PureGym Q2 Results Call
Conference call Thursday 26th August 2021

Humphrey Cobbold (CEO):
Good morning everybody, welcome to the presentation of our results for the second quarter of 2021. Today we'll be running through the presentation that was posted on our website at 7:00 a.m. this morning, 26 August. Our assumption is that you will have this in front of you and we will guide you to page references as we go as normal. As a rule, we start each year with a fuller presentation that not only covers the results but provides observations on the sector, its evolution, and our position within it. This year it did not feel appropriate to provide this normal commentary for the obvious reason that in April we were still largely closed after the quarter one lockdown period. However, now that the group has reopened, it feels entirely appropriate to provide that extended commentary now. Therefore, this update covers off not only the results of the quarter ended June 2021, and an update on latest trading, but also covers the progress we've made so far this year as well as a series of broader perspectives on our strategy and the outlook for the business.

Let's turn to slide four for the key headlines that we'll run through today. All of our gyms across the group are now open, albeit with restrictions on capacity in place, that were in place throughout much of the quarter. Our financial results for the second quarter were therefore still materially adversely affected by COVID-19 for at least a part of the period. Despite this, and as we discussed in May, we are pleased with how we handled the lockdown period and the bounce back in performance post reopening has been very strong. Our June total group revenue and membership was 99 percent and 91 percent, respectively, versus June 2019 levels. And we delivered adjusted EBITDA of over £8 million in each of June and July months, and from a cash and liquidity perspective, we closed the second quarter in a very healthy position, with £221 million of available liquidity. So, we are well protected from any unexpected future disruption.

In terms of business progress, we have been productive despite the pandemic disruptions and challenges. We opened 15 new sites across the group, 13 in the U.K. during half one, along with a site opened each in Denmark and Switzerland. We have begun implementing our U.K. operating model into both the Danish and Swiss businesses, and we've introduced an excellent new management team into Denmark and are rebranding the Swiss business as PureGym. In addition, we're extremely excited to be able to update on our first franchise sites, four sites at a minimum commitment of 40 sites will open before the end of the year. And we've continued to develop three sites in the USA, which should open towards the end of the year or at the beginning of next year.

In terms of strategy and outlook, we continue to believe that the overall market dynamics are very positive for our business and for you as our investors in our business. We're one of the big four global leaders in value fitness, benefiting from growing structural advantages and economies of scale. We have a proven business model with strong, very strong, unit economics and excellent returns. A combination of favorable demand outlook, combined with a degree of

supply tightening and the favorable property market conditions, bode well for the PureGym group and support our optimistic perspectives for an exciting runway for near-, medium-, and longer-term growth. And with that in mind, as we highlighted in our announcement in July, we are therefore exploring capital raising options to take advantage of those exciting growth opportunities, and potential for deleveraging.

So, with that summary, let's go into each of those areas in more detail, and I shall start with a COVID update over on page six. As I said earlier, all of our gyms across the group are once again safely opened. As you can see, the group was largely closed for much of April, but we were open everywhere, albeit with restrictions, by mid-May. We have summarized the key restrictions on the slide by geography, these constraints remained in place across the portfolio throughout the quarter. Since the quarter end, we're seeing these restrictions lifted, with Switzerland lifting the constraints at the end of June, and the U.K. removing them in mid-July and early August. And Denmark has been gradually removing the corona pass restrictions over there.

Turning on to page seven, in parallel, good progress has been made, particularly in the U.K. and Denmark, on vaccination and caseload reduction, and steady progress has also been made in Switzerland. It's clear that we're in a very different position now to where we were pre-vaccinations, and whilst we have learned to be prepared for the unexpected, it's clear that vaccination progress in our geographies is amongst the best in Europe and hopefully that bodes well for the future for the group. So, with that overall summary, let me now hand over to Alex to take you through the financial results for Q2, and the latest trading performance. Alex, over to you.

Alex Wood (CFO):
Thank you, Humphrey. Good morning, everyone. Okay, so I'm going to take you through the financial results for the quarter ended 30th of June 2021 first, current trading performance second, and then thirdly our latest cash and liquidity position. So, let's start with the first of those, group results for the quarter, and that starts on page nine please. As Humphrey's just articulated, we were unable to operate our gyms for the first part of Q2, and therefore, as expected, the results were materially impacted. I've shown here both 2020 and 2019 comparators, so performance can be compared with 2019 as a clean year. This really provides the benchmark for performance to which we are returning to, and to which recovery progress can be measured.

Despite the lockdown, we closed Q2 with 1.6 million members across the group. We delivered £83 million pounds of revenue, heavily weighted towards the back end of the quarter, when we were open, for obvious reasons, and this meant we delivered £16 million adjusted EBITDA. Run rate adjusted EBITDA is a trailing last 12 months measure, and therefore it will take 12 months for the COVID losses to annualize out, however the December 2019 comparator is, I think, a very useful benchmark here for the underlying scale and performance potential of the group when it's allowed to open in trade without encumbrance in the future. We closed Q2 with 506 gyms across the group, available liquidity of £221 million, including £76 million of cash on the

balance sheet. We generated £21 million of operating free cashflow and closed with senior secured net debt at a level of £786 million.

So, with those as the headlines, now let's go into a bit more detail, and I'll start with monthly EBITDA over on page 10. You can see that despite the operating restrictions in place, the group has demonstrated a very strong recovery trajectory, with EBITDA bouncing back to over £8 million a month in each of June and July. I've shown both the pure results, which is the dashed teal line, but then also the equivalent without the benefit of government support or the costs of corona pass staffing in Denmark to provide more of an underlying representation of performance, and that's the solid teal line. And therefore, this level of performance, in June and July, represents a really very solid base from which we build upon in quarter four. Just to manage expectations, due to normal seasonality trends at the end of the summer months you should expect adjusted EBITDA to be about a million pounds lower than this over the months of August and September alone, which is absolutely normal.

In terms of revenue now, on page 11, our revenue in June was 99 percent of the level in June 2019, and that's due to really strong growth in average revenue per member and new site maturation. The illustration on the left-hand side of this page shows how that's made up, with the current shortfall in recovering 2019 gym revenue being supplemented by revenue from new gyms that have been opened since 2019. And on the right-hand side of the page, I've also illustrated how this total revenue was made up of recovering members on the one hand, running at 91 percent of June 2019's level, and average revenue per member running at 109 percent of 2019's level on the other hand.

Now, over onto page 12, I take that one stage further, to illustrate why monthly revenue should, logically, continue to improve over time. Now clearly, I must point out this is not to scale and it's purely indicative, but I think it is very useful none the less to bring to life for you the two beneficial dynamics at play here. Firstly, revenue growth from maturation of new and immature gyms, and secondly revenue growth from member volumes returning to 2019 levels. And clearly, as average revenue per member's tracking higher than 2019's level, that is a very positive dynamic underpinning the like for like constituent part of future revenue potential.

And moving on to page 13, if the prior page illustrated revenue, the growth in revenue should flow through to adjusted EBITDA given the fixed cost base already in place to operate the current estate. As a reminder, the June adjusted EBITDA in 2019 was £11 million when pro-formered for the acquisition of Fitness World. And I'd again draw your attention to the caveat, at the bottom of the page here, that this is purely an illustration, it's not drawn to scale. But it does hopefully bring to light how recovery in member numbers might logically flow through over time to EBITDA and therefore cashflow.

So, on that very point, let's turn to the latest on member performance, over on page 14. On the right-hand side you can see very clearly the recovery trajectory that Humphrey alluded to earlier. As a reminder, we have a very resilient member base and only lost 87,000 members throughout the whole of Q1 2021's lockdown, ending that quarter at 81 percent of December

2019's level. As at the end of Q2 2021, our membership had already recovered to 92 percent of the number of members at December 2019. And by the end of the week of the 15th of August, so that's the very latest flash numbers for you, we had improved to 94 percent of December 2019's position, and that's across the group as a whole.

On a like for like basis, which is the other lens we use to track our recovery trajectory, the U.K. membership was 88 percent of 2019's level, with Denmark and Switzerland at 83 percent and 79 percent respectively. So, all showing significant progress here versus Q1 2021's closing position. The next significant step up in member net gains is expected in September and October, coinciding with an expected return to university, work, and routine after summer break. And then we expect that to be followed by a third step up in January and February 2022, which is our normal peak member gain period. We therefore anticipate total member levels should exceed 2019 in Q4 of this year and like for like members will return to 2019 levels in the first half of 2022.

Now turning to new sites and their performance over on page 15, please. As Humphrey mentioned in the introduction, we have opened 15 new sites in Q2, and on the right-hand side of the page you can see each new site's member ramp, represented as an individual gray line. And this shows two things, firstly that new sites, post-COVID, are performing really very well, with members ramping ahead of pre-COVID levels, and secondly, that the ramps are following a very similar trajectory, showing the consistent quality of our site selection, a point that Humphrey's going to pick up on later as well. It's clear to us that there remains really strong latent demand for our product and brand in the marketplace, even in new locales where we have never been present before. And we're seeing this all across the U.K., but also in Denmark and Switzerland as well. So, overall, these trends provide us with further datapoints, and therefore confidence in a strong bounce back in member levels and new site maturation going forward.

Moving on now to the latest cashflow and liquidity position, over on page 16. The headline here is that we're in a very well controlled and healthy position, we closed Q2 2021 with £221 million of available liquidity, which comprised £76 million in cash on the balance sheet and £145 million of undrawn Revolving Credit Facility. The business was cash-generative in May and June at an operational level, which gave us confidence to carefully deploy £17 million of capital into growth and maintenance Capex, and you can see that even after servicing of interest in the quarter and the cost of April's lockdown cash burn, the group's total liquidity position was only £10 million lower than March 2021's closing position at £231 million. And a large part of that delta was due to the repayment of £6 million worth of deferred payments which you can see were paid down from £41 million to £35 million in the same timeframe.

So, as you can see, we continue with measured and disciplined deployment of capital into high quality new sites, whilst all the time ensuring that we maintain sufficient liquidity to protect against the unexpected. And we continue to feel that this is in the interest of all stakeholders to continue to move the business forward in a measured and calculated way, as we get increasing visibility of the recovery trajectory. And finally, I'll complete the financial updates by

going over our net debt position, over on page 17.

Now, this is the same set of summary datapoints that we have presented before, updated for the latest Q2 2021 position with the historical track record of deleveraging pre-COVID on the left-hand side for your reference, our latest net debt position with all of its constituent parts on the right-hand side, and in the middle of the page, a comparison of the Q2 2021 position versus December 2019, pre-COVID. And you can see that whilst our available liquidity is still materially better than pre-COVID, our senior secured net debt was £786 million as at the end of the quarter, which was £41 million higher than pre-COVID levels. Our net debt position, of course, reflects the cash impact of COVID-19 closures, and the fact that in Q1 2021, we raised a further €45 million bond debt, which in effect funded that Q1 2021 lockdown. And I've just reminded you that we still have COVID-related deferred payments outstanding on the earlier page of £35 million.

So, in light of these factors, which I also mentioned last time we spoke, you should continue to expect net debt to rise in the near term, whilst those landlord conversations are played through, broader deferred payments unwind and our trading recovers. And just to reiterate, none of this should be the slightest cause for concern to bond investors, I just wanted to continue to be super transparent on this topic for you. And with that, I shall now pass back over to Humphrey to talk through our business progress, strategy, and outlook. Over to you, Humphrey.

Humphrey Cobbold (CEO):
Thanks very much, and a big thank you to you and the finance team who have toiled so hard, not just in the last few months, but over the last 18 months on behalf of the business as a whole and our investors. The pressure always seems to concentrate in the finance function in these sort of situations and I think the effort has been superb, as indeed it has been across the business. And just to be really clear to our investors, you don't get a results bounce back of the nature we're describing here by accident or by chance. You get them because hundreds, in fact thousands of people across the business in the U.K., Denmark, and Switzerland are disproportionally committed to helping the business recover and helping our members get back to activity and exercise, and they've done just a tremendous job over the last few months.

But let me now turn to the broader update, and update on progress we've made in strategic developments and across the group in 2020 and 2021, and let's turn on to page 19 to start that.

Despite the extraordinary challenges we've faced, we've made tremendous progress across the group in our existing markets, and I summarise some of these elements here. Starting with U.K., we've opened 13 sites so far in 2021, building on the 20 opened in 2020 and 12 opened in Q4 2019. We expect to open another 10 to 13 sites in the second half of 2021.

Over to Switzerland, on the top right, we're very excited about this business unit, we think it will be a real gem for the group and we're well progressed in introducing and overlaying key elements of the group operating model. And the new site pipeline there is also strengthening,

and I'll talk a little bit more about that later. And in Denmark, we've made progress with introducing, as I've said, a great new management team, the first trials of the PureGym variable pricing model are underway. We're commencing alignment with the U.K.'s technology platform, and we're progressing well with the realization of synergies as well.

So, turning from there onto page 20, we're excited by the opportunity to franchise the PureGym brand and business model, out beyond the U.K. and Europe. We're starting in Saudi Arabia with a brilliant partner, the Al-Hokair Group, who are a successful and respected local group; as some of you may know with a broad base of businesses and interests within Saudi Arabia and indeed across the Gulf region. The first four of their minimum 40 committed sites will open before the end of this year, but there should be many more than that in Saudi Arabia alone. We're very excited by the opportunities the market presents. And I'm actually looking forward to going out to Riyadh to join the opening team in October and November when those sites get underway.

Let me pause on slide 21, and just provide a bit of context here. As I said at the start of this presentation, going back to pre-pandemic times, we had committed that we'd do an annual update on strategy and direction. Well look, a lot of water's flowed under the bridge since then, and not least we've had as many new euro-bond investors since that time, and given that we've been through such a turbulent time over the last 18 months, I hope it makes sense to everybody to reset a little bit with some reminders of the core of our business, which I'll do first, and the markets in which we operate, and then I'll update on future plans.

So, let me start that journey on page 22. It's important to remember that we operate in a large, a very large, overall market. Wellness expenditure, $4.5 trillion, accounts for over half of global expenditure on health. Overall physical activity is $828 billion, and fitness at $109 billion, is a large part of the $368 billion recreational physical activity segment. The pre-pandemic growth of these areas was around 6.4 percent, which is about double the rate of global economic growth, so we're operating in an overall market that is showing strong underlying secular growth.

And we expect that global physical activity will increase post-pandemic as a result of the heightened awareness of the importance of activity to personal health and wellbeing. My personal view is that, as a result of the pandemic, there will be billions and billions of hours of extra physical activity done in the world. We've all had such a clear message about the importance of activity for health and wellbeing. Some of those hours will, of course, be runs in the park and some will be done on a Peloton bike, and that's all good and fine, but a whole chunk of extra hours will be done in gym and fitness facilities like ours.

What will people find when they go to a PureGym? I think it's good to remind you of what our product is and looks like from a physical point of view. And this gives you an illustration of the model that we're moving towards or delivering in Denmark, Switzerland, and Saudi Arabia, and the USA, as well as the U.K. Our product is a very strong offer and can increasingly be described as having elements of a boutique fitness experience at a budget gym price. Put simply, we

want our customers to be pleasantly, to be significantly, surprised by the quality and environment versus the price they pay - that is the direction that we're continuing to move in.

And turning onto page 24, from a commercial point of view, our standard operating model addresses all the key points that consumers regard as important for an average monthly cost of just about £22. Quality kit in classes, our members are able to access 50 to 80 classes, combined with nutrition, great equipment, and personal training options, ease of joining and flexible memberships really matters to people in the modern era. We don't require people to sign up to contracts and long-term tie ins, and we offer competitive pricing by setting our prices in the local markets, not by some national average. Multi-gym access is a great benefit that people enjoy in a network business like ours. They can choose to attend multiple gyms by paying a small additional fee, and most of our gyms are open 24/7, and that makes a real difference to people, with more flexible working arrangements and wanting to find a quiet time to work out. And finally, we're not holding back on digital innovation, we blend facilities base fitness with technology, including digital studios in an increasing number of clubs, and plenty of options for home based physical fitness.

And talking about technology, let's turn onto page 25. During the pandemic we continued, and indeed stepped up our investment in technology, providing integrated club and home fitness services. We've also enhanced the services for members post-COVID, with slot-bookings when necessary and contactless entry via the app. Our app is used by lots of our members and is very, very highly rated, versus others in the market. And we have lots of plans for further development of the important app channel in the future. Now, one of the questions we're often asked when it relates to tech is concern about home fitness, and people working out at home, and whether that will make gyms less relevant.

Well, looking forward at page 26, we can see that on the left-hand side, Google search results for “gym near me” peaked at each reopening and since then have settled down to really healthy pre-pandemic levels. People are still looking for gyms close to where they are, and clearly, we're looking to put PureGyms where they are looking for those searches. Interestingly, if you go to the right-hand side and you overlay the gray “gym near me” line and look at “home workout” searches in blue, we can see the peaks caused by lockdown, where that was dramatic when it happened, but now those peaks have fallen back down significantly, once lockdown has ended and gyms have reopened. We think, by the way, that it's great that people work out more at home, but we don't see it as a threat to the gym business, and I think this data adds support to that point of view.

So, turning onto page 27, here I want to remind you of the strong portfolio we have assembled and the numbers here reference back to 2019, which, as Alex said, those pro forma numbers are the last undisturbed trading period, so give you a good indication of where things stand. I'm not going to run through all the points on this page, it's here as an aide memoire for you. Suffice to say that we are market leaders in each market, and overall, we regard this as a robust and diversified portfolio. Overall, as shown on page 28, the gyms and fitness center market was growing pre-pandemic, whether you look globally, in Europe, or in the U.K. The reasons for this

are pretty clear on the right-hand side, awareness of health and wellbeing, government support, advance of diseases, et cetera, et cetera. The pandemic, as I've already said, will only increase public attitudes towards positive attitudes towards physical activity, as health and fitness continue to be front of mind.

And one key factor that people forget in the evolution of our market is the supply side, it's mentioned in the bottom right-hand corner of this page. The rollout of budget fitness and value fitness operators, like ourselves, has been a very, very significant impact, arguably the most significant impact, on the industry over the last decade. And we've been opening up the opportunity for participation for literally millions of people across the world.

And if we move forward to page 29, you can see the impact of that, whether you look at Europe or just the U.K., over 80 percent of the net member additions between 2012 and 2019 went to the budget sector, showing just how significant the sector is in both growing penetration and gaining market share. Putting it simply, the budget fitness operators, like ourselves, have won the battle for volume, and we believe that we'll continue to do so.

Now, as a result of winning that battle, we turn to page 30. We can see that whether you look at Europe or wherever else, you can see that over the last seven or eight years we and the other big four premier-league budget operators have added over 3,000 sites during that seven-year period and multiplied our businesses several fold as a result. The fact that these businesses are scalable to this level represents a pretty profound structural shift in the industry, and one that we're well positioned to take full advantage of now and into the future. Now, fair question to ask on this is why the market is being won so clearly by good quality, large scale, budget fitness operators?

And for that I encourage you to turn to page 31, which I hope reminds you of something you're familiar with already, but it's worth addressing, that the budget fitness model deployed by these premier league players, is winning because it's economically superior to traditional gym and fitness operating models. We've shown the comparison here between a leading budget gym and a more traditional mid-market gym. On the left-hand side you can see that a budget gym has a higher margin than a typical mid-market operator and requires much less capex to fit out. And why is that? It's because the budget operator has no swimming pools or Turkish baths, or saunas, or catering facilities, or other items of that nature, which tend to be both very expensive to fit out, and very expensive to run, and operate, and staff. Instead, a budget gym, is tech enabled with low running costs and low labour costs. Less capital outlay and higher profits drive superior return on capital that is in excess of double that of a typical mid-market gym.

These dynamics are simply not going to change in the immediate future, because the relative economics are so very clear. Therefore, we believe that we will continue to see budget operators taking a larger share of the market in most if not all the markets where they are present. With this outlook as context, we then explain on slide 32 why we believe PureGym has earned its position in the premier league, which we would argue firmly is not just about our

growth, although that's been pretty strong, but it's about the quality of our performance as well.

First, at the top left, we deploy our investors' capital -- your capital in the new sites we open, follow a very safe and predictable ramp curve, which builds to maturity by year two, or at the latest in year three. In the top right-hand side of this page, each of our sites costs, on average, £1.2 million for a typical large box to fit out and that gives us with EBITDA that we generate a return on capital employed of 43 percent on a simple measure of mature gym EBITDA divided by initial site capex. Now, because we're fastidious over our site selection and data-driven decision making, we deliver extremely consistent returns, and this is shown in the bottom left corner of this page, which shows the consistency of the return on capital and the EBITDA generated, on average, by each cohort. And finally, the icing on the cake, if you like, in the bottom right-hand side of this page, is that we have a high EBITDA to cash conversion, which was at 77 percent in 2019.

So, that explains and reminds everyone how we come to be where we are. Let's turn to page 33 and talk a bit about where we go from here. Looking to the future and growth, we have a very clear approach and hierarchy in mind to pursue value creating growth. This approach has three key tranches which we've laid out here. First, ensuring that we capture the tailwind effect of recent site openings, second, that we're opening new sites, lots of them we hope, especially in the U.K. and Switzerland, and third, that we're pursuing franchising, digital and potential new market entry options where these are attractive. Let's look at each of these in turn.

First, on slide 34, the question of tailwind versus 2019, for the existing state indicates the £40 million plus adjusted EBITDA upside, i.e., a 30 percent upside to the £132 million proforma EBITDA of 2019. Of this, £15 million derives from 19 sites that were immature in 2019 in the U.K., £9 million derives from 55 sites across Denmark and Switzerland that were again immature in 2019, £11 million should be delivered by the further 27 sites opened since the start of 2020. And, as Alex has shown, these sites are performing ahead of expectations in general, and we're still confident of delivering £5 million worth of synergies from the Fitness World acquisition. And it's worth recalling the obvious fact that all the capital for this EBITDA upside has already been spent. And finally, the Xs at the bottom of this page, we have new sites opening that will happen before the end of this year, and we've got margin improvement to come in Denmark as well that we'll be working hard on as we go forward.

Following on from the point on the estate tailwind, and turning to slide 35 for the U.K. The U.K. offers further significant opportunity to disrupt mid-market incumbents and capitalize on plentiful white-space opportunities. Indeed, to put it quite simply, the biggest immediate opportunities for the PureGym group is to open many more sites in the core U.K. market, which we know so well. And let me start by making the point really clearly, that the U.K. is the largest market for gyms and fitness in Europe, has been growing well, is a nice compact densely populated market, which is good for us, and it still has relatively high average prices. There's an umbrella for us to operate under as a budget operator. It's a great market to be in, and if you

wanted to be a market leader in one gym and fitness market in Europe, you'd pick the U.K. hands down.

Now, some people say that from a point of view of gyms and fitness that the U.K. is saturated. That's categorically not the case when it comes to value fitness operations. On the left-hand side of this page, you can see the progress that we've been making already, and how we've grown market share for budget operators, we've been the vanguard of this, obviously, from five percent to 20 percent over the 7 years prior to 2019. We have been the winners, clearly, of this trend; the losers in this have been, and I'm afraid will continue to be, the mid-market and public sector operators, we're massively disrupting that market. Post-pandemic, we'll continue to both grow penetration in the market as a whole, and enlarge the market, and take significant share from the still very large but fragmented and undercapitalized segment. They simply cannot compete with the strengths of the model that we've outlined. This has been true in the recent past and it will be even more true in the immediate future after the pandemic.

On the right-hand side of this page, we highlight the white space potential, which offers more good news. We as management are very confident, corroborated here by third-party research, that there are 700 or more locations that could work for budget fitness centers in the U.K. We at the PureGym group intend to open around half of those and we note that even at the top end of the third-party forecast for opening of budget gyms, which our data says is more than achievable, the budget operators would only occupy 20 percent of gym locations in the U.K. We don't see that as a very demanding scenario by reference to other markets in Europe and elsewhere around the world, where the share of budget operators is already much, much higher than that.

Sticking with the U.K. for a moment on page 36, a key point to recognise is there are relatively few players who will be opening sites to take advantage of the favorable dynamics as we see them. Our main de facto competition for new sites is largely limited to The Gym Group and JD Gyms, both are really good businesses with strong management who we respect a great deal, but importantly both are rational and sensible players, so the market is quite orderly. At the other end of the scale, there have, unfortunately been a number of business failures and administrations, including Xercise4Less, Virgin Active, and DW Fitness. And so, you can see quite a clear polarization in the opportunities that individual operators face.

And to finish on the crucial U.K. market, on page 37, we highlight that PureGym is very well equipped to take advantage of the U.K. market situation, and to accelerate opening activity. As I already explained, it's a very attractive market, we've shown there is headroom for expansion, and that there is supply under pressure across the market, which will open up market opportunity for us. Perhaps the key is the favorable property market highlighted at the bottom of page 37, better locations and better rental deals are progressively becoming available as a result of some of the challenges being faced by retailing and other parts of the commercial property sector. We are well-primed and have an exciting property pipeline, we are equipped to execute as we kept our development team together through the pandemic and we kept them with us, so that we're ready to start expanding more assertively as we look to the future.

And we're especially excited because, as Alex highlighted, new sites we are opening are performing really well for us.

Now, turning from the U.K. to Denmark, and onto page 38. In Denmark we have an outstanding market position with around 44 percent market share of the whole industry. We believe there will continue to be modest growth in participation and penetration in Denmark, and we'll capture some of that, but our main focus will be on growth and EBITDA by improving the business. This process is already well under way despite the challenges posed by the pandemic. We appointed a new management team earlier this year, and they are very rapidly getting up to speed. We've already reduced costs in a range of areas, but especially in overhead and central costs. The new Danish team are focused on introducing the superior PureGym operating approach, and revenue and product management approaches, and we've already closed some unprofitable sites in Denmark, and this is in addition to the decision we made late last year to exit the loss-making Fitness World business in Poland.

And we've also already started a program of refurbishment and site improvement with some promising early results. We're absolutely sure that Denmark will be a very strong, and strongly cash generating business for us in the future, and we're excited about these prospects. The other business we acquired in early 2020, as part of the Fitness World deal, was the business in Switzerland, summarized here on page 39. There are three steps to our program for the Swiss business. First, in this market, we're already well advanced with product range changes, introducing variable pricing, and other commercial changes in that market, and we'll be rolling out a rebranding of the business as PureGym later this year and early next. In step two, we'll accelerate rollout and work to convert the rapidly growing site pipeline we have in Switzerland. And the third step, which will actually happen in parallel with the second, will see us further improving our Swiss business through a range of initiatives including refurbishment and introducing more elements of the group's core operating model and platform.

Our current analysis suggests that we can add between 60 and 100 more sites, taking us to between 100 and 140 sites in total in Switzerland. And we believe that Switzerland is going to be a great profitable market for us.

To close out the plan for the Fitness World Group businesses we bought just before a lockdown, take a look at slide 40. What we've done here is we've compared the Fitness World deal with a deal that we executed some years ago, the L.A. Fitness deal. And to put it simply, we'll deliver value from the Fitness World acquisition in the same way that we drove value from the acquisition of L.A. Fitness back in 2015. Taking that as an example, we effectively implemented our operating model in L.A. Fitness, closed some sites, invested capital in the business to improve the product, and we doubled the EBITDA, which had the effect of reducing the effective in-price to under four times EBITDA. And to be honest, the plan for Fitness World is not dissimilar. We'll invest to strengthen the product, especially in Denmark; we'll increase EBITDA through that and by improving revenue management. As we said, we will grow the site numbers two- or threefold in Switzerland, and overall we'll target a similar level of effective multiple compression achieved on the L.A. Fitness Deal.

Turning to slide 41 and finally on the broader growth story. There's a lot more to do and a lot more going on as we showed here. As I've already referenced, the franchising opportunity in the Middle East and Asia is potentially very significant. That said, we're starting in Saudi Arabia with a brilliant partner in the Al Hokair group. But the key thing to note is that across the Middle East and Asia, there are, we estimate, over four billion people with little or no access to value fitness of the nature that we provide. That's a phenomenal opportunity to confront in a world that has just been told time and time again to be a bit healthier and fitter and get a bit more active. We are very well positioned for this because we built a model that is tech lead and multi country, multi format, multi-language enabled. This makes us a favoured partner for interested in franchisees, we believe. And it's precisely why the Al Hokair group chose us as their partner to develop fitness activity in Saudi Arabia and in the Middle East.

In North America, we believe that our product and approach may go down really well. So we're opening three gyms there on a trial basis early next year to test that significant opportunity. The USA is by far the biggest gym market in the world, has lost lots of capacity as a result of COVID, estimates suggest between 15 and 20 percent. We think there could be a very exciting opportunity for us there. It's noteworthy also that it's the largest franchising market in the world by some margin as well. Finally, let's not ignore the rest of Europe. We don't have specific plans in this area, but we're well positioned to expand if or when attractive opportunities emerge post pandemic into the rest of Scandinavia, the Baltics and Ireland, for example. And there are still two major markets in Europe that lack a clear budget market leader, Spain and Italy. And we know these, Spain especially, very well.

In summary, we as a team see no reason to believe that the business hits a wall in terms of growth any time soon, because we have plenty of options and opportunities and we are as excited about the next 10 to 15 years for the business as we are about the next three to five years.

And so to conclude, let's move to slide 43 for me to summarise the key messages. We've seen a strong reopening of the estate and recovery trajectory in terms of members and revenue. This is translated into an EBITDA of around £8 million a month across June and July, which is a very solid position from which to build further through Q3 and into Q4.

We have a very healthy and well controlled liquidity position with £221 million available as of the end of June. We've made good strategic progress despite the pandemic reflecting our undiminished ambitions for the PureGym group, despite the challenges we've all had to face into over the last 18 months. And we're very well positioned, as we approach the other side of the pandemic as a scaled leader in attractive markets with growing structural advantages. We have a battlefield proven business model, a strong new site pipeline and favorable property market conditions. And lastly, as I said, we're exploring capital raising options to take advantage of this great runway for growth.

So thank you very much once again for your continued patience and support over the last few months. We know it has not been an easy period for any of you either, and we appreciate all the support you've offered to us. We're continuing to work very hard to ensure that we deliver on and surpass your expectations of us.

Our next update will be in November for the Q3 results. And with those comments, I'll conclude, and I think say that we're happy to take a few questions if there are any out there.