of 28 new openings in 2022 and 25-30 new openings in 2023
- Following tight cost control, leading to strong margins and cash flow in the period, Non-Property Net Debt at the end of October 2022 was £68.5m. The Company intends to remain within its stated guidance of 1.5-2.0x Non-Property Net Debt : Group Adjusted EBITDA Less Normalised Rent
- We continue to manage our utility and other costs carefully. Energy volumes are 63% hedged until the end of 2023

Business performance

The business has continued to make good progress against its long-term strategy. Performance in 138 of our 154² mature sites has been encouraging and the 47 new gyms opened between 2019 and 2021 and the 23³ gyms opened in 2022 are maturing well, in line with expectations. However, as has been well publicised, there has been a structural shift in working patterns which has impacted the performance of 16 workforce-dependent sites.

Like for like revenue in the pre-Covid mature estate of 138 sites was broadly back in line with pre-Covid levels in October (at 93%) compared to the same period in 2019. Performance in the 16 workforce-dependent sites however, was significantly below these levels. Total like for like revenue in the pre-Covid mature estate as a whole was at 90% compared to the same period in 2019.

Value will always be a core aspect of The Gym Group's market leading customer proposition, and we are the lowest cost, nationwide 24/7 gym operator. Good progress has been made regarding our yield management strategy. We continued to increase yields in the four months to October with Average Revenue per Member per Month ('ARPM') of £18.49, up from the comparable period last year by 5.5%. We have also continued to enhance our premium price membership product – 'Live It' – and are pleased to see a positive response from our members. Take-up of the 'Live It' product increased to 29.8% of our membership (June 2022: 28.7%).

During the period, we completed the rebranding of The Gym Group. The new branding has been rolled out across the estate and the Company's digital assets. This rebranding was accompanied by a new creative campaign ('Gym Face') which has been deployed across all media channels during the Autumn campaign. We are pleased and encouraged by the feedback and positive response to this important initiative.

¹ Sites as at 7th November 2022 - 202 at the start of the year with 20 organic openings, three Fitness First sites acquired and one closure

² Net of one closure in the year

³ Includes the three Fitness First sites acquired

The Company remains on track to deliver its rollout plan, targeting 28 new openings in 2022 and 25-30 in 2023. To date, 23 new sites have been opened in 2022 (including three Fitness First sites acquired); and five additional new sites are on track to open before the end of the year. We continue to see opportunities to take market share as disruption continues in the health and fitness market and competitors exit.

The Company continues to maintain a tight control of costs and has driven strong margins and cashflow in the four months ended 31st October 2022. Looking forward, energy volumes are 100% hedged up to the end of Q1 2023; overall 63% are hedged for 2023 and our current expectation is that utility costs will rise by £8-10m in 2023 compared to 2022. Despite these headwinds, the Board remains excited about the market opportunities ahead and The Gym Group's ability to capitalise upon them.

Richard Darwin, CEO of The Gym Group, commented:

"Against an uncertain backdrop, we are pleased to see memberships continuing to build over the last four months demonstrating that people are prioritising their physical and mental health – and that gyms are an important part of the local community.

Working patterns have continued to evolve post the pandemic and while performance of our 16 workforce-dependent sites is disappointing, the rest of the estate continues to recover well and demonstrate the resilience of our business model. Having delivered on the most ambitious rollout programme in our history to date, we are encouraged by the momentum in the pipeline for new gyms next year and believe that there is considerable scope for further growth.

We are cognisant of the macro environment and continue to monitor developments very carefully. However, the Board remains very confident in the long-term opportunities for The Gym Group; our value proposition has always been a competitive advantage and we believe that in the current consumer environment, our high quality, affordable offer will be even more compelling and attractive."

A conference call for analysts and investors will be hosted by Richard Darwin, Chief Executive, and Luke Tait, Chief Financial Officer, at 09:00am today to discuss this statement. Please contact thegymgroup@tulchangroup.com if you would like to attend.

For further information, please contact:

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Market abuse regulation information:

The information contained in this announcement is deemed by the Company to constitute inside information as stipulated under the UK version of the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain. Katy Tucker, Company Secretary, is responsible for the release of this announcement for the purposes of such regulation.