

PUREGYM

Interim Trading Update

29 September 2020

Disclaimer

Forward-looking statements

This presentation includes 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, projections, estimates, 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, including in particular the impact of Covid-19. 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 unaudited financial information derived from management accounts

This presentation incorporates data for the months of July 2020 and August 2020 that are derived from preliminary results and estimates contained in our management accounts, which have not been and will not be audited or reviewed in accordance with any generally accepted auditing standards and are subject to change. The data for the months of July 2020 and August 2020 presented herein is not intended to be a comprehensive statement of the Combined Group's financial or operational results for the nine month period ended September 30, 2020 and is based on a number of assumptions that are subject to inherent uncertainties and risks. As such, you should not place reliance on them when making an investment decision.

In addition to the inherent risks and uncertainties associated with using data derived from management accounts, the impact of Covid-19 has created heightened and unprecedented risks and uncertainties and has resulted in atypical, non-routine transactions and activities, which increase the likelihood that the management accounts for the period, including the data for the months of July 2020 and August 2020 presented below, may not be in line with the financial data we report in our September 2020 interim financial information or at year-end. The atypical and non-routine nature of our business in the context of Covid-19 includes dramatically reduced member revenue, deferment and forbearance of rent payments, receipt of government aid and mitigation moneys, unusually high volumes of gift cards and other offers made to members, which may impact revenue recognition, furthermore, there have been significant fluctuations in our cost base and management have been required to make judgements in relation to non-cash rent adjustments and categorization of exceptional costs. We cannot predict to what extent these atypical, non-routine transactions and activities will impact our business going forward, an uncertainty which is increased by the likelihood of further waves of Covid-19 and related lockdowns.

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.

Impact of Covid-19

Covid-19 and the measures taken to respond to it have created an environment of uncertainty and rapid, unpredictable changes that exacerbates and magnifies certain of the other risks we face. The risks we face are not described in detail in this presentation. Our public reporting details the significant negative impact of Covid-19 on our business. Our current results and positive trajectory must be considered in light of the uncertainty surrounding the impact of a second wave of Covid-19 in the UK and Europe.

Introduction & overview

Equity injection & optimizing capital structure

- Comprehensive balance sheet reset leaves the group extremely well positioned
  - £100m equity injection from LGP
  - £145m of RCF available
- Increase in liquidity to £297m[1] cushions against further shocks and facilitates future growth
- The Company continues to evaluate opportunities to access the bond market to refinance its €445m bridging loan[2] with EUR denominated Senior Secured Notes

Current trading & financials

- All geographies now open, with members and visits continuing the positive trajectory
- The group returned to profitability in August and has ample liquidity to settle deferments
- Site unit economics are projected to remain robust in the future
- We forecast a return to measured and methodical new site roll out and deleveraging

Strategic view & outlook

- Market prospects remain attractive, with an increase in demand for budget fitness anticipated and supply expected to exit the market
- The business is well protected from risks of further lockdowns in the short term
- Confident that the prospects for PureGym are attractive over the medium to longer term



Sources: Company information. Notes:

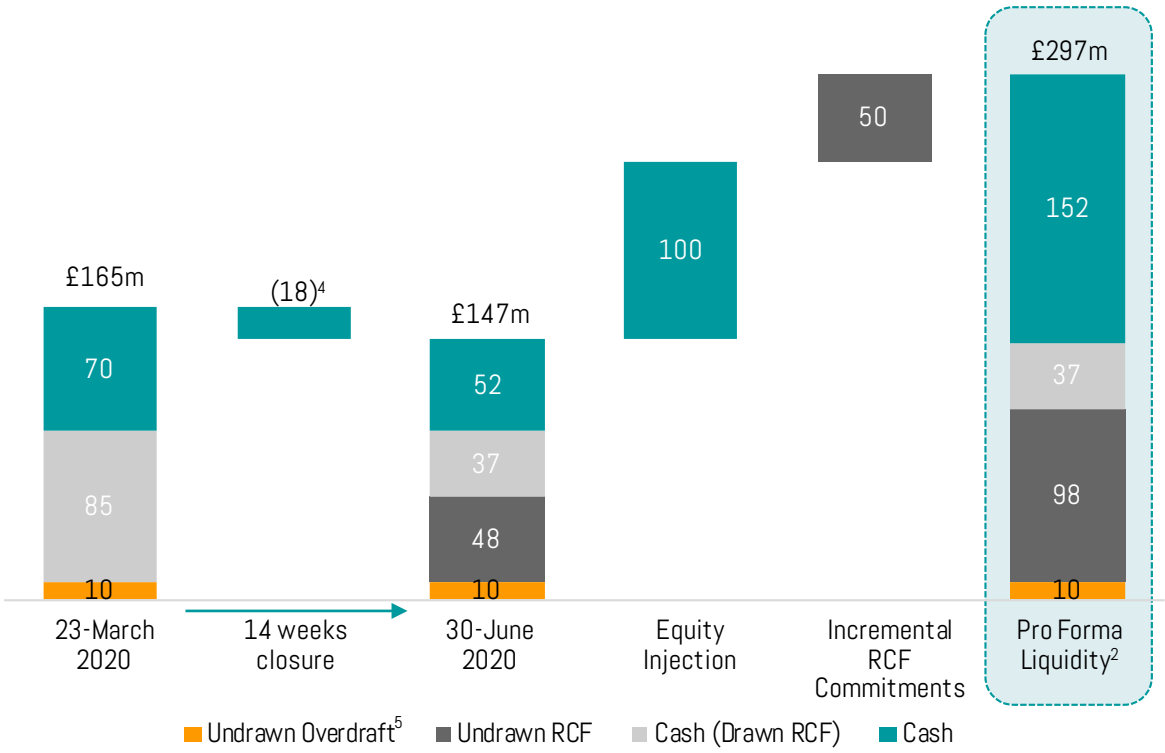
1. As at 30 June 2020, on a pro forma basis.
2. In the event that the bridge is not refinanced by mid-January 2021, the documentation provides for it to convert into a fixed rate 5.5% term loan with maturity matching that of the current fixed rate notes (due 2025). In general, the key terms of this debt are consistent with our existing sterling notes.

Summary of the new equity investment and RCF upsize deal

Overview of the New Funding Deal

- **£100m cash injection**[1] from LGP
- **£145m RCF**, comprising:
  - +£50m upsize of the existing facility (from £95m to 145m)
  - Extension of the maturity of all of the RCF to August 2024
  - Waiving of covenant tests until September 2022[3] (replaced with a £30m minimum liquidity test)
  - c3.5% interest rate
- Combined, this transaction **increases current total liquidity[2] to £297m** as at 30th June 2020, on a pro forma basis
- This provides a cash buffer in the event of local or national lockdown measures being re-imposed, while facilitating the Group's return to a growth strategy focused on developing and opening new gym sites when the right opportunities arise

Pro Forma Liquidity[2]



Sources: Company information. Notes:

1. As subordinated shareholder funding.
2. Liquidity includes Cash, undrawn Revolving Credit Facility commitments and undrawn Overdraft commitments and is subject to a £30m minimum liquidity test at prescribed intervals.
3. In accordance with the terms of the Amended and Restated Revolving Credit Facility Agreement, the financial covenant does not apply during the Waiver Period and shall only begin to apply from either (i) the quarter ending on 31 December 2022 (if the Waiver Period ends on September 30, 2022) or (ii) the first quarter date to occur after the date on which the Amended and Restated Revolving Credit Facility is reduced to no more than £95,000,000 (if the Waiver Period expires prior to September 30, 2022).
4. Total actual net cash burn of £18m of during lockdown includes £11m of payments relating to capital projects completed prior to lockdown and £7m of interest paid as it fell due.
5. Includes £10m of overdraft commitments.

Payment deferrals are projected to be manageable through H2 2020

Estimated Expected Liquidity Development and Recent History



Sources: Company information. Notes:

1. Liquidity includes Cash, undrawn Revolving Credit Facility commitments and undrawn Overdraft commitments and is subject to a £30m minimum liquidity test at prescribed intervals.

All 516[1] sites are now open

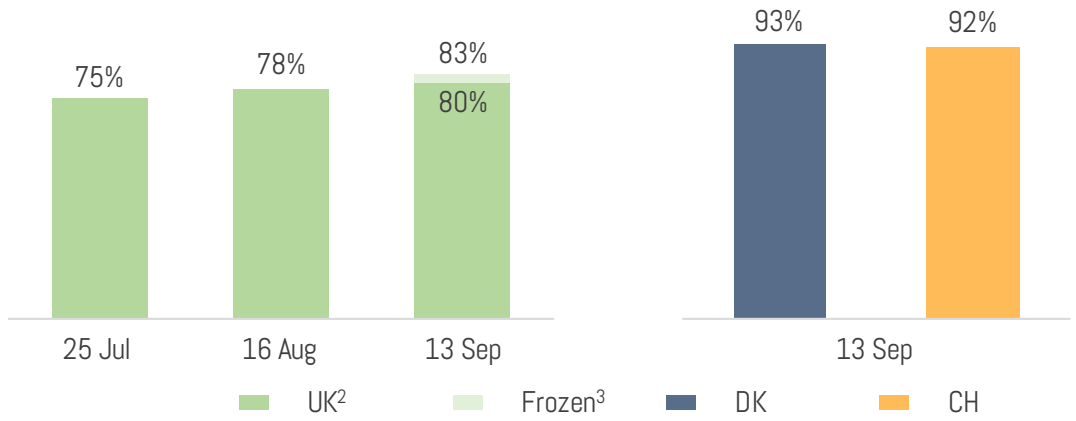
Strong reopening member levels

- Total Group membership is currently 1.6m
- The UK[2] has been open for 7 weeks and has shown steady progression to 80% of PY member levels so far (83% when including our estimate of frozen members that will convert into paying members)
- Switzerland and Denmark have been open for longer (14-18 weeks), with membership levels at 92% and 93% respectively
- In August, ARPM significantly higher than prior year (+3% LFL in UK & +7% in DK)
- In August, Danish and Swiss revenues were higher than the prior year

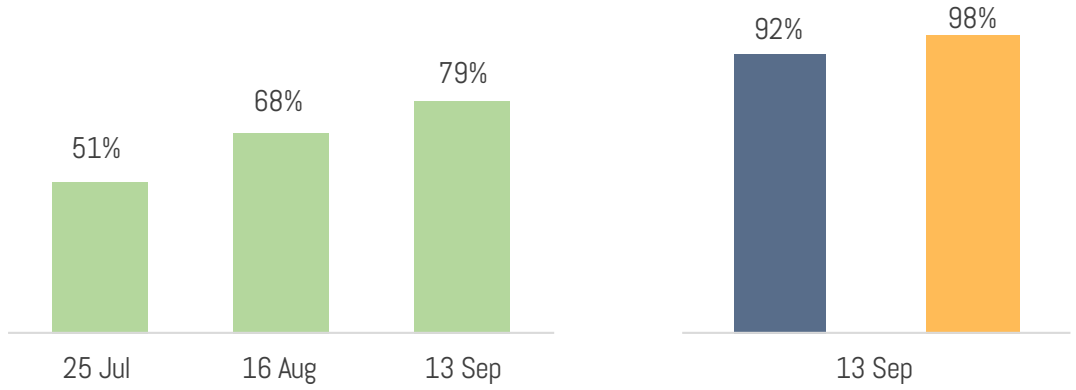
LFL member visits steadily returning towards pre-Covid-19 levels

- Switzerland and Denmark visits have reached 98% and 92% of PY respectively
- UK[2] visits have increased 3-5% per week, from 51% at opening to 79% as at 13 September (86% on an "adjusted opening hours" basis)
- Younger members have a higher propensity to return to the gym
- The UK business has the youngest demographic mix in the group (median member age 28 UK vs 30 Denmark and 31 Switzerland)

Like-for-like paying members vs PY[4]



Like-for-like member visits vs PY



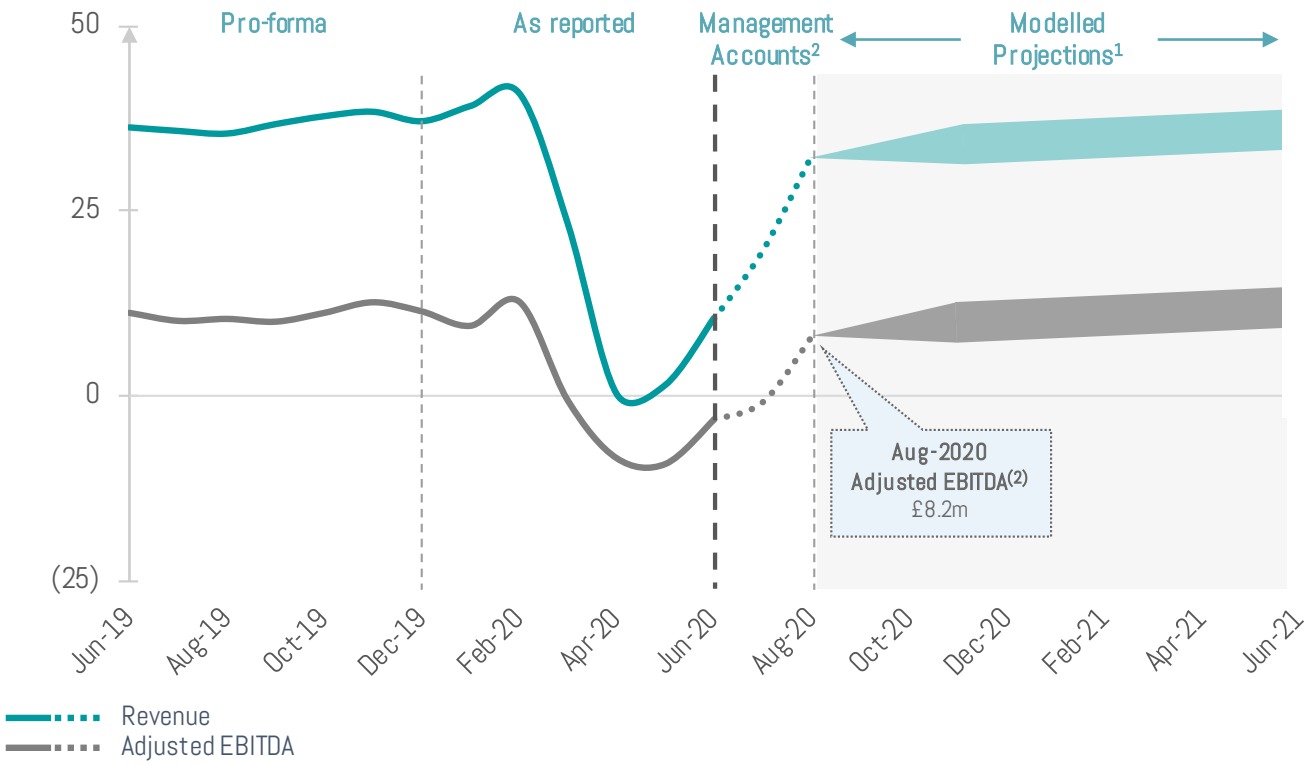
Source: Company information. Notes:

1. Two sites currently closed for substantial refit/refurbishment – Not due to Covid-19.
2. LFL cohort of gyms open on or before 25th July 2020 (visits calculated on a rolling 7-day basis with the exception of 25th July, which was England reopening date).
3. 3% from frozen members that are expected to convert to paying members (there were an additional 8% of frozen members as at 13 September, of which 40% are assumed to convert to paying members).
4. Paying member base excludes all members who have opted to accept a free freeze in the UK on their membership for a period immediately following reopening.

Illustrative projections – based on a potential improvement in member volumes to 90-95% of prior year levels by the year end[1]

Recent and possible future development of business performance (£m)

Monthly Revenues and Adjusted EBITDA Jun 19 – Jun 21 (Projections)



Key high-level assumptions[1]

- Member volumes will return gradually to between 90 and 95% of the prior year by the end of 2020 and to previous year levels during 2021
- Local lockdowns in the UK of five gyms per week will continue until December 2020
- New gym openings will recommence in the second half of 2020 and will be mainly in the UK
- The rates holiday in the UK will offset increases in cleaning and payroll costs associated with post-Covid-19 operating protocols until April 2021 and, thereafter, systemization and more sophisticated procurement activities are assumed to ensure the cost base on a unit basis is not significantly impacted

Other point of note

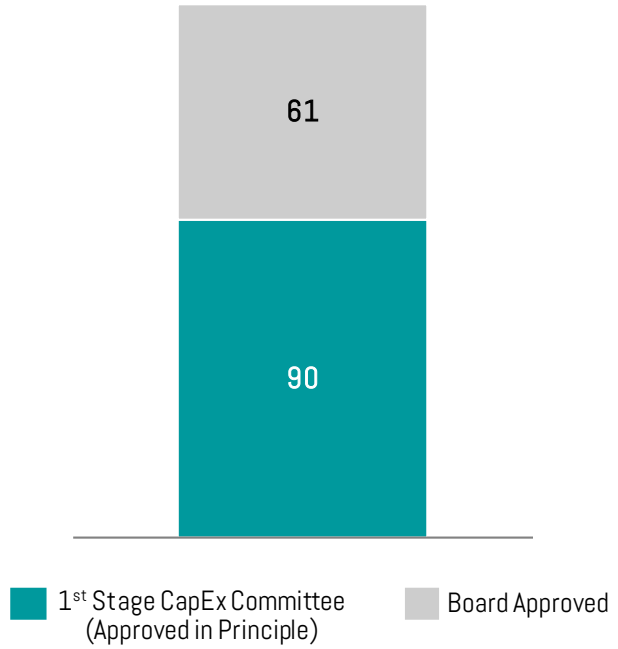
- Data for July and August is sourced from the unaudited management accounts and the projections from internal management information, therefore could be subject to change[1,2]

Sources: Company information. Notes:

1. By their nature, projections are forward-looking statements that involve risks and uncertainties because they relate to events, depend on circumstances that may or may not occur in the future and are based on a number of assumptions that are themselves subject to inherent uncertainties and risks.
2. Data for July and August derived from our management accounts, which have not been audited and are subject to change.

Expansion pipeline remains intact and recent site openings have performed ahead of pre-Covid targets so far

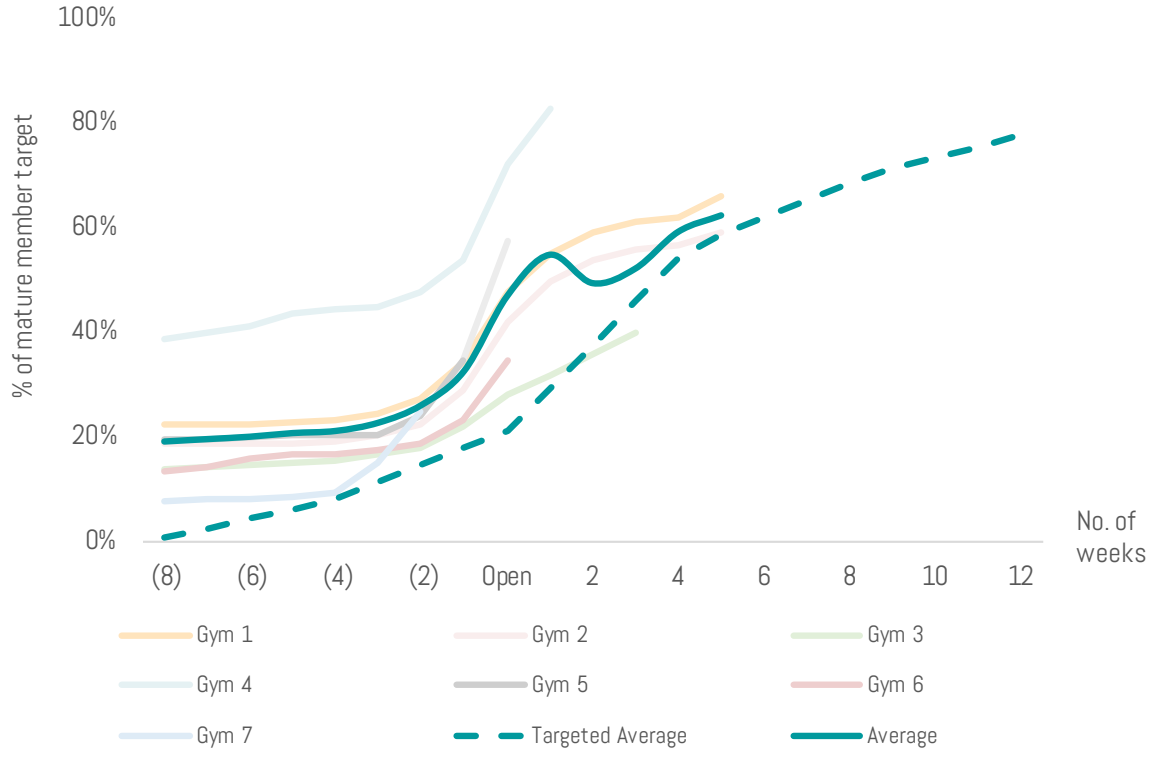
PureGym Organic Site Development Pipeline – UK



151 sites currently in the pipeline, with 61 already board approved

UK gyms[1] opened since July 25

Member levels vs targeted average

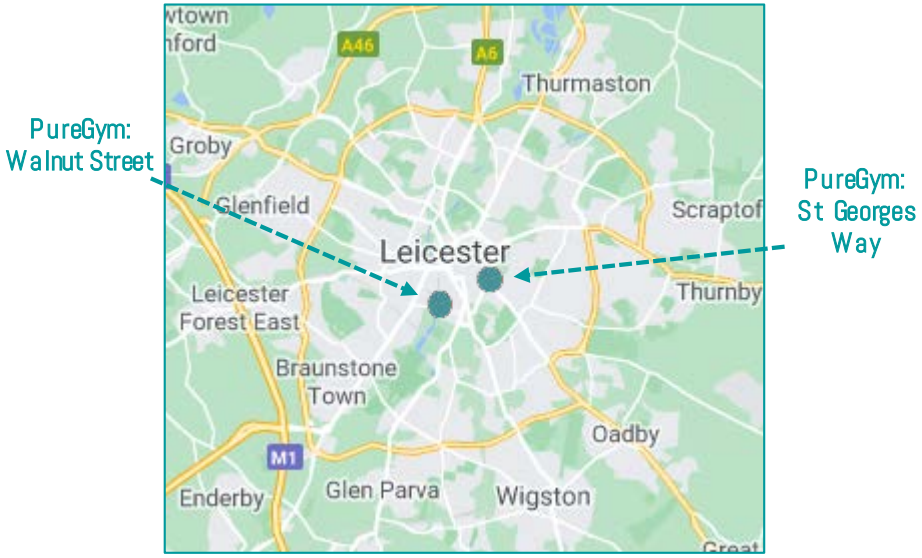


Sources: Management Data, OC&C Analysis. Notes:
1. Bank has been excluded as it is a London city centre gym.

It is projected that the impact of localized lockdowns can be contained to a manageable level for the business

'Real-life' example: Leicester (a 2 gym city cluster)

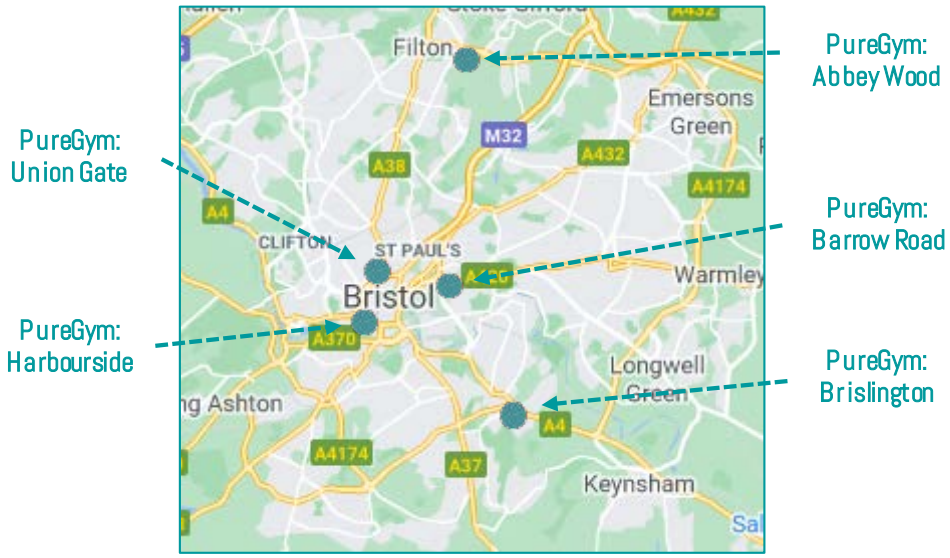
Localised Lockdown – Leicester Example



- **Leicester** was the first city in Britain to be placed in a local lockdown
- **Number of PureGym sites impacted:** Two
- **Lockdown duration:** June 29th – September 8th (10 weeks)
- **Actual Cost to PureGym:** £398k (av £83k per club per month)

Hypothetical example: Bristol (a 5 gym city cluster)

Localised Lockdown – Bristol Example



- **Bristol** has been chosen to illustrate the potential cost if a local lockdown hit a higher priced location, where PureGym has multiple sites
- **Number of PureGym sites impacted:** Five
- **Theoretical Lockdown duration:** September 15th – October 31st (6 weeks)
- **Theoretical cost to PureGym:** £740k (av £97k per club per month)

Sources: Company information.

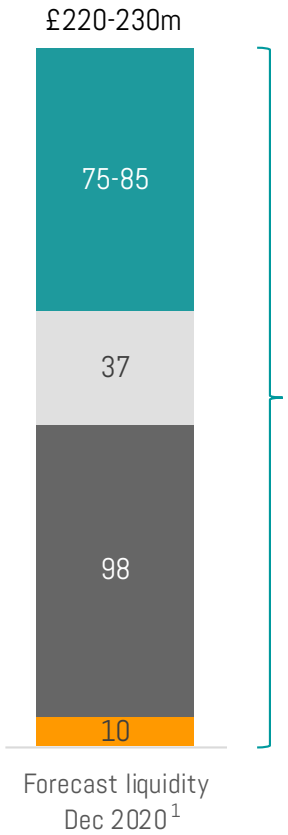
And if there is another national lockdown the PureGym group is ready to act and has ample financial reserves

Anticipated actions and changes in the event of a national lockdown

- Pause growth capex
- Pause maintenance & refurbishment capex
- Operational cost reductions
- Deferment of payments to landlords
- Deferment of payments to suppliers
- Support from government (to the extent available)
  - UK Rates holiday is ongoing until April 2021
  - Danish fixed cost cover

We have proven our ability to limit total cash burn during lockdown to only £18m over 14 weeks (£1.3m/week) from 23 March to end June 2020

Financial reserves and survival period in the event of a national lockdown



Cash Burn Assumption		Survival period
Unmitigated	£9.0m/week	c. 6 months of total lockdown
Mid point illustration 1	£4.5m/week	c. 12 months of total lockdown
Mid point illustration 2	£2.5m/week	c. 20 months of total lockdown
Actual delivered in Q2 lockdown	£1.3m/week	c. 40 months of total lockdown

Sources: Company information. Notes:

1. By their nature, projections are forward-looking statements that involve risks and uncertainties because they relate to events, depend on circumstances that may or may not occur in the future and are based on a number of assumptions that are themselves subject to inherent uncertainties and risks.

Glossary

Term	Definition
Adjusted EBITDA	The profit or loss for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment and right of use assets, amortization of intangible fixed assets, impairment of property, plant and equipment, profit/loss on disposal of property, plant and equipment, profit/loss on lease modifications, exceptional administrative expenses, and other extraordinary items, after adding back Pre-Opening Costs, share based payment charges and the Cash Rent Adjustment.
Average Mature Gym Adjusted EBITDA	Mature Gym Adjusted EBITDA for a certain period divided by the number of Mature Gyms in that period.
Average Mature Gym Adjusted EBITDA Margin	Mature Gym Adjusted EBITDA for a certain period divided by the revenue attributable to Mature Gyms for that period.
Cash Rent Adjustment	The deduction of the cash rent payable during the period which otherwise was not reflected in EBITDA (as reported on an IFRS16 basis).
Combined Group	Refers to the Issuer and its Restricted Subsidiaries, including Fitness World.
Combined Group EBITDA	EBITDA of Pure Gym plus EBITDA of Fitness World.
Combined Group Adjusted EBITDA	Adjusted EBITDA of Pure Gym plus Adjusted EBITDA of Fitness World.
Combined Group Adjusted EBITDA Margin	Combined Group Adjusted EBITDA for a certain period divided by the Combined Group Revenue.
Combined Group Gym Site Adjusted EBITDA Margin	Gym Site Adjusted EBITDA of Pure Gym plus Gym Site Adjusted EBITDA of Fitness World.
Combined Group Revenue	Revenue of Pure Gym plus revenue of Fitness World.
EBITDA	The profit or loss for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment and right of use assets, amortisation of intangible fixed assets, impairment of property, plant and equipment, profit/loss on disposal of property, plant and equipment, profit/loss on lease modifications and exceptional administrative expenses.
Fitness World or Fitness World Group	Refers to Forward TopCo A/S and its subsidiaries.

Glossary

Term	Definition
Gym Site Adjusted EBITDA	Adjusted EBITDA for that period, excluding Head Office Costs.
Gym Site Adjusted EBITDA Margin	Gym Site Adjusted EBITDA divided by revenue for that period.
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.
Maintenance and Refurbishment Capital Expenditures	The total capital expenditure incurred in a period less Expansionary Capital Expenditure incurred in that period.
Mature Gym Adjusted EBITDA	Profit for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment and right of use assets, amortization of intangible fixed assets, impairment of property, plant and equipment, profit/loss on disposal of property, plant and equipment, profit/loss on lease modifications and exceptional administrative expenses for mature sites, after adding back the Cash Rent Adjustment and Pre-Opening Costs for mature sites and after adding back Head Office Costs.
Mature Gym EBITDA	Profit for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment and right of use assets, amortization of intangible fixed assets, impairment of property, plant and equipment, profit/loss on disposal of property, plant and equipment, profit/loss on lease modifications, exceptional administrative expenses and Head Office Costs for Mature Gyms. Mature Gym EBITDA does not include the Cash Rent Adjustment or adjustments for Pre-Opening Costs or other extraordinary items that were added back to Adjusted EBITDA and Gym Site Adjusted EBITDA.
Mature Gym	The gyms that have been open for 24 months or more as of the end of the relevant reporting period.
Number of Gyms	The total number of gyms that are open and trading as of the specified date or the end date of the relevant period.
Operating Cash Flow	Adjusted EBITDA plus Working Capital Cash Flow and less Maintenance and Refurbishment Capital Expenditures for that period.
Operating Cash Flow Conversion	The Operating Cash Flow for that period divided by Adjusted EBITDA for that period.
Pre-Opening Costs	The 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 also rent expenses when reporting under IAS17.
Run-Rate Adjusted	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.
Working Capital Cash Flow	Cash movements in working capital less the Cash Rent.

Investor Contact Details

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