

PUREGYM

Investor Presentation

Results for the quarter ended 30 June 2019

22 August 2019

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 presentation. 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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Financial and Operating Review

Alex Wood, Chief Financial Officer

Results for the quarter ended 30 June 2019

Q2 2019 highlights

Continued growth in members and revenue

1.1m
Average members
+6.1% vs avg Q2 2018

£18.92
ARPM per month
+4.3% vs Q2 2018

10.8%
Q2 revenue growth
vs Q2 2018

Continued growth in Adjusted and Reported EBITDA

£24.1m
Adjusted EBITDA
+5.0% vs Q2 2018

£33.4m
Reported EBITDA
+8.1% vs Q2 2018[1]

£97.8m
LTM Run-Rate Adjusted EBITDA
+7.0% vs Q2 2018 LTM

Strong Adjusted EBITDA Margin

37.5%
Q2 Adjusted EBITDA Margin
vs. 39.6% Q2 2018

35.7%
H1 Adjusted EBITDA Margin
vs. 37.4% H1 2018

Further rollout of organic gyms

8
Organic gyms opened
16 gyms opened YTD

238
Gyms at end Q2 2019
vs 214 gyms in Q2 2018

Reduction in leverage and strong cashflow conversion

91.3%
LTM Operating Cashflow Conversion
vs 95.0% Q2 2018 LTM

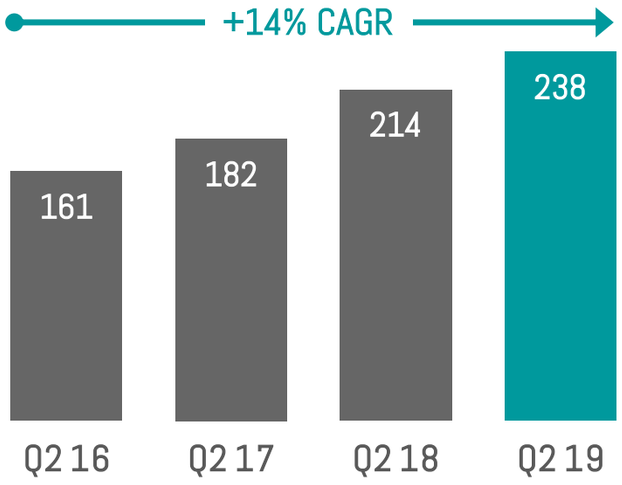
3.8x
Pro Forma Total Net Leverage
vs 3.9x Q2 2018 LTM

3.5x
Pro Forma Interest Cover
vs 3.8x Q2 2018 LTM

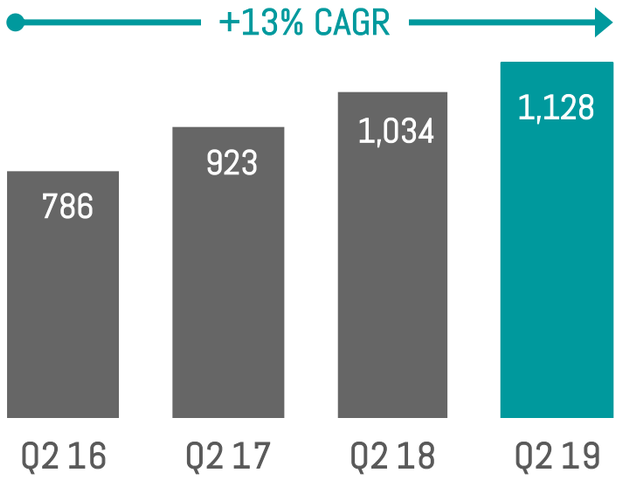
2018 comparatives restated to reflect the consolidated results of Pinnacle Bidco plc (previously Gym Topco Limited)
1. 2018 comparative for Reported EBITDA growth restated to reflect the impact of IFRS 16 which was implemented from 1 January 2019, to show growth on a like for like basis

Continued growth in gyms and members

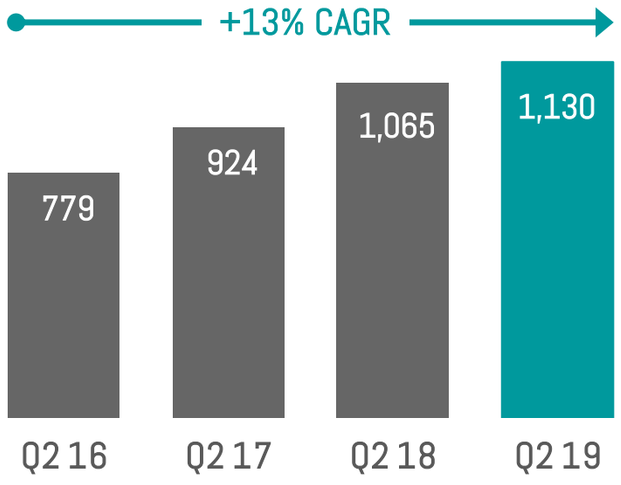
Gyms **+8 in Q2 2019**
(number)



Closing Members **+9.1% vs Q2 2018**
('000)



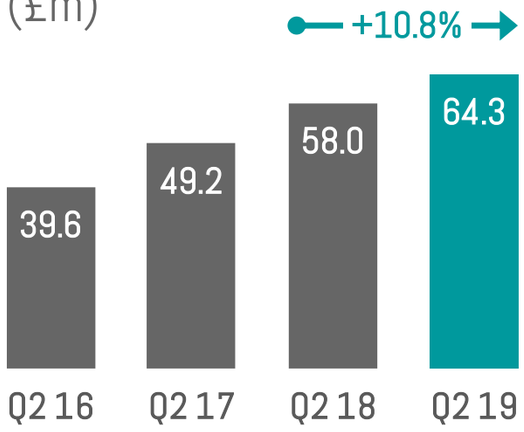
Average Members **+6.1% vs Q2 2018**
('000)



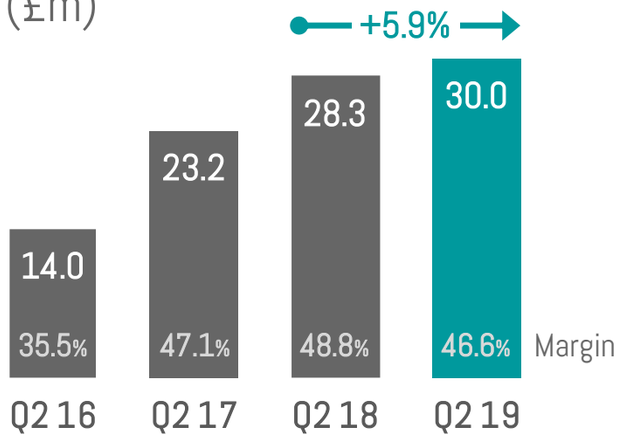
- 8 new gyms opened in the quarter, of which 1 is SBF, total 7 SBFs now open
- Dilution in average members per gym to 4,802 due to:
  - Diversification of format, with an increase in SBF changing the mix
  - Larger number of immature gyms in early ramp up phase

Continued growth in revenue and adjusted EBITDA

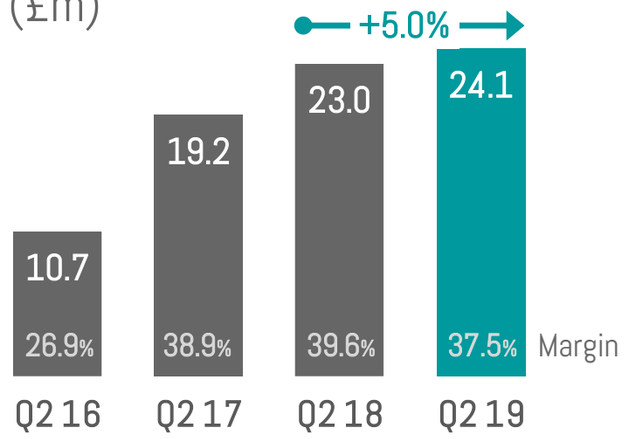
Revenue
(£m)



Gym Site Adjusted EBITDA
(£m)



Adjusted EBITDA
(£m)



- Revenue +10.8% to £64.3m and Adjusted EBITDA +5.0% to £24.1m in Q2 2019 vs prior year
  - Continued to be driven by further gyms opened and increase in ARPM (+4.3% vs Q2 2018 to £18.92)
- Adjusted EBITDA margin down slightly by 210 bps to 37.5% in Q2 2019 vs Q2 2018
  - Dilution from new gyms yet to reach maturity, utility cost inflation and planned investments in central cost base to build scale capabilities
- LTM Adjusted EBITDA increased to £83.9m (Run-Rate Adjusted EBITDA of £97.8m)

2018 comparatives restated to reflect the consolidated results of Pinnacle Bidco plc (previously Gym Topco Limited)

Capital expenditure

- £8.9m spent on expansionary capex
- £2.1m spent on maintenance & refurbishment works across estate
- 7 refurbs completed YTD

£m	Q2 18	Q2 19
Expansionary capital expenditure	6.7	8.9
Maintenance and refurb capital expenditure	2.0	2.1
Total capital expenditure	**8.7**	**11.0**

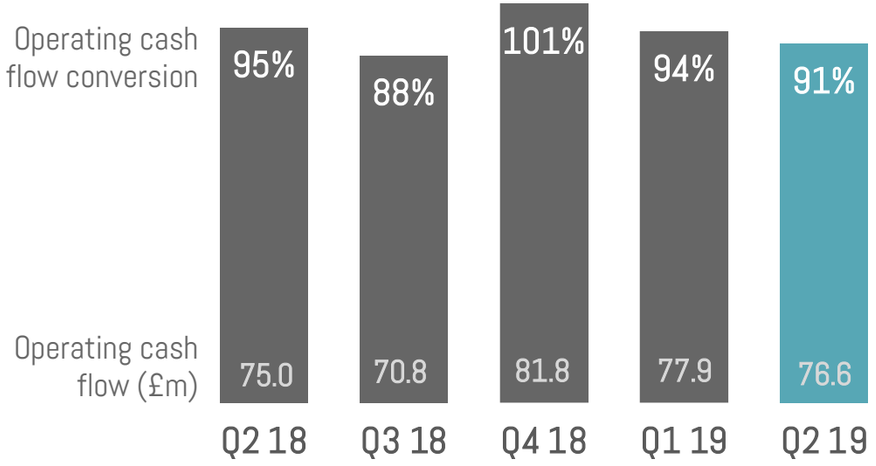


Strong operating cash flow generation

- 91.3% cash conversion on LTM basis remains strong
- Supports a strong deleveraging profile

Free Cash Flow Generation & Conversion (LTM)

£m	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
Group Adj. EBITDA	**79.0**	**80.9**	**81.3**	**82.7**	**83.9**
Working Capital Cash Flow	3.8	0.4	11.8	6.6	4.1
Maintenance and Refurb Capex	(7.8)	(10.5)	(11.3)	(11.3)	(11.4)
Group Operating Cash Flow	**75.0**	**70.8**	**81.8**	**77.9**	**76.6**
Operating Cash Flow Conversion %	*95%*	*88%*	*101%*	*94%*	*91%*

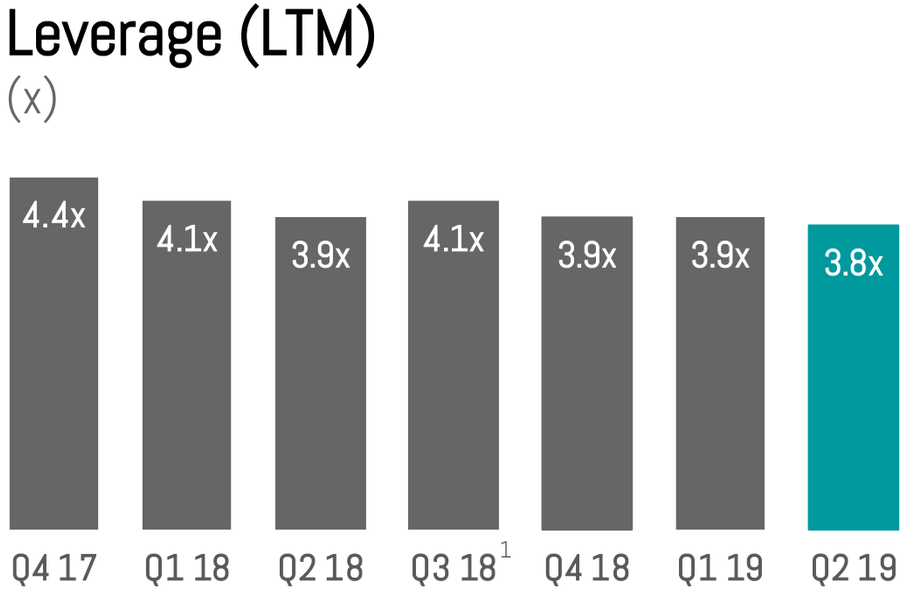


2018 comparatives restated to reflect the consolidated results of Pinnacle Bidco plc (previously Gym Topco Limited)

Reduced leverage position

- Pro Forma Leverage 3.8x, down on Q1 2019 with continued new gym openings
- Pro Forma Interest Cover 3.5x, down on Q1 2019 due to recent £40m bond raise, which will be used to fund future expansion and drive EBITDA growth

At 30 June 2019 (£m)	
Run-Rate Adjusted EBITDA	**97.8**
Senior Secured Notes 6.375%	430.0
Cash	(65.6)
Gym Equipment Finance Leases	3.2
Net Debt	**367.7**
Pro forma Leverage	**3.8x**



1 Q3 2018 is the first quarter to include Soho Gyms



Summary & Outlook

Results for the quarter ended 30 June 2019

Summary

- Exactly in line with expectations, delivering a strong first half performance
- £24.1m Adjusted EBITDA delivered in Q2 2019
- £97.8m LTM Run-Rate Adjusted EBITDA to 30 June 2019
- 8 new site openings
- 238 PureGyms operating at 30 June 2019
- SBFs continue to perform well
- Moody's credit rating upgraded to B2 in June 2019
  - *"Rating is supported by PureGym's strong market position, relatively high margins and attractive proposition to its customers"*



Outlook for FY19

- YoY growth expected to be back end weighted
- Encouraging pipeline of new site openings for 2019:
  - Targeting 35 to 40 new PureGyms (2018: 30)
  - H2 weighted
  - Plan to refurbish 15-20 mature gyms
  - Investment in scale capacity
- Funding obtained to take advantage of increasing confidence in the property pipeline





Appendix

Results for the quarter ended 30 June 2019

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

£m	Quarter ended 30 June 2019	Quarter ended 30 June 2018[2]	6 months ended 30 June 2019	6 months ended 30 June 2018[2]	Last 12 months to 30 June 2019
Loss for the year/period[1]	(3.3)	(2.4)	(8.9)	(14.0)	n/a
Income tax[1]	0.1	0.1	0.3	0.1	n/a
Net finance cost[1]	22.0	12.5	43.1	30.3	n/a
Depreciation of property, plant and equipment[1]	13.1	7.4	25.7	14.6	n/a
Amortisation of intangible fixed assets	0.7	2.8	1.5	5.6	n/a
(Profit) / loss on disposal of property, plant & equipment	-	-	-	(0.1)	n/a
Exceptional administrative expenses	0.7	0.6	1.0	2.3	n/a
Reported EBITDA[1]	33.4	21.0	62.7	38.7	n/a
Other extraordinary items	-	-	-	-	n/a
Share based payment charge	0.1	-	0.1	-	n/a
Pre-Opening Costs	0.6	0.7	1.5	1.2	n/a
Cash Rent Adjustment	(9.9)	1.3	(19.4)	2.4	n/a
Adjusted EBITDA	24.1	23.0	44.9	42.4	83.9
Head office costs	5.9	5.4	11.4	10.1	22.7
Site Adjusted EBITDA	30.0	28.3	56.4	52.4	106.6
Adjusted EBITDA (L12M)	n/a	n/a	n/a	n/a	83.9
Run-Rate Adjustment	n/a	n/a	n/a	n/a	13.9
Run-Rate Adjusted EBITDA	n/a	n/a	n/a	n/a	97.8

1 IFRS 16 implemented from 1 January 2019. Prior periods continue to report under IAS 17
2 2018 comparatives restated to reflect the consolidated results of Pinacle Bidco plc (previously Gym Topco Limited)

KPIs

£m	Quarter ended 30 June 2019	Quarter ended 30 June 2018[2]	6 months ended 30 June 2019	6 months ended 30 June 2018[2]	Last 12 months to 30 June 2019
Total number of PureGyms	238	204	238	204	238
Total number of unconverted, open Soho gyms	-	10	-	10	-
Total number of gyms	238	214	238	214	238
Total number of Mature Gyms	n/a	n/a	n/a	n/a	n/a
Total number of members ('000s)	1,128	1,034	1,128	1,034	1,128
Average number of members ('000s)	1,130	1,065	1,112	1,034	1,071
Average number of members per gym	4,802	5,277	4,816	5,182	4,860
Average revenue per member per month (£)	18.92	18.14	18.79	18.25	18.60
Reported EBITDA[1] (£ million)	33.4	21.0	62.7	38.7	n/a
Adjusted EBITDA (£ million)	24.1	23.0	44.9	42.4	83.9
Adjusted EBITDA margin	37.5%	39.6%	35.7%	37.4%	34.8%
Gym Site Adjusted EBITDA (£ million)	30.0	28.3	56.4	52.4	106.6
Gym Site Adjusted EBITDA margin	46.6%	48.8%	44.8%	46.3%	44.2%
Run-Rate Adjusted EBITDA (£ million)	n/a	n/a	n/a	n/a	97.8
Operating Cash Flow (£ million)	19.1	19.6	35.9	41.1	76.6
Operating Cash Flow Conversion	79.2%	85.6%	79.9%	97.0%	91.3%
Pro Forma Net Debt (£ million)	367.7	352.0	367.7	352.0	367.7
Ratio of Pro Forma Net Debt to Group Run-Rate Adjusted EBITDA (L12M)	n/a	n/a	n/a	n/a	3.8x
Ratio of Run-Rate Adjusted EBITDA to Pro Forma Net Interest Expense	n/a	n/a	n/a	n/a	3.5x

1 IFRS 16 implemented from 1 January 2019. Prior periods continue to report under IAS 17
2 2018 comparatives restated to reflect the consolidated results of Pinnacle Bidco plc (previously Gym Topco Limited)

Credit Ratings

	Long-Term Rating	Outlook
Moody's	B2	Stable
S&P	B	Stable
Fitch	B	Stable

- Moody's credit rating upgraded to B2 in June 2019 (previously B3) following the annual review, now in line with Fitch and S&P ratings
- Affirming the PureGym journey and management's strategy

"Rating is supported by PureGym's strong market position, relatively high margins and attractive proposition to its customers"

"Solid EBITDA growth and leverage reduction"

"Leader in the value segment of the UK gym market"

Source: Moody's Investors Service credit opinion dated 13 June 2019

IFRS 16 Lease Accounting

Implementation of IFRS 16 1 January 2019[1] … operating leases capitalised 'on balance sheet'

- **No economic impact** on the group and no affect on how business run
- **No impact on Adjusted EBITDA** which is reported on a consistent basis[2]
- **No impact on Agency Ratings**
- **Income statement**
  - Rent charge replaced by depreciation of ROU asset and finance charge on unwind of lease liability
  - Overall income statement charge is higher in the earlier portion of a lease and lower in the later compared to previous accounting treatment. As PureGym has a relatively "young" lease portfolio, loss before tax will increase in 2019 as a result of the change
- **Balance sheet as at 1 Jan 2019**
  - ROU asset created of £221m, being the discounted future cashflows at inception less depreciation to 31 Dec 2018
  - Present Value of lease payments, net of deferred rent creditor resulted in lease liability of £300m on implementation, split between current and non-current
  - Reduction in net assets of £71m

1 Modified retrospective application with right of use ('ROU') asset measured using the retrospective method
2 See definitions in Glossary which are updated to reflect differences pre and post IFRS 16 implementation

Strong group balance sheet

- The Group maintained its strong financial position in the quarter
- £217.6m net assets before preference shares and after the impact of IFRS 16 transition
- In compliance with all covenants and expected to remain so
- Moody's credit rating upgraded in June 2019, all agencies giving stable outlooks
- Continued good liquidity and £60m RCF facility remains undrawn

Pinnacle Topco Ltd Consolidated balance sheet

At 30 June 2019, £m	Pre-IFRS 16	IFRS 16 adjustment	Post-IFRS 16
Non-Current assets	717.0	224.2	941.2
Current assets	90.0	-	90.0
Total assets	807.0	224.2	1,031.2
Publicly traded bond debt	(430.0)	-	(430.0)
Capitalised finance costs	7.8	-	7.8
Lease liabilities	(3.2)	(315.8)	(319.0)
Net deferred tax liability	(8.0)	7.5	(0.5)
Working capital liabilities	(81.7)	9.8	(71.9)
Total liabilities exc preference shares	(515.1)	(298.5)	(813.6)
Net assets exc preference shares	**291.9**	**(74.3)**	**217.6**
Reconciliation to IFRS balance sheet:			
Net assets exc preference shares	291.9	(74.3)	217.6
Less preference shares*	(325.3)	-	(325.3)
Net liabilities	(33.4)	(74.3)	(107.7)

* 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)

Glossary

Term	Definition
Adjusted EBITDA	Reported EBITDA adjusting for; other extraordinary items, Pre-Opening Costs, share-based payment charges and the Cash Rent Adjustment.
Adjusted EBITDA margin	Adjusted EBITDA for that period divided by revenue for that period.
Average Number of Members	The average of the number of members as at the beginning of the first month and the end of every month in 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. Unless stated otherwise, Planned LAF Disposals and unconverted Soho sites are excluded from the Average Revenue per Member per Month figures.
Cash Rent Adjustment	Post 1 January 2019; deducting the cash rent payable during the period as this is not reflected in Reported EBITDA under IFRS 16. Management believes adjusting EBITDA to reflect cash rent is a better reflection of 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 IAS 17, 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. Pre-1 January 2019; 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).
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 over 12,000 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.

Glossary continued

Term	Definition
Mature Gym EBITDA	Post 1 January 2019; 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, and after deducting the Cash Rent Adjustment for Mature Gyms. Mature Gym EBITDA does not include adjustments for Pre-Opening Costs, share-based payment charges or other extraordinary items that were added back to the Group Adjusted EBITDA and Gym Site Adjusted EBITDA. Pre 1 January 2019; As described above, excluding any deduction of the Cash Rent Adjustment.
Net Debt	Total senior indebtedness of the Group (excluding property lease liabilities recognized under IFRS 16) less cash and cash equivalents.
New Gyms	Gyms that have been open as PureGyms for less than 24 months as of the end of the relevant reporting 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 Refurbishment 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. From 1 January 2019, Pre-Opening Costs primarily consist of staff and marketing. Pre-1 January 2019, these costs also included rent expenses reported under IAS 17.

Glossary continued

Term	Definition
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.
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 (excluding interest on property lease liabilities recognized under IFRS 16) 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 Net Interest Expense	Represents the net of interest payable/receivable (excluding interest on property lease liabilities recognized under IFRS 16) for the twelve months ended on the reporting date after giving Pro Forma effect to the recent refinancing.
Pro Forma Total Net Leverage	The ratio of total debt outstanding on the date of determination (excluding property lease liabilities recognised under IFRS 16) 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.
PureGyms	The combined New Gym and Mature Gym portfolios.
Reported 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 and exceptional administrative expenses.
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	Post 1 January 2019; EBITDA, less the Cash Rent Adjustment, divided by Initial Capital Investment and refers to return on capital employed. Pre 1 January 2019; EBITDA, divided by Initial Capital Investment.
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	Post 1 January 2019; Cash movements in working capital. Pre-1 January 2019; Cash movements in working capital less the Cash Rent Adjustment.

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