

PUREGYM

Investor Presentation

Results for the year ended 31 December 2018

25 April 2019

Disclaimer

Forward-looking statements

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Contents

- Market and strategic update
- Financial and Operating Review
- Summary
- Outlook
- Appendix



PureGym, Corby



Market and strategic update

Humphrey Cobbold, Chief Executive Officer

Setting the context: Eras of PureGym's development

Pre 2016

Accelerated growth to secure market leadership

- Organic openings and LA Fitness acquisition
- Moved from Northern focus to whole country
- Opened 51 gyms in busiest 52 weeks!
- Average rate of annual site growth in 2010-2016 was 63% per annum

2016 - 18

Consolidation and preparation for ownership transition

2016/2017:

- Preparations for IPO/sale
- Relatively leveraged balance sheet

2018:

- Strengthened the balance sheet, the team and processes/disciplines
- Focus on innovation

2019 - 2024

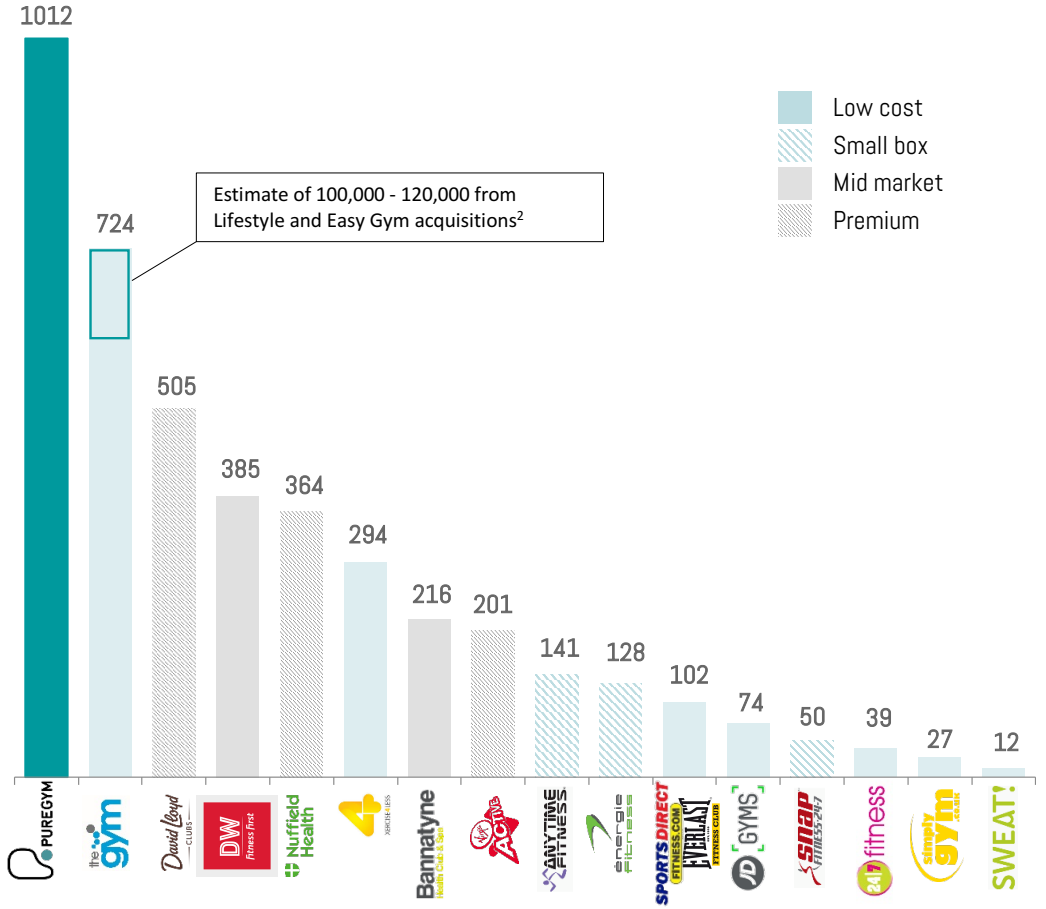
Further scaling up and estate build out

- Better products & formats
- Strengthening property pipeline
- Robust financial position and cash generation
- Powerful brand

Market observations: the present

- Exceptionally well positioned to maintain market-leader positioning
- Industry is developing as we expected at the time of the Bond Issue in January 2018
- Small Box: Confident that we will win quality market share in the long-term despite current expansion of Anytime Fitness and Energie
- Premium: limited net expansion but will grow revenue and profits by raising prices and yields
- Mid-market and Leisure Centres: tough place to be, will remain under pressure and contract over time
- Overall market is consolidating through some M&A but more through organic openings

Members ('000)[1]



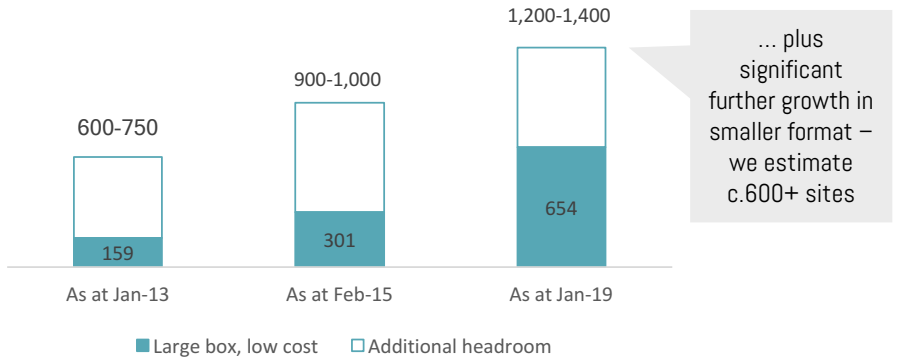
[1] Source: LDC, Data as at Dec 18 for PG and TGG, Data at Sep 18 for Energie and data at Mar 18 for all other operators. PureGym excludes members at 6 Soho sites closed for refurbishment
[2] Source: Management estimate

Market observations: trends and the future

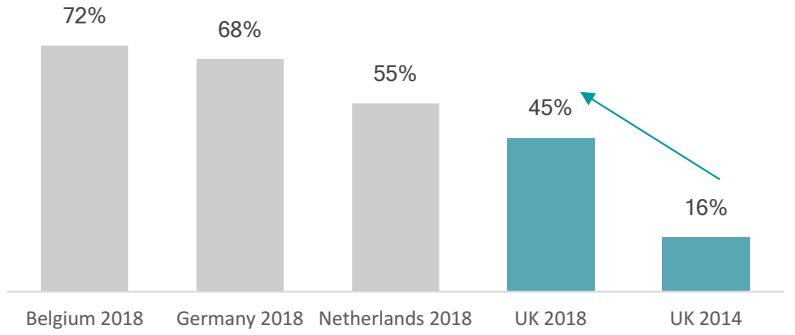
High degree of confidence that the market has further capacity

- Overall we agree with conclusions of PWC Report
- Confident in securing strong locations for LBF sites
- Unfulfilled latent demand remains. We're good at finding it.
- Remains a supply-led market
- Format innovation provides greater strategic flexibility
- PureGym model well positioned to weather a consumer downturn
- PureGym has c.10% of the total market share of members leaving ample room for growth
- Basic Fit (Holland) and Fitness World (Denmark) have much larger domestic market shares: 30%+

Total low cost market potential[1]



% low cost gyms with top 10 branded operators[1]

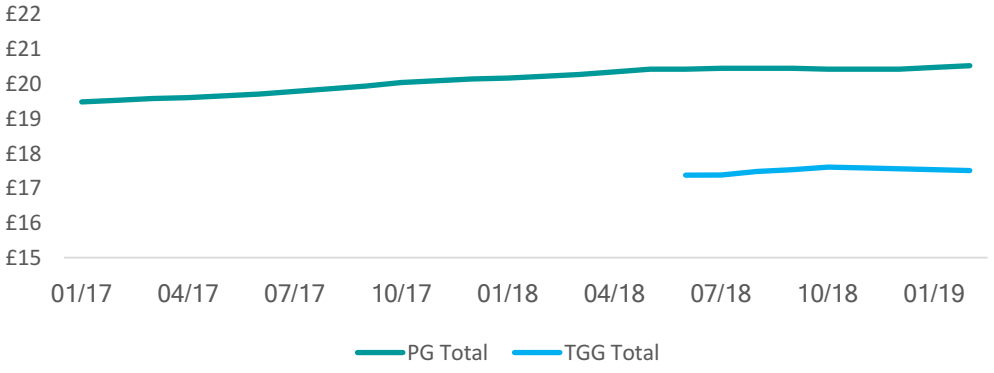


1. Source: PWC Strategy report dated 13 March 2019 located at https://www.pwc.co.uk/industries/hospitality-leisure/insights/uk-low-cost-gyms.html

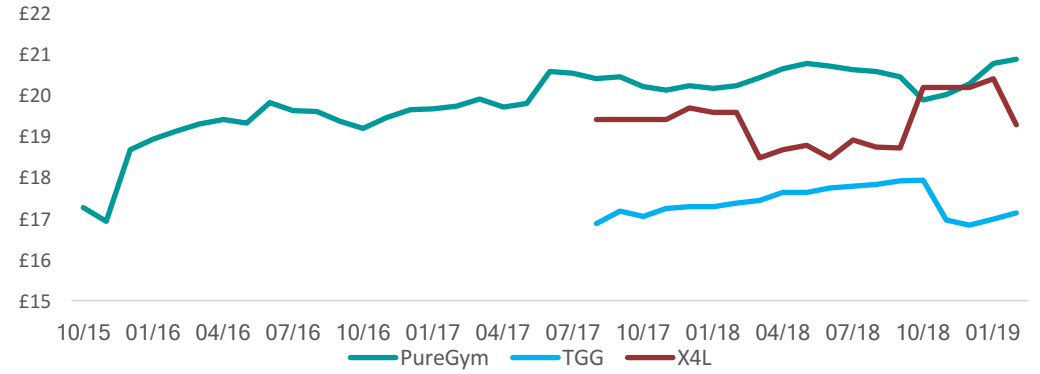
Pricing observations

- Do not believe we are seeing signs of over-capacity
- Monitor all main prices regularly - as do our competitors
- Increasingly sophisticated data-driven models for yield management decisions
- These models also support episodic promotional activity
- Pricing is transparent – we observe largely rational behavior in response to changes
- Progressive approach to pricing over time

Average headline monthly membership fee – LTM average



Average advertised monthly membership fee



1. Source: PureGym maturity price tracking

Pricing strategy and approach at PureGym



Optimal positioning: towards premium end of value segment

- Think Easyjet vs. Ryanair or Premier Inn vs. Travelodge
- Maintain investment in product … make it better over time
- Invest to build awareness and consideration



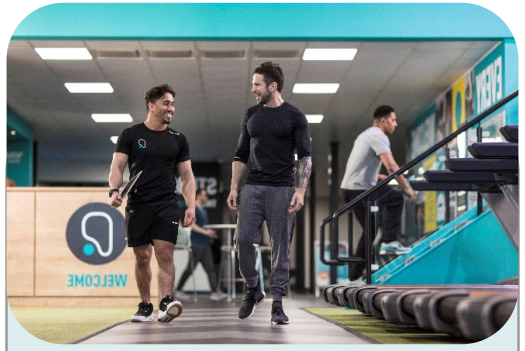
Local market defines "budget" positioning

- £34.99 in Canary Wharf … £14.99 in Grimsby
- Specific prices change over time as market/competition evolves



Drive premiumisation to enhance yield from those willing to pay

- Extra product earns a £5-7 per month premium
- Multi earns c £3-4 per month premium
- Bolt-ons for 'buddy membership', 'early class booking' etc.



Use lower prices to broaden appeal and drive volume

- Off peak (highly controlled – discount and hours vary per gym)
- Paid-in-full memberships
- Channel specific offers such as AXA PPP, Students, Corporate
- Tactical use of promotions

Property market observations

Uniquely positioned to benefit from current property market dynamics

- Property pipeline significantly stronger than this time last year
- Strong landlord covenant and "tenant of choice" status allows PureGym to secure attractive sites on favorable lease terms
- Strong expertise in site selection – quality is absolutely key
- Experienced property team strengthened further
- Very positive about the outlook for future opportunities



PureGym, Leeds Thorpe Park

Leading the market through focused innovation

Great core offer

- No contract
- Competitive prices
- 50-80 free classes
- Great value
- Range of membership options
- 24/7 trading



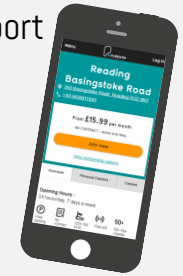
Product innovation

- Continued re-investment
- Look and feel enhancements
- Enhanced functional zones
- Equipment optimisation
- Rollout of ancillary products e.g. Yanga, Massage, body comp



Ongoing commercial and digital innovation

- Join in 2 minutes
- Online self service support
- Digital studios
- New App launched
- Free and paid-for workout plans
- Value add such gym busyness, workout register, rewards etc



Format innovation

- Opening sites 5-25k sq ft
- New focus on 5-8k (SBF) and 9-12k (MBF)
- Enables growth into smaller local markets and distributed penetration in larger markets
- Strong trading at SBF/MBF openings gives confidence for the future



Format innovation

- Prior to 2017/18 PureGym only considered sites of 15k+ sq feet with catchments of at least 50-75,000 people
- Restricted access to millions of potential customers
- Research suggested latent demand existed in these catchments
- Realised we needed to significantly adapt model – can't just shrink everything - to make smaller sites/catchments work economically and secure good financial returns
- Now opened sufficient SBF and MBF to be confident we have a 'good' model (although it will continue to evolve)
- Product is favourably received by members and landlords
- Can see real network effects (brand awareness, multi site membership etc) as we expand
- Excited by the prospects and the opportunity this presents us



PureGym, East Grinstead

New format: SBF

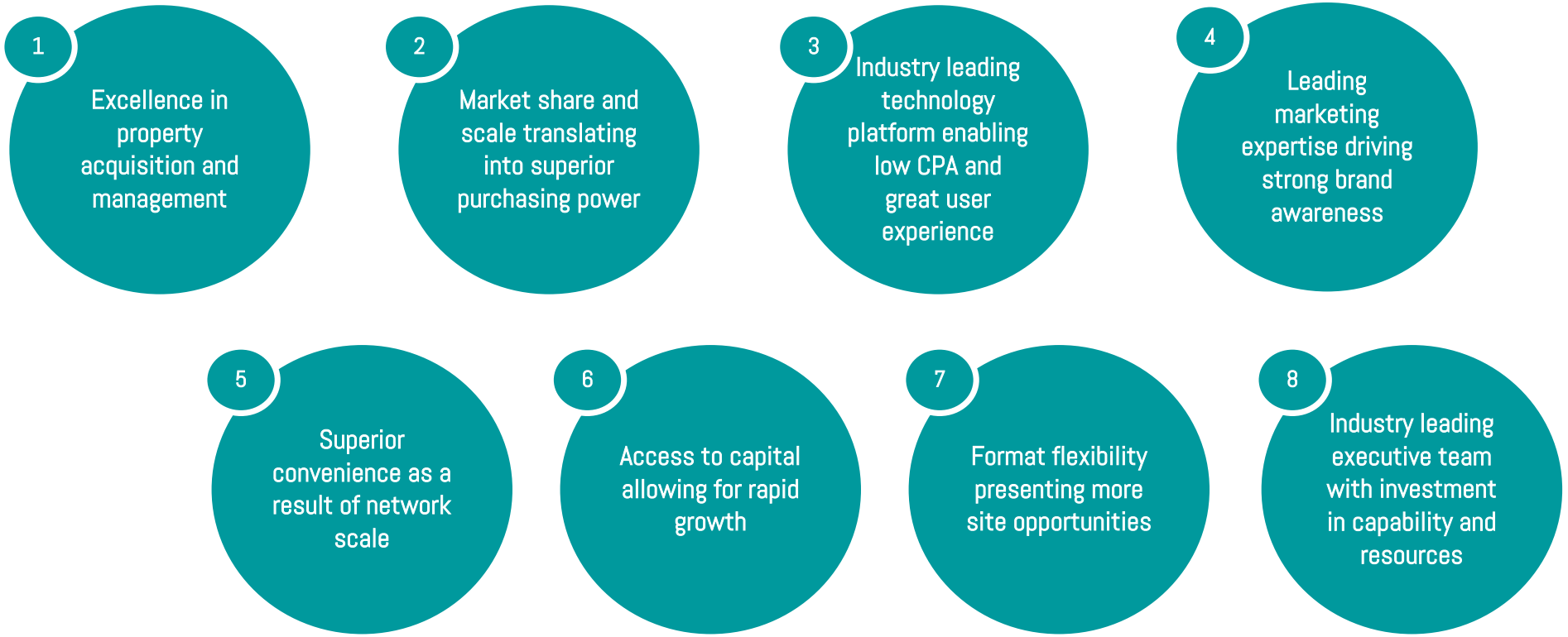
Incremental opportunity

- 5,000 – 8,000 sq ft
- Serving smaller markets or infill opportunities
- Branded PureGym Local – taking a leaf out of the supermarkets “playbook”
- Similar minimum returns criteria as LBFs
- Opened four SBFs in 2018 and a further three already this year
- Scaled down product, single studio, altered locker room/WC/shower provision





Our sources of competitive advantage ... a reminder



Further strengthened senior management capability & capacity



Alex Wood

Chief Financial Officer

- Joined PureGym Management Board in Sep 2018
- Previously CFO & Acting CEO of Gala Bingo
- M&A Director at Gala Coral Group



Joe Garrood

Commercial Director

- Joined PureGym Management Board in Jan 2019
- 15 years experience spanning executive management, private equity and consulting



Neil Ferguson

Property Development Director

- Joined in Jul 2018 to lead integration of Soho business
- Transitioned into new role in Feb 2019
- Previously Operations & Change Director at Whitbread as well as senior roles at Dixons Carphone, Deloitte & Tesco



Fraser Inglis

Finance Director

- Joined PureGym in June 2015 and the Management Board in Sep 2018
- Senior finance roles at Virgin Active, Costa Coffee & Whitbread



Pankaj Arora

Head of Insight & Analytics

- Joined PureGym in Feb 2019
- 15 years experience in building insight capability across gaming, automotive, retail and consulting



Paul Denham

Proposition Development Director

- Joined PureGym in Mar 2019
- Experience in the UK, Europe and USA with Marks and Spencer, Laura Ashley and The LEGO Group
- Successfully ran his own business helping brands to develop and grow in the UK and Internationally

Summary of our strategy

1
Accelerating the organic roll out of new gyms offering attractive returns on capital

2
Driving revenue and operational performance of gyms as they mature

3
Innovate to increase member appeal, growth and profitability across the estate

4
Maintaining a rigorous focus on cost for both opex and capex



PureGym, Cardiff Bay



Financial and Operating Review

Alex Wood, Chief Financial Officer

Results for the year ended 31 December 2018

2018 highlights

Strong growth in member volume and revenue continues

1,012k
members
at year end, up 9.2% vs 2017

15.3%
FY revenue growth
vs 2017

12.4%
Q4 revenue growth
vs Q4 2017

Adjusted EBITDA continues to grow

£81.3m
2018 adjusted EBITDA
up 13.8% vs 2017

£19.2m
Q4 adjusted EBITDA
up 3.4% vs Q4 2017

£95.0m
2018 run rate adjusted EBITDA
up 12.0% vs 2017

Adjusted EBITDA Margin remains strong

35.6%
2018 adjusted EBITDA margin
vs 36.1% in 2017

33.2%
Q4 adjusted EBITDA margin
vs 36.1% Q4 2017

Continued rollout of new sites and investment in estate

26
new organic gyms in 2018
vs 20 gyms in 2017

4
Soho conversions
bringing the total number of open sites to 222

18
Gym refurbishments

Strong cashflow conversion and stable leverage

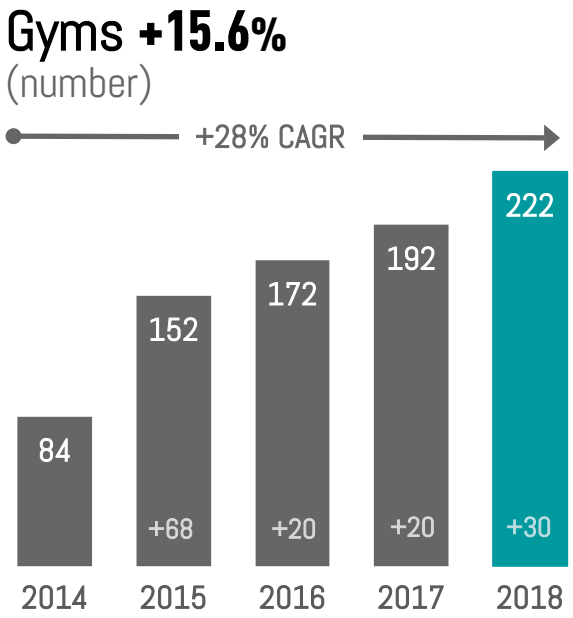
101.8%
operating cashflow conversion
vs 94.4% in 2017

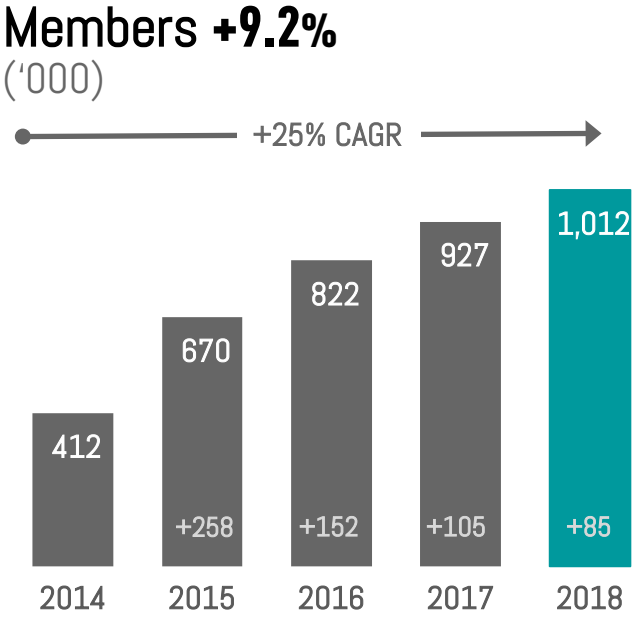
3.9x
pro forma total net leverage
at year end, down from 4.4x at end of 2017

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

FY18 financials reflect the results of Pinnacle Bidco plc, for 12 months ended 31 December 2018, using the results of Gym Topco Limited for FY17 comparatives.
See Appendix for the full reconciliation to results of Pinnacle Bidco plc for 14 months ended 31 December 2018.

Continued growth in gyms and members

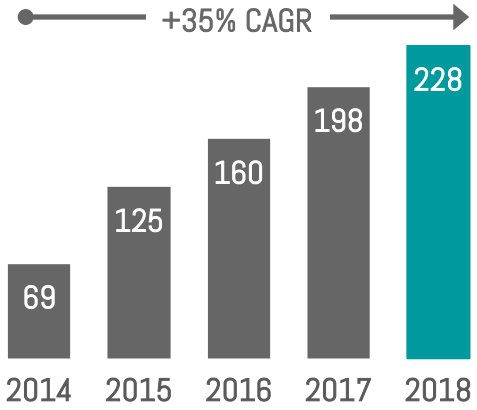




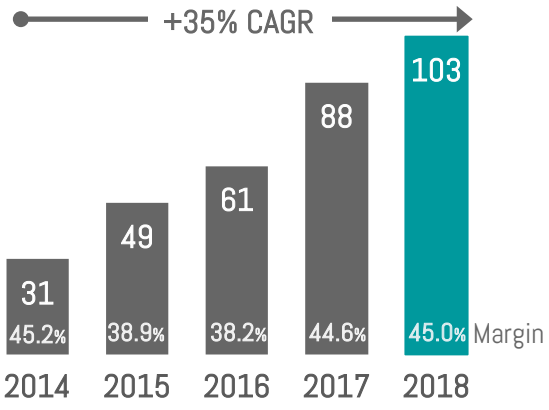
- 30 new Pure gyms opened in 2018, with a further 6 Soho sites under refurbishment at the year end
- The average number of members per gym reduced to 4,994 (2017: 5,070) due to the acquisition of Soho gyms, 4 new SBF gyms and a significant number of Q4 openings
- Year end membership up 9.2% on prior year (9.7% including unconverted Soho sites)

Strong growth in revenue and Adjusted EBITDA

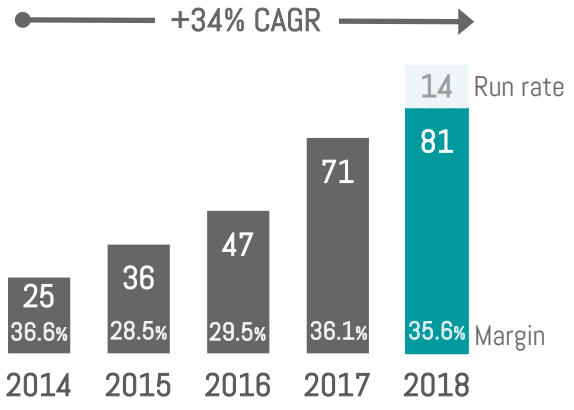
Revenue
(£m)



Gym Site Adjusted EBITDA
(£m)



Adjusted EBITDA
(£m)



- Revenue growth of 15.3% driven by increase in number of gyms and ARPM
- Gym Site Adjusted EBITDA increased to £102.7m; Adjusted gym EBITDA margin of 45.0%
- Adjusted EBITDA increased by 13.8% to £81.3m, with Adjusted EBITDA margin remaining strong at 35.6%
  - Increased estate maturity and ARPM, up 2.2% to £18.38, offset by investment in central costs
- Adjusted run rate EBITDA £95.0m, includes £13.7m additional EBITDA from immature gyms

FY18 financials reflect the results of Pinnacle Bidco plc, for 12 months ended 31 December 2018, using the results of Gym Topco Limited for FY17 comparatives.
See Appendix for the full reconciliation to results of Pinnacle Bidco plc for 14 months ended 31 December 2018.

Continued investment in estate – gym openings

- 26 organic gym openings during the year, plus 4 Soho Gyms converted to PureGym brand

Q1 8 new sites	Q2 4 new sites	Q3 4 new sites and 1 conversion	Q4 10 new sites and 3 conversions
Large Box Format			
• Aberdeen Rubislaw • Aberdeen Wellington Circle • Brighton London Road • Bristol Brislington • Hull • London Croydon • Newry	• Exeter • Glasgow Silverburn • Portsmouth	• Birmingham Arcadian • Fareham • London East India Dock • London Tottenham Court Road	• Leeds Thorpe Park • Swindon • Corby • Cambridge Grafton Centre • Edinburgh, Fort Kinnard • Telford • Cardiff Bay • London Beckton
Small Box Format			
• Tonbridge	• Buckingham		• East Grinstead • Bridgwater
Soho site conversions			
		• London Lewisham	• London Tower Hill • London Borough • London Waterloo

SBF performance encouraging

- Significant time invested in refining/proving the concept
- 4 SBF gyms opened in FY18
- Performance ahead of expectations
  - All gyms at mature selling price within weeks of opening
  - Ahead of LBF pricing and density of members per sq ft.
- Average capex per site c£600k
- Target EBITDA at maturity £150–£200k per site
- Expect slightly lower ROCE than LBF but still 25-30%

SBF members vs feasibility expectations

2018 SBF	Opening date	% members[1] vs feasibility	% members[1] vs mature feasibility
Tonbridge	25 Jan 2018	103%	100%
Buckingham	03 Mar 2018	104%	89%
East Grinstead	1 Nov 2018	116%	89%
Bridgwater	20 Dec 2018	158%	107%
Average		**118%**	**96%**

1. Closing members as at 31 March 2019

Soho conversions largely complete

- Four Soho sites converted by year end and 6 closed for refurbishment
- Head office closed and absorbed into PureGym central support function
- Since year end a further five Soho Gyms have successfully been converted, with one site remaining
- Six sites are exceeding expectations, while the other three are in line with expectations


PureGym, London Waterloo

Capital expenditure

- £32.5m spent on expansionary capex in 2018
- £11.3m spent on planned maintenance & refurbishment works across estate in year
- Refurbished 18 mature gyms during 2018

£m	FY 2018	FY 2017
Expansionary capital expenditure	32.5	32.0
Maintenance and corporate capital expenditure	11.3	7.1
Total capital expenditure	43.8	39.1



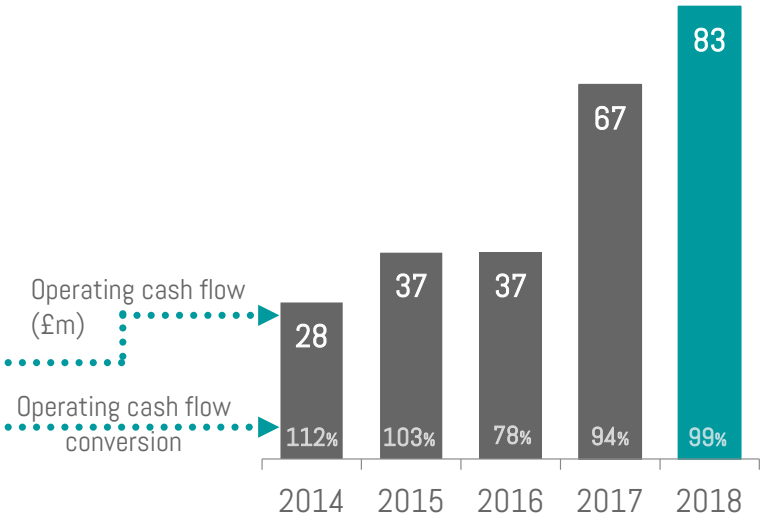
Source: Management data
FY18 financials reflect the results of Pinnacle Bidco plc, for 12 months ended 31 December 2018, using the results of Gym Topco Limited for FY17 comparatives.

Strong operating cash flow generation

- Supports a strong deleveraging profile
- Operating cashflow conversion remains strong at 101.8%, up from 94.4% in the prior year due to temporary increased working capital

Free Cash Flow Generation & Conversion

£m	2015	2016	2017	2018
Group Adj. EBITDA	**35.7**	**47.2**	**71.5**	**81.3**
Working Capital Cash Flow[1]	6.9	(0.8)	3.1	12.8
Maintenance, Refurb, and Corporate Capex	(5.9)	(9.5)	(7.1)	(11.3)
Group Operating Cash Flow	**36.6**	**37.0**	**67.4**	**82.7**
Operating Cash Flow Conversion %	*103%*	*78%*	*94%*	*101.8%*

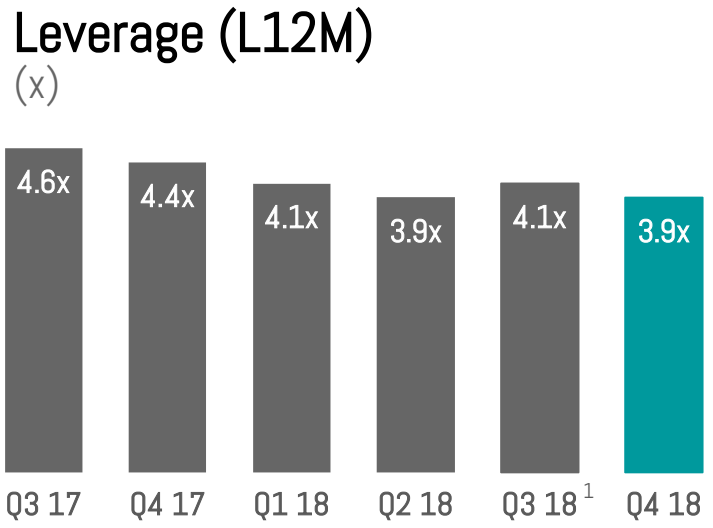


[1] Source: Management data – Working Capital Cash Flow is defined as cash movements in working capital other than the non-cash rent adjustment which is included in Group Adjusted EBITDA
FY18 financials reflect the results of Pinnacle Bidco plc, for 12 months ended 31 December 2018, using the results of Gym Topco Limited for comparatives.

Sustainable leverage position

- Pro forma leverage 3.9x, compared to 4.4x at Q4 2017

At 31 December 2018 £m		
Adjusted Run Rate EBITDA		**95.0**
Senior Secured Notes 6.375%	360.0	
Senior Secured Notes 6.375% (Soho placing)	30.0	
Cash	(23.3)	
Gym Equipment Finance Leases	3.5	
Net Debt		**370.2**
Pro forma Leverage		**3.9x**



- Pro forma Interest cover 3.7x, compared to 3.5x at Q4 2017 (notwithstanding the impact of the Soho acquisition)

1. Q3 2018 is the first quarter to include Soho Gyms



Summary

Alex Wood, Chief Financial Officer

Results for the year ended 31 December 2018

2018 Summary

- Consistent track record of delivery
- Further growth in key metrics versus prior year:
  - Members +9.2%
  - Revenue +15.3%
  - Adjusted EBITDA +13.8%
  - Adjusted EBITDA Margin remains strong at 35.6%
- Rollout programme continues with 26 new organic site openings and 4 Soho conversions
- Ending year with 222 trading PureGyms [1]



PureGym, Leeds Thorpe Park

FY18 financials reflect the results of Pinnacle Bidco plc, for the 12 months ended 31 December 2018.
1. 222 open sites excludes 6 Soho gyms closed for refurbishment

Guidance for FY19

- Encouraging pipeline of new site openings
  - Targeting 30-33 new organic gyms (inc 7 SBFs) – H2 weighted
  - Plus remaining 6 Soho conversions
  - Plan to refurbish c.20 mature gyms
  - Invest in scale capacity
- YoY growth expected to be back end weighted
- Reporting under IFRS 16 from Q1 onwards
  - No cash impact resulting from IFRS 16
  - Will continue to report Adjusted EBITDA and run-rate Adjusted EBITDA on consistent basis



Observations 6 months in

Very solid existing foundations in place …

- High quality and motivated management team
- Highly supportive shareholder in LGP
- Elegant and compelling business model
  - Core drivers of the business model are still valid
  - Consistency & predictability of results & returns
  - Robustness in uncertain and recessionary economic environment
- Rigour, discipline and expertise in new site decision making process

Observations 6 months in

... observations and focus areas for the future

- Continued growth in the pipeline of high quality sites
- Transitioning into a business of scale
- Right time in the cycle to build in the capability and control to drive increased returns in 2020-22
- Ongoing investment in the existing estate, technology and innovation to drive differentiation
- Strong ongoing discipline to ensure cash conversion, interest cover and leverage are monitored and well managed for all stakeholders



Outlook

Humphrey Cobbold, Chief Executive Officer

Results for the year ended 31 December 2018

Outlook

- Good start to 2019:
  - 230 gyms trading at end of Q1
  - 5 Soho sites converted to PureGym model in Q1
  - 2 new LBF (Large Box Format) gyms opened in Q1
  - 1 new SBF (Small Box Format) gyms opened in Q1
- Healthy forward property pipeline
- Final Soho Gym to be integrated into the business
- Strong fundamentals of the business provide us with confidence over the medium-term
- Q1 results update on 23 May 2019



PureGym, London Beckton



Appendix

Results for the year ended 31 December 2018

Reconciliation from Reported Loss to Adjusted EBITDA and Run-Rate Adjusted EBITDA

£m	For the year ended December 31 2018	2017	For the quarter ended December 31 2018	2017
Reported loss for the year/period	(28.5)	(18.1)	(8.6)	(16.6)
Income tax	0.5	3.6	0.2	1.2
Net finance cost	56.1	37.8	13.0	13.1
Depreciation of property, plant and equipment	30.0	26.4	7.7	6.9
Amortisation of intangible fixed assets	10.5	0.2	2.1	0.0
(Profit) / loss on disposal of property, plant and equipment	1.2	0.7	1.2	0.2
Exceptional administrative expenses	3.5	13.8	0.9	11.8
Other extraordinary items	-	1.8	-	0.5
Pre-Opening Costs	3.5	3.6	1.7	1.4
Share based payment charge	0.2	-	0.2	-
Non-Cash Rent Adjustment	4.4	1.7	0.9	0.1
Adjusted EBITDA	81.3	71.5	19.2	18.6
Head office costs	21.4	16.9	5.4	4.6
Site Adjusted EBITDA	102.7	88.4	24.6	23.2
Adjusted EBITDA	81.3	71.5	n/a	n/a
Run-Rate Adjustment	13.7	13.3	n/a	n/a
Run-Rate Adjusted EBITDA	95.0	84.8	n/a	n/a

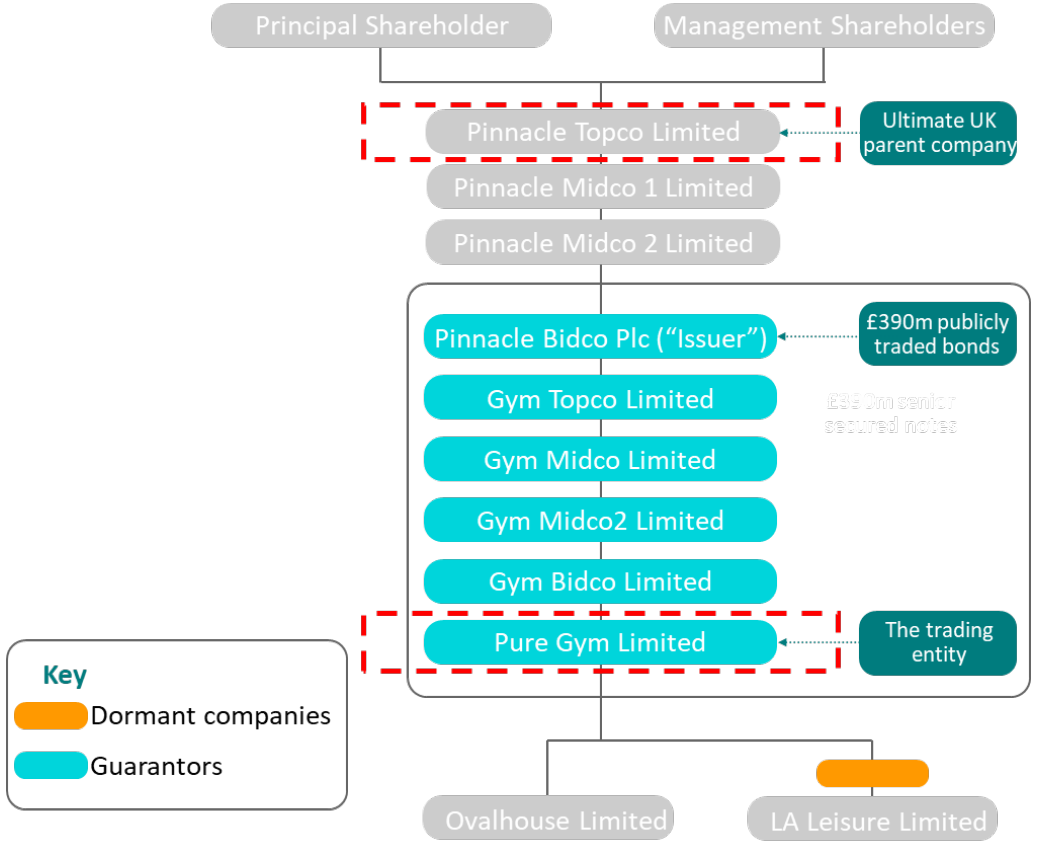
KPIs

£m	As of and for the year ended December 31		As of and for the quarter ended December 31	
	2018	2017	**2018**	2017
Total number of PureGyms	222	192	222	192
Total number of unconverted Soho Gyms (closed for refurbishment)	6	-	6	-
Total number of gyms	228	192	228	192
Total number of Mature Gyms	170	132	n/a	n/a
Total number of members[1] ('000s)	1,012	927	1,012	927
Average number of members per gym[1]	4,994	5,070	4,789	4,951
Average revenue per member per month[1]	18.38	17.98	18.32	18.29
Adjusted EBITDA (£ million)	81.3	71.5	19.2	18.6
Adjusted EBITDA margin	35.6%	36.1%	33.2%	36.1%
Gym Site Adjusted EBITDA (£ million)	102.7	88.4	24.6	23.2
Gym Site Adjusted EBITDA margin	45.0%	44.6%	42.6%	45.0%
Run-Rate Adjusted EBITDA (£ million)	95.0	84.8	n/a	n/a
Operating Cash Flow (£ million)	82.7	67.4	28.0	16.2
Operating Cash Flow Conversion	101.8%	94.4%	145.7%	86.9%
Pro Forma Net Debt (£ million)	370.2	369.5	n/a	n/a
Ratio of Pro Forma Net Debt to Group Run-Rate Adjusted EBITDA	3.9x	4.4x	n/a	n/a
Ratio of Run Rate Adjusted EBITDA to Pro Forma Net Interest Expense	3.7x	3.5x	n/a	n/a
Mature gym EBITDA (£ million)	88.2	64.5	n/a	n/a
Average mature gym EBITDA (£'000)	519	489	n/a	n/a
Average mature gym EBITDA margin %	45.9%	44.8	n/a	n/a
Average mature gym ROCE %	43.6%	42.8	n/a	n/a
Average initial capital investment for mature gyms (£'000)	1,190	1,142	n/a	n/a

FY18 financials reflect the results of Pinnacle Bidco plc, for 12 months ended 31 December 2018, using the results of Gym Topco Limited for FY17 comparatives. See Appendix for the full reconciliation to results of Pinnacle Bidco plc for 14 months ended 31 December 2018. 1. Excludes unconverted Soho sites.

Group structure

- Pinnacle Bidco was incorporated on 30 October 2017 and acquired Gym Topco group on 30 November 2017
- Pinnacle Bidco's first reporting period is for the 14 months ended 31 December 2018, but including 13 months trade of the PureGym Group
- We have previously reported the consolidated results of Gym Topco Limited to the market and it is the results of Gym Topco that have been used as comparatives in this report
- Difference between Pinnacle Bidco and Gym Topco relate to adjustments for the purposes of consolidation, Pinnacle head office overheads and finance costs



Strong group balance sheet

- Pinnacle Topco Limited ("PTL") is the ultimate UK Parent of the group
- The PTL consolidated balance sheet (shown opposite) represents the financial position of the entire Pure Gym Group as at 31 Dec 2018
- Net assets before preference shares[1] are £284.6m
- The Group is in a strong financial position
- In compliance with all covenants and expects to remain so
- Solid credit rating
- Good liquidity and access to an undrawn RCF of £60m

* Preference shares are a form of equity issued to the Group's shareholders which are accounted for as debt in the statutory accounts (under International Financial Reporting Standards, IFRS). The shares accumulate interest at 8% per annum. The order of preference for repayment of debt is:

1) Bondholders and RCF lenders
2) Third party creditors including landlords
3) Preference share holders (including accumulated interest)

PINNACLE TOPCO LTD CONSOLIDATED BALANCE SHEET

£m	31 Dec 2018
Non-Current assets	718,574
Current assets	42,161
Total assets	60,735
Publicly traded bond debt	(390,000)
Finance leases	(3,534)
Deferred tax liability	(8,140)
Working capital liabilities	(74,479)
Total liabilities exc preference shares	(476,153
Net assets exc preference shares	**284,582**
Reconciliation to statutory accounts	
Net assets exc preference shares	284,852
Less preference shares*	(312,942)
Net liabilities	(28,360)

Reconciliation of accounting periods and entities

£m	Pinnacle Bidco the 14 months ended 31 Dec 18	Pinnacle Bidco 2 months ended 31 Dec 17	Pinnacle Bidco 12 months ended 31 Dec 18	Adjustments[1] 12 months ended 31 Dec 18	Gym Topco 12 months ended 31 Dec 18	Gym Topco 12 months ended 31 Dec 17
Reported loss / (profit) for the year/period	(34.2)	(5.7)	(28.5)	39.9	11.4	(18.1)
Income tax	04	0.1	0.5	2.5	3.0	3.6
Net finance cost	60.8	4.7	56.1	(27.9)	28.2	37.8
Depreciation of property, plant and equipment	32.4	2.4	30.0	-	30.0	26.4
Amortisation of intangible fixed assets	11.4	0.9	10.5	(10.5)	-	0.2
Loss on disposal of property, plant and equipment	1.4	0.2	1.2	-	1.2	0.7
Exceptional administrative expenses	5.7	2.2	3.5	(1.7)	1.8	13.8
Other extraordinary items	0.1	0.1	-	-	-	1.8
Pre-Opening Costs	3.9	0.4	3.5	-	3.5	3.6
Share based payment charge	0.2	-	0.2	-	0.2	-
Non-Cash Rent Adjustment	4.9	0.5	4.4	(2.2)	2.2	1.7
Adjusted EBITDA	86.9	5.6	81.3	0.2	81.5	71.5
Head office costs	22.8	14	214	(0.2)	21.1	16.9
Site Adjusted EBITDA	109.8	7.1	102.7	-	102.7	88.4
Adjusted EBITDA	n/a	n/a	81.3	n/a	81.5	71.5
Run-Rate Adjustment	n/a	n/a	13.7	n/a	13.6	13.3
Run-Rate Adjusted EBITDA	n/a	n/a	95.0	n/a	95.2	84.8

1. Adjustments reconcile the results of Gym Topco group to the results of Pinnacle Bidco group for the 12 months ended 31 December 2018

Credit Ratings

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

IFRS 16 Lease Accounting

Application of IFRS 16 from FY19 … operating leases to be capitalised 'on balance sheet'

- Modified retrospective application with right of use ('ROU') asset measured using the retrospective method
- Economic impact
  - The standard has no economic impact on the group. It has no affect on how the business is run, nor on cashflows
  - IFRS 16 represents a presentational change only
- Income statement
  - Rent charge replaced by depreciation of ROU asset and finance charge on unwind of lease liability
  - FY19 EBITDA expected to increase by c.£42m due to IFRS 16
  - FY19 loss before tax expected to decrease by c£8m due to IFRS 16
- Balance sheet
  - ROU asset created c.£218m, being the discounted future cashflows at inception less depreciation to 31 Dec 2018
  - Present Value of lease payments, net of deferred rent creditor results in lease liability of £297m on implementation, split between current and non-current
  - Reduction in net assets of £79m (before deferred tax impact*)

* The Group continues to assess the impact of the tax and deferred tax effects of adopting IFRS 16 and expects to complete this assessment in H1 2019

IFRS 16 illustrative impact

Applying IFRS 16 to FY18 numbers:

Pinnacle Bidco plc Balance Sheet as at 31 December 2018			
	Pre IFRS 16	IFRS 16 Adjs *	Post IFRS 16 *
PPE	196.9	217.8	414.7
Intangibles	515.7	-	515.7
Current assets	42.1	-	42.1
Current liabilities	(77.6)	(2.3)	(79.9)
Non-current liabilities	(699.0)	(294.8)	(993.8)
Deferred tax	(8.2)	-	(8.2)
Net liabilities	(30.1)	(79.3)	109.4

* The Group continues to assess the impact of the tax and deferred tax effects of adopting IFRS 16 and expects to complete this assessment in H1 2019

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, share-based payment charges 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 and unconverted Soho sites 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, along with corporate growth capex
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 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, share-based payment charges 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 under IAS 17 (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 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 Senior Secured Notes as if they were issued at the beginning of the period.

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, the Soho Gyms group in June 2018 and non-cash IFRS adjustments.

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PUREGYM

Investor Presentation

Results for the year ended 31 December 2018

25 April 2019