

Investor Presentation

Results for the third quarter ended 30 September 2018

21 November 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 London Tottenham Court Road



Financial and Operating Review

Results for the third quarter ended 30 September 2018

Q3 2018 highlights

Continued strong growth in member volume and revenue

1,020k
members
up 10.5% vs Q3 2017

15.5%
Q3 2018 revenue growth
vs Q3 2017

16.4%
9 month revenue growth
vs 9 months 2017

Significant growth in Adjusted EBITDA

£19.7m
Q3 2018 adjusted EBITDA
up 9.3% vs Q3 2017

£62.3m[1]
9 month adjusted EBITDA
up 17.8% vs 9 months 2017

Strong Adjusted EBITDA Margin

34.5%
Q3 2018 adjusted EBITDA margin
vs 36.4% in Q3 2017

36.5%
9 month adjusted EBITDA margin
vs 36.1% 9 months 2017

Continued rollout of new sites and investment in estate

17
new gyms in the last 9 months
vs 14 gyms in 9 months 2017

9
Soho branded gyms
bringing the total number of sites to 218

Gym maintenance & refurbishment
£7.6m spent in 9 months vs £4.2m in 9 months 2017

Strong cashflow conversion and stable leverage

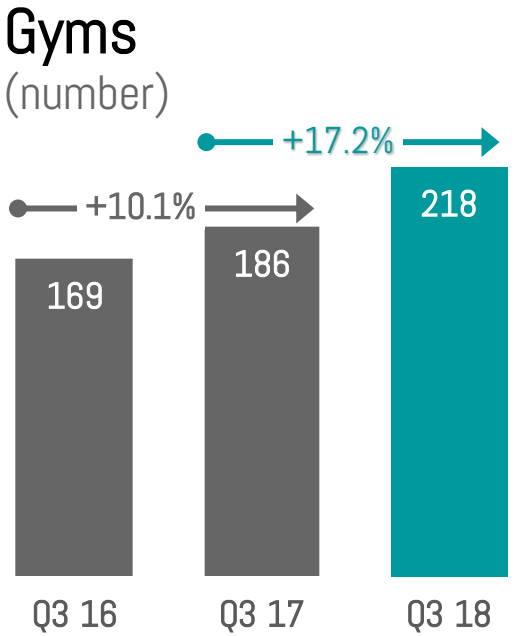
89%
9 month operating cashflow conversion
vs 97% in 9 months 2017

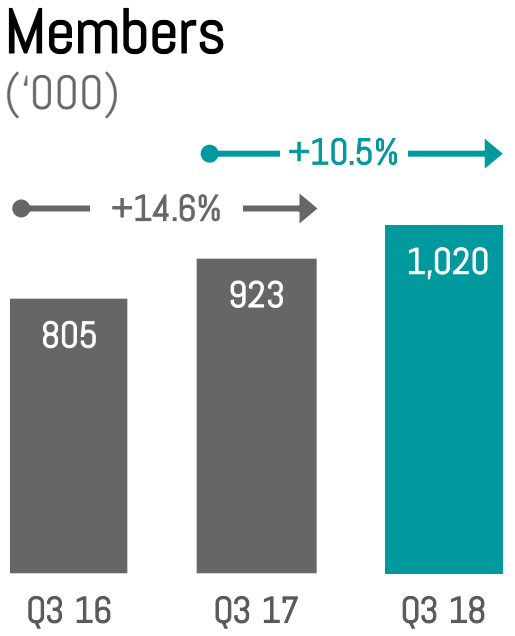
4.1x
pro forma total net leverage
at Q3 2018, up from 3.9x at end of Q2 2018

3.6x
pro forma interest cover
at Q3 2018, down from 3.7x at end of Q2 2018

[1] YTD Adjusted EBITDA includes a £0.8m restatement to reduce the non-cash rent adjustment for the 6 months ended 30 June 2018.

Further growth in gyms and members

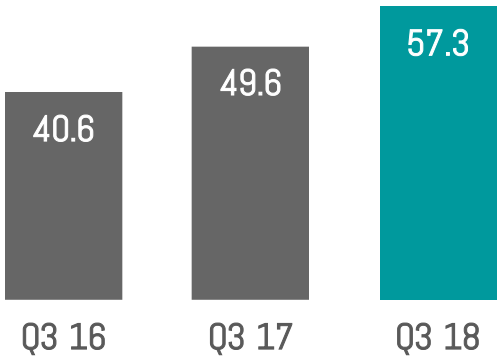




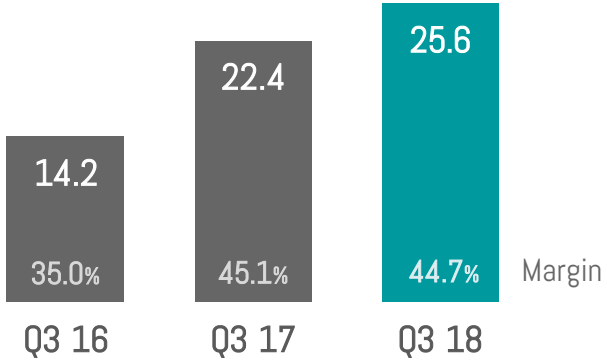
- 17 new Pure gyms opened in the 9 months to 30 September 2018, plus a further 9 operating under the Soho brand
- The average number of members per gym reduced to 4,774 (Q3 2017: 4,992) due to the inclusion of Soho gyms and 2 new SBF gyms
- Period end membership up 10.5% on prior year (9.4% excluding Soho sites)

Significant growth in revenue and adjusted EBITDA

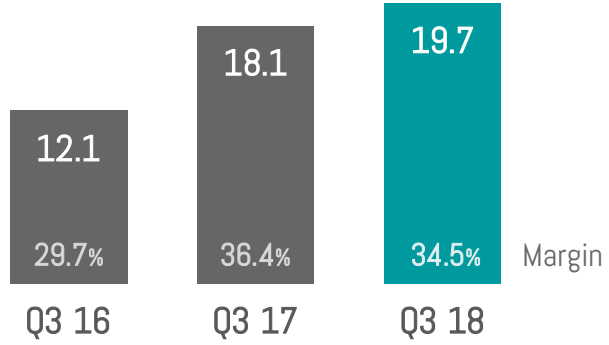
Revenue (£m)



Gym Site Adjusted EBITDA (£m)



Adjusted EBITDA (£m)



- Revenue growth of 15.5% driven by increase in number of gyms and ARPM
- Gym Site Adjusted EBITDA increased to £25.6m; adjusted gym EBITDA margin of 44.7%
- Adjusted EBITDA increased by 9.3% to £19.7m, with Adjusted EBITDA margin remaining strong at 34.5%
  - Increased estate maturity and ARPM, up 3.5% to £18.70, offset by some investment in central costs
- LTM Adjusted EBITDA increased to £80.9m; adjusted EBITDA margin of 36.4%
- Adjusted run rate EBITDA £93.4m, includes £12.5m additional EBITDA from immature gyms

Continued investment in estate – gym openings

- 17 gym openings year to date, including one Soho Gym converted to PureGym brand

Large box format			Small box format	Soho site conversions
Q3 (4 new sites and 1 Soho conversion)				
• Birmingham Arcadian	• London East India Dock			• Lewisham
• Fareham	• London Tottenham Court Road			
Q2 (4 new sites)				
• Exeter	• Portsmouth		• Buckingham	
• Glasgow Silverburn				
Q1 (8 new sites)				
• Aberdeen Rubislaw	• Bristol Brislington	• Newry	• Tonbridge	
• Aberdeen Wellington Circle	• Hull			
• Brighton London Road	• London Croydon			

Capital expenditure

- £16.6m spent on expansionary capex YTD
- £7.6m spent on planned maintenance & refurbishment works across estate YTD
- Expect to refurbish 18 mature gyms during 2018
  - 12 gym refurbishments completed YTD

£m	YTD 2018	YTD 2017
Expansionary capital expenditure	16.6	19.9
Maintenance and corporate capital expenditure	7.6	4.2
Total capital expenditure	24.2	24.1



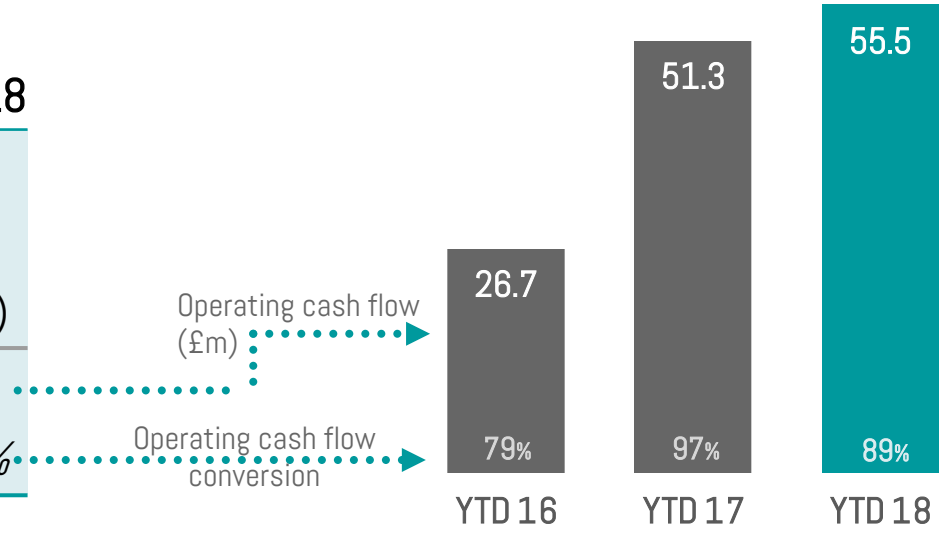
PureGym, London East India Dock

Strong operating cash flow generation

- Supports a strong deleveraging profile
- Operating cashflow conversion remains strong at 89%, down slightly from 97% in the prior period due to investment in capex

Free Cash Flow Generation & Conversion

£m	YTD 16	YTD 17	YTD 18
Group Adj. EBITDA	**33.9**	**52.9**	**62.3**
Working Capital Cash Flow[1]	0.6	2.6	0.8
Maintenance, Refurb, and Corporate Capex	(7.7)	(4.2)	(7.6)
Group Operating Cash Flow	**26.7**	**51.3**	**55.5**
Operating Cash Flow Conversion %	*79%*	*97%*	*89%*



Source: Management data

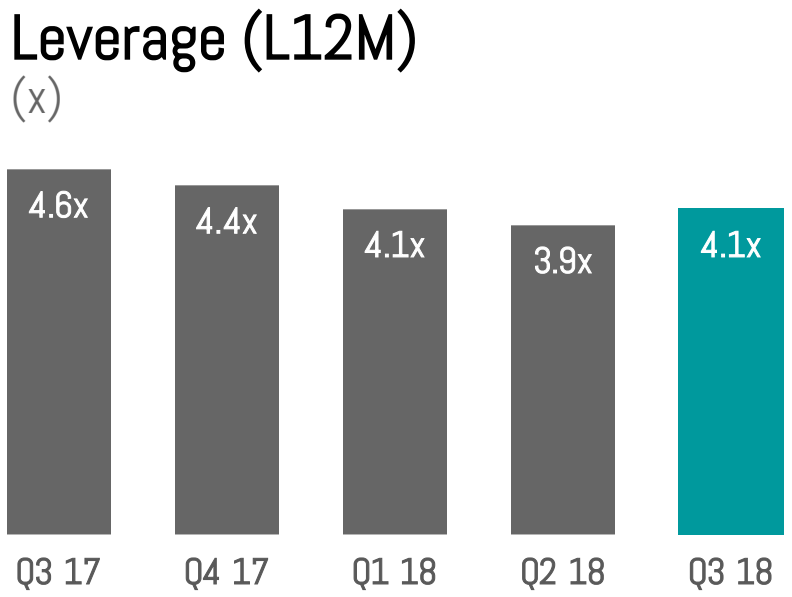
1 Working Capital Cash Flow is defined as cash movements in working capital other than the non-cash rent adjustment which is included in Group Adjusted EBITDA.

Sustainable leverage position

- Pro forma leverage 4.1x, compared to 3.9x at Q2 2018 (increasing slightly due to the Soho Gyms acquisition)

At 30 September 2018 £m

Adjusted Run Rate EBITDA		**93.4**
Senior Secured Notes 6.375%	360.0	
Senior Secured Notes 6.375% (Soho placing)	30.0	
Cash	(15.1)	
Gym Equipment Finance Leases	4.4	
Net Debt		**379.3**
Pro forma Leverage		**4.1x**



- Pro forma Interest cover 3.6x, compared to 3.7x at Q2 2018 (also due to the impact of the Soho acquisition)

Note: Q3 2018 is the first quarter to include Soho Gyms



Summary & Outlook

Results for the third quarter ended 30 September 2018

Q3 Summary

- Continued strong performance in Q3
- Further growth in Q3 key metrics versus prior year
  - Members +10.5%
  - Revenue +15.5%
  - Adjusted EBITDA +9.3%
  - Adjusted EBITDA Margin remains strong at 34.5%
- Rollout programme continues with 4 new organic site openings, ending the quarter with 218 gyms
- First Soho site transitioned to the PureGym model
- Good progress with refurbishment of mature sites across 2018



PureGym, Fareham

Outlook

- Strong position for remainder of the financial year
  - Healthy forward property pipeline
  - Expect a total of 20 to 22 organic large box format gym openings and 4 to 5 small box format gym openings by the year end
- Soho Gyms to continue to be integrated into the business across Q4 2018 and Q1 2019
- Full year 2018 results to be announced in April 2019
- A reminder that our reporting will move from Gym Topco Limited to Pinnacle Bidco plc once we annualise the date of acquisition by Leonard Green & Partners



PureGym, Lewisham



Appendix

Results for the third quarter ended 30 September 2018

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

£m	For the quarter ended 30 Sep 2018	For the quarter ended 30 Sep 2017	For the nine months ended 30 Sep 2018	For the nine months ended 30 Sep 2017	Last 12 months as of and for the year ended 30 Sep 2018
Profit /(loss) for the year/period	2.6	(1.9)	12.8	(1.5)	(3.8)
Income tax	0.8	0.7	2.3	2.4	3.4
Net finance cost	6.9	8.3	20.3	24.7	33.4
Depreciation of property, plant and equipment	7.7	6.7	22.3	19.4	29.3
Amortisation of intangible fixed assets	-	-	-	0.2	-
(Profit) / loss on disposal of property, plant and equipment	0.1	0.8	-	0.5	0.2
Exceptional administrative expenses	0.4	1.9	0.9	2.0	12.7
Other extraordinary items	-	0.3	-	1.3	0.5
Pre-Opening Costs	0.6	0.9	1.8	2.2	3.3
Non-Cash Rent Adjustment	0.5	0.5	1.8	1.6	1.9
Adjusted EBITDA	19.7	18.1	62.3[1]	52.9	80.9
Head office costs	5.9	4.3	15.7	12.3	20.3
Site Adjusted EBITDA	25.6	22.4	78.0	65.2	101.2
Adjusted EBITDA (L12M)	n/a	n/a	n/a	n/a	80.9
Run-Rate Adjustment	n/a	n/a	n/a	n/a	12.5
Run-Rate Adjusted EBITDA	n/a	n/a	n/a	n/a	93.4

[1] YTD Adjusted EBITDA includes a £0.8m restatement to reduce the non-cash rent adjustment for the 6 months ended 30 June 2018.

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

KPIs

£m	As of and for the quarter ended 30 Sep 2018	2017	As of and for the nine months ended 30 Sep 2018	2017	Last 12 months as of and for the year ended 30 Sep 2018
Total number of PureGyms	209	186	209	186	209
Total number of unconverted Soho Gyms	9	-	9	-	9
Total number of gyms	218	186	218	186	218
Total number of Mature Gyms	n/a	n/a	n/a	n/a	n/a
Total number of members ('000s)	1,020	923	1,020	923	1,020
Average number of members per gym	4,774	4,992	5,023	5,110	4,887
Average revenue per member per month	18.70	18.06	18.45	17.89	18.36
Adjusted EBITDA (£ million)	19.7	18.1	62.3[1]	52.9	80.9
Adjusted EBITDA margin	34.5%	36.4%	36.5%	36.1%	36.4%
Gym Site Adjusted EBITDA (£ million)	25.6	22.4	78.0	65.2	101.2
Gym Site Adjusted EBITDA margin	44.7%	45.1%	45.7%	44.5%	45.6%
Run-Rate Adjusted EBITDA (£ million)	n/a	n/a	n/a	n/a	93.4
Operating Cash Flow (£ million)	13.2	18.5	55.5	51.3	71.6
Operating Cash Flow Conversion	66.9%	102.1%	89.1%	97.0%	88.6%
Pro Forma Net Debt (£ million)	379.3	n/a	379.3	n/a	379.3
Ratio of Pro Forma Net Debt to Group Run-Rate Adjusted EBITDA (L12M)	n/a	n/a	n/a	n/a	4.1x
Ratio of Run Rate Adjusted EBITDA to Pro Forma Net Interest Expense	n/a	n/a	n/a	n/a	3.6x
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

[1] YTD Adjusted EBITDA includes a £0.8m restatement to reduce the non-cash rent adjustment for the 6 months ended 30 June 2018.

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.
Large Box Format (LBF)	Large Box Format (LBF) gyms are gyms that are typically 15,000-20,000 square feet in size.
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 and Soho 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 Soho Gyms and prior to our completing the conversion or disposition of all LA Fitness and Soho 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.
Small Box Format (SBF)	Small Box Format (SBF) gyms are gyms that are typically 5,000-8,000 square feet in size.
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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