

PUREGYM

Investor Presentation

COVID-19 update
Results for the quarter ended 30 September 2020

23 November 2020

Disclaimer

Forward-looking statements

This presentation may include forward-looking statements. All statements other than statements of historical facts included in this presentation, including those regarding the Group's financial position, business and acquisition strategy, plans and objectives of management for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Many factors could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this presentation. The Group expressly disclaims any obligations or undertaking, except as required by applicable law and applicable regulations to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Use of non-IFRS financial information

Certain parts of this report contain non-IFRS measures and ratios. We believe that these measures are useful indicators of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. Because all companies do not calculate these measures on a consistent basis, our presentation of these measures may not be comparable to measures under the same or similar names used by other companies. Accordingly, undue reliance should not be placed on these measures in this presentation. In particular, Adjusted EBITDA and Run-Rate Adjusted EBITDA are not measures of our financial performance or liquidity under IFRS and should not be considered as an alternative to (a) net income/(loss) for the period as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under IFRS.

Introduction & overview

Equity injection & refinancing

- £100m equity injection complete
- RCF upsize to £145 million complete
- €445m bridge to bond refinancing complete

Cash flow & liquidity

- £266m available liquidity as at end of October
- Ample liquidity to protect from further lockdown disruption
- England 4 week lockdown expected to drag Group liquidity by only £5-10m

Financial performance

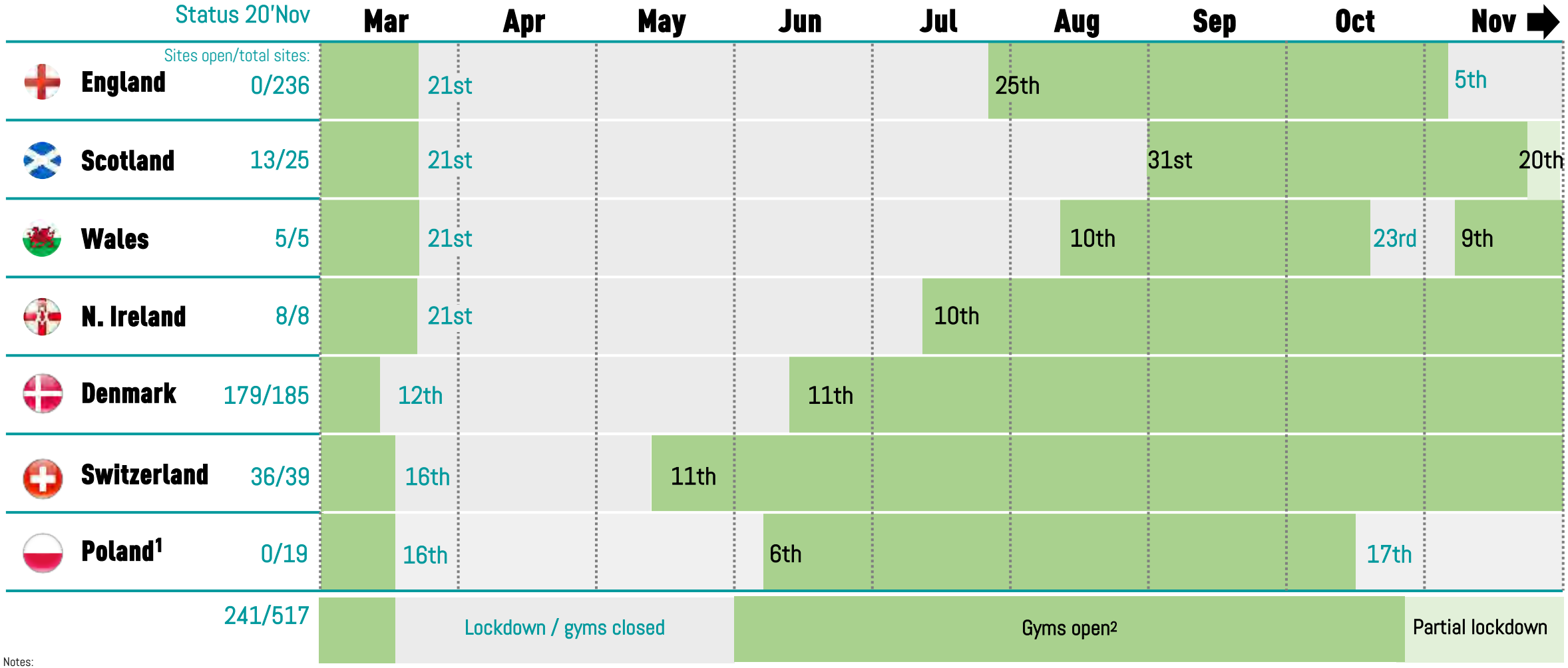
- Q3 2020 Adjusted EBITDA £16.5m
- Adjusted EBITDA £8.2m in August and £8.9m in September

Business update & outlook

- Resilience of customer base and business model is clear in all 3 key geographies
- Proactive management of prices and proposition is already yielding results
- 2nd wave disruption continues but we are confident we can manage this well
- Medium to long term outlook remains very positive



Geographic diversification continues to mitigate the Group's risk exposure



Notes:

1. PureGym has taken the strategic view that it will not be investing additional resources in its Polish business at this time. Consequently, PureGym has decided to cease operating in Poland.
2. Based on current government announcements where gyms are not subject to national lockdown restrictions due to COVID-19.



Cash Flow & Liquidity

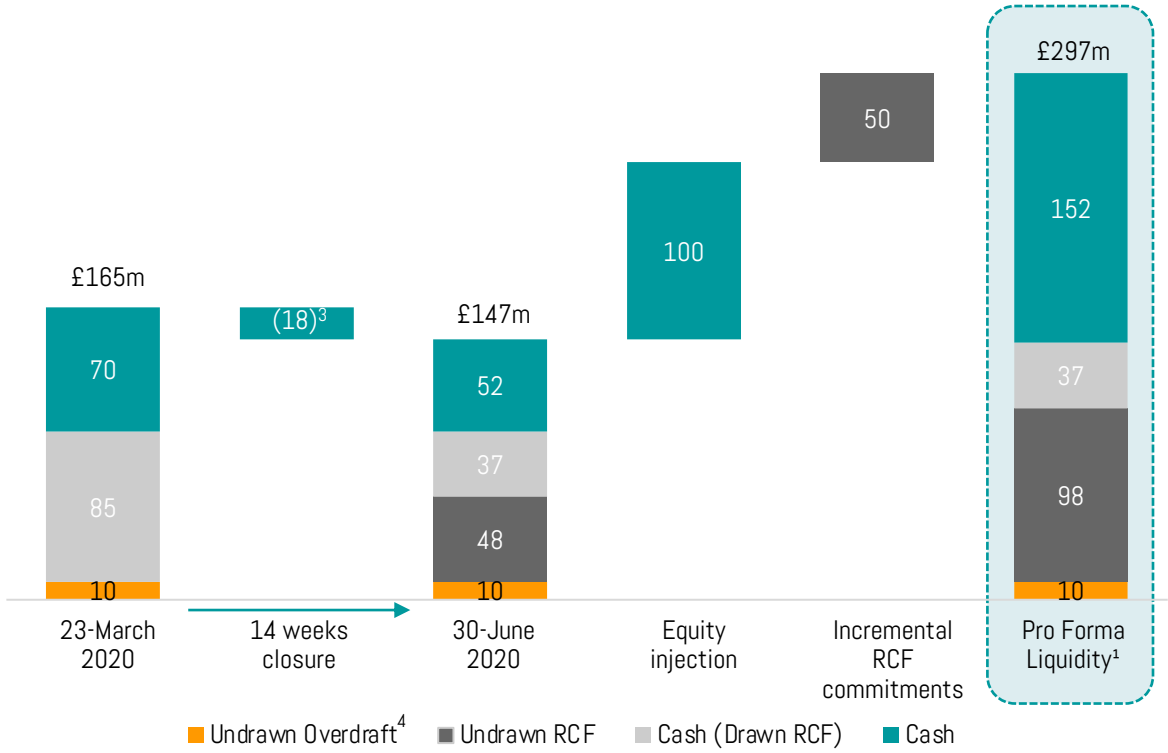
Comprehensive balance sheet reset provides solid foundation for the future

Summary of the new equity investment and refinancing

Overview of the New Funding Deal

- **£100m cash injection** from LGP (as preference shares, 12% rolled)
- **£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[2]
  - c.3.5% interest rate
- Combined, this transaction **increases current total liquidity[1] to £297m** as at 30th June 2020, on a pro forma basis
- **€445m bridge to bond** refinancing completed:
  - Interest of 5.5%, payable in May and November
  - See appendix for further details

Pro Forma Liquidity[1]

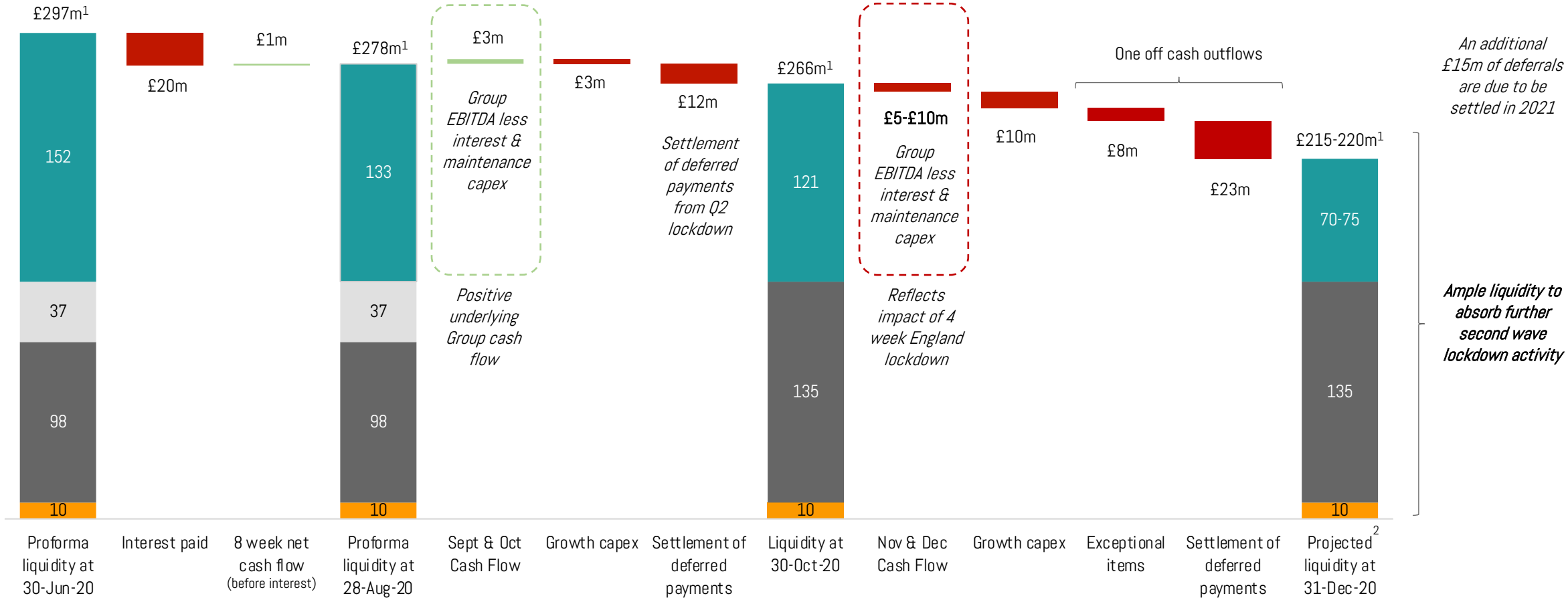


Notes:

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.
2. 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).
3. 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.
4. Includes £10m of overdraft commitments.

Ample liquidity to manage 2nd wave disruption & payment deferrals

Expected liquidity development and recent history



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.
2. 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.

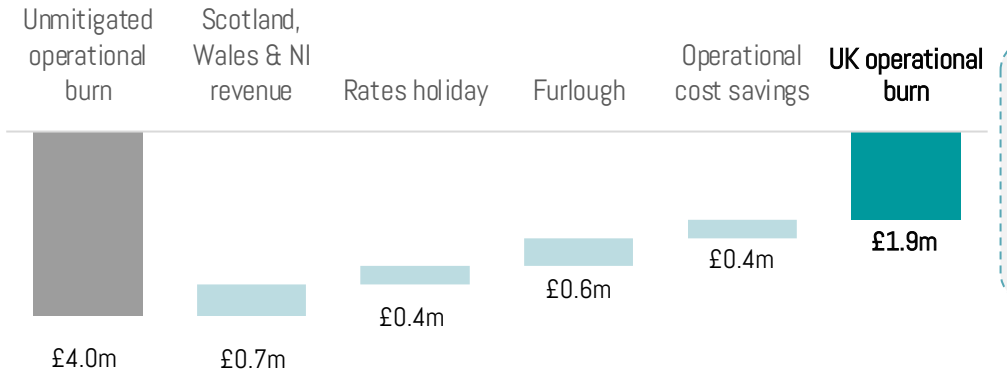
Cash impact of current 4-week national lockdown in England

England lockdown impact largely offset by DK & CH cash flows

- Gyms in England closed for 4 weeks until 2nd December
- **Weekly UK operational cash burn expected to be c£1.9m/week** during the closure period, based on:
  - £1.0m/week government support (Rates holiday & furlough scheme)
  - £0.7m/week revenue from gyms in Scotland, Wales and NI
  - £0.4m/week operational cost savings
- **Total UK cash burn due to 4 week England closure c£8m**
  - *Before* negotiations with landlords regarding rent
  - *Before* any deferment activity
- **£5-10m net impact on group cash & liquidity** after taking account of DK & CH cash flows

UK weekly cash burn: projected during 4 week England lockdown

November[1] – £m per week



Group cash burn: projection to year end

November and December[1] – £m

	Range (£m)
UK (including 4 week England gym lockdown)	(6) – (9)
DK & CH operational cash generation	5 – 6
Less: Group maintenance capex & interest	(5) – (6)
Net impact on Group cash & liquidity	**(5) – (10)**

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.

PureGym Group has the experience and ample financial reserves to deal with national lockdowns

Anticipated actions and changes during national lockdowns

- Pause growth capex
- Pause maintenance & refurbishment capex
- Operational cost reductions
- Forbearance negotiations with landlords
- Deferment of payments to suppliers
- Support from government (to the extent available)
  - UK Rates holiday is ongoing until April 2021
  - UK furlough scheme extended until March 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 lockdown across all geographies



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

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.



Financial Performance Update

A quarter of steady performance recovery and stabilisation

Group results Q3 2020

Revenue & membership

1,625k
Closing members
94% of Q3 2019[1]

£89m
Q3 Revenue
81% of Q3 2019[1]

Adjusted EBITDA

£16.5m
Q3 Adj EBITDA
49% of Q3 2019[1]

£8.2m
Aug 2020 Adj EBITDA
79% of Aug 2019[1]

£8.9m
Sep 2020 Adj EBITDA
89% of Sep 2019[1]

Group estate

518
Gyms in estate at Q3 2020
vs. 244 at Q3 2019

+12
New organic gyms in Q3 2020
+18 year to date

Cash flow & liquidity

£277m
Closing liquidity
vs. £160m at Dec 2019[1]

£9.1m
Q3 Operating cash flow
55% cash flow conversion

£8.8m
Q3 capex cash flow
of which £4.4m refurb & maintenance

Net debt & leverage

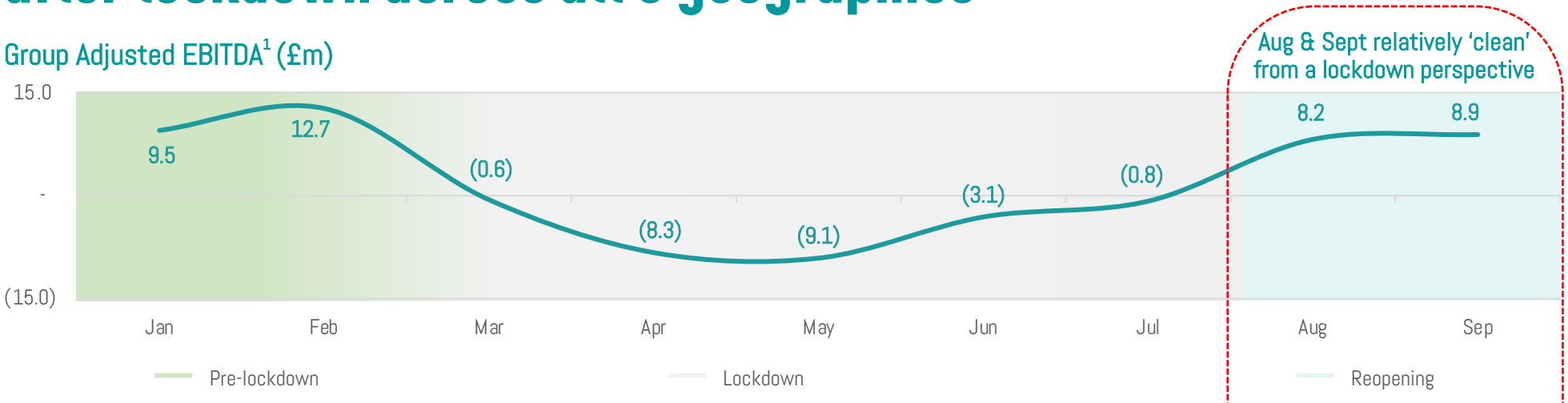
£703m
Closing Senior Secured Net Debt
vs. £745m at Dec 2019[1]

4.4x
Senior Secured Net Leverage
based on £161m RR Adj EBITDA at Dec 2019[1]

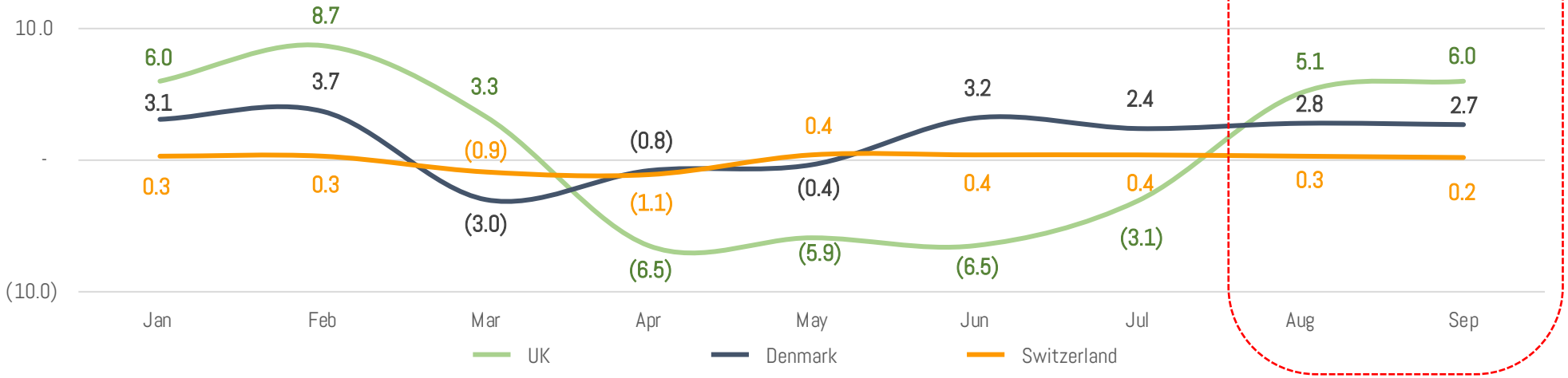
Note: 2020 represents the results of the Combined Group, including Fitness World from 14 January 2020. 2019 includes the results of PureGym only.
1. 2019 includes the results of Fitness World on a pro forma basis

Overall performance in Q3 reflects steady performance recovery after lockdown across all 3 geographies

Group Adjusted EBITDA[1] (£m)



Adjusted EBITDA[1] by geography (£m)

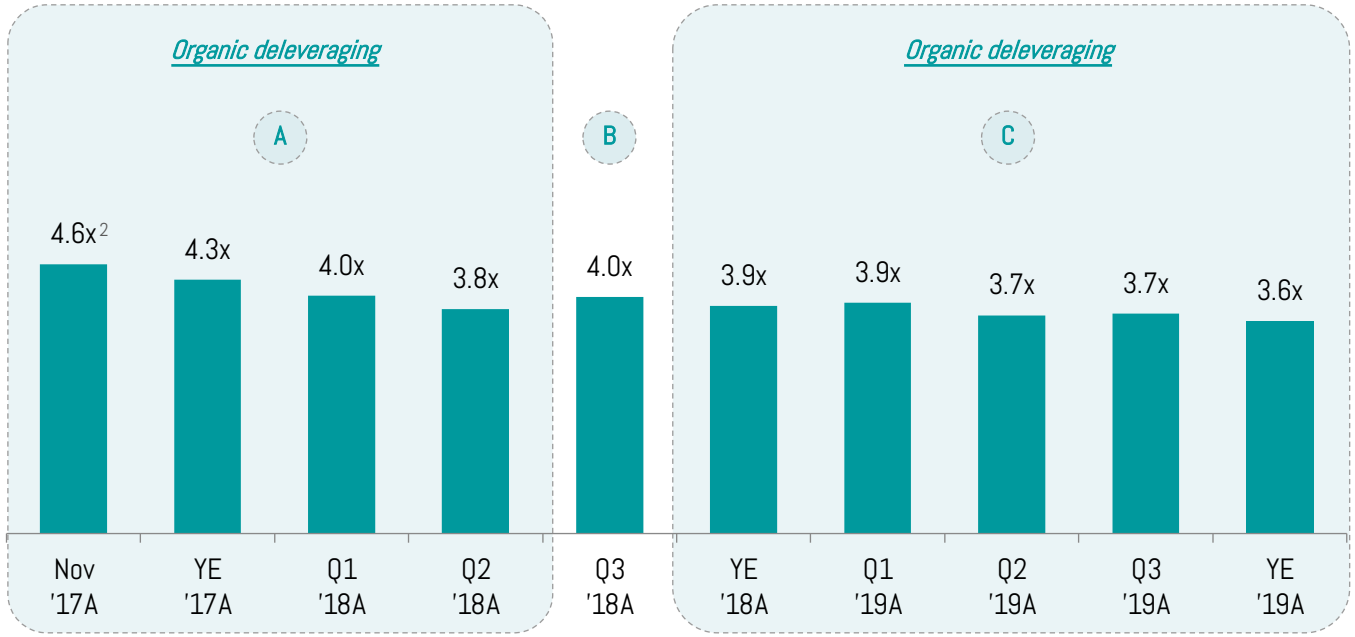


Notes:
1. Stated on a pro forma basis, including Fitness World. Adjusted EBITDA includes head office costs. Group Adjusted EBITDA also includes US costs and Poland, which is immaterial in a Group context and has therefore been excluded from the geographical analysis.

Net debt lower than pre-COVID-19 following equity injection

Leverage: Senior Secured Net Debt[1] / RR adj. EBITDA

Standalone PureGym: a track record of deleveraging



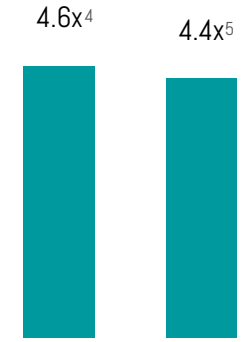
A *Q1 2018: £360m SSN placing by Leonard Green & Partners for the acquisition of PureGym*

B *Q3 2018: £30m SSN placing to finance the acquisition of Soho Gyms*

C *Q2 2019: £40m bond tap[3]*

Pro Forma (Combined Group)

Q3'20A Senior Secured leverage is based on £161m RR Adj. EBITDA as at Dec-19 Pro-Forma



	YE '19A Pre-COVID	Q3 '20A Post Equity Injection
SS Net Debt	£745m	£703m
Liquidity[6]	£160m	£277m

Q3'20 Net Debt (Combined Group)

As at 30 September 2020	£m
Cash	169
Drawn RCF	(37)
Senior Secured Notes 6.375%	(430)
EUR Senior Secured Bridge Loan	(405)
Total Senior Secured Net Debt	**(703)**
Non-property leases	(21)
Supply chain financing	(2)
Total Net Debt	(727)
FY19 Pro Forma RR Adj EBITDA	161
Leverage	*4.4x*

Notes: All years stated under IFRS; December year end.

1. Senior secured net debt defined as total senior indebtedness (excl. finance leases and supply chain financing) less cash and cash equivalents.
2. Net leverage based on LTM Sep-17A group run-rate Adj. EBITDA of £78.6m, pro-forma for the transaction.
3. Proceeds not used and remained as cash on the balance sheet.
4. Based on Dec-19A as adjusted Net Debt of £745m (consisting of the Existing Notes (£430m) and the Bridge Facility (£380m) less cash of £65m and including certain adjustments) and Dec-19A Pro-forma Run-Rate Adj. EBITDA of £161m.
5. Based on Sept-20A as adjusted Net Debt of £703m (consisting of the Existing Notes (£430m), the the Bridge Facility (£405m) and drawn RCF (£37m) less cash of £169m) and Dec-19A Pro-forma Run-Rate Adj. EBITDA of £161m (Sept-20A Pro-forma Run-Rate Adj. EBITDA of £87m).
6. Liquidity defined as cash plus available RCF facilities



Business update & outlook

Despite near term challenges, market & business prospects are attractive over the medium to longer-term

Performance up until the end of October was very strong and probably as good as any other operator in the world

Strong reopening member levels

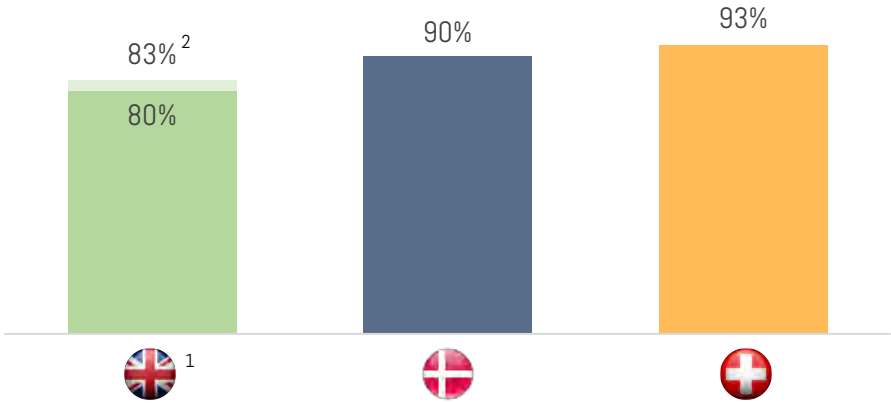
- Total Group membership of 1.6m as at 18 October, 87% of peak February membership
- UK[1] member levels robust at 80% of PY until late October (83% when including our estimate of frozen members that will convert into paying members)
- Switzerland and Denmark open for longer (19-23 weeks vs 14 in UK), with membership levels at 93% and 90% 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 100% and 91% of PY respectively
- UK[1] visits have increased to 83% as at 18 October and were 86% in late October
- 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)

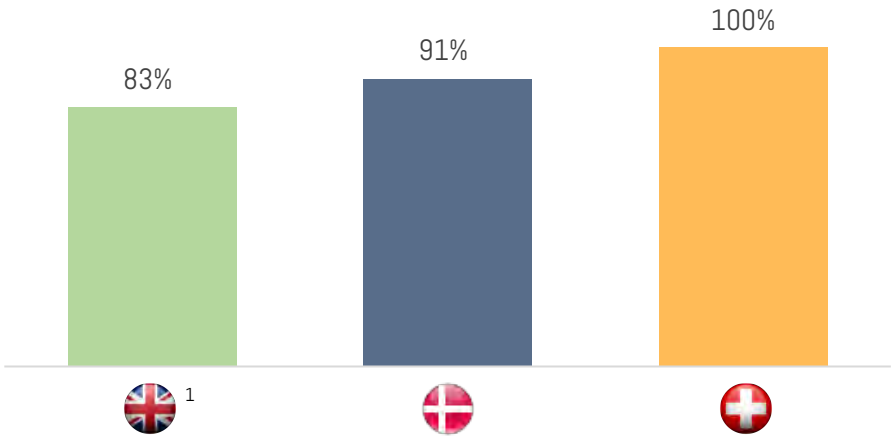
Like-for-like paying members vs PY[3]

As of 18 October 2020



Like-for-like member visits vs PY

As of 18 October 2020

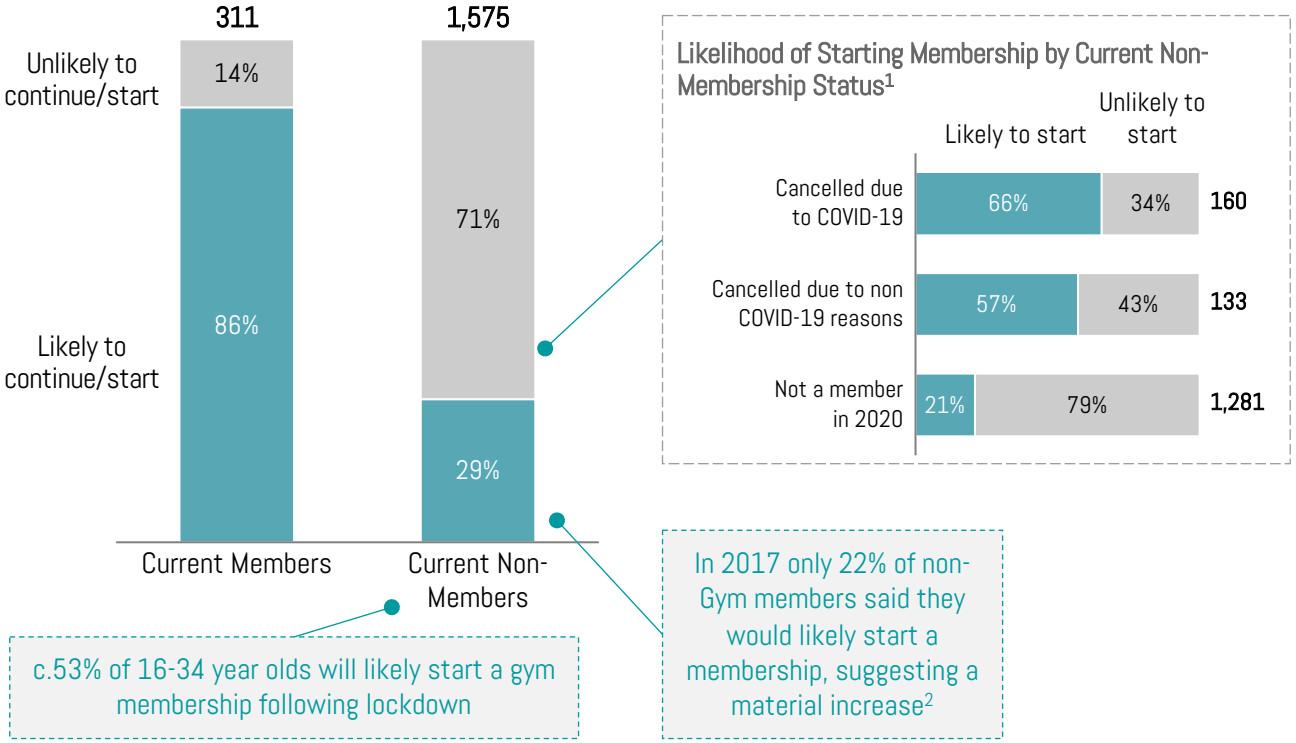


Notes:
1. All UK Gyms on a LFL basis (visits calculated on a rolling 7-day basis).
2. 3% from frozen members that are expected to convert to paying members.
3. Paying member base excludes all members who have opted to accept a free freeze in the UK on their membership for a period immediately following reopening.

Consumer demand for access to gyms –particularly our gyms – likely to remain strong over medium to long term

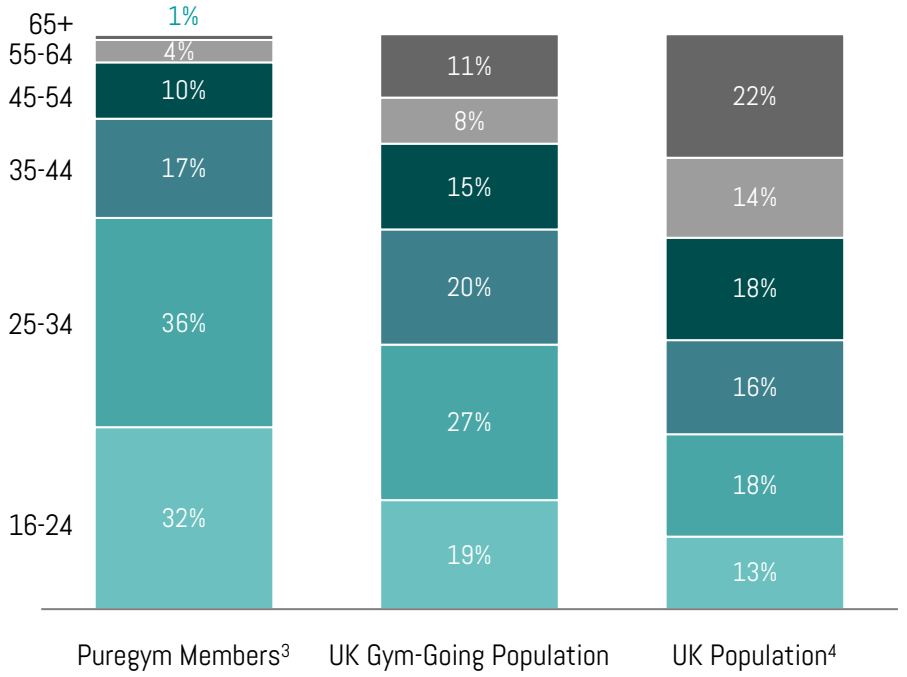
Likelihood of Continuing/Starting a Gym Membership[1]

% of Respondents, Sport England Survey – 4th May



PureGym UK Membership Base Vs Total UK Gym Market

% of Members



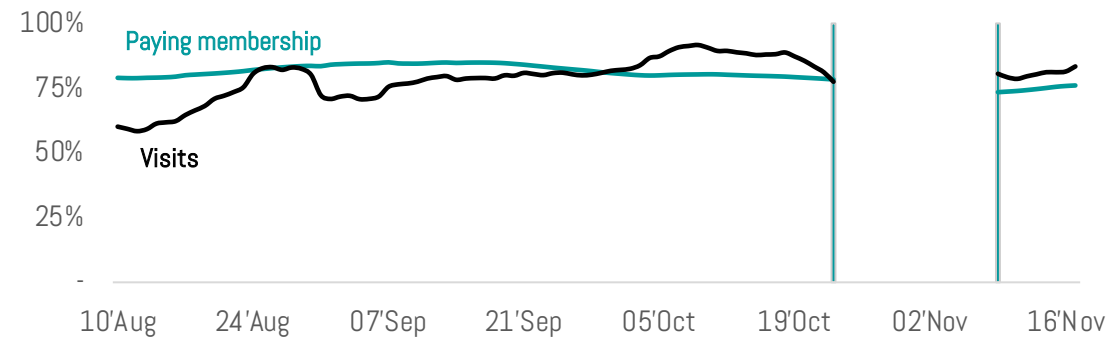
Sources: Sport England Survey, OC&C Analysis, OC&C Consumer Survey 2017. Notes:

1. 4th of May: Once gym(s) or leisure centre(s) re-opens, how likely or unlikely are you to continue/take out a membership.
2. OC&C Survey - 2017.
3. Based on 2020 Internal Member Data.
4. Scaled to exclude population aged less than 16 years old.

Post 1st lockdown, evidence of demand and support for gyms is clear, giving confidence for the future

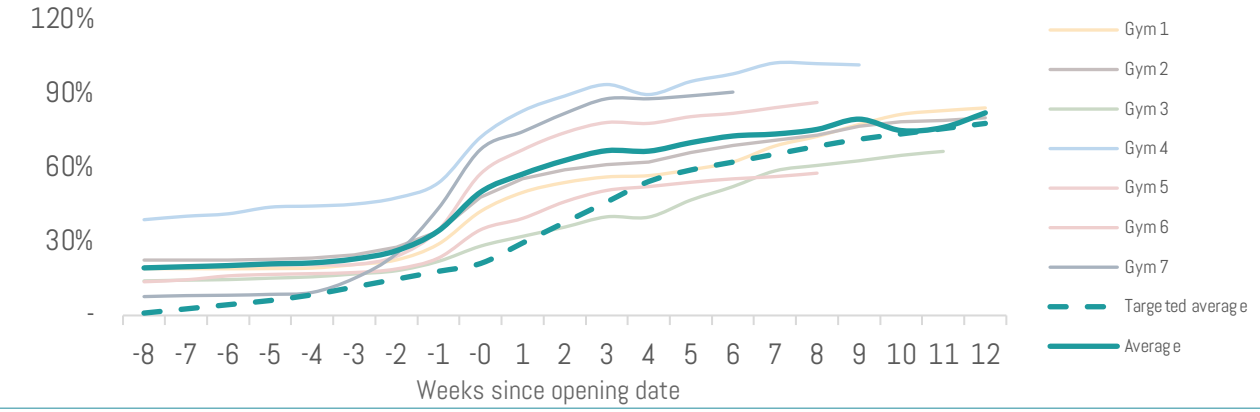
Wales: members before and after "Firebreak"

% PY

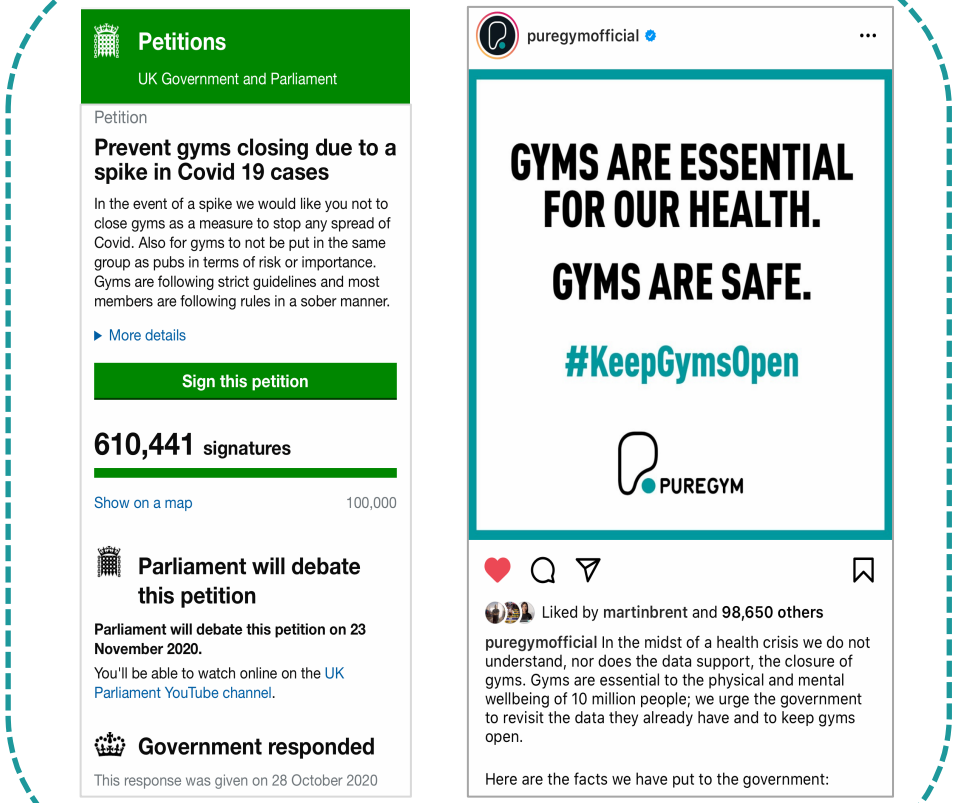


UK gyms opened since July 25

Member levels vs targeted average



Consumer support for UK gyms remaining open

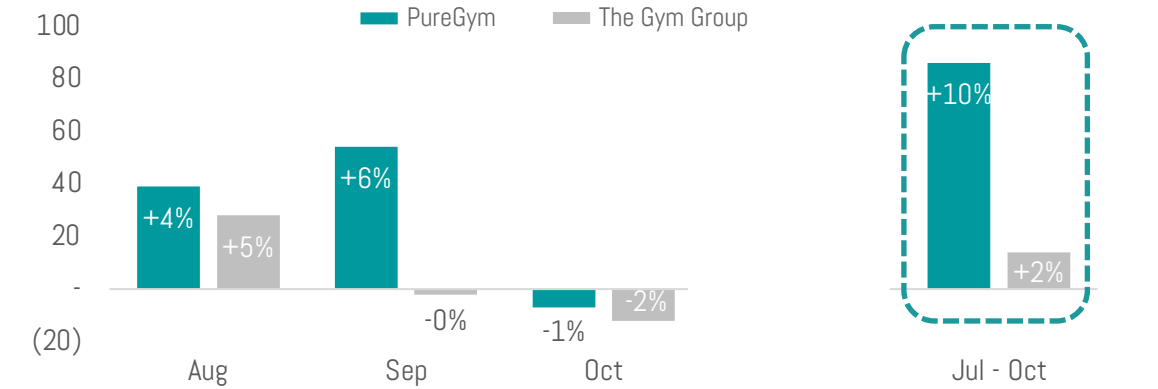


Neither PureGym, nor its competitors have resorted to price or excess promotions to support volumes

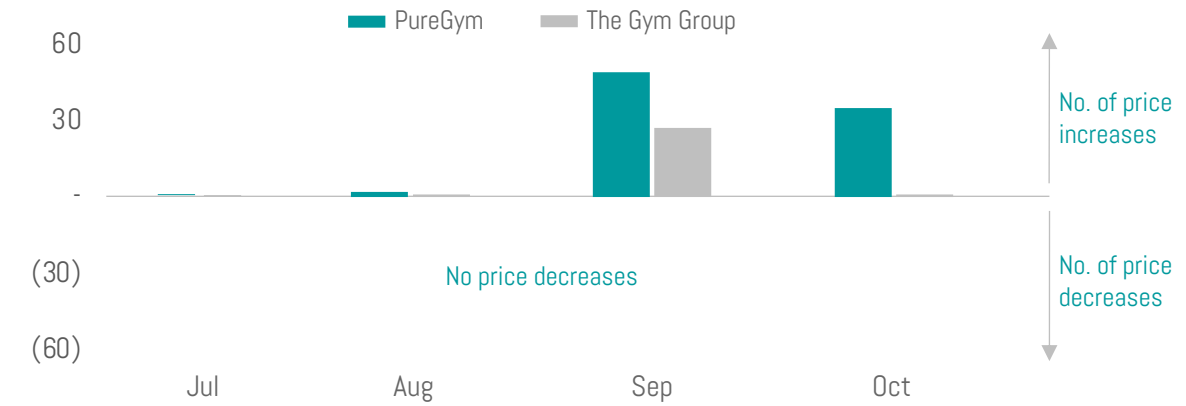
Pricing observations

- UK market is amongst most sophisticated from a price and revenue management perspective
- We monitor all our prices regularly, as do our competitors
- We run data driven models for yield management decisions
- Pricing is transparent. We observe largely rational behaviour in response to changes
- Progressive approach to pricing over time
- Clearly an opportunity for industry price level to rise modestly to cover excess cost of COVID-19

Net monthly change in paying member base ('000)



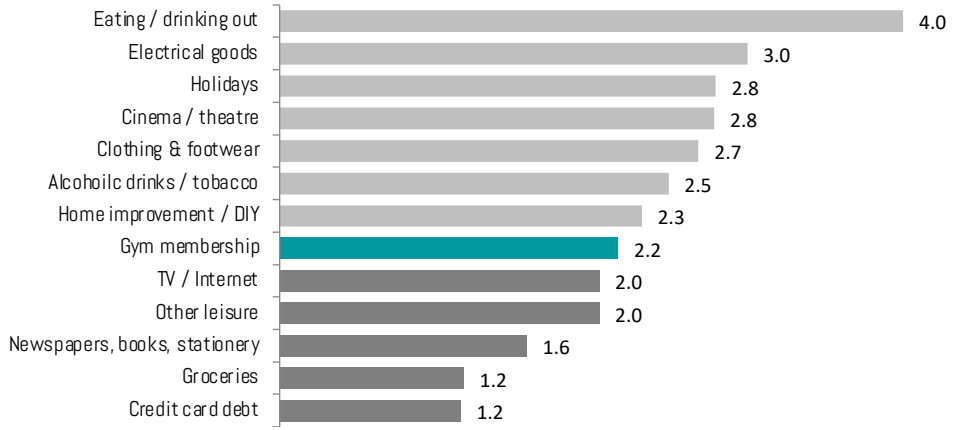
Headline price changes in the market (net number)



We believe that the budget model is well positioned to weather the coming economic storm

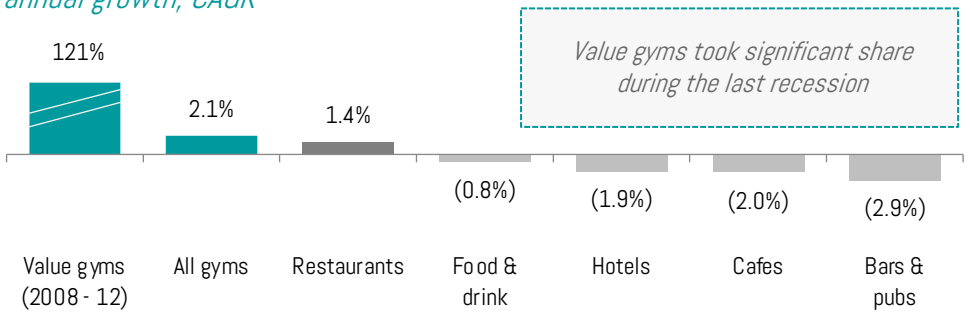
Likelihood of reducing spend by sector

Weighted score (on a scale of 1 to 5)[1]



Growth of leisure sub-sectors (2006-2012)

Average annual growth, CAGR



PureGym is well positioned to face consumer downturns

1. PureGym was born in a recession and grew rapidly during difficult economic times
2. Downturns lead to "general" consumer mind shift to seek value offerings
3. Gym membership is "low-cost entertainment" and is habitual in usage patterns
4. Anecdotal experience from last downturn is that people turned to exercise for an "escape" from stress
5. If a downturn hits, experience suggests traditional operators will cut investment and raise prices, both will 'drive' members to PureGym
6. A number of defensive actions are available in order to improve profitability and cash flow

Sources: Euromonitor, ONS, Mintel, LDC, OC&C analysis. Notes:

1. OC&C conducted a consumer survey in May 2017. The respondents were asked the following question: "Which of the following items would you be most likely to reduce spending on in the event of an economic downturn (Rank top 5)". N = 1,779.

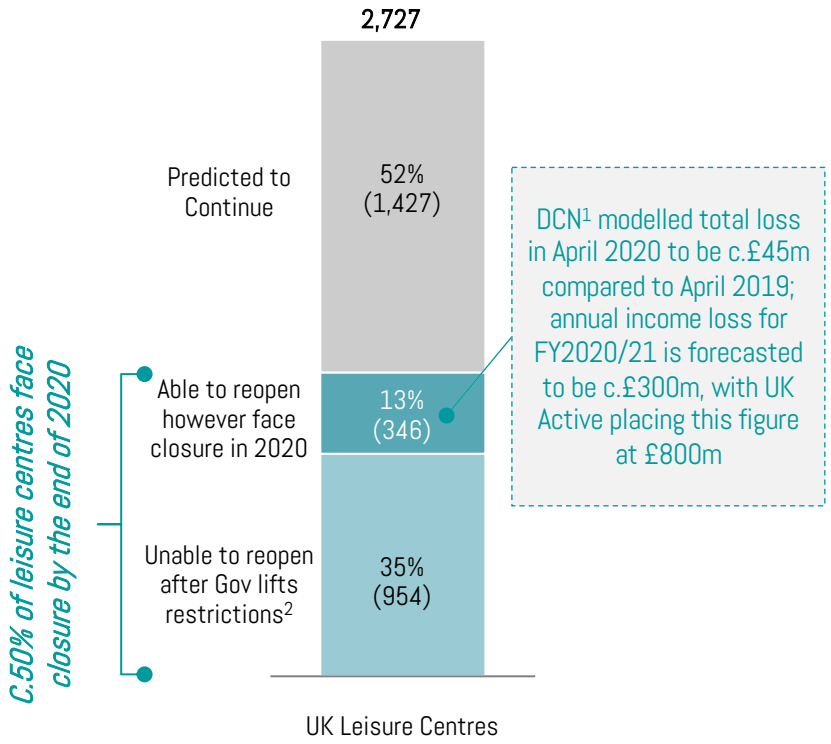
Strong operators will benefit from supply constraints as the pandemic takes its toll on less well-capitalised businesses

UK supply side developments of note

Operator	Key Announcement	Commentary
	Sale and Closures	#3 budget operator in the UK (50 sites) fell into administration during lockdown after an extended period of underperformance; assets acquired by #4 player (JD Gyms) and a number of sites may be closed
DW Fitness First	Sold from Administration	UK commercial operator (121 mid-market sites) fell into administration shortly after reopening; 30+ sites may be closed after acquisition by retail conglomerate Frasers Group
énergie Fitness	Sold from Administration	Small box budget franchise operator with ~100 sites fell into administration during lockdown; assets bought through administration process by former management team (early indications suggest a number of sites may be closed)
Virgin active	Possible Liquidity Issues	Premium operator with 43 sites in UK and ~237 worldwide faces considerable financial challenges given relatively low usage and active member levels as indicated in parent company (Brait) report dated 16 Sept 2020
simply gym	Liquidity Issues / Closures	One example of c.10 small budget operators who have a total of c.67 sites. Some may be closing / not reopening some sites. Most lack access to capital and may struggle to maintain quality of sites and member experience
Public Sector Operators	Liquidity Issues	2,700+ facilities are operated (directly or under contract) by local governments. Many are facing severe challenges according to industry body – UK Active

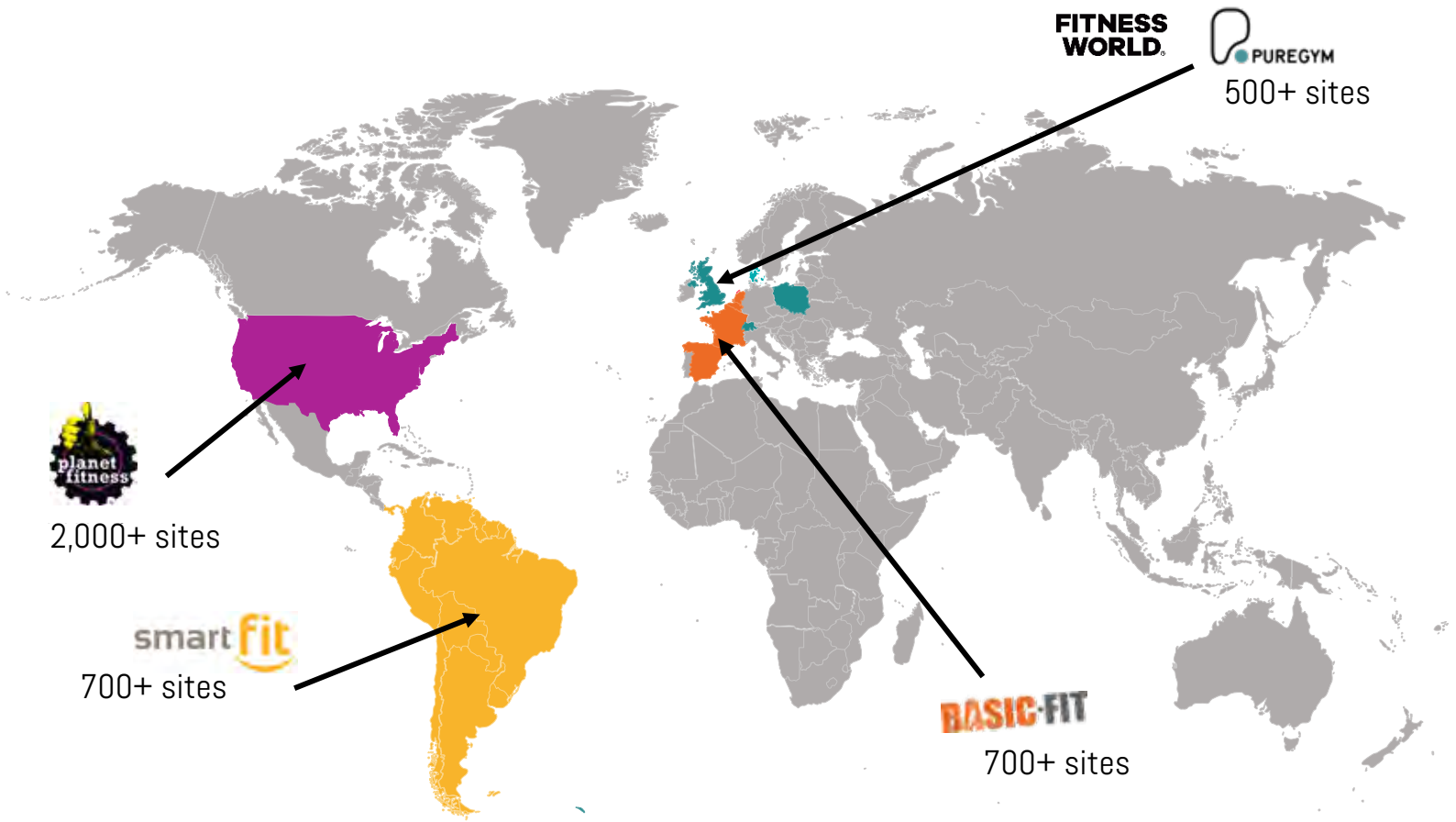
Leisure centres at risk – UK Active 29th June

#, %



Sources: Annual reports, industry press, OC&C survey work, UK Active, Community Leisure UK, Local Government Association, District Councils' Network Survey, OC&C Analysis. Notes:
1. District Councils' Network.
2. c.35% of leisure centers are expected to not be able to reopen when government gives permission due to significant costs resulting from an inability to access government support and loss of revenue.

Global "Premier League" of budget gym operators emerging



Citi Group report (3 August 2020)

"Global elite to consolidate gains"

"We expect low cost gyms to take share [as a result of the COVID-19 pandemic]"

"Consolidation and bifurcation [between premium and budget] continued in 2019..."

"Low cost operators 'downsizing' [launching Express or Local smaller formats] to extend their growth"

"Going international – market leaders extending their growth"

"Prefer exposure to low cost operators with scale"



Conclusion

Conclusions

1. Headed into pandemic from a position of real strength (business model, liquidity and member feedback)
2. Strong group-wide success in mitigating cash burn rate through the pandemic
3. Flawless reopening with consistent delivery of 'a safe place to work and a safe place to workout'
4. Encouraging member trends and a rapid return to Group profitability in Aug, Sept & Oct
5. Holistic and comprehensive balance sheet reset fully supported by equity and credit providers
6. Strong liquidity position and outlook, ample liquidity to manage further COVID-19 restrictions
7. Focus on returning to pre-COVID-19 performance levels and continuation of ambitious growth strategy



Appendix

EUR Bond Raise: Bridge Loan Refinancing Overview

- PureGym (the "Company") is the clear market leader in the UK value gym segment and also has a market leading position in Europe following the acquisition of Fitness World Group ("Fitness World") on 14th January 2020 (the "Acquisition")
  - The combined Group has over 1.6m members and 517[1] sites across the UK, Denmark, Switzerland and Poland[2]
  - The acquisition was funded by a €445m EUR Senior Secured Bridge Facility
- PureGym has raised €445m of EUR Senior Secured Notes due 2025 (the "Transaction")
  - Use of proceeds was to refinance the Senior Secured Bridge Facility
- On 18th September 2020 PureGym's shareholders, Leonard Green Partners ("LGP"), contributed £100m in additional cash to the business (the "Equity Injection")
  - The Equity Injection demonstrates LGP's continued support for the business, with their total cash equity invested increasing to £381m
  - In connection with the Equity Injection, PureGym's relationship banks agreed to increase commitments under the Revolving Credit Facility by £50m (the "Incremental Commitments") to £145m
  - In aggregate, the Equity Injection and Incremental Commitments increased total liquidity[3] to £297 million as at June 30, 2020, on a pro forma basis
- Pro forma for the Transaction and the Equity Injection, the capital structure reflects senior secured net leverage of 4.3x[4] based on Dec 19A Run-Rate Adj. EBITDA of £161m[5]

Notes:
1. 517 sites as of 9 November 2020: 253 trading sites, 236 sites closed in England, 6 closed in Denmark, 3 closed in Switzerland and 19 closed in Poland due to COVID-19 restrictions (the sites in Poland will not reopen following PureGym's decision to cease operations in the country).
2. PureGym has taken the strategic view that it will not be investing additional resources in its Polish business at this time. Consequently, PureGym has decided to cease operating in Poland.
3. Subject to a £30m minimum liquidity test at prescribed intervals.
4. Calculated using 30 June 2020 Adjusted Senior Secured Net Debt of £693m.
5. Dec-19A Pro-forma Run-Rate Adj. EBITDA of £161m, including £4.5m of synergies (DKK 39.7 million converted to pounds sterling at the 2019 closing rate of DKK 8.7469 to £1.0000) to reflect specific identified cost savings for the combined group.

EUR Bond Raise: Sources/Uses & Pro Forma Capitalisation

Sources and Uses

Sources	£m	%
New EUR Senior Secured Notes (€445m)[1]	406	98%
Cash from Balance Sheet	8	2%
Total	**414**	**100%**

Uses	£m	%
Repayment of EUR Senior Secured Bridge Facility (€445m)[1]	406	98%
Transaction fees, expenses and other payments	8	2%
Total	**414**	**100%**

Pro-forma Capitalisation

£m	June-20 Adjusted[3]	x RR Adj. EBITDA[4]	Adjustments	Pro-forma	x RR Adj. EBITDA[4]
RCF Available	*145*	*0.9x*	-	*145*	*0.9x*
Cash	(189)	(1.2x)	8	(181)	(1.2x)
RCF Drawn	37	0.2x	-	37	0.2x
Existing GBP Senior Secured Notes	430	2.7x	-	430	2.7x
EUR Senior Secured Bridge Facility[1] (€445m)	406	2.5x	(406)	-	-
New EUR Senior Secured Notes[1] (€445m)	-	-	406	406	2.5x
Total Senior Secured Net Debt	**685**	**4.3x**	**8**	**693**	**4.3x**
Non-Property Leases	20	0.1x	-	20	0.1x
Supply Chain Financing	2	0.0x	-	2	0.0x
Total Net Debt	**707**	**4.4x[4]**	**8**	**715**	**4.4x[4]**
Dec-19 Run-Rate adj. EBITDA[2]		**161**			**161**

Includes £100m Equity Injection from LGP and £50m RCF upsize

Notes:
1. EUR denominated €445 million Senior Secured Bridge and new EUR denominated €445 million Senior Secured Notes converted to pounds sterling at the 30 June 2020 closing rate of €1.0955 to £1.0000.
2. Dec-19A Pro-forma Run-Rate Adj. EBITDA of £161m, including £4.5m of synergies (DKK 39.7 million converted to pounds sterling at the 2019 closing rate of DKK 8.7469 to £1.0000) to reflect specific identified cost savings for the combined group.
3. Cash adjusted for £100m Equity Injection and includes £37m of RCF drawings. RCF adjusted for £50m Incremental RCF Commitments.
4. Leverage is calculated using 30 June 2020 Balance Sheet, as adjusted and Dec-19A Pro-forma Run-Rate Adj. EBITDA.

EUR Bond Raise: Summary of Terms

New EUR Senior Secured Notes

Issuer	▪ Pinnacle Bidco plc
Amount	▪ €445m (£406m-equivalent[1])
Use of Proceeds	▪ Refinance existing EUR Senior Secured Bridge Facility
Maturity	▪ 15 February 2025 (as per existing Senior Secured Notes)
Ranking	▪ Senior Secured
Optional Redemption	▪ Jan 2022 / 50 / 25 / Par
Security	▪ As per existing Senior Secured Notes
Guarantors	▪ As per existing Senior Secured Notes
Covenants	▪ As per existing Senior Secured Notes (Customary High Yield covenants)
Distribution	▪ Reg S / 144A
Governing Law	▪ New York law

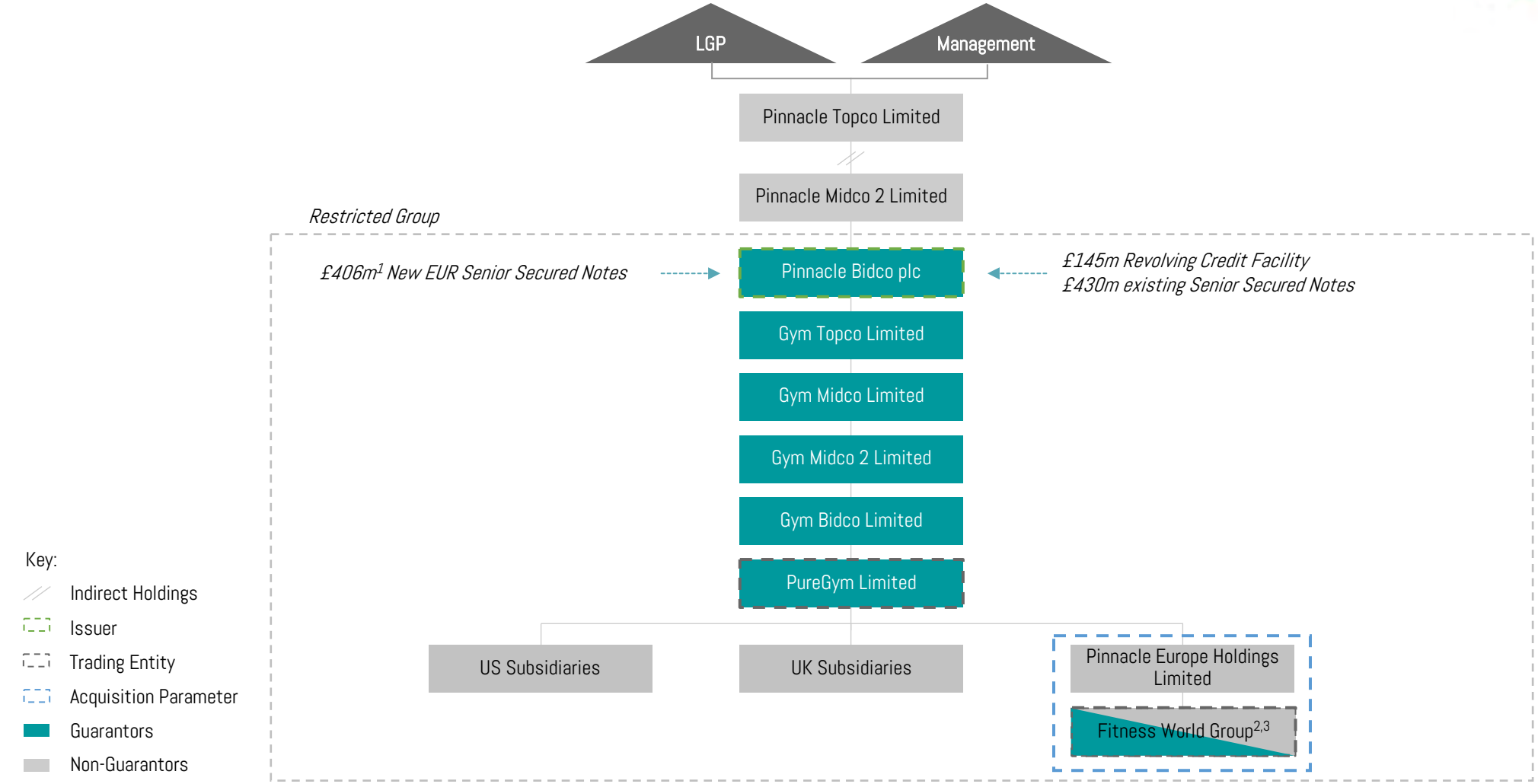
Notes:
1. EUR denominated New €445 million Senior Secured Notes (converted to pounds sterling at the 30 June 2020 closing rate of €1.0955 to £1.0000) put in place to refinance the existing £406m-equivalent EUR Senior Secured bridge.

Super Senior RCF: Summary of amendment terms

- PureGym will be bound by the following terms while the RCF upsize and amendments remain in effect

	Existing RCF	Amended Terms
Amount	▪ £95m (the "Existing RCF")	▪ £95m (Existing RCF) + £50m increase (the "Incremental Commitments")
Maturity	▪ 30th November 2023	▪ 15th August 2024
Waiver Period	▪ n/a	▪ Commencing on and from the relevant period ending 30th September 2020, until the earlier of: (a) 30th September 2022 and (b) the Incremental Commitments are cancelled
Financial Covenant	▪ Quarterly Springing Net Leverage Covenant: 7.70x (the "Existing Net Leverage Covenant") ▪ Tested only if 40% of SSRCF commitments are utilised by way of cash drawn loans	▪ Existing Net Leverage-based springing Covenant to be replaced during the Waiver Period with a minimum liquidity covenant, set at a min. of £30m at prescribed intervals
Debt Incurrence Covenants	▪ Ratio debt incurrence subject to FCCR of ≤2.0x ▪ Senior secured ratio debt incurrence subject to SSNLR ≤ 4.60x ▪ Credit facilities basket of £80m / 100% Run-Rate Adj EBITDA ▪ General debt basket of greater of £40m / 50% Run-Rate Adj EBITDA ▪ Capital lease obligations basket of greater of £20m / 25% Run-Rate Adj EBITDA ▪ Acquisition debt: subject to FCCR of ≤ 2.0x or FCCR no worse than before, and if debt is senior secured subject to SSNLR ≤ 4.6x or SSLNR no worse than before ▪ Contribution Debt: 100% ▪ Non-guarantor debt basket of greater of £20m / 25% Run-Rate Adj EBITDA	▪ Total Debt Incurrence under baskets in first column (other than the Credit facilities basket) to be capped at £40m in aggregate during the Waiver Period and while the Incremental Commitments are in place
Restricted Payments	▪ Build-up RP basket equal to starter basket of £15m + 50% CNI, beginning 1 October 2017 and 100% of other customary amounts ▪ Unlimited Restricted Payments subject to Total Net Leverage ≤ 3.5x ▪ General Restricted Payments basket of greater of £25m / 30% Run-Rate Adj EBITDA	▪ No ability to pay RPs in the column to the left, during the Waiver Period and while the Incremental Commitments are in place (Existing carve outs for operational purposes will be permitted)
Permitted Investments	▪ Investments in Similar Businesses of greater of £20m / 25% Run-Rate Adj EBITDA ▪ General Investments Basket of greater of £25m / 30% Run-Rate Adj EBITDA ▪ Investments in unrestricted subsidiaries of greater of £15m / 20% Run-Rate Adj EBITDA ▪ Unlimited Investments provided Total Net Leverage ≤ 3.85x	▪ Permitted Investments in the column to the left, to be capped at £40m in aggregate during the Waiver Period and while the Incremental Commitments are in place
Conditions Precedent	▪ As set out in the Existing RCF credit agreement	▪ Customary for a facility of this type and to include Equity Injection of ≥£100m

Corporate structure



1. EUR denominated New €445 million Senior Secured Notes (converted to pounds sterling at the 30 June 2020 closing rate of €1.0955 to £1.0000).
2. The parent entity of Fitness World Group is Forward TopCo A/S.
3. Material Danish and Swiss entities within the Fitness World Group will become Guarantors of the new EUR Senior Secured Notes, existing Senior Secured Notes and RCF on the closing date. The Guarantors accounted for 99.2% of the Combined Group Adjusted EBITDA for the year ended December 31, 2019 and substantially all of the Combined Group consolidated total assets as of December 31, 2019.

While the 2nd wave has necessitated lockdowns, government focus is on localised containment

Comprehensive strategies of localised outbreak management

Steps being taken			
Clear stated strategy to avoid national lockdown	✓✓✓	✓✓✓	✓✓✓
Powers devolved to regional/local authorities	✓✓✓	✓✓	✓✓✓
Increased testing/mobile testing	✓✓	✓✓✓	✓
Established track & trace	✓✓✓	✓✓✓	✓✓✓
Mobile phone App to indicate contacts	✓✓✓	✓✓✓	✓✓✓
Inbound travel quarantine control	✓✓✓	✓✓✓	✓✓✓
Open data available on testing/cases etc.	✓✓✓	✓✓✓	✓✓✓
Localised measures and tiering	✓✓✓	✓	✓✓

Example of UK 5 step process for local outbreak management[1]

1. Monitor	2.Engage	3.Test	4. Target restrictions	5. Local lockdown
• Collect and share publicly all relevant data on a daily basis • Monitor & report trends in cases, testing, settings, hospital admissions nationally & locally	• Pick out "issues" in trends and developments • PHE and NHS track & trace engage with local authorities (c.400 of these) to zero in on issues and identify root causes	• Leverage national testing capacity and localized/mobile hit squad units • Rapidly identify depth, breadth and specific nature of outbreak and settings in which it is happening	• Restrict activities at particular locations & close individual premises • Isolate and address hotspots of transmission where these can be identified – e.g., in homes, factories etc	• If prior measures prove or believed to be insufficient… • Lockdown local areas and businesses • Calibrate carefully and keep exploring alternatives • Review situation regularly

Sources: Public sources, press releases. Notes:

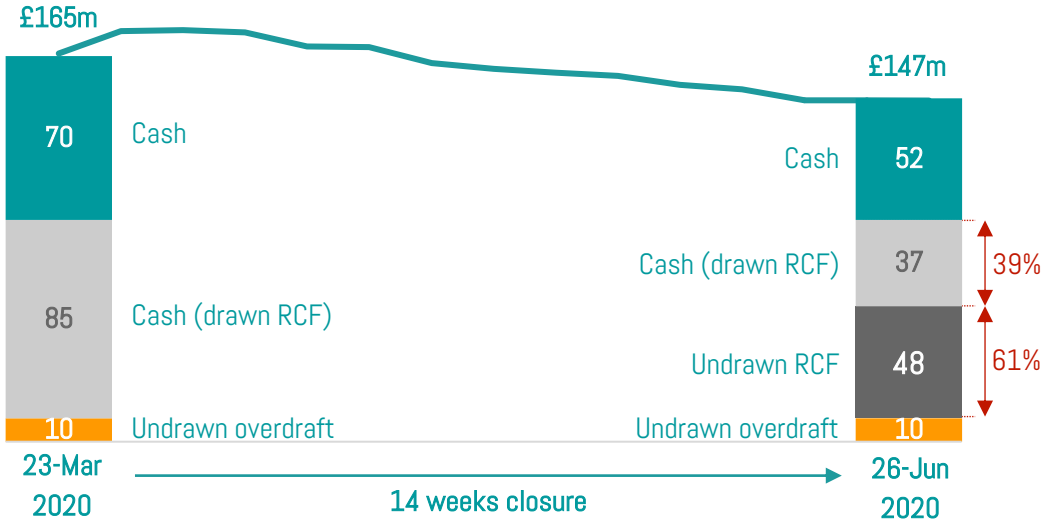
1. As articulated by the Prime Minister 3/7/2020; and https://www.gov.uk/government/publications/containing-and-managing-local-coronavirus-Covid-19-outbreaks/Covid-19-contain-framework-a-guide-for-local-decision-makers.

Preservation of liquidity was very effective during lockdown

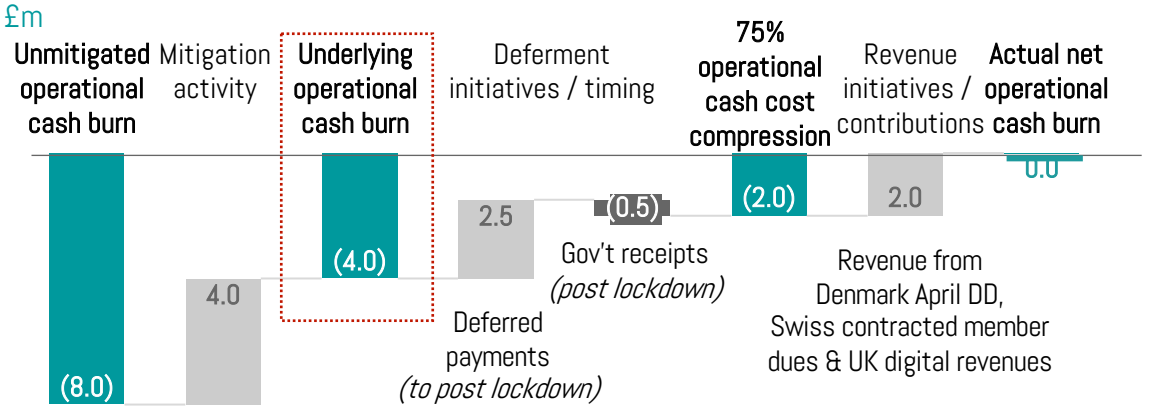
Swift management action has delivered impressive cash preservation, which has exceeded expectations

- Actual liquidity reduced **only £18m** since lockdown commenced:
  - £11m payments relating to capital projects completed prior to lockdown
  - £7m (£0.5m/average week) of interest paid as it fell due
- Net operational burn has effectively been reduced to zero as a result of:
  - Swift management action to reduce underlying operational cash burn
  - Government mitigation (furlough, rates, fixed costs, etc)
  - Deferment of other payables, e.g. rent and taxes to post reopening
  - Revenue and other contributions generated cash inflow
- H2 2020 and 2021 will inevitably see increased cash outflows as deferred payments are settled and interest payments are made as they fall due, but these have been taken account of in management's plan

Lockdown actual total cash burn = £(18)m



Average weekly cash burn (14 weeks)



Group cash flow Q3 2020

Cash flow impacted by COVID-19

- Group Adjusted EBITDA impacted by closure
- Maintenance and refurbishment capital expenditure relates to projects completed outside of lockdown
- Operating cash flow conversion optimised through swift management action
- £23m YTD expansionary capex reflects 6 new organic gyms opened in early 2020 and 12 further sites opened after the initial lockdown
- YTD exceptional items comprise mainly transition and integration costs relating to the Fitness World acquisition
- YTD acquisition financing includes €445m SS bridge loan (c.£381m) received in Q1'20 to finance the acquisition of Fitness World, net of £118m repayment of Fitness World debt
- YTD net investment in Fitness World represents the cost of investment of £233m, net of £7m cash acquired

(£m)	Qtr ended 30 Sep 2020	Qtr ended 30 Sep 2019	9 months ended 30 Sep 2020	9 months ended 30 Sep 2019
Group Adjusted EBITDA	**16.5**	**21.2**	**16.2**	**66.2**
Movement in working capital	(3.0)	1.7	13.1	(4.3)
Maintenance and refurb capital expenditure	(4.4)	(4.7)	(13.6)	(7.7)
Group operating cash flow	**9.1**	**18.3**	**15.7**	**54.2**
Operating cash flow conversion	*54.8%*	*86.3%*	*96.9%*	*81.9%*
Expansionary capital expenditure	(4.4)	(9.2)	(22.9)	(27.9)
Exceptional items	(5.3)	(0.8)	(12.8)	(1.8)
Tax, interest, and debt issue costs	(19.8)	(13.8)	(49.2)	(25.8)
Other	4.8	(0.6)	17.0	(2.4)
Net cash flow before acquisition and financing	**(15.6)**	**(6.1)**	**(52.2)**	**(3.7)**
Net investment in Fitness World	-	-	(226.4)	-
Acquisition finance	-	-	262.9	-
RCF borrowing	-	-	37.0	-
Issue of senior secured notes	-	-	-	40.0
Finance lease capital repayments	(3.9)	(0.3)	(7.0)	(0.5)
Equity injection	100.0		100.0	
Other financing cash flows	-	(0.1)	2.1	-
Net cash flow	**80.5**	**(6.5)**	**116.4**	**35.8**

Segmental performance

	Pro forma basis (£m)						Reported basis (£m)					
	Quarter ending 30 September			9 months ending 30 September			Quarter ending 30 September			9 months ending 30 September		
	2020	2019	Change %	2020	2019	Change %	2020	2019	Change %	2020	2019	Change %
PureGym UK	40.7	63.5	(36)%	104.9	189.4	(45)%	40.7	63.5	(36)%	104.9	189.4	(45)%
Fitness World	48.3	47.9	1%	103.0	143.1	(28)%	48.3	-	n/a	95.2	-	n/a
Denmark	39.0	39.1	-%	81.0	118.6	(32)%	39.0	-	n/a	74.5	-	n/a
Switzerland	7.8	7.5	3%	18.7	20.4	(8)%	7.8	-	n/a	17.7	-	n/a
Poland	1.6	1.3	23%	3.3	4.1	(19)%	1.6	-	n/a	3.1	-	n/a
Total Revenue	**89.0**	**111.5**	**(20)%**	**207.9**	**332.5**	**(38)%**	**89.0**	**63.5**	**40%**	**200.1**	**189.4**	**6%**
PureGym UK	8.0	24.1	(67)%	7.0	44.9	(84)%	8.0	21.2	(62)%	7.0	66.2	n/a
Fitness World	8.5	9.8	(13)%	10.6	30.4	(65)%	8.5	-	n/a	9.1	-	n/a
Denmark	7.9	8.6	(8)%	10.8	27.7	(61)%	7.9	-	n/a	9.3	-	n/a
Switzerland	0.6	1.1	(47)%	-	2.3	(101)%	0.6	-	n/a	-	-	n/a
Poland	-	0.1	(109)%	(0.1)	0.4	(124)%	-	-	n/a	(0.2)	-	n/a
Total Adjusted EBITDA	**16.5**	**33.9**	**(51)%**	**17.7**	**75.3**	**(77)%**	**16.5**	**21.2**	**(22)%**	**16.2**	**66.2**	**(76)%**
PureGym UK	19.8%	37.9%		6.7%	23.7%		19.8%	33.4%		6.7%	34.9%	
Fitness World	17.6%	20.5%		10.3%	21.2%		17.6%	-		9.6%	-	
Denmark	20.3%	22.0%		13.3%	23.4%		20.3%	-		12.5%	-	
Switzerland	7.7%	15.0%		(0.1)%	11.1%		7.7%	-		0.1%	-	
Poland	(0.5)%	6.3%		(3.2)%	10.9%		(0.5)%	-		(5.0)%	-	
Adjusted EBITDA margin	**18.6%**	**30.4%**		**8.5%**	**22.7%**		**18.6%**	**33.4%**		**8.1%**	**34.9%**	

Combined Group P&L and KPIs

£m	Quarter ended 30 September 2020	2019	9 months ending 30 September 2020	2019
Total number of PureGyms	274	244	274	244
Total number of Fitness World Group Gyms	244	n/a	244	n/a
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%
Run-Rate Adjusted EBITDA (LTM) (£ 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.

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

£m	Quarter ended 30 September 2020	2019	9 months ending 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. Q3 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 30 September 2020.

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, 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	Adjusted EBITDA for that period divided by revenue for that period.
Average Number of Members	The average of the number of members as at the beginning of the first month and the end of every month in that period.
Average 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 revenue attributable to Mature Gyms for 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 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.

Glossary

Term	Definition
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 Pure Gym and 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.
Combined Group Run Rate Adjusted EBITDA Margin	Run-Rate Adjusted EBITDA of Pure Gym plus Run-Rate Adjusted EBITDA of Fitness World.
Combined Group Operating Cash Flow	Operating Cash Flow of Pure Gym 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.

Glossary

Term	Definition
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 Pure Gym 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	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.
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.

Glossary

Term	Definition
Net Debt	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	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	The adjustment made to those gyms which are less than three years old at the end of the reporting period. These adjustments replace the Adjusted EBITDA earned by these sites in the last twelve month period with the projected Adjusted EBITDA for their third year of operation.
Run-Rate Adjusted EBITDA	The Adjusted EBITDA including any Run Rate Adjustment.
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.

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