

PUREGYM

Investor Presentation

Results for the second quarter ended 30 June 2018

30 August 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 full year 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 second quarter ended 30 June 2018

Q2 2018 highlights

Continued strong growth in member volume and revenue

1,034k
members
up 12.0% vs Q2 2017

17.8%
Q2 2018 revenue growth
vs Q2 2017

16.8%
H1 revenue growth
vs H1 2017

Significant growth in Adjusted EBITDA Margin

40.5%
Q2 2018 adjusted EBITDA margin
up 160bps vs Q2 2017

38.2%
H1 adjusted EBITDA margin
up 230bps vs H1 2017

Significant growth in Adjusted EBITDA

£23.5m
Q2 2018 adjusted EBITDA
up 22.8% vs Q2 2017

£43.3m
H1 adjusted EBITDA
up 24.3% vs H1 2017

Continued rollout of new sites and investment in estate

12
new organic gyms in H1
4 in Q2 2018

10
Soho Gyms acquired
bringing the total number of sites to 214

Gym maintenance & refurbishment
£2.0m spent in Q2 2018

Strong cashflow conversion and reduction in leverage

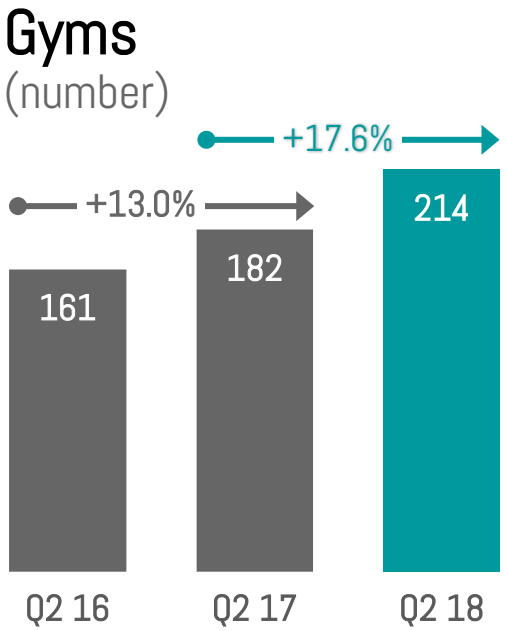
98%
H1 operating cashflow conversion
vs 94% in H1 2017

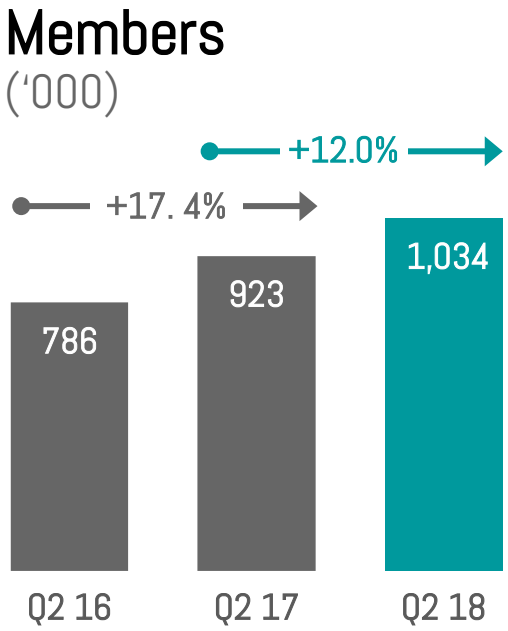
3.9x
pro forma total net leverage
at Q2 2018, down from 4.1x at end of Q1 2018

3.8x
pro forma interest cover
at Q2 2018, up from 3.7x at end of Q1 2018

Note: Given the proximity of the acquisition to the period end, it has not been practical to apply the acquisition method of accounting for the acquisition of Soho Gyms and therefore the post acquisition results of Soho Gyms are excluded from this presentation. The exception to this is the total sites figure, which includes the 10 Soho Gym sites.

Further growth in gyms and members

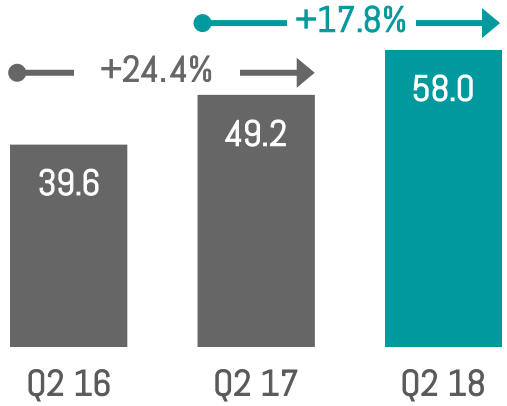




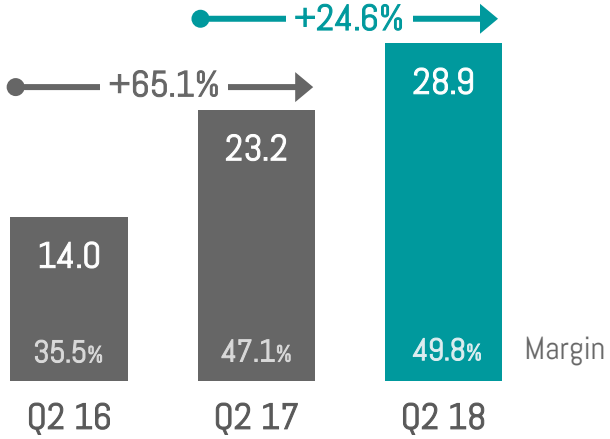
- 22 new organic gyms opened between Q2 2017 and Q2 2018, plus 10 acquired Soho gyms
- Average number of members per gym in Q2 increased by 1.1% to 5,277 from Q2 2017
- Period end membership up 12.0% on prior year (excludes Soho Gyms)

Significant growth in revenue and adjusted EBITDA

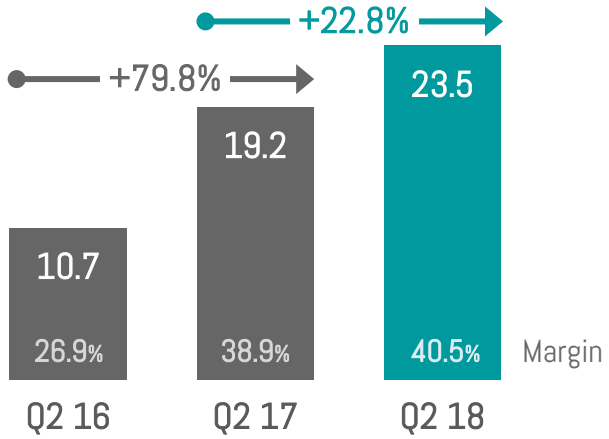
Revenue (£m)



Gym Site Adjusted EBITDA (£m)



Adjusted EBITDA (£m)



- Revenue growth of 17.8% driven by increase in number of gyms, average members and ARPM
- Adjusted EBITDA increased by 22.8% to £23.5m
- Adjusted EBITDA margin up by 160 bps to 40.5%
  - Increased estate maturity and increased ARPM, up 2.5% to £18.14
- LTM Adjusted EBITDA increased to £79.9m; adjusted EBITDA margin of 37.3%
- Adjusted run rate EBITDA £91.4m, up £2.3m vs. Q1 2018, includes £11.5m additional EBITDA from immature gyms

Capital expenditure

- £6.7m spent on expansionary capex in Q2
- £2.0m spent on maintenance & refurbishment works across estate in Q2

£m	Q2 2018	Q2 2017
Expansionary capital expenditure	6.7	7.3
Maintenance and corporate capital expenditure	2.0	1.4
Total capital expenditure	8.7	8.7



PureGym, Hull Anlaby

Continued investment in estate – gym openings

- 4 gym openings in the quarter, including second small box format site
- Strong locations, 2 in towns without a PureGym

Q2 (4 new sites)			
Large box format	• Portsmouth		**Small box format**
• Exeter	• Glasgow Silverburn		• Buckingham
Q1 (8 new sites)			
Large box format	• Brighton London Road	• London Croydon	**Small box format**
• Aberdeen Rubislaw	• Bristol Brislington	• Newry	• Tonbridge
• Aberdeen Wellington Circle	• Hull		

Good progress with planned refurbishments

- On track to refurbish 19 mature gyms during 2018
- 9 gym refurbishments completed in 2018 to date
- Focus on enhancing the customer journey, improving the use of space and layouts, updating equipment and decor



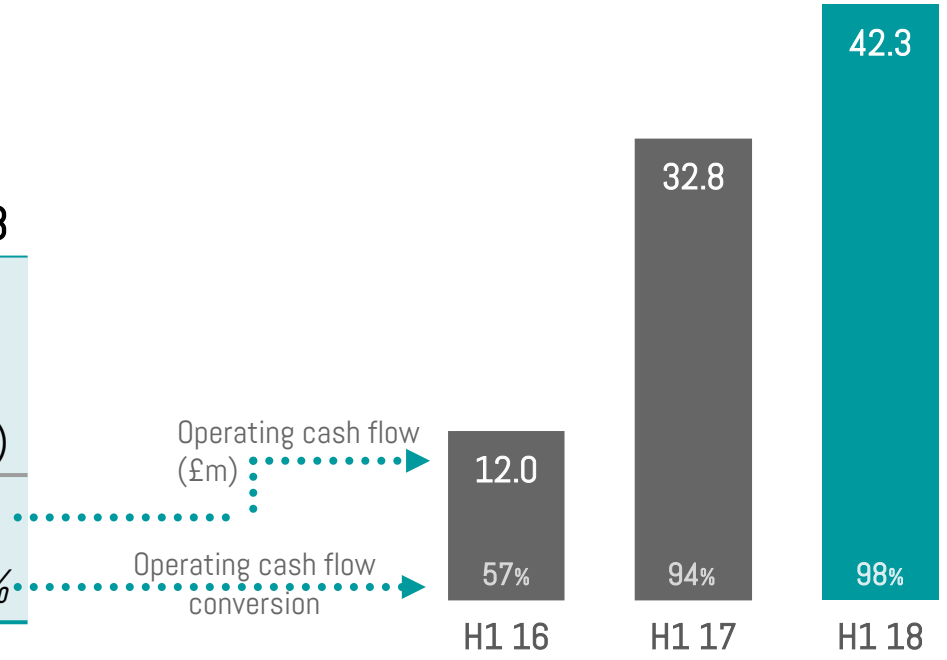
PureGym, Stockport

Strong operating cash flow generation

- Industry-leading operating cashflow conversion
- Supports a strong deleveraging profile

Free Cash Flow Generation & Conversion

£m	H1 16	H1 17	H1 18
Group Adj. EBITDA	**20.9**	**34.8**	**43.3**
Working Capital Cash Flow[1]	(3.6)	0.3	1.9
Maintenance, Refurb, and Corporate Capex	(5.3)	(2.3)	(2.9)
Group Operating Cash Flow	**12.0**	**32.8**	**42.3**
Operating Cash Flow Conversion %	*57%*	*94%*	*98%*



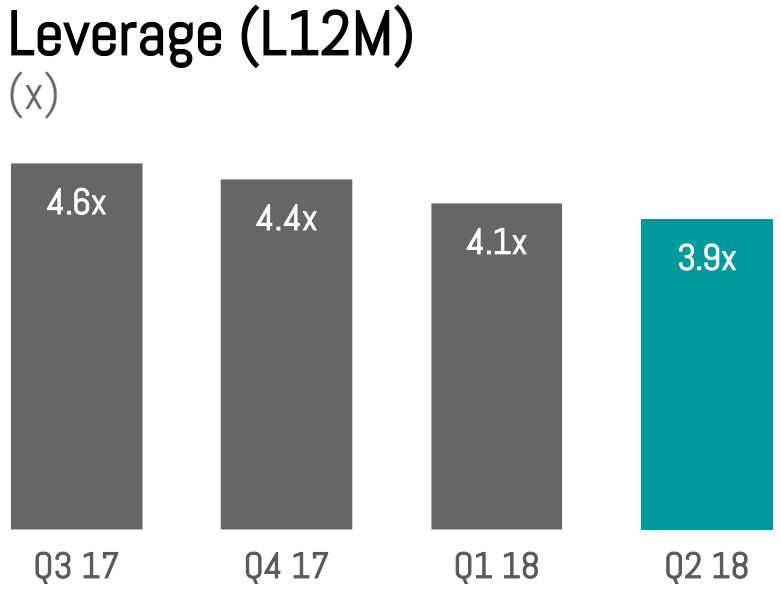
Source: Management data

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.

Underlying leverage reducing

- Pro forma underlying leverage 3.9x, compared to 4.1x at Q1 2018, pre Soho Gyms acquisition

At 30 June 2018 £m		
Adjusted Run Rate EBITDA		**91.4**
Senior Secured Notes 6.375%	360.0	
Bank borrowings[1]	3.8	
Cash	(15.8)	
Gym Equipment Finance Leases	4.0	
Pro forma Net Debt		**352.0**
Pro forma Leverage		**3.9x**



- Pro forma Interest cover 3.8x, compared to 3.7x at Q1 2018

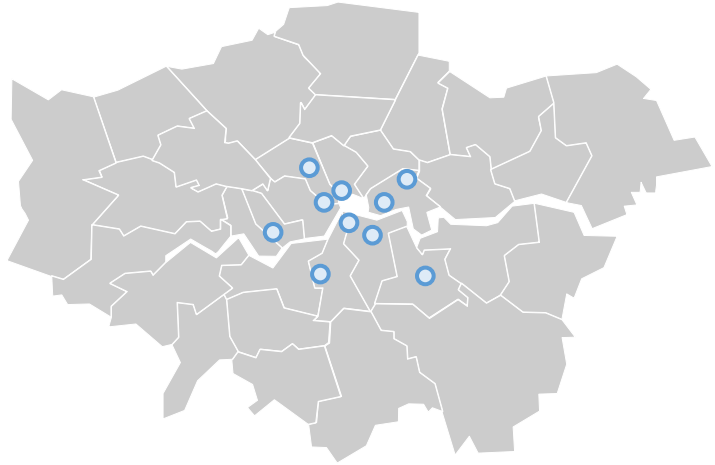
1 Bank borrowings of £25m shown net of £21.2m paid to acquire Soho Gyms.

Soho Gyms acquisition

Transaction Overview

- Completed acquisition of Ovalhouse Limited, trading as Soho Gyms, on 22 June 2018
- Off market deal with exclusivity for PureGym
- 10 Soho Gyms fitness clubs located in prime London locations
- Highly complementary to PureGym's existing estate
- Will convert all sites to PureGym format
- Financed with an add-on to existing 6.375% Senior Secured Notes due 2025, via a £30m private placing

Soho Gyms Geographic Presence



10 locations

- Borough
- Bow Wharf
- Camden
- Clapham
- Covent Garden
- Earls Court
- Farringdon
- Lewisham
- Tower Hill
- Waterloo

Soho Gyms acquisition

Rationale

- Reinforce our market leadership position
- Gain access to high quality London locations
  - Attractive rental profile, rent on average lower than current market levels
- Deploy our proven site conversion process to generate value to all stakeholders
  - Significant prior experience with larger and more complex LA Fitness estate conversion

Pro forma leverage post-acquisition

(£M)	Pro Forma excl. Soho	Soho Impact[1]	Pro Forma incl. Soho
Cash and Cash Equivalents	(15.8)	3.1	(12.7)
Bank borrowings net of Soho cashflow	3.8	(3.8)	-
Senior Secured Notes (6.375%)	360.0	30.0	390.0
Gym Equipment Finance Leases	4.0	0.7	4.7
Total Debt	**367.8**	**26.9**	**394.7**
Net Debt	**352.0**	**30.0**	**382.0**
Run-Rate Adjusted EBITDA	**91.4**	**5.5**	**96.9**
x Pro Forma Run-Rate Adjusted EBITDA	**3.9x**		**3.9x**

1 Soho EBITDA is forecasted based on expected mature performance.



Summary & Outlook

Results for the second quarter ended 30 June 2018

Summary

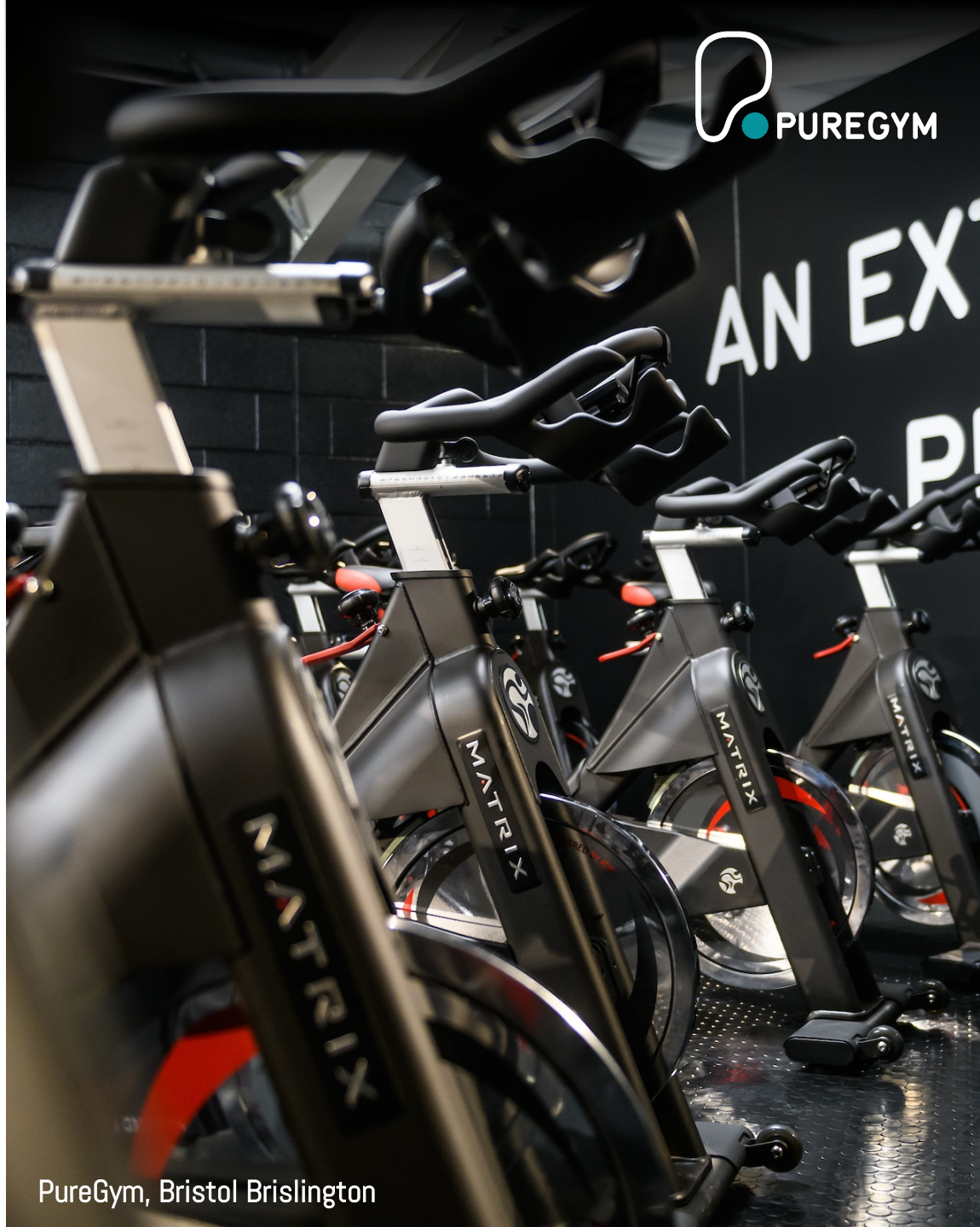
- Continued strong performance in Q2
- Further growth in key metrics versus prior year
  - Members +12.0%
  - Revenue +17.8%
  - Adjusted EBITDA +22.8%
  - Adjusted EBITDA Margin +160bps
- Rollout programme continues with 4 new organic site openings, ending the quarter with 214 gyms
- Second small box format opened
- Acquisition of Soho Gyms highly complementary to our existing estate
- Good progress with refurbishment of mature sites across 2018



PureGym, Southampton Bitterne Road

Outlook

- Strong position for remainder of financial year
  - 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
  - Conversion of Soho Gyms to commence
- Director change
  - Adam Bellamy to step down as CFO and Executive Director after six years with PureGym, will remain on the Board as NED and investor
  - Alex Wood – ex-KPMG and formerly CFO/Interim CEO of Gala Bingo – starts as CFO in early September
- Q3 2018 results update in November 2018



PureGym, Bristol Brislington



Appendix

Results for the second quarter ended 30 June 2018

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

£m	For the quarter ended 30 June 2018	2017	For the six months ended 30 June 2018	2017	Last 12 months as of and for the year ended 30 June 2018
Profit /(loss) for the year/period	6.2	1.1	10.2	0.5	(8.4)
Income tax	0.7	0.9	1.5	1.7	3.3
Net finance cost	6.7	8.2	13.4	16.4	34.8
Depreciation of property, plant and equipment	7.4	6.5	14.6	12.8	28.2
Amortisation of intangible fixed assets	-	0.1	-	0.2	-
(Profit) / loss on disposal of property, plant and equipment	-	0.2	(0.1)	(0.2)	0.8
Exceptional administrative expenses	0.5	-	0.5	-	14.3
Other extraordinary items	-	0.3	-	1.0	0.8
Pre-Opening Costs	0.7	0.9	1.2	1.3	3.5
Non-Cash Rent Adjustment	1.3	1.0	2.0	1.1	2.6
Adjusted EBITDA	23.5	19.2	43.3	34.8	79.9
Head office costs	5.3	4.0	9.9	8.0	18.8
Site Adjusted EBITDA	28.9	23.2	53.1	42.8	98.7
Adjusted EBITDA (L12M)	n/a	n/a	n/a	n/a	79.9
Run-Rate Adjustment	n/a	n/a	n/a	n/a	11.5
Run-Rate Adjusted EBITDA	n/a	n/a	n/a	n/a	91.4

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

KPIs

£m	As of and for the quarter ended 30 June 2018	2017	As of and for the six months ended 30 June 2018	2017	Last 12 months as of and for the year ended 30 June 2018
Total number of PureGyms	204	182	204	182	204
Total number of Soho Gyms	10	-	10	-	10
Total number of gyms	214	182	214	182	214
Total number of Mature Gyms	n/a	n/a	n/a	n/a	n/a
Total number of members ('000s)	1,034	923	1,034	923	1,034
Average number of members per gym	5,277	5,219	5,182	5,174	5,113
Average revenue per member per month	18.14	17.69	18.25	17.78	18.13
Adjusted EBITDA (£ million)	23.5	19.2	43.3	34.8	79.9
Adjusted EBITDA margin	40.5%	38.9%	38.2%	35.9%	37.3%
Gym Site Adjusted EBITDA (£ million)	28.9	23.2	53.1	42.8	98.7
Gym Site Adjusted EBITDA margin	49.8%	47.1%	46.9%	44.2%	46.0%
Run-Rate Adjusted EBITDA (£ million)	n/a	n/a	n/a	n/a	91.4
Operating Cash Flow (£ million)	19.8	22.2	42.3	32.8	76.9
Operating Cash Flow Conversion	84.3%	116.0%	97.7%	94.3%	96.2%
Pro Forma Net Debt (£ million)	352.0	n/a	352.0	n/a	352.0
Ratio of Pro Forma Net Debt to Group Run-Rate Adjusted EBITDA (L12M)	n/a	n/a	n/a	n/a	3.9x
Ratio of Run Rate Adjusted EBITDA to Pro Forma Net Interest Expense	n/a	n/a	n/a	n/a	3.8x
Mature gym EBITDA (£ million)	n/a	n/a	n/a	n/a	n/a
Average mature gym EBITDA (£'000)	n/a	n/a	n/a	n/a	n/a
Average mature gym EBITDA margin	n/a	n/a	n/a	n/a	n/a
Average mature gym ROCE	n/a	n/a	n/a	n/a	n/a
Average initial capital investment for mature gyms (£'000)	n/a	n/a	n/a	n/a	n/a

Credit Ratings

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

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 period.

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 the PureGym, Soho Gyms 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 £360m 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.
Soho Gyms	The trading name of Ovalhouse Limited.
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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