

Investor Presentation

Results for the quarter ended 31 March 2018

30 May 2018

Disclaimer

Forward-looking statements

This presentation may include forward-looking statements. All statements other than statements of historical facts included in this presentation, including those regarding the Group's financial position, business and acquisition strategy, plans and objectives of management for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Many factors could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this presentation. The Group expressly disclaims any obligations or undertaking, except as required by applicable law and applicable regulations to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Use of non-IFRS financial information

Certain parts of this report contain non-IFRS measures and ratios. We believe that these measures are useful indicators of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. Because all companies do not calculate these measures on a consistent basis, our presentation of these measures may not be comparable to measures under the same or similar names used by other companies. Accordingly, undue reliance should not be placed on these measures in this report. In particular, Adjusted EBITDA and Run Rate Adjusted EBITDA are not measures of our financial performance or liquidity under IFRS and should not be considered as an alternative to (a) net income/(loss) for the period as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under IFRS.

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PureGym Nuneaton



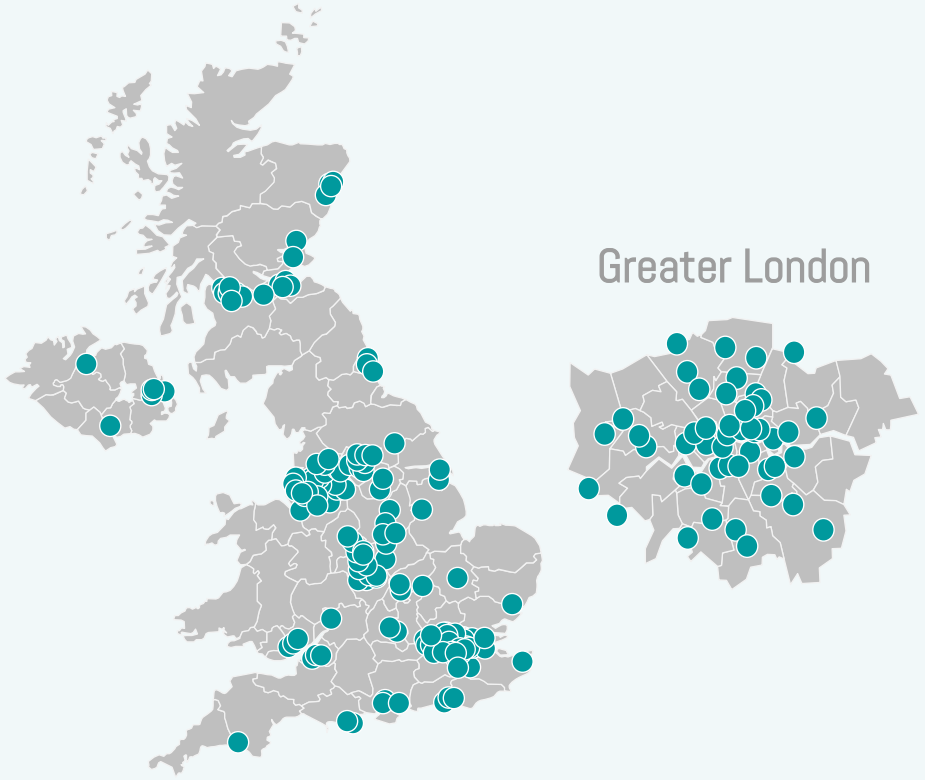
Financial and Operating Review

Results for the quarter ended 31 March 2018

Company snapshot

- Since opening its first gym in 2009, PureGym has grown to become the largest operator of gyms in the UK by both members and sites
  - 1.1m members across 200 sites[1]
- PureGym offers affordable and flexible 24/7 gym memberships with no fixed term contracts
  - Average membership fee of c.£20 per month
  - Digitally enabled customer journey
  - Nationwide presence and good coverage in London
- PureGym operates in the highly attractive value gym segment
  - Fastest growing part of the market
  - Lower fit out costs and lower cost base
  - Higher utilisation of facilities

Geographic presence



1 All figures relate to 31 March 2018 unless otherwise stated

Q1 2018 highlights

Further growth in gyms and members

1.1m
members
at quarter end, up 19.5% vs Q1 2017

200
gyms at end Q1 2018
8 new openings since 31 December

Significant growth in revenue and EBITDA

15.8%
revenue growth
vs Q1 2017

£19.8m
adjusted EBITDA
up 26.2% vs Q1 2017

35.7%
adjusted EBITDA margin
up 296 bps vs Q1 2017

Continued rollout and investment in estate

first small box format gym opened

gym maintenance & refurbishment
£1.0m capex spent

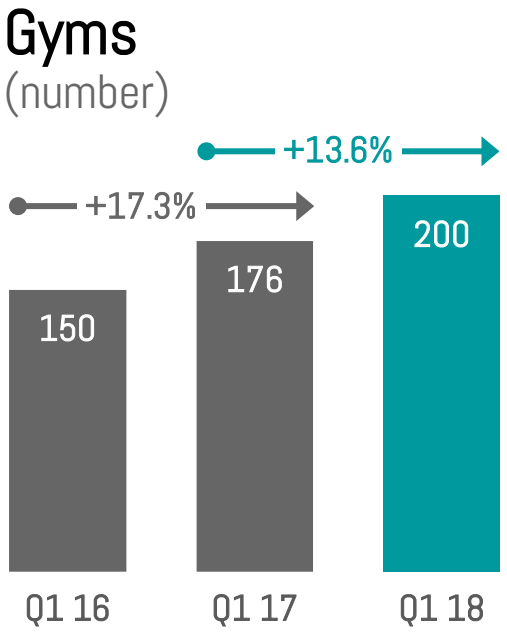
Strong cashflow conversion and reduction in leverage

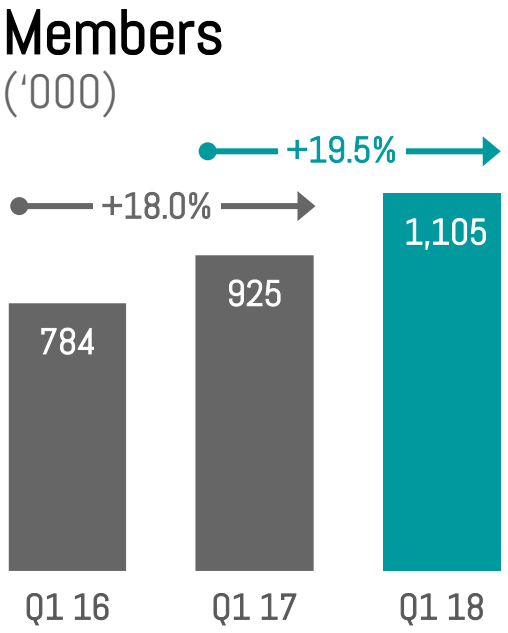
113.6%
operating cashflow conversion
vs 67.8% in Q1 2017

4.1x
pro-forma total net leverage
at quarter end, down from 4.4x at end of Q4 2017

3.7x
pro-forma interest cover
at year end, up from 3.5x at end of Q4 2017

Further growth in gyms and members

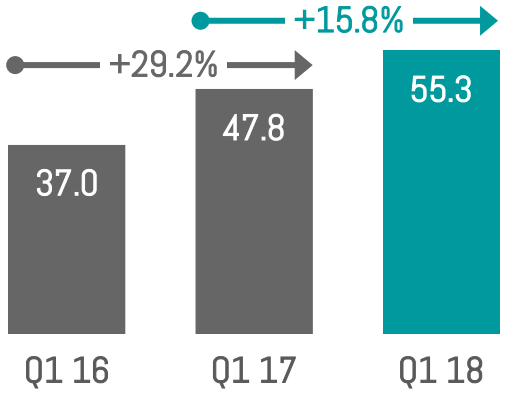




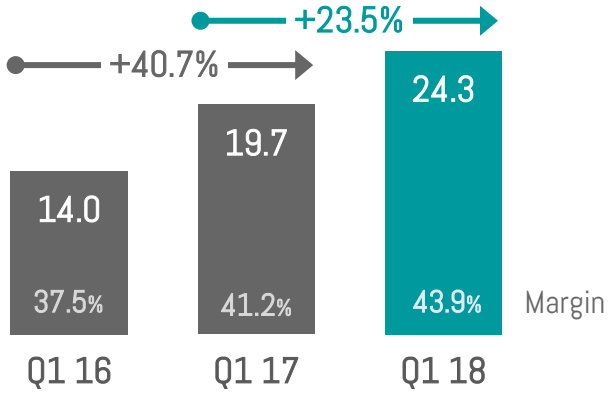
- Average number of members per gym increased by 0.4% to 5,172
- Quarter end membership up 19.5% on prior year
  - Includes promotional members recruited in March

Significant growth in revenue and adjusted EBITDA

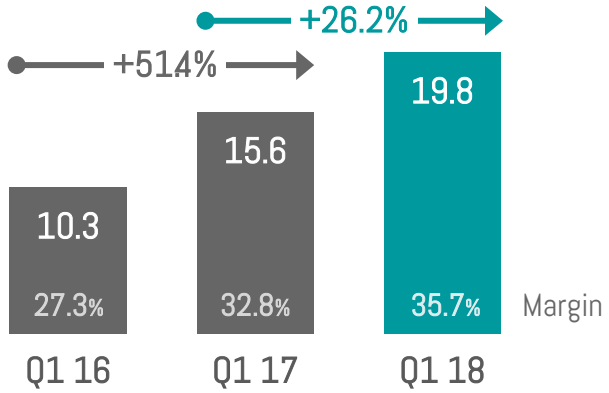
Revenue (£m)



Gym Site Adjusted EBITDA (£m)



Adjusted EBITDA (£m)



- Revenue growth of 15.8% driven by increase in number of gyms, average members and ARPM
- Adjusted EBITDA increased by 26% to £19.8m
- Adjusted EBITDA margin up by 296 bps to 35.7%
  - Increased estate maturity and increased ARPM, up 1.4% to £18.06
- LTM Adjusted EBITDA increased to £75.6m; adjusted EBITDA margin of 36.8%
- Adjusted run rate EBITDA £89.1m, up £4.3m vs. December 2017, includes £13.5m additional EBITDA from immature gyms

Continued investment in estate – gym openings

- 8 gym openings
- High quality location mix, including first small box format site
- Total number of sites 200 at end of Q1 2018, up 13.6% versus Q1 2017

Q1 (8 new sites)	
Large box format	**Small box format**
• Aberdeen Rubislaw • Aberdeen Wellington Circle • Brighton London Road • Bristol Brislington • Hull • London Croydon • Newry	• Tonbridge

Continued investment in estate – small box format

- 5,000 – 8,000 sq ft
- Serving smaller markets or infill opportunities
- Incremental market opportunity
- The same minimum returns criteria as large box formats (30% ROCE)
- First two sites open – Tonbridge (January), Buckingham (May)





Capital expenditure

- £4.7m spent on expansionary capex
- £1.0m spent on maintenance & refurbishment works across estate

£m	Q1 2018	Q1 2017
Expansionary capital expenditure	4.7	4.8
Maintenance and corporate capital expenditure	1.0	0.9
Total capital expenditure	5.7	5.7

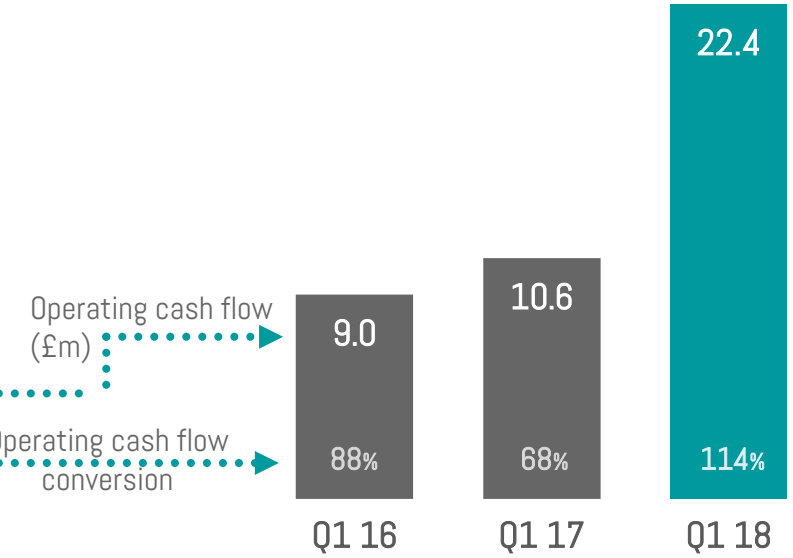


Strong operating cash flow generation

- Industry-leading operating cashflow conversion
- Positive working capital inflows
- Supports a strong deleveraging profile

Free Cash Flow Generation & Conversion

£m	Q1 16	Q1 17	Q1 18
Group Adj. EBITDA	**10.3**	**15.6**	**19.8**
Working Capital Cash Flow[1]	1.3	(4.1)	3.7
Maintenance, Refurb, and Corporate Capex	(2.5)	(0.9)	(1.0)
Group Operating Cash Flow	**9.0**	**10.6**	**22.4**
Operating Cash Flow Conversion %	*88%*	*68%*	*114%*



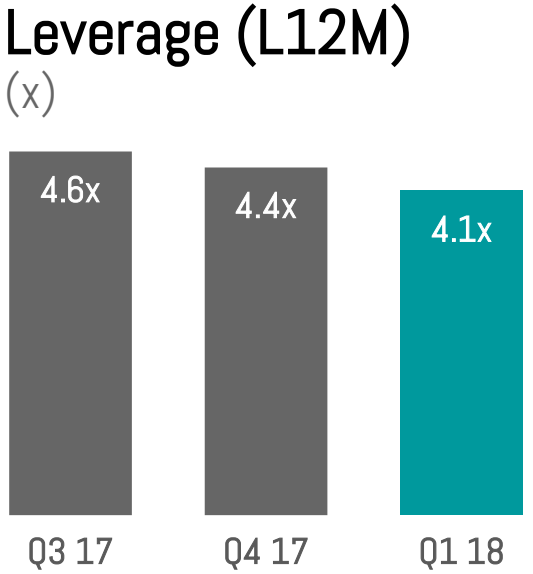
Source: Management data

1 Working Capital Cash Flow is defined as cash movements in working capital other than the non-cash rent adjustment which is included in Group Adjusted EBITDA

Leverage reducing

- Pro-forma leverage 4.1x, compared to 4.4x at Q4 2017

At 31 March 2018 £m		
Adjusted Run Rate EBITDA		**89.1**
Senior Secured Notes 6.375%	360.0	
Cash	(0.4)	
Gym Equipment Finance Leases	4.2	
Net Debt		**363.8**
Pro-forma Leverage		**4.1x**



- Pro-forma Interest cover 3.7x, compared to 3.5x at Q4 2017



Summary & Outlook

Results for the quarter ended 31 March 2018

Summary

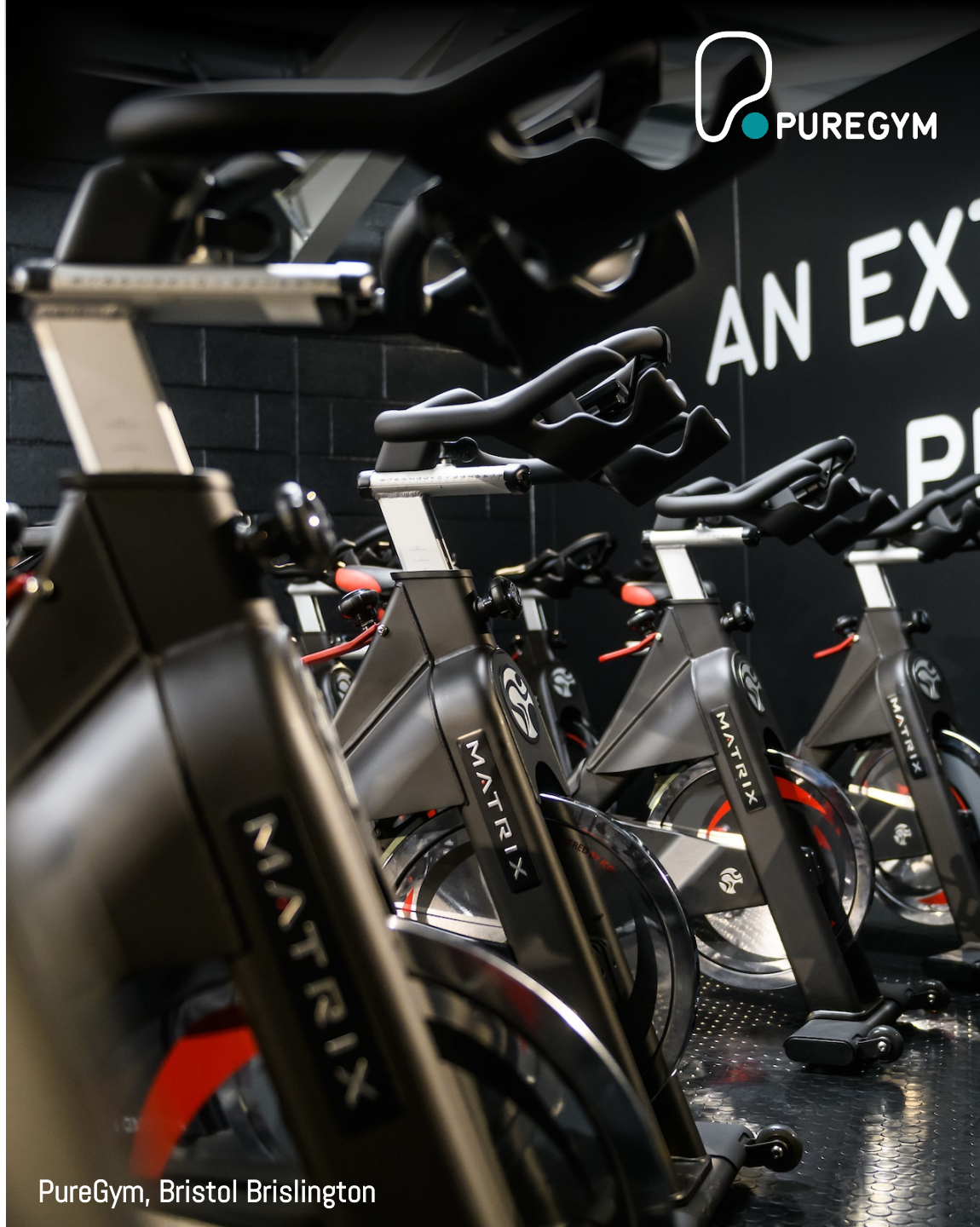
- Strong start to the year
- Further growth in key metrics versus prior year
  - Members +19.5%
  - Revenue +15.8%
  - Adjusted EBITDA +26.2%
  - Adjusted EBITDA Margin +296bps
- Rollout programme continues with 8 new organic site openings, ending the quarter with 200 gyms
- First small box format gym opened



PureGym, Southampton Bitterne Road

Outlook

- Strong position for remainder of financial year
  - 200 gyms trading at end Q1
  - Healthy forward property pipeline
  - Continue to expect 20 to 25 large box format gym openings and c. 5 small box format gym openings across 2018
- Director change
  - Adam Bellamy to step down as CFO and Executive Director after six years with PureGym
  - Will remain on Board as a Non-Executive Director
  - Well developed succession plan in place
- Q2 2018 results update on 30 August 2018



PureGym, Bristol Brislington



Appendix

Results for the quarter ended 31 March 2018

Reconciliation from Profit/(Loss) to Adjusted EBITDA and Run-Rate Adjusted EBITDA

£m	For the quarter ended 31 March 2018	For the quarter ended 31 March 2017	For the year ended 31 December 2017	For the year ended 31 December 2016	Last 12 months as of and for the year ended 31 March 2018
Profit /(loss) for the year/period	4.0	(0.6)	(18.1)	(19.8)	(13.5)
Income tax	0.7	0.8	3.6	(8.0)	3.4
Net finance cost	6.7	8.2	37.8	30.5	36.3
Depreciation of property, plant and equipment	7.2	6.3	26.4	23.7	27.3
Amortisation of intangible fixed assets	0.0	0.2	0.2	1.1	0.0
(Profit) / loss on disposal of property, plant and equipment	(0.2)	(0.4)	0.7	(0.7)	1.0
Exceptional administrative expenses	0.0	0.0	13.8	12.7	13.8
Other extraordinary items	0.0	0.7	1.8	0.3	1.1
Pre-Opening Costs	0.6	04	3.6	4.4	3.7
Non-Cash Rent Adjustment	0.7	0.1	1.7	2.0	2.3
Adjusted EBITDA	19.8	15.6	71.5	46.2	75.6
Head office costs	4.5	4.0	16.9	13.8	17.4
Site Adjusted EBITDA	24.3	19.7	88.4	60.1	93.0
Adjusted EBITDA (L12M)	n/a	n/a	71.5	n/a	75.6
Run-Rate Adjustment	n/a	n/a	13.3	n/a	13.5
Run-Rate Adjusted EBITDA	n/a	n/a	84.8	n/a	89.1

NB:
Please note these are the financial results of Gym Topco Limited.

KPIs

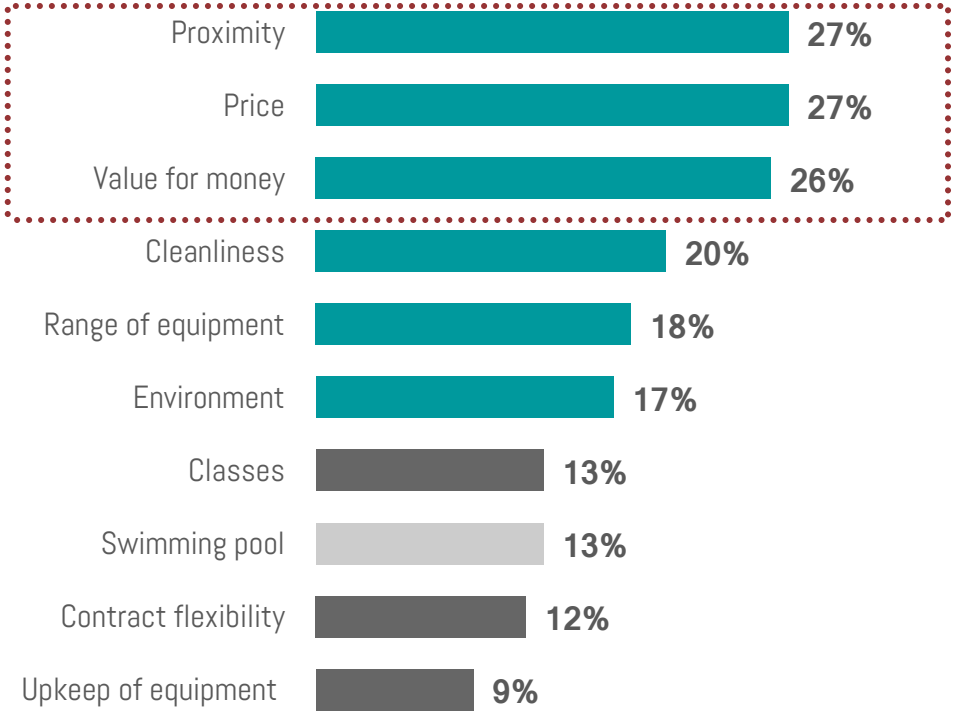
£m	As of and for the quarter ended 31 March 2018	2017	As of and for the year ended 31 December 2017	2016	Last 12 months as of and for the year ended 31 March 2018
Total number of gyms	200	176	192	172	200
Total number of Mature Gyms	n/a	n/a	132	84	n/a
Total number of members ('000s)	1,105	925	927	822	1,105
Average number of members per gym	5,172	5,153	5,070	4,937	5,129
Average revenue per member per month	18.06	17.81	17.98	16.59	17.91
Adjusted EBITDA (£ million)	19.8	15.6	71.5	46.2	75.6
Adjusted EBITDA margin	35.7%	32.8%	36.1%	28.9%	36.8%
Gym Site Adjusted EBITDA (£ million)	24.3	19.7	88.4	60.1	93.0
Gym Site Adjusted EBITDA margin	43.9%	41.2%	44.6%	37.6%	45.2%
Run-Rate Adjusted EBITDA (£ million)	n/a	n/a	84.8	n/a	89.1
Operating Cash Flow (£ million)	22.4	10.6	67.4	37.0	79.3
Operating Cash Flow Conversion	113.6%	67.8%	94.4%	78.3%	104.9%
Pro Forma Net Debt (£ million)	363.8	n/a	369.5	n/a	363.8
Ratio of Pro Forma Net Debt to Group Run-Rate Adjusted EBITDA (L12M)	n/a	n/a	4.4x	n/a	4.1x
Ratio of Run Rate Adjusted EBITDA to Pro Forma Net Interest Expense	n/a	n/a	3.5x	n/a	3.7x
Mature gym EBITDA (£ million)	n/a	n/a	64.5	39.0	n/a
Average mature gym EBITDA (£'000)	n/a	n/a	489	464	n/a
Average mature gym EBITDA margin	n/a	n/a	44.8%	43.6%	n/a
Average mature gym ROCE	n/a	n/a	42.8%	42.6%	n/a
Average initial capital investment for mature gyms (£'000)	n/a	n/a	1,142	1,089	n/a

Credit Ratings

	Long Term Rating	Outlook
Moody's	B3	Stable
S&P	B	Stable
Fitch	B	Stable

Highly disruptive customer proposition

Top reasons for selecting a gym . . .



. . . which PureGym delivers on

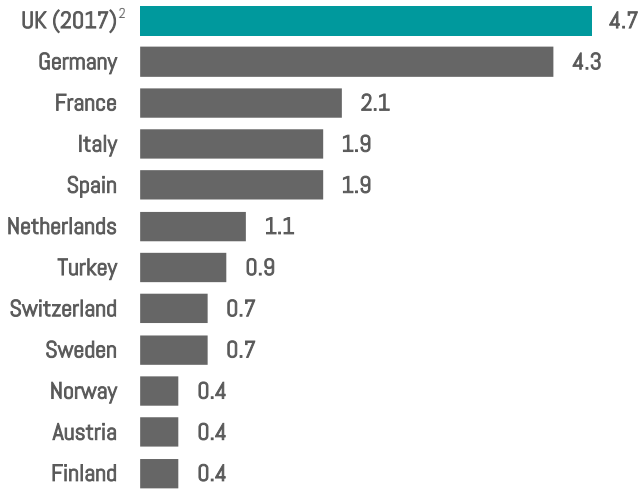
- ✓ Truly national footprint with 200 gyms across the UK
- ✓ Value-for-money offer with average membership fee of c. £20 per month
- ✓ Clean and well maintained facilities
- ✓ >200 pieces of cardiovascular, strength and functional equipment per gym
- ✓ 50-80 free classes per week
- ✓ No contracts
- ✓ Equipment repaired within 48 hours
- ✓ Welcoming atmosphere with friendly, helpful staff

The top 3 things people look for are proximity, price and value for money

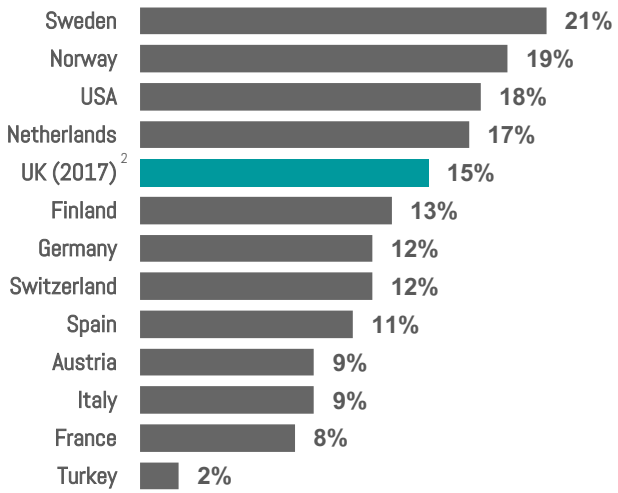
Source: CSR Market Survey (conducted on behalf of PureGym) conducted between 8 May and 12 May 2017, with 4,410 respondents.

UK is demonstrably the most attractive gym market in Europe

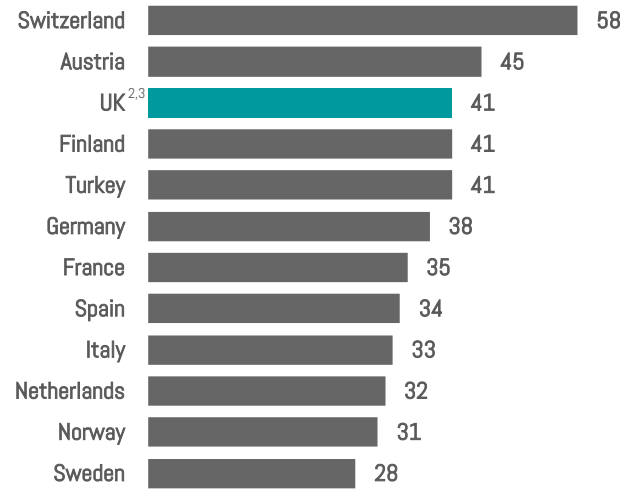
Market size
(By revenue, £bn[1])



Penetration
(Gym members as % of total population, 2017)



Average membership fee
(Average gross monthly membership fee, £)



Macro trends driving sector growth

Greater access to gyms ✓	Supply at the right price ✓	Health and wellbeing ✓	Innovation, tech and events ✓	Celebrity fitness culture ✓
Changing role of gyms ✓	Emergence of value concept ✓	Population growth ↔	Disposable incomes ↔	Importance of leisure time ↔

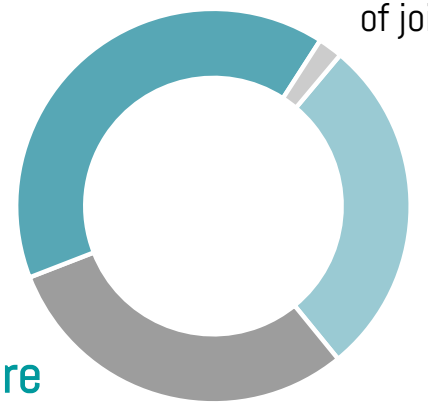
Source: CSR analysis
1 Converted at EUR to GBP exchange rate on 1/1/2017: EUR/GBP = 0.853
2 UK figures from LDC, as of March 31, 2017
3 Private gyms only

Committed member base with high tenure

Sources of new members

Other
2%
of joiners

Winning back members
40%
of joiners were previously members of PureGym

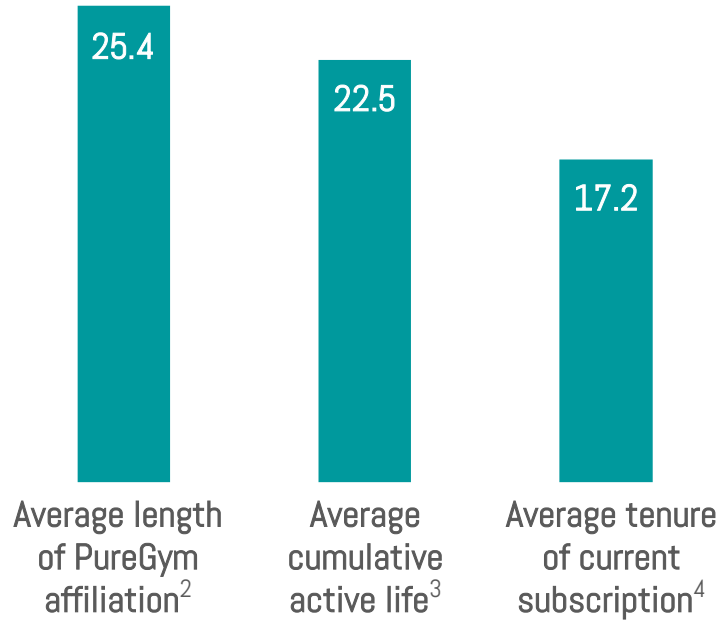


Growing the market
28%
of joiners have never been members of a gym before

Taking market share
30%
of joiners come from other gyms

Long membership despite no contractual lock-in[1]

(tenure, months)



Source: Management data, OC&C

1 Members with tenure > 25 days as of 1 April 2017 in the 38 gyms opened in 2012 and prior
2 Date since first subscription
3 Total number of months a member has had an active subscription
4 Total duration of members' current active subscription

Glossary

Term	Definition
Adjusted EBITDA	The Group's profit or loss for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment, amortisation of intangible fixed assets, profit/loss on disposal of property, plant and equipment, exceptional administrative expenses, and other extraordinary items, after adding back Pre-Opening Costs and the Non-Cash Rent Adjustment.
Adjusted EBITDA margin	Adjusted EBITDA for that period divided by revenue for that period.
Average Revenue per Member (ARPM) per Month	Revenue for that period divided by the number of months in that period and further divided by the average number of members during that period. The average number of members during that period is calculated as the average of the number of members as of the beginning of the first month and the end of every month in that period. Unless stated otherwise, Planned LAF Disposals are excluded from the Average Revenue per Member per Month figures.
Expansionary Capital Expenditure	The Initial Capital Investment and the capital costs of expanding gym sites incurred in that period.
Gym Site Adjusted EBITDA	Adjusted EBITDA for that period, excluding Head Office Costs .
Head Office Costs	All non-gym specific costs, other than depreciation and amortisation, related to the operation of head office functions in a given period.
Initial capital investment	The capital cost of bringing a new gym into operation, including expenditures on site fit out, fixtures, fittings and equipment.
Maintenance and corporate capital expenditures	The total capital expenditure incurred in a period less Expansionary Capital Expenditure incurred in that period.
Mature gyms	Group's gyms that have been open as PureGyms for 24 months or more as of the end of the relevant reporting period.
Mature gym EBITDA	Profit for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment, amortisation of intangible fixed assets, profit/loss on disposal of property, plant and equipment, exceptional administrative expenses and Head Office Costs for Mature Gyms. Mature Gym EBITDA does not include the Non-Cash Rent Adjustment or adjustments for Pre-Opening Costs or other extraordinary items that were added back to Group Adjusted EBITDA and Gym Site Adjusted EBITDA
New gym	Gyms that have been open as PureGyms for less than 24 months as of the end of the relevant reporting.

Glossary continued

Term	Definition
Non-Cash Rent Adjustment	Add back the non-cash rent expense charged to the income statement in the period (less amounts added back as part of Pre-Opening Costs), as management believes that this is a better reflection of our actual earnings. This is because we typically receive a rent-free period of one year or more as an incentive from developers or property owners to lease space in their buildings. Under IFRS, the benefit of this rent-free period is spread out over the life of the lease (as a deduction in the rent payable over the entire lease period), even though on a cash basis, we have no cash outlay for the rent-free period.
Number of gyms	The total number of gyms that are open and trading under both the PureGym and the LA Fitness Group brands as well as the total number of LA Fitness gyms that are closed and in the process of being converted to PureGyms, but excluding the total number of all Planned LAF Disposals, as of the specified date or the end date of the relevant period.
Number of members	The total number of active members, including the total number of members who have suspended ("freeze" or "frozen") their memberships, of PureGym and (for the period subsequent to our acquisition of LA Fitness and prior to our completing the conversion or disposition of all LA Fitness branded gyms) LA Fitness branded gyms, but excluding the total number of members who have cancelled their memberships and the total number of pre-opening members of organic gyms that have yet to open, as of a specified date or the end date of the relevant period. Unless stated otherwise, Planned LAF Disposals are excluded from the number of members figures shown.
Operating cash flow	Group Adjusted EBITDA plus Working Capital Cash Flow and less Maintenance and Corporate Capital Expenditures for that period.
Operating cash flow conversion	Group Operating Cash Flow for that period divided by Group Adjusted EBITDA for that period.
Planned LAF Disposals	Defined as 12 LA Fitness branded gyms that were acquired as part of Pure Gym's acquisition of the LA Fitness Group on 28 May 2015 but subsequently identified for disposal. In the year ended 31 December 2015, the Group sold or closed eight Planned LAF Disposals and had four remaining for sale or closure. In 2016, the Group sold or closed those remaining disposal sites. Unless stated otherwise, Planned LAF Disposals are not included in any of the calculations of the number of gyms, number of members and Average Revenue per Member per Month figures shown in this presentation.
Pre-opening costs	Total of all gym site operating costs incurred during the pre-opening periods of gyms in that period. Pre-Opening Costs primarily consist of staff, marketing and rent expenses.
Pro-forma	Giving pro forma effect to the issuance of the Senior Secured Notes as if they were issued on 1 January 2017.

Glossary continued

Term	Definition
Pro-forma interest cover	The ratio of Run-Rate Adjusted EBITDA for the most recently ended four consecutive fiscal quarters, in each case on a Pro Forma basis to the sum of consolidated interest expense and all cash dividends or other cash distributions paid on preferred and disqualified stock during the most recently ended four consecutive fiscal quarters.
Pro-forma total net leverage	The ratio of total debt outstanding on the date of determination minus an aggregate amount of cash and cash equivalents included in the consolidated balance sheet to Run-Rate Adjusted EBITDA for the most recently ended four consecutive fiscal quarters, in each case on a Pro Forma basis.
Run-Rate Adjustment	The adjustment made to those gyms which are less than three years old at the end of the reporting period. These adjustments replace the Adjusted EBITDA earned by these sites in the last twelve month period with the projected Adjusted EBITDA for their third year of operation.
Run-Rate Adjusted EBITDA	Group Adjusted EBITDA including Run-Rate Adjustments.
ROCE	EBITDA divided by Initial Capital Investment and refers to return on capital employed.
Working capital cash flow	Cash movements in working capital less the Non-Cash Rent Adjustment, adjusted for working capital acquired upon the acquisition of the LA Fitness Group in May 2015 and non-cash IFRS transition adjustments in 2014.

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