

Pinnacle Bidco plc

Interim Financial Report for the
nine months ended 30 September 2020

PUREGYM

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Business Overview

With over 500 gyms and 1.6 million members as at 30 September 2020, the Group is now the 2nd largest value gym operator in Europe – trading under the "PureGym" brand in the UK, "Basefit" in Switzerland and "Fitness World" in Denmark[1].

Our low cost, flexible and high-quality fitness model appeals to a broad range of customers across our geographies. Our vision is to provide members with affordable access to the benefits that exercise can offer by focusing on what most people want from gyms and by putting innovative technology at the heart of everything we do. This focus and drive has fundamentally changed the European gym industry and opened up access to fitness to hundreds of thousands more people. We are proud of the inclusive environment we have created and the diversity of membership across all of our gyms.



Strategy and business model

The Group has a powerful and highly disruptive customer proposition, which is differentiated from traditional gym operators and appeals to a broad range of consumers. The Group's strategy is to occupy market-leading positions in the value segment, whilst delivering profitable growth for our stakeholders. We plan to continue to roll out new gyms in geographies where we can achieve a high return on capital, as well as driving the operational and financial performance of our existing gym estate. Our ability to deliver on this strategy is underpinned by a strong business model:

- Attractive and resilient fitness markets, and a growing value segment
- Benefits from being a diversified, scale operator
- Strong, differentiated customer proposition supported by technology
- Low cost, capital efficient, technology-enabled operating model
- Strong and experienced leadership team

The fitness market

The Group operates in the growing value segment of the fitness market and our business model has continued to benefit from a more health-conscious population and from Government and health sector initiatives designed to promote healthy living and active lifestyles. The growing availability of value gyms has increased the availability of fitness facilities to a larger proportion of the population. While the value gym segment has grown quickly over the past several years, we believe there remains significant opportunity for further growth due to value gyms' broad consumer appeal and the continued shift in consumer trends towards 'value for money'.

During 2020, the COVID-19 pandemic has caused unprecedented disruption to our everyday way of life and to our industry. Only those operators with the strongest balance sheets have been able to withstand a period of extended closure and therefore we anticipate supply will exit the market as weaker operators fail. We believe demand will continue to be strong given the increased focus on health and well-being post COVID-19. The value gym segment grew significantly during periods of economic recession in the past and we believe this will be the case again in the future.

As we look beyond this year, we firmly believe we have the right business model, operating in the right market segment to be highly successful in this post-COVID-19 environment.

1 PureGym has taken the strategic view that it will not be investing additional resources in its Polish business at this time. Consequently, the Group has decided to cease operating in Poland.

Q3 2020 Financial Review

COVID-19 update

We had an excellent start to 2020. In addition to the acquisition of Fitness World, we had a very strong trading performance in January and February, and combined Group membership numbers peaked at 1.9 million. However, in March, the Governments of the countries in which we operate imposed total lockdown measures to control the spread of COVID-19 and in doing so, forced the temporary closure of all of our gyms.

During lockdown, we acted swiftly to minimise our cash burn and, as a result of these actions, our liquidity reduced by only £18 million over the initial 14-week closure period. For further information on the impact of COVID-19, the Group's weekly cash burn and liquidity position, please refer to our website corporate.puregym.com.

The business entered lockdown from a position of real strength, which gives us confidence that our core product and proposition was performing well and resonating strongly with members. Our geographical diversification has also proved to be a real asset, with a range of reopening dates across our different geographies: our European sites reopened during Q2 2020, following which we saw phased reopening of our UK sites during Q3, such that our full estate had reopened by 31 August.

As expected, our trading performance in 2020 has been severely impacted due to the closure periods. However, it has been extremely pleasing to see how rapidly our business units have returned to profitability upon reopening, with the Group as a whole reporting a profit in August and September – a clear demonstration of the resilience of our membership model.

We are also delighted by the affirmation of support from our key stakeholders during the quarter, with shareholders, Leonard Green & Partners, investing an additional £100 million in the business and our lenders agreeing an RCF upsize of £50 million and a 2 year covenant waiver, together providing additional liquidity of c.£200 million to ensure the Group has ample reserves to manage any further lockdown disruption.

Throughout this challenging period, the health and wellbeing of our members and staff remains of paramount importance and we've worked tirelessly to ensure our gyms are a safe place to work and a safe place to workout. We have implemented new standards and protocols which have been put in place across the industry. These measures, including great sanitization, a limit on attendees, social distancing and excellent cleaning facilities, reduce the risk of transmission for members attending a gym and for our colleagues who work in them.

Member feedback upon reopening has been key to building a good understanding of our performance in this area and to date this has been extremely positive. It has been pleasing to see positive member experience translate into encouraging member trends in like for like member volumes and gym visits in our reopened sites.

Post period end, whilst we are starting to see second wave closures in certain areas of our estate, including a 2 week national lockdown in Wales in October and 4 weeks for England in November, our successful first wave reopening performance gives us confidence that our budget model remains intact and that we are well positioned for the future.



Q3 2020 Financial Review

Presentation of financial information

The Group has prepared consolidated financial statements as of and for the 9 months ended 30 September 2020 in accordance with IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board and adopted by the European Union. The results of the Fitness World Group have been consolidated from the date of acquisition, 14 January 2020.

Funding

The Group has £430 million of Senior Secured Notes in issue as at the period end ("the Sterling Notes"). The Sterling Notes are listed on The International Stock Exchange, for which Pinnacle Bidco plc is the Issuer and certain subsidiaries of the Group are guarantors. Interest accrues at a rate of 6.375%, payable half yearly in February and August and the Sterling Notes are due to be repaid in full on 15 February 2025.

On 14 January 2020, the Group acquired Fitness World for a consideration of DKK 2,037,110,000 (£233 million[1]) and the acquisition was funded through a €445 million (£381 million[2]) senior secured bridge facility. Subsequently, on 17 November 2020 the senior secured bridge was replaced with a new issue of €445 million Senior Secured Notes due 2025 with a coupon of 5.50% ("the Euro Notes").

On 17 September 2020, the Group agreed an upsize of its revolving credit facility ("RCF") with its lenders such that it now has access to a £145 million RCF, repayable on 15 August 2024, of which £10 million is a designated overdraft facility. The RCF is financed by eight international institutions (Barclays Bank PLC, Jefferies Finance LLC, Royal Bank of Canada, Credit Suisse AG, Credit Suisse International, ING Bank N.V. Lloyds Bank plc and Danske Bank A/S, collectively "the Lenders"). As part of this agreement, the Lenders also granted a 2 year waiver of financial covenants, to be replaced with a £30 million minimum liquidity test at prescribed intervals.

On 18 September 2020, shareholders Leonard Green & Partners ("LGP") contributed a £100 million equity injection into the business. Together, the RCF upsize and equity injection increased the Group's available liquidity to £277 million as at 30 September 2020.

Going Concern

The Group meets its day to day working capital requirements, capex and funding of new sites through its cash reserves and credit facilities, as detailed in the funding section. In considering its assessment of going concern the Group has carried out extensive financial modelling, taking into account the potential impact of the COVID-19 pandemic on the cashflows and liquidity of the Group over the next 12 month period. This has included: the unwind of deferred payments of past/current closure periods, significantly reduced revenue during any further COVID-19 closure periods (including both localised closures and a further total Group lockdown), mitigation measures announced by our Governments (including the potential reduction of certain mitigation measures in the future), measures put in place by the Group to preserve cash and to reduce discretionary expenditure (including capex) and potential reductions in revenues resulting from changes in the behaviours of members upon the reopening of our gyms.

Having completed this thorough analysis, the Directors are confident that the business will continue as a going concern for a period of at least 12 months from the balance sheet date. Following the recent equity injection, RCF upsize and covenant waiver, there is ample liquidity to manage any second wave disruption and the business is well set for the future.

1 Converted using DKK/GBP of 0.1146 as of 14 January 2020.
2 Converted using E.UR/GBP of 0.8560 as of 14 January 2020.



Q3 2020 Financial Review

Results of operations

£million	For the three months ended 30 September 2020	2019	Change	For the nine months ended 30 September 2020	2019	Change
Revenue	89.0	63.5	40.0%	200.1	189.4	5.7%
Administrative expenses	(88.1)	(47.6)	84.9%	(229.6)	(137.9)	66.4%
Exceptional administrative expenses	(5.3)	(0.8)	n/a	(8.3)	(1.8)	n/a
Operating (loss)/profit	**(4.4)**	**15.1**	**n/a**	**(37.8)**	**49.6**	**n/a**
Net finance cost	(34.6)	(22.8)	51.7%	(115.6)	(65.9)	75.3%
Loss before tax	**(39.0)**	**(7.7)**	**n/a**	**(153.4)**	**(16.3)**	**n/a**
Income tax credit	3.0	0.3	n/a	11.5	-	n/a
Loss for the period	**(36.1)**	**(7.4)**	**n/a**	**(141.9)**	**(16.3)**	**n/a**

Revenue

Our results were severely impacted when our entire estate closed temporarily in March 2020. Gyms across all of our geographies started to reopen during Q2 and Q3 2020 and were on a positive trajectory towards pre-COVID-19 levels.

Revenue increased 40.0% to £89.0 million in Q3 2020 (Q3 2019: £63.5 million) and increased 5.7% to £200.1 million for the year-to-date (2019: £189.4 million), with the negative impact of COVID-19 closures being partially offset by the positive benefit of the Fitness World acquisition.

Member income, comprising membership fees and joining fees, was £81.3 million for Q3 2020 and £182.7 million for the year-to-date, an increase of 38.5% and 4.5% respectively. We automatically froze memberships upon temporary closure of gyms and then reinstated them on re-opening.

Administrative expenses

During Q3 we reported administrative expenses before exceptional items of £88.1 million, an 84.9% increase compared to Q3 2019. Year-to-date this figure was £229.6 million (up 66.4% compared to 2019). This increase was primarily due to the acquisition of Fitness World, offset by cost reductions achieved during the closure period due to a combination of Government mitigation and swift management actions.

Adjusted EBITDA

The impact of closures due to COVID-19 was reflected in an Adjusted EBITDA of £16.5 million for the quarter (Q3 2019: £21.2 million) and £16.2 million for the year-to-date (2019: £66.2 million).

Exceptional items

Exceptional items totalled £5.3 million in Q3 2020 (Q3 2019: £0.8 million) and £8.3 million in the year-to-date 2020 (2019 YTD: £1.8 million). These costs are primarily related to integration costs associated with the Fitness World acquisition and one-off costs related to the COVID-19 related closure of gyms.

Net finance costs

The Group reported net finance costs of £34.6 million in Q3 2020 (Q3 2019: £22.8 million) and a year-to-date figure of £115.6 million (2019: £65.9 million).

The increase is primarily due to the additional financing put in place to fund the acquisition of Fitness World, and comprised of bridging loan interest, amortisation of associated capitalised finance costs, additional leasing acquired with the Fitness World Group and foreign exchange losses.

Tax charge

We generated an income tax credit of £3.0 million for Q3 2020 (Q3 2019: £0.3 million) and year-to-date we have a credit of £11.5 million (2019: £0.0 million). These tax credits were a result of the losses incurred due to the COVID-19 related closure of gyms.

Note: Figures presented on a reported basis, therefore the current period results represent the results of the Combined Group, including Fitness World from 14 January 2020. The prior period represents the results of PureGym only.

Q3 2020 Financial Review

Cashflow and Liquidity

£million	For the three months ended 30 September 2020	2019	For the nine months ended 30 September 2020	2019
Net cash (used in)/generated from operating activities	(2.1)	9.1	(0.9)	36.1
Net cash (used in)/generated from investing activities	(7.0)	(13.9)	(261.1)	(35.6)
Net cash generated from/(used in) financing activities	89.6	(1.7)	378.4	35.3
Net increase/(decrease) in cash and cash equivalents	**80.5**	**(6.5)**	**116.4**	**35.8**
Cash and cash equivalents on the first day of the period	88.6	65.6	51.6	23.3
Effect of exchange rates	-	-	1.0	-
Cash and cash equivalents at end of period	**169.0**	**59.1**	**169.0**	**59.1**

Net cash generated from operating activities

Net cash used in operating activities for the quarter was £2.1 million compared to £9.1 million of net cash generated in Q3 2019. Net cash used year-to-date was £0.9 million, versus £36.1 million generated in the corresponding period in 2019.

Operating cash flows of the Group were significantly reduced by COVID-19 as membership subscriptions were frozen during the closure period, but this lost revenue was offset in part by Government mitigation combined with swift management action to reduce costs and preserve cash.

Net cash outflow from investing activities

Net cash outflow from investing activities in Q3 2020 totalled £7.0 million and related to capital expenditure on new gyms and refurbishment and maintenance of existing gyms (Q3 2019: £13.9 million).

Net cash outflow from investing activities in the year-to-date includes £226 million in relation to the acquisition of Fitness World and £32 million of capital expenditure on new gyms and refurbishment and maintenance of existing gyms (YTD 2019: £35.9 million relates to capital expenditure).

Net cash generated from financing activities

Net cash generated from financing activities in Q3 2020 was £89.6 million and primarily relates to the £100 million cash injection from LGP less finance lease capital payments.

Net cash generated from financing activities in the current year-to-date was £378.4 million primarily consisting of £381 million of proceeds from the senior secured bridge facility obtained to acquire Fitness World, £100 million cash injection from LGP, and £37 million of drawing on the revolving credit facility, net of a £118 million repayment of borrowings acquired with Fitness World, and £24 million of finance lease capital payments.

Net cash generated from financing activities in year-to-date 2019 primarily relates to the issue of £40 million of Senior Secured Notes in May 2019.

Capital expenditure

The following table shows our capital expenditure cash flows for the periods indicated.

£million	For the three months ended 30 September 2020	2019	For the nine months ended 30 September 2020	2019
Expansionary Capital Expenditure	(4.4)	(9.2)	(22.9)	(28.2)
Maintenance and Refurbishment Capital Expenditure	(4.4)	(4.7)	(13.6)	(7.7)
Total Capital Expenditure	**(8.8)**	**(13.9)**	**(36.5)**	**(35.9)**

In the year-to-date 2020, the Group has opened 18 new organic gyms (12 PureGyms and 6 Fitness World sites). These were primarily planned and developed prior to the Q1 lockdown.

The Group has not closed or relocated any organic gyms in the UK during the period, however as part of an estate optimisation plan in Denmark, 3 Fitness World gyms were closed with members successfully migrated to alternative nearby gyms within our estate.

Key Performance Indicators

£million	For the three months ended 30 September 2020	2019	For the nine months ended 30 September 2020	2019
Total number of PureGyms	274	244	274	244
Total number of Fitness World gyms	244	-	244	-
Total number of gyms[2]	518	244	518	244
Total number of members ('000s)	1,625	1,158	1,625	1,158
Average number of members ('000s)	1,654	1,115	1,653	1,111
Average number of members per gym	3,237	4,671	3,425	4,764
Average revenue per member per month (£)	17.93	18.94	13.45	18.89
Reported EBITDA (£ million)	38.3	30.8	74.9	93.5
Adjusted EBITDA (£ million)	16.5	21.2	16.2	66.2
Adjusted EBITDA margin	18.6%	33.4%	8.1%	34.9%
Gym Site Adjusted EBITDA (£ million)	27.0	27.6	44.3	84.0
Gym Site Adjusted EBITDA margin	30.4%	43.5%	22.2%	44.3%
LTM Run Rate Adjusted EBITDA (£ million)[1]	n/a	n/a	87.3	98.2
Operating Cash Flow (£ million)	9.1	18.3	15.7	54.2
Operating Cash Flow Conversion	54.8%	86.3%	96.9%	81.9%
Senior Secured Net Debt (£ million)	703.1	370.9	703.1	370.9
Ratio of Senior Secured Net Debt to LTM Run Rate Adjusted EBITDA[1]	n/a	n/a	8.1x	3.8x
Ratio of LTM Run Rate Adjusted EBITDA[1] to Pro Forma Net Interest Expense	n/a	n/a	1.7x	3.5x

Note: Q3 2020 represents the results of the Combined Group, including Fitness World from 14 January 2020. Q3 2019 includes the results of PureGym only.

1. Q3 2020 LTM Run Rate Adjusted EBITDA represents the Combined Group on a pro forma basis and includes £4.9m of expected synergies.
2. 518 sites reflects 18 openings and 4 closures during the 9 months ending 30 September 2020. Post period end, the 19 Polish sites ceased to trade and will not re-open.

Reconciliation from Loss to Adjusted EBITDA and Run Rate Adjusted EBITDA

£million	For the three months ended 30 September 2020	2019	For the nine months ended 30 September 2020	2019
Loss for the year/period	(36.1)	(7.4)	(141.9)	(16.3)
Income tax	(3.0)	(0.3)	(11.5)	-
Net finance cost	34.6	22.8	115.6	65.9
Depreciation of property, plant and equipment	27.6	14.5	83.4	40.2
Amortisation of intangible fixed assets	5.7	0.7	16.7	2.2
Impairment of property, plant and equipment	4.3	-	4.3	-
(Profit) / loss on disposal of property, plant & equipment	(0.1)	-	-	-
(Profit) / loss on lease modifications	-	(0.4)	-	(0.4)
Exceptional administrative expenses	5.3	0.8	8.3	1.8
Reported EBITDA	38.3	(30.8)	74.9	93.5
Other extraordinary items	-	-	-	-
Share based payment charge	0.1	0.1	0.3	0.2
Pre-opening Costs	0.8	0.5	1.6	2.0
Cash Rent Adjustment	(22.7)	(10.2)	(60.6)	(29.6)
Adjusted EBITDA	16.5	21.2	16.2	66.2
Head office costs	10.5	6.4	28.1	17.8
Gym Site Adjusted EBITDA	27.0	27.6	44.3	84.0
LTM Adjusted EBITDA[1]	n/a	n/a	53.3	85.4
Run Rate Adjustment	n/a	n/a	29.2	12.8
Synergies[2]	n/a	n/a	4.9	-
Pro Forma Run Rate Adjusted EBITDA (LTM)	n/a	n/a	87.3	98.2

Note: Q3 2020 represents the results of the Combined Group, including Fitness World from 14 January 2020. Q2 2019 includes the results of PureGym only.

1. Q3 2020 LTM Adjusted EBITDA represents the Combined Group on a pro forma basis as if the acquisition of Fitness World occurred on the first day of the period.
2. Synergies of DKK 39.7m converted using DKK/GBP of 0.1223 as of 30 September 2020.

Disclaimers and Further Information for Noteholders

Further information for noteholders

This report was prepared in accordance with the indenture dated 24 January 2018 among Pinnacle Bidco plc, as issuer, the guarantors named therein, Deutsche Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch, as paying agent and security agent and Deutsche Bank Luxembourg SA as transfer agent and registrar.

This report may include forward-looking statements. All statements other than statements of historical facts included in this report, 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 report. 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 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. We define our non-IFRS measures as set forth in the glossary on page 10.

Risks

The Directors are responsible for the Group's risk management and monitor risks on an on-going basis to ensure these are being appropriately mitigated in line with its risk appetite. The Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance over the 2020 financial year remain substantially the same as those stated on pages 11 to 14 of our Annual Report and Accounts for the period ended 31 December 2019, which is available on our website corporate.puregym.com.

Glossary

"Adjusted EBITDA"
As 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, exceptional administrative expenses, and other extraordinary items, after adding back Pre-Opening Costs and share based payment charges, and subtracting the Cash Rent Adjustment.

"Adjusted EBITDA Margin"
As Adjusted EBITDA for that period divided by revenue for that period.

"Average Continuous Membership Tenure"
The average monthly tenure of all active and paying members, including members who have frozen their membership, as of a given point in time. This includes previous memberships where the gap in membership was 30 days or less but excludes the period(s) of non-membership.

"Average Initial Capital Investment for Mature Gyms"
The Initial Capital Investment for all Mature Gyms for a certain period divided by the number of Mature Gyms in that period.

"Average Gym ROCE"
Gym Site Adjusted EBITDA for the relevant portfolio of gyms for that period divided by the Initial Capital Investment attributable to that portfolio of gyms.

"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.

"Average Mature Gym ROCE"
Mature Gym Adjusted EBITDA for a certain portfolio of gyms for a certain period divided by the Initial Capital Investment attributable to that portfolio of gyms.

"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 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.

"Basefit"
Refers to Basefit.ch AG, the brand that Fitness World operates under in Switzerland.

"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 PureGym and Fitness World.

"Combined Group EBITDA"
EBITDA of PureGym plus EBITDA of Fitness World.

"Combined Group Adjusted EBITDA"
Adjusted EBITDA of PureGym 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 PureGym plus Gym Site Adjusted EBITDA of Fitness World.

"Combined Group Revenue"
Revenue of PureGym plus revenue of Fitness World.

"Combined Group Run Rate Adjusted EBITDA Margin"
Run Rate Adjusted EBITDA of PureGym plus Run Rate Adjusted EBITDA of Fitness World.

"Combined Group Operating Cash Flow"
Operating Cash Flow of PureGym plus Operating Cash Flow 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.

"Expansionary Capital Expenditure"
The Initial Capital Investment and the capital costs of expanding gym sites incurred in that period.

"Fitness World" or "Fitness World Group"
Refers to Forward TopCo A/S and its subsidiaries.

"Gym Cohorts"
Groups of PureGym or Fitness World clubs, as applicable, that opened during a specified period.

"Gym Site Adjusted EBITDA"
Adjusted EBITDA for that period, excluding Head Office Costs.

"Gym Site Adjusted EBITDA Margin"
As 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.

Glossary continued

"Initial Capital Investment"
The capital cost of bringing a new gym into operation or extending a gym, including expenditures on site fit out, fixtures, fittings and equipment and excluding the cost of any right of use property assets, ongoing maintenance and refurbishment capex.

"Large Box Format (LBF)"
Large Box Format (LBF) gyms are gyms that are typically over 12,000 square feet in size.

"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, 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 for Mature Gyms, after adding back other extraordinary items, Pre-Opening Costs for Mature Gyms and Head Office Costs and subtracting the Cash Rent Adjustment for Mature Gyms.

"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, 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, 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 Gyms"
The gyms that have been open as Pure Gyms for 24 months or more or as Fitness World clubs open as for 24 months or more as of the end of the relevant reporting period.

"Net Debt"
As total indebtedness of the Group including finance lease liabilities as reported under IAS17 (excluding property lease liabilities recognised under IFRS 16) less cash and cash equivalents.

"New Gyms"
The gyms that have been open as Pure Gyms for less than 24 months or Fitness World clubs for less than 24 months as of the end of the relevant reporting period.

"Number of Gyms"
As 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 Corporate 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 and marketing expenses.

"Pro Forma Run Rate Adjusted EBITDA"

Run Rate Adjusted EBITDA for the twelve months ended on the reporting date, after giving pro forma effect to the recent acquisition of Fitness World as if the acquisition occurred on the first day of the period and including synergies expected to be realised from the combined Group.

"Pro Forma Net Interest Expense"

The net of interest payable/receivable for the twelve months ended on the reporting date after giving pro forma effect to borrowings as at the balance sheet date, as if those borrowings occurred on the first day of the period.

"ROCE"
Adjusted EBITDA divided by Initial Capital Investment and refers to return on capital employed.

"Run Rate Adjusted EBITDA"
The Adjusted EBITDA including any Run Rate Adjustment.

"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.

"Senior Secured Net Debt"
The total senior secured indebtedness of the Group (excluding finance lease liabilities as reported under IAS17), less cash and cash equivalents.

"Small Box Format (SBF)"
Small Box Format (SBF) gyms are gyms that are typically 6,000-9,000 square feet in size.

"Working Capital Cash Flow"
Cash movements in working capital.

Pinnacle Bidco PLC
Condensed Consolidated Interim Financial Statements
for the 9 months ended 30 September 2020

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Condensed Consolidated Statement of Comprehensive Income

for the 9 months ended 30 September 2020

	Note	**9 months ended 30 September 2020 (Unaudited) £'000**	9 months ended 30 September 2019 (Unaudited) £'000
Revenue	2,3	**200,121**	189,405
Other administrative expenses		**(229,573)**	(137,945)
Exceptional administrative expenses	5	**(8,338)**	(1,845)
Administrative expenses		**(237,911)**	(139,790)
Operating (loss) / profit	4	**(37,790)**	49,615
Finance income		**236**	157
Finance costs		**(115,841)**	(66,092)
Loss before income tax		**(153,395)**	(16,320)
Income tax credit	6	**11,525**	9
Loss for the period		**(141,870)**	(16,311)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		**14,728**	-
Total comprehensive expense for the period		**(127,142)**	(16,311)

Condensed Consolidated Statement of Financial Position

as at 30 September 2020

	Note	**30 September 2020 (Unaudited) £'000**	31 December 2019 (Audited) £'000
Non-current assets			
Intangible assets	7	**872,182**	515,330
Property, plant and equipment	8	**732,279**	475,337
Deferred tax asset		**20,526**	10,600
Trade and other receivables		**7,640**	1,450
		1,632,627	1,002,717
Current assets			
Inventories		**7,076**	1,952
Trade and other receivables		**34,378**	21,923
Cash and cash equivalents		**169,036**	51,626
		210,490	75,501
TOTAL ASSETS		**1,843,117**	1,078,218
Current liabilities			
Trade and other payables		**(130,765)**	(90,794)
Provisions		**(1,676)**	-
Borrowings	9	**(2,200)**	-
Lease liabilities		**(93,839)**	(21,621)
Income taxes payable		**(2,149)**	(1,332)
		(230,629)	(113,747)
Non-current liabilities			
Deferred tax liability		**(34,077)**	(12,890)
Other payables		**(2,037)**	-
Provisions		**(5,405)**	-
Lease liabilities		**(499,878)**	(315,343)
Borrowings	9	**(1,325,378)**	(763,650)
		(1,866,775)	(1,091,883)
TOTAL LIABILITIES		**(2,097,404)**	(1,205,630)
NET LIABILITIES		**(254,287)**	(127,412)
Equity			
Share capital	12	**50**	50
Share premium		**3,863**	3,863
Translation reserve		**14,728**	-
Accumulated losses		**(272,928)**	(131,325)
TOTAL EQUITY		**(254,287)**	(127,412)

Condensed Consolidated Cash Flow Statement

for the 9 months ended 30 September 2020

	Note	**9 months ended 30 September 2020 (Unaudited)**	9 months ended 30 September 2019 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	13	**84,156**	89,459
Exceptional costs paid		**(12,837)**	(1,845)
Bank interest and similar charges paid		**(11,034)**	(462)
Bank interest received		**200**	157
Senior secured notes interest paid		**(27,412)**	(25,436)
Interest element of lease liability payments		**(23,007)**	(25,710)
Issue costs from borrowings		**(10,042)**	(285)
Premium received on issue of senior secured notes		**-**	800
Net exchange differences		**(286)**	-
Corporation tax paid		**(613)**	(559)
Net cash generated from operating activities		**(875)**	36,119
Cash flows from investing activities			
Purchase of subsidiary undertakings, net of cash acquired	15	**(226,350)**	-
Purchase of property, plant & equipment		**(32,015)**	(35,607)
Purchase of intangible assets	7	**(4,523)**	-
Proceeds from disposals of assets		**1,828**	4
Net cash used in investing activities		**(261,060)**	(35,603)
Cash flows from financing activities			
Issue of senior secured notes		**-**	40,000
Capital element of lease liability payments		**(23,693)**	(4,747)
Proceeds from bank borrowings	14	**417,912**	-
Repayments of bank borrowings	14	**(117,963)**	-
Proceeds from short term borrowings	14	**2,130**	-
Proceeds from intercompany borrowings		**99,996**	40
Net cash generated from financing activities		**378,382**	35,293
Net increase in cash and cash equivalents		**116,447**	35,809
Cash and cash equivalents at beginning of the period		**51,626**	23,320
Effect of exchange rates on cash held		**963**	-
Cash and cash equivalents at end of period		**169,036**	59,129

Condensed Consolidated Statement of Changes in Equity

for the 9 months ended 30 September 2020

	Share capital £'000	Share premium £'000	Translation reserve £'000	Accumulated losses £'000	Total Equity £'000
Balance as at 31 December 2018	**50**	**3,863**	**-**	**(33,982)**	**(30,069)**
Change in accounting policy	-	-	-	(70,701)	**(70,701)**
Balance as at 1 January 2019	**50**	**3,863**	**-**	**(104,683)**	**(100,770)**
Loss and total comprehensive expense for the period	-	-	-	(16,311)	(16,311)
Credit to equity for equity settled share-based payments	-	-	-	228	228
Balance as at 30 September 2019	**50**	**3,863**	**-**	**(120,766)**	**(116,853)**
Balance as at 1 January 2020	**50**	**3,863**	**-**	**(131,325)**	**(127,412)**
Loss for the period	**-**	**-**	**-**	**(141,870)**	**(141,870)**
Other comprehensive income for the period	**-**	**-**	**14,728**	**-**	**14,728**
Credit to equity for equity settled share-based payments	**-**	**-**	**-**	**267**	**267**
Balance as at 30 September 2020	**50**	**3,863**	**14,728**	**(272,928)**	**(254,287)**

Notes to the Condensed Consolidated Interim Financial Statements

1 General information

Pinnacle Bidco PLC is a company incorporated in England and Wales under the Companies Act 2006 and is a public limited company. The address of the company's registered office is Town Centre House, Merrion Centre, Leeds, West Yorkshire, LS2 8LY. The condensed financial statements are unaudited and were approved by the Board of Directors on 20 November 2020.

This financial information for the nine months ended 30 September 2020, including comparative financial information for the nine months ended 30 September 2019, has been prepared on the basis of the accounting policies set out in the last annual report and accounts and in accordance with IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board and adopted by the European Union. This report does not include all the notes of the type normally included in an annual financial report and accordingly should be read in conjunction with the annual report for the year ended 31 December 2019.

In preparing the condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and key sources of estimation uncertainty were the same, in all material respects, as those applied to the consolidated financial statements for the year ended 31 December 2019.

Going concern assumption

The group meets its day to day working capital requirements, capex and funding of new sites through its cash reserves and credit facilities, as detailed in the funding section. In considering its assessment of going concern the group has carried out extensive financial modelling, taking into account the potential impact of the COVID-19 pandemic on the cashflows and liquidity of the group over the next 12 month period. This has included; the unwind of deferred payments of past/current closure periods, significantly reduced revenue during any further COVID-19 closure periods (including both localised closures and a further total group lockdown), mitigation measures announced by our governments (including the potential reduction of certain mitigation measures in the future), measures put in place by the group to preserve cash and to reduce discretionary expenditure (including capex) and potential reductions in revenues resulting from changes in the behaviours of members upon reopening of our gyms.

Having completed this thorough analysis, the directors are confident that the business will continue as a going concern for a period of at least 12 months from the balance sheet date. Following the recent equity injection, RCF upsize and covenant waiver, there is ample liquidity to manage any second wave disruption and the business is well set for the future.

Information extracted from 2019 Annual Report

The financial information for the year ended 31 December 2019, as set out in this report, does not constitute statutory accounts but is derived from the audited financial statements for that financial year.

The statutory accounts for the year ended 31 December 2019 were prepared under IFRS and have been delivered to the Registrar of Companies. The audit report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Notes to the Condensed Consolidated Interim Financial Information (continued)

2 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified to be the Executive Management Team of the Pinnacle Bidco group of companies. The Executive Management Team primarily consider the business from a geographical perspective, by country of operation. The group's operations consist solely of the provision of high quality health and fitness facilities and associated services. Consequently, it is not necessary to segregate operating segments by service or product.

The group's material reportable segments are United Kingdom and Denmark. The results from operations in all other countries in which the group operates are included in "All other segments". Segmental information presented to the Executive Management Team for the 9 months ended 30 September 2020 is presented in the below tables, alongside comparative information:

	9 months ended 30 September 2020 (Unaudited)			
	United Kingdom £'000	**Denmark £'000**	**All other segments £'000**	**Total £'000**
Revenue	**104,901**	**74,462**	**20,758**	**200,121**
Adjusted EBITDA	**7,041**	**9,279**	**(133)**	**16,187**

	9 months ended 30 September 2019 (Unaudited)			
	United Kingdom £'000	Denmark £'000	All other segments £'000	Total £'000
Revenue	189,405	-	-	189,405
Adjusted EBITDA	66,171	-	-	66,171

Adjusted EBITDA is derived by adjusting operating profit for depreciation, amortisation, profit/loss on disposal of property, plant equipment, profit/loss on lease modifications, impairment of property, plant and equipment, exceptional costs, share based payment charges, pre-opening costs and the cash rent adjustment. The cash rent adjustment adjusts operating profit by subtracting rent-related expenses, adding back rent-related credits and subtracting cash rent payable during the period.

The Adjusted EBITDA KPI is typically used within the industry as it is more effective than operating profit in representing the results of the group's trade from ongoing gyms and, as such, is a key focus of our stakeholders, including our investors, our bondholders and our banking partners. A reconciliation from operating profit to Adjusted EBITDA is included in note 4.

Notes to the Condensed Consolidated Interim Financial Information (continued)

3 Revenue

Revenue is analysed below segregated by service or product.

	9 months ended 30 September 2020 (Unaudited) £'000	9 months ended 30 September 2019 (Unaudited) £'000
Member income	**182,660**	174,798
Vending and consumables income	**10,064**	5,513
Other income	**7,397**	9,094
	200,121	189,405

The group experiences small degrees of seasonality. The majority of members join in January, February and March, and joiner rates also increase in September and October. Seasonality is generally positively driven by consumers' desire to improve their fitness at the start of the year and the start of new university and school terms, and is negatively driven by Christmas and summer holidays. Marketing expenditure is generally focused around peak joining periods, particularly the January/February period.

During the 9 months ended 30 September 2020, the group was forced to close its gyms across the entire estate as a result of the COVID-19 pandemic. This caused a significant reduction in revenue during the closure period. All gyms in the estate initially closed between 12 and 21 March 2020. Gyms in Switzerland reopened on 11 May 2020, in Poland on 6 June 2020, and in Denmark on 11 June 2020. In the UK, gyms in Northern Ireland reopened on 10 July 2020, in England on 25 July 2020, in Wales on 10 August 2020 and in Scotland on 31 August 2020.

During the closure periods, all memberships were automatically frozen meaning that no payments were taken from members during this time for gym subscriptions. Amounts paid by members in advance of the closure period and relating to after the date of closure were deferred such that revenue for gym subscriptions was only recognised when gyms were open.

The majority of member income is recognised over time to reflect the period over which the customer receives the services provided. Vending and consumables income is recognised at a point in time. Other income includes revenue from personal trainers, recognised over time to reflect the period over which the personal trainer is operating, and sales of day passes to non-members and personal training services which are both recognised at a point in time.

Notes to the Condensed Consolidated Interim Financial Information (continued)

4 Operating (loss) / profit

A reconciliation from operating (loss) / profit to EBITDA and Adjusted EBITDA is as follows:

	9 months ended 30 September 2020 (Unaudited) £'000	9 months ended 30 September 2019 (Unaudited) £'000
Operating (loss) / profit	**(37,790)**	49,615
Depreciation	**83,392**	40,212
Amortisation	**16,668**	2,200
Loss / (profit) on disposal of property, plant and equipment	**5**	(4)
Loss / (profit) on lease modifications	**12**	(362)
Impairment of property, plant and equipment	**4,259**	-
Exceptional costs (note 5)	**8,338**	1,845
EBITDA	**74,884**	93,506
Share based payment charge	**267**	228
Pre-opening costs	**1,586**	2,006
Cash rent adjustment	**(60,550)**	(29,569)
Adjusted EBITDA	**16,187**	66,171

During the 9 months ended 30 September 2020, the group has applied the practical expedient to rent concessions as permitted in the COVID-19-Related Rent Concessions amendment to IFRS 16. Included within operating loss for the period is a credit of £4,083,000 reflecting the change in lease payments that has arisen from rent concessions agreed in the period.

5 Exceptional administrative expenses

Items that are material either because of their size or their nature, and that are non-recurring are considered as exceptional items and are presented within the line items to which they best relate. These items are analysed further below:

	9 months ended 30 September 2020 (Unaudited) £'000	9 months ended 30 September 2019 (Unaudited) £'000
Integration, transition and restructuring costs	**4,374**	1,088
One-off costs related to the COVID-19 pandemic	**2,686**	-
Exploration of acquisition opportunities	**808**	757
Costs relating to acquisitions	**(111)**	-
Other one-off costs	**581**	-
	8,338	1,845

Notes to the Condensed Consolidated Interim Financial Information (continued)

5 Exceptional administrative expenses (continued)

In the 9 month period ended 30 September 2020, £4,374,000 of costs were incurred relating to the restructuring of certain operations in the existing business and the transition and integration of Fitness World into the PureGym business (9 months ended 30 September 2019: £1,088,000). This amount includes £2,133,000 relating to a programme implemented to optimise profitability of the Fitness World group. The programme aims to optimise the Danish estate and operating model following the acquisition of the group by PureGym in January 2020. During the period, Fitness World implemented a more efficient operating structure, impacting 328 Fitness World employees. The new structure will improve the member experience through a more skilled and smaller group of managers and by centralising functions at the head office.

The group has also incurred exceptional administrative expenses of £2,686,000 in the 9 month period ended 30 September 2020, being one-off costs related to the COVID-19 pandemic (9 months ended 30 September 2019: £nil). The costs recognised were incurred either in the process of closing gyms during the pandemic or in the preparation for and reopening of the gyms in line with government guidance. They include costs related to one-off deep cleans of gyms following the closure period, and reviews of ventilation in gyms to ensure that they comply with our TrainSafe policies.

In addition, the group incurred costs of £808,000 in relation to the exploration of acquisition and expansion opportunities (9 months ended 30 September 2019: £757,000).

In the 9 month period ended 30 September 2020, the group recognised a reversal of £111,000 of costs related to the acquisition of the Fitness World group originally recognised in 2019 (see note 15) (9 months ended 30 September 2019: £nil).

Other one-off costs of £581,000 incurred in the period consist of one off legal and regulatory expenses (9 months ended 30 September 2019: £nil).

6 Income tax

	9 months ended 30 September 2020 (Unaudited) £'000	9 months ended 30 September 2019 (Unaudited) £'000
Current tax:		
- Corporation tax credit on loss for the period	**(3,689)**	(159)
- Prior year adjustment	**(1,314)**	-
Total current tax credit	**(5,003)**	(159)
Deferred tax:		
- Origination and reversal of temporary differences	**(6,791)**	150
- Effect of changes in tax rates	**269**	-
Total deferred tax (credit) / charge	**(6,522)**	150
Total tax credit in the condensed consolidated statement of comprehensive income	**(11,525)**	(9)

Notes to the Condensed Consolidated Interim Financial Information (continued)

6 Income tax (continued)

The (credit) / charge for taxation for the 9 months to 30 September 2020 is based on the estimated effective rate of 19% (9 months ended 30 September 2019: 19%). The prior year adjustment to current tax recognised for the 9 months to 30 September 2020 of £1,314,000 credit (9 months ended 30 September 2019: £nil) relates to a reduction in the prior year tax charge due to the carry back of losses incurred during the current year.

7 Intangible assets

	Goodwill £'000	Brands £'000	Customer Relationships £'000	Total £'000
Cost				
1 January 2019	460,215	58,669	8,204	527,088
Acquired through business combinations	2,557	-	-	2,557
31 December 2019	462,772	58,669	8,204	529,645
Accumulated amortisation				
1 January 2019	-	3,178	8,204	11,382
Charge for the period	-	2,933	-	2,933
31 December 2019	-	6,111	8,204	14,315
Net book value				
31 December 2019	462,772	52,558	-	515,330

7 Intangible assets (continued)

	Goodwill £'000	Brands £'000	Customer Relationships £'000	Development Projects in Progress £'000	Software £'000	Total £'000
Cost						
1 January 2020	462,772	58,669	8,204	-	-	529,645
Acquired through business combinations (note 15)	238,236	32,550	66,527	1,619	7,151	346,083
Additions	-	-	-	4,430	93	4,523
Foreign exchange differences	16,007	2,161	4,450	254	483	23,355
30 September 2020	717,015	93,380	79,181	6,303	7,727	903,606
Accumulated amortisation						
1 January 2020	-	6,111	8,204	-	-	14,315
Charge for the period	-	3,698	10,371	-	2,599	16,668
Foreign exchange differences	-	43	314	-	84	441
30 September 2020	-	9,852	18,889	-	2,683	31,424
Net book value						
30 September 2020	**717,015**	**83,528**	**60,292**	**6,303**	**5,044**	**872,182**

Intangible assets are analysed below segregated by geographical location and category:

	31 December 2019 (Audited)			
	Goodwill £'000	Brands £'000	Customer Relationships £'000	Total £'000
United Kingdom	462,772	52,558	-	515,330
Total intangible assets	462,772	52,558	-	515,330

	30 September 2020 (Unaudited)					
	Goodwill £'000	**Brands £'000**	**Customer Relationships £'000**	**Development Projects in Progress £'000**	**Software £'000**	**Total £'000**
United Kingdom	462,773	50,358	-	-	-	513,131
Denmark	191,662	28,102	48,429	6,303	4,802	279,298
Other countries	62,580	5,068	11,863	-	242	79,753
Total intangible assets	**717,015**	**83,528**	**60,292**	**6,303**	**5,044**	**872,182**

Notes to the Condensed Consolidated Interim Financial Information (continued)

7 Intangible assets (continued)

A full impairment review of goodwill was performed as at 31 December 2019. During the 9 month period ended 30 September 2020, the group's full estate of gyms were forced to temporarily close as a result of the Covid-19 pandemic. This has significantly reduced the forecast cash flows which were used to perform the impairment review for the 2019 Annual Report. As such, an interim impairment review was performed over the group's intangible assets as at 31 March 2020.

Goodwill was reviewed for impairment with reference to the group of cash generating units (CGUs) to which it relates. The recoverable amount of a CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations used cash flow projections based on financial budgets reviewed by management covering a four-year period.

There is sufficient headroom such that any reasonable sensitivity performed does not reduce the recoverable amount to lower than carrying value.

8 Property, plant and equipment

	Right of use assets	Leasehold costs	Leasehold improvements	Fixtures & Fittings	IT equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
1 January 2019	218,807	8,562	148,642	55,903	4,473	436,387
Additions	50,773	1,099	41,379	19,515	4,634	117,400
Acquired through business combinations	-	-	-	271	-	271
Disposals	-	-	(959)	(977)	(69)	(2,005)
31 December 2019	269,580	9,661	189,062	74,712	9,038	552,053
Accumulated depreciation						
1 January 2019	-	614	12,449	9,574	1,533	24,170
Charge for the year	20,782	600	16,076	14,055	2,221	53,734
Impairment	-	63	268	-	-	331
Disposals	-	-	(518)	(932)	(69)	(1,519)
31 December 2019	20,782	1,277	28,275	22,697	3,685	76,716
Net book value						
1 January 2019	218,807	7,948	136,193	46,329	2,940	412,217
31 December 2019	248,798	8,384	160,787	52,015	5,353	475,337

8 Property, plant and equipment (continued)

	Right of use assets	Leasehold costs	Leasehold improvements	Fixtures & Fittings	IT equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
1 January 2020	269,580	9,661	189,062	74,712	9,038	552,053
Additions	42,267	486	11,973	10,685	3,493	68,904
Acquired through business combinations (note 15)	214,190	-	20,583	24,748	1,670	261,191
Disposals	(474)	-	-	(4,223)	-	(4,697)
Foreign exchange differences	14,653	(8)	1,272	1,500	110	17,527
30 September 2020	**540,216**	**10,139**	**222,890**	**107,422**	**14,311**	**894,978**
Accumulated depreciation						
1 January 2020	20,782	1,277	28,275	22,697	3,685	76,716
Charge for the year	47,160	575	17,527	15,208	2,922	83,392
Impairment	3,176	-	1,082	1	-	4,259
Disposals	(456)	-	-	(2,409)	-	(2,865)
Foreign exchange differences	1,000	-	136	54	7	1,197
30 September 2020	**71,662**	**1,852**	**47,020**	**35,551**	**6,614**	**162,699**
Net book value						
1 January 2020	248,798	8,384	160,787	52,015	5,353	475,337
30 September 2020	**468,554**	**8,287**	**175,870**	**71,871**	**7,697**	**732,279**

Property, plant and equipment are analysed below segregated by geographical location and category:

	31 December 2019 (Audited)					
	Right of use assets £'000	Leasehold costs £'000	Leasehold improvements £'000	Fixture & Fittings £'000	IT equipment £'000	Total £'000
United Kingdom	248,798	8,384	160,787	52,015	5,353	475,337
Total property, plant and equipment	248,798	8,384	160,787	52,015	5,353	475,337

8 Property, plant and equipment (continued)

	30 September 2020 (Unaudited)					
	Right of use assets £'000	**Leasehold costs £'000**	**Leasehold improvements £'000**	**Fixture & Fittings £'000**	**IT equipment £'000**	**Total £'000**
United Kingdom	249,635	7,445	155,749	49,573	6,334	468,736
Denmark	153,022	-	17,279	13,567	-	183,868
Other countries	65,897	842	2,842	8,731	1,363	79,675
Total property, plant and equipment	**468,554**	**8,287**	**175,870**	**71,871**	**7,697**	**732,279**

9 Borrowings

	30 September 2020 (Unaudited) £'000	31 December 2019 (Audited) £'000
Senior secured notes	**430,000**	430,000
Senior secured bank loans	**405,176**	-
Senior secured revolving credit facility	**37,000**	-
Capitalised issue costs	**(8,789)**	(7,254)
Senior secured notes and bank loans net of issue costs	**863,387**	422,746
Short term financing	**2,200**	-
Amounts owed to group undertakings	**461,991**	340,904
	1,327,578	763,650

Maturity profile (excluding capitalised issue costs)

	30 September 2020 (Unaudited) £'000	31 December 2019 (Audited) £'000
Within 1 year	**2,200**	-
Between 1 and 2 years	**-**	-
Between 2 and 5 years	**872,176**	-
After 5 years	**461,991**	770,904
	1,336,367	770,904

9 Borrowings (continued)

Of the amounts owed to group undertakings at 30 September 2020, £361,833,000 accrue interest at 8% (31 December 2019: £340,904,000) and £100,158,000 accrue interest at 4.375% (31 December 2019: £nil). All amounts owed to group undertakings are repayable on 30 November 2027. Included within amounts owed to group undertakings at 30 September 2020 is accrued interest of £73,262,00 (31 December 2019: £52,171,000).

Bank loans and overdrafts

The group has £430 million of Senior Secured Notes in issue as at the period end ("the Sterling Notes"). The Sterling Notes are listed on The International Stock Exchange, for which Pinnacle Bidco plc is the Issuer and certain subsidiaries of the group are guarantors. Interest accrues at a rate of 6.375%, payable half yearly in February and August and the Sterling Notes are due to be repaid in full on 15 February 2025.

On 14 January 2020, the group acquired Fitness World for a consideration of DKK 2,037,110,000 (£233 million) and the acquisition was funded through a €445 million (£381 million) Senior Secured bridge facility. The facility was also used to repay pre-existing Fitness World debt of DKK 1,029,797,000 (£117,963,000). In general, the key terms of the facility and maximum interest rate are consistent with the Sterling Notes.

In addition, the group has a revolving credit facility with eight international institutions (Barclays Bank PLC, Jefferies Finance LLC, Royal Bank of Canada, Credit Suisse AG, Credit Suisse International, ING Bank N.V. Lloyds Bank plc and Danske Bank A/S, collectively "the Lenders").

On 18 September 2020, the terms of the facility were amended. The amendments included an increase in the size of the facility from £95 million to £145 million, including a £10 million overdraft facility. In addition, the repayment date of the facility was extended from 30 November 2023 to 15 August 2024.

As part of this agreement, the lender also granted a 2 year waiver of financial covenants, to be replaced with a £30 million minimum liquidity test at prescribed intervals, until 30 September 2022.

The revolving credit facility is secured by fixed and floating charges over the assets and undertakings of Pinnacle Bidco PLC and certain of its subsidiaries.

On 17 March 2020, the group drew down £85 million on the facility in order to provide readily available liquidity, if required as a result of the COVID-19 gym closures. £48 million was repaid on 23 June 2020 such that the amount drawn down at the balance sheet date was £37 million.

The group has been in compliance with all covenants during the current and previous financial period.

Capitalised issue costs are amortised over the period to the repayment dates of the notes and loan.

Short term financing represents amounts owed to financing institutions in relation to supply chain financing arrangements. All amounts are due for repayment in less than one year. The amount borrowed at 30 September 2020 was £2,200,000 (31 December 2019: £nil).

10 Financial instruments

	30 September 2020 (Unaudited) £'000	31 December 2019 (Audited) £'000
Financial assets measured at amortised cost		
Cash and cash equivalents	**169,036**	51,626
Trade receivables	**9,480**	865
Other debtors	**16,562**	5,324
Finance lease receivable	**1,477**	1,541
	196,555	59,356
Financial liabilities measured at amortised cost		
Trade creditors	**22,438**	14,584
Other liabilities	**6,416**	2,217
Accruals	**56,352**	53,656
Lease liabilities	**593,717**	336,964
Amounts owed to group undertakings	**461,991**	340,904
Senior secured bank loans	**405,176**	-
Senior secured revolving credit facility	**37,000**	-
Senior secured notes	**430,000**	430,000
Short term financing	**2,200**	-
	2,015,290	1,178,325
Financial liabilities measured at fair value through profit and loss		
Derivative financial instruments	**-**	265

Set out below is a comparison of carrying amounts and fair values of all the financial instruments as carried in the financial statements, other than lease liabilities and those for which the fair value approximates closely with their carrying value. The fair value of senior secured notes is taken from the quoted market price. This is a Level 1 valuation. The fair value of all other borrowings are calculated by discounting the future cash flows at prevailing market interest rates, categorised as a Level 2 valuation.

Notes to the Condensed Consolidated Interim Financial Information (continued)

10 Financial instruments (continued)

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

- Level 1: inputs are quoted prices in active markets
- Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets; and
- Level 3: a valuation using unobservable inputs i.e. a valuation technique.

There were no transfers between levels throughout the period under review.

	Carrying Value		Fair Value	
	30 September 2020 (Unaudited) £'000	31 December 2019 (Audited) £'000	**30 September 2020 (Unaudited) £'000**	31 December 2019 (Audited) £'000
Financial liabilities				
Amounts owed to group undertakings	**461,991**	340,904	**469,875**	348,421
Senior secured notes	**430,000**	430,000	**383,775**	448,813

11 Financial risk management objectives and policies

The group has exposure to the following risks from its use of financial instruments: liquidity risk, credit risk, and market risk arising from interest rate risk.

This note presents information about the group's exposure to each of the above risks and the group's objectives, policies and procedures for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The key market risks affecting the group are interest rate risk and foreign exchange rate risk. Financial instruments affected by market risk include certain borrowings and deposits. Financial instruments affected by exchange rate risk include the senior secured bridge facility. At 30 September 2020, the €445 million senior secured bridge facility had a carrying amount of £405,176,000 based on an exchange rate of 0.911. A 5% increase in the rate at 31 December 2020 would increase the carrying amount of the facility to £425,434,000 and cause an increase of £20,258,000 in loss for the period.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. During the period, the group's exposure to the risk of changes in market interest rates related primarily to the group's bank borrowings with floating interest rates.

11 Financial risk management objectives and policies (continued)

As at 30 September 2020, the group had the majority of its borrowing in fixed rate instruments by way of senior secured loan notes, a senior secured bridge facility, amounts owed to group undertakings, and lease liabilities. The group has drawn down £37m of the £145m revolving credit facility which has floating interest rates. As such, the group has exposure to movements in the London interbank offered rate (LIBOR), and the group's leverage ratio.

As at 31 December 2019 the group had 100% of its borrowings in fixed rate instruments.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and operational liabilities and by maintaining adequate cash reserves. The table below summaries the maturity profile of the group's financial liabilities:

	30 September 2020 (Unaudited)				
	Within 1 year £'000	**Between 1-5 years £'000**	**More than 5 years £'000**	**Total contractual cash flows £'000**	**Carrying amount £'000**
Trade and other payables	**83,169**	**2,037**	**-**	**85,206**	**85,206**
Lease liabilities	**120,052**	**350,264**	**447,495**	**917,811**	**593,717**
Borrowings	**2,200**	**872,176**	**461,991**	**1,336,367**	**1,336,367**
Total financial liabilities	**205,421**	**1,224,477**	**909,486**	**2,339,384**	**2,015,290**

	31 December 2019 (Audited)				
	Within 1 year £'000	Between 1-5 years £'000	More than 5 years £'000	Total contractual cash flows £'000	Carrying amount £'000
Trade and other payables	70,457	-	-	70,457	70,457
Derivative financial instruments	265	-	-	265	265
Lease liabilities	47,108	189,480	345,457	582,045	336,964
Borrowings	-	-	770,904	770,904	770,904
Total financial liabilities	117,830	189,480	1,116,361	1,423,671	1,178,590

Notes to the Condensed Consolidated Interim Financial Information (continued)

11 Financial risk management objectives and policies (continued)

Credit risk

The group's principal financial assets are bank balances and cash, and trade receivables. The group's credit risk is low as it has limited trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

12 Share capital

	30 September 2020 (Unaudited) £'000	**30 September 2020 (Unaudited) No.**	31 December 2019 (Audited) £'000	31 December 2019 (Audited) No.
Allotted, authorised, called up and fully paid				
Ordinary shares of £0.01	**50**	**5,000,002**	50	5,000,002

Each ordinary share entitles the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. Each ordinary share entitles the holder to one vote.

Notes to the Condensed Consolidated Interim Financial Information (continued)

13 Reconciliation of loss before tax to cash generated from operations

	9 months ended 30 September 2020 (unaudited) £'000	9 months ended 30 September 2019 (unaudited) £'000
Loss before income tax	**(153,395)**	(16,320)
Adjustments for:		
Net finance cost	**115,605**	65,935
Depreciation	**83,392**	40,212
Amortisation	**16,668**	2,200
Share based payments	**267**	228
Loss / (profit) on disposal of property, plant and equipment	**5**	(4)
Loss / (profit) on lease modifications	**12**	(362)
Impairment of property, plant and equipment	**4,259**	-
Non-cash adjustment to lease liabilities due to rent concessions	**(4,083)**	-
Exceptional costs	**8,338**	1,845
Changes in working capital		
Inventories	**(920)**	(984)
Trade and other receivables	**1,000**	166
Trade and other payables	**13,008**	(3,457)
Cash generated from operations	**84,156**	89,459

14 Analysis of net debt

	1 January 2019 (Unaudited) £'000	Cash flow £'000	Non-cash £'000	30 September 2019 (Unaudited) £'000
Cash at bank and in hand	23,320	35,809	-	59,129
Lease liabilities – property	(302,355)	3,959	(27,897)	(326,293)
Lease liabilities – equipment	(3,534)	788	(224)	(2,970)
Senior secured notes	(390,000)	(40,000)	-	(430,000)
Intercompany loans capital	(288,581)	40	-	(288,541)
	(961,150)	596	(28,121)	(988,675)

14 Analysis of net debt (continued)

	Note	1 January 2020 (Audited) £'000	Acquisiti-ons £'000	Cash flow £'000	Non-cash £'000	30 September 2020 (Unaudited) £'000
Cash at bank and in hand		51,626	7,000	109,447	963	**169,036**
Lease liabilities – property and vehicles		(334,270)	(196,168)	19,383	(61,323)	**(572,378)**
Lease liabilities – equipment		(2,694)	(16,767)	4,310	(6,188)	**(21,339)**
Senior secured notes	9	(430,000)	-	-	-	**(430,000)**
Senior secured bank loans	9	-	-	(380,912)	(24,264)	**(405,176)**
Revolving credit facility	9	-	-	(37,000)	-	**(37,000)**
Other bank loans	9	-	(117,963)	117,963	-	**-**
Short term financing	9	-	-	(2,130)	(70)	**(2,200)**
Intercompany loans capital	9	(288,733)	-	(99,996)	-	**(388,729)**
		(1,004,071)	**(323,898)**	**(268,935)**	**(90,882)**	**(1,687,786)**

15 Business combinations

On 14 January 2020, the group acquired 100% of the issued share capital of Forward Topco A/S (known, together with its subsidiaries, as "the Fitness World Group") for DKK 2,037,110,000 (£233,350,000). The principal activity of the Fitness World Group is the provision of physical fitness facilities in Denmark, Switzerland and Poland.

The goodwill of £238,235,000 arising from the acquisition is attributable to the acquired workforce, and anticipated future earnings from future new customers. None of the goodwill recognised is expected to be deductible for income tax purposes.

15 Business combinations (continued)

The following table summarises the consideration paid for Forward Topco A/S and the fair value of assets and liabilities acquired:

	14 January 2020 Provisional fair value £'000
Cash paid	**233,350**
Total consideration	**233,350**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	**7,000**
Property, plant and equipment	**261,191**
Intangibles (software, customer relationships and brands)	**107,847**
Inventories	**3,928**
Trade and other receivables	**17,860**
Trade and other payables	**(44,476)**
Provisions	**(6,371)**
Borrowings	**(117,963)**
Lease liabilities	**(212,935)**
Net deferred tax liabilities	**(20,967)**
Total identifiable net liabilities	**(4,886)**
Residual goodwill arising on acquisition	**238,236**

Revenue included in the Consolidated Statement of Comprehensive Income for the 9 month period ended 30 September 2020 contributed by the Fitness World Group was £95,220,000 and loss for the period was £31,613,000 over the same period.

Had the Fitness World Group been consolidated from 1 January 2020 then the Consolidated Statement of Comprehensive Income would include revenue of £103,116,000 and loss for the period of £30,574,000.

Acquisition-related costs charged to administrative expenses in the Consolidated Statement of Comprehensive Income for the 9 month period ended 30 September 2020 were a credit of £111,000, and acquisition-related costs of £4,507,000 were charged to administrative expenses in the Consolidated Statement of Comprehensive Income in the year ended 31 December 2019.

Notes to the Condensed Consolidated Interim Financial Information (continued)

16 Subsequent events

During the 9 month period ended 30 September 2020, all of the group's gyms were temporarily closed and then reopened as a result of the COVID-19 pandemic. Subsequent to the end of the period, some of the group's gyms have closed again as a result of a re-emergence of the COVID-19 virus in a number of the group's geographies. All 236 gyms in England were closed on 5 November 2020 and remain closed as of the date of this report. In addition, a further 40 gyms in other locations remain temporarily closed as of the date of this report.

On 9 November 2020, a filing was made to place the Polish Fitness World subsidiary into insolvency. This followed a strategic decision by the Group to withdraw support for the Polish business.

On 17 November 2020, the group refinanced its existing €445 million senior secured bridge facility through the issue of €445 million of senior secured notes (the "Euro Notes"). The Euro Notes are listed on The International Stock Exchange, for which Pinnacle Bidco plc is the Issuer and certain subsidiaries of the group are guarantors. Interest accrues at a rate of 5.5%, payable half yearly in November and May and the Euro Notes are due to be repaid in full on 15 February 2025.



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