PureGym FY 2021 Results call
Conference call Wednesday 20th April 2022

Humphrey Cobbold (CEO)
Good morning, everybody. Welcome to the presentation of our full year results for 2021. As in former years, we will, in addition to updating on our results, provide a bit more colour on the group's overall strategic direction. We'll be running through the presentation that was posted on our website at 7:00 am this morning, dated 20th April 2021. Hopefully, you'll have this in front of you, and we'll guide you to page references as we go through the document.

Turning to slide four, let me start by giving you an overview of the full year results and the key messages we want to get across to you today. Despite the continued impacts of COVID and Omicron, we closed the year with revenues up 14% ahead of the prior year, at £308 million. In Q4 2021, total group revenue recovered to the same levels as we saw in Q4 2019, before the pandemic. Adjusted EBITDA for the quarter was £24 million, which equates to an annualised run rate of around £100 million. We're making progress. We're not where we want to be yet, but we really are on the right track.

Despite the COVID disruption, we have continued to invest in growth, opening 28 new sites across the group during 2021. In terms of our latest trading, we had a strong start to 2022, with over 160,000 net member gain across January and February, meaning we closed February 2022 at 1.7 million members, the same level as in December 2019, pre-COVID. It is particularly heart-warming to see monthly revenue for the group at 8% ahead of 2019, with broad base distribution of recovery in member numbers and revenue across the estate.

And perhaps the key news for this update is that, as we communicated in January, we successfully concluded a substantial fundraise, a £300 million preferred equity investment from KKR, which was signed before the year end. The funding deal puts us in the enviable position of having £332 million of cash on the balance sheet, and nearly £0.5 billion of liquidity. Senior secured net debt is now down to £519 million on a proforma basis, £220 million lower than pre-COVID. This puts us in an excellent financial position to deliver on our strategic plans, and it is a decisive way to mark the end, we hope, of the pandemic chapter of the last couple of years.

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 investors in our business. We plan to more than double the size of the PureGym group, to over 1,000 sites, and we have strategic ambitions that go well beyond this target, as well. This is not just a baseless aspiration, but wholly consistent with the rate of growth of the PureGym group pre-COVID and is in line with the significant opportunity that we see in the markets in which we operate, and beyond.

We're especially excited about the potential for further franchise roll-out, and we believe there is scope for significant expansion, with additional franchise partners across the Middle East, Asia, and more broadly. In our existing core geographies we have plans to grow and strengthen our positions in these attractive markets. So, with that introduction and overview, let me now hand over to Alex, to take you through the next couple of sections. Alex, over to you.

Alex Wood (CFO)
Thank you, Humphrey, and good morning, everyone. Let me start with the financial results for 2021, and go to page six, just to provide some context. As you can see, 2021 continued to be severely impacted by COVID closures and restrictions with nearly four months of lockdown across the group at the beginning of the year, and significant restrictions in place across much of the middle of the year, which we summarise by geography on this page. And whilst restrictions were generally easing in quarter four, Omicron flared up, and impacted the last two weeks of December.

There was no shortage of disruption in 2021 to keep us on our toes, and this disruption clearly had a marked impact on the full year results, which are set out on page seven. The key point here is that because of the COVID disruption, these results give little useful indication of the underlying performance or scale of the business when it is allowed to trade without encumbrance. So for completeness, we delivered £308 million worth of revenue, which, as Humphrey mentioned, was 14% ahead of the prior year, and we delivered £40 million of adjusted EBITDA.

What I think is more relevant is that we ended 2021 with 512 gyms across the group, having opened an additional 28 through the year, including three new franchise gyms in the kingdom of Saudi Arabia. And when we pro forma for the £300 million new funding deal, we ended the year with liquidity of £477 million, and a net debt position of £520 million, which is materially lower than pre-COVID, and puts us in an excellent financial position.

The quarter four results provide a little more insight on the recovery, given quarter four was the cleanest and least disrupted trading period of the year. Let's look at those results for quarter four now, over on page eight. You can see, in the bottom lefthand corner, that revenue was £114 million for the group, as a whole, which was in line with 2019, pre-COVID. And moving across the page, adjusted EBITDA in the quarter was £24 million. So, as Humphrey mentioned, we are running at an annualised equivalent of approximately £100 million adjusted EBITDA, despite the impact of Omicron at the end of the year.

In terms of our formal run rate adjusted EBITDA metric, I wanted to remind everyone again that, as defined, this is a trailing last 12 months measure, and will therefore take 12 months for the COVID losses to annualise out. And I'd like to highlight two further points. Firstly, you will see this measure ticking up every quarter, now that we're allowed to trade. At the year end, this was £59 million, up £20 million from last quarter's results, and 55% ahead of the prior year. Secondly, I would like to draw your attention to the 2019 comparator of £161 million run rate adjusted EBITDA, which is still, I believe, a very useful benchmark for the underlying scale and performance potential of the group, when it is allowed to open and trade without encumbrance in the future. This is certainly the number we are focusing on as the management team, which we would expect to return to and surpass as the business reflates and we continue to roll out new high-quality sites.

And to that point, we opened eight gyms in the final quarter. And I'd also draw your attention to the fact that in 2019, we opened 23 gyms in quarter four. So, that gives you, hopefully, a sense of the scale of new site roll-out that we were delivering when COVID hit. That's akin to

between 80 to 100 new sites a year, on a run rate basis, and remember that we've kept that resource and capability in place.

So, with those as the headlines, let me go into a little more detail now in a couple of areas. Let's start with those new site openings, over on page nine. You can see here that despite the COVID disruption, we have continued openings throughout 2021, across our territories, and are now ramping up new site developments in 2022, with another nine gyms opened in the first quarter, three of those in the United States and another one gym in KSA, bringing the total number of franchise sites there to four. Humphrey will talk more about those important new geographies in a moment.

If we turn to CapEx on page 10, you'll see we invested £45 million in the year, and you can see that £31 million of capital was invested in those new sites, despite the pandemic, including £7 million invested in IT and technology. We continue to keep refurbishments moving forward, as well, with £14 million invested across the estate in the year. As we've explained many times before, a well-invested estate is an essential part of our business model and operation.

And finally, for this section, let's stand back for a moment and look at the 2021 full year results in the context of our historical track record and progression since 2014, and I've set that out on page 11. You can see that the business has delivered compound annual growth rates of around 40% a year over the five-year timeframe from 2014 to 2019, before COVID. And even in 2021, the grey bar, despite the COVID disruption, we've importantly continued to move the business forward, continuing to open new high-quality gyms, which remember, is the lead indicator here, retaining the vast majority of our members, developing new geographical run rates in the Unites States and KSA, and importantly, launching franchise operations, as well as investing in technology and digital development. In context, we believe our overall performance has, therefore, been admirable, given the circumstances. And now, we can expect PureGym to return to significant and sustained growth as it has delivered in the past.

So, having just covered the 2021 results, let me now provide some detail for you on the very latest trading, and I will start with our group membership position over on page 13. We've had a strong start to 2022, and the headline here is that our total group membership at the end of February has now reached 100% of December 2019's level. We've shown you this chart every quarter, and you can see the consistency of that recovery since the end of the last lockdown, with the group membership recovering by over 300,000 members since March 2021, and I think it's very clear from this data that the path to recovery is visible and well underway.

And in terms of revenues, I've set out the latest position over on page 14. These are the flash revenue results for January and February combined for 2022; you can see that total group revenue was 8% ahead of 2019. There are two further points of detail that I would draw out. Firstly, we have benefited from the maturation of new gyms open post-2019 to a degree, as you can see on the left-hand side of the page. And secondly, total revenue performance has been underpinned by good member body performance at 100% of 2019, coupled with strong growth in average revenue per member of the 108% versus pre-pandemic. Overall, therefore,

I think we can all agree that this is a more than satisfactory result given the challenges that we've been facing.

And let me now remind you about what is driving that strong average revenue per member, over on page 15, and I'd like to reiterate that this increase of 8% is absolutely justifiable. There are a number of influences on ARPM, which we've set out on this page. I'll call out the two main growth drivers, which are, firstly, significant premium product mix progression. Members like the flexible options that we offer and are prepared to pay for them, things like multi-gym access. And we continue to capture a premium from customers who are willing to pay a little more for a little more; this is an important component of our commercial model. And this isn't just in the UK; in Switzerland and Denmark, we are implementing our standard operating model as well, and we're making it much easier for members to trade up and select bolt-ons.

In addition, we also continue to achieve price progression across the group, this isn't just through raising prices across the board; it's much more sophisticated than that. Our variable pricing capability allows us to carefully optimise price where it is appropriate to do so, and in the UK, we're making careful price increases to match the local dynamics - balancing demand and capacity. This is a powerful tool that we've spoken about before on multiple occasions, and we've now rolled this variable pricing capability out to Denmark and Switzerland.

There are also a couple of factors reducing price progression, but these are on the margins. We have a lower volume of city centre gyms which tend to be higher priced; we don't have many gyms in that bracket, so this effect is minimal, but this mix effect does dilute ARPM a little. And finally, we have been promoting, in a controlled way, to ensure we capture our market share of returning members, and that helps ARPM a little as well. But overall, this 8% growth provides a very healthy underpin in revenue and validates that ARPM continues to progress as it has done in the past, despite COVID.

On a like-for-like, or same-store basis, which is the other lens that we look through over on page 16, you can see on the left-hand side of this page that the group is already back to 88% of 2019's like-for-like revenue in the months of January and February combined. And over on the right-hand side of the page, I've set out how those like-for-likes breakdown by geography. The UK is already back to 93% of 2019's level, and as a reminder, the UK was at 88% last time we spoke, with Denmark around 81% Switzerland around 82%. So, the path to recovery of the like-for-like estate is also clear. We just need to be a little patient.

And to summarise, overall, a really strong member retention and bounce back in volume, whether that's on a total or a like-for-like basis. And the recovery is also really well distributed across the estate. I've set out on page 17 the latest position for all of the mature sites in the UK and compared their January 2022 revenue to 2019 January revenue. You can see that there's a very healthy and flat distribution, with no undue reliance on any particular gyms dragging up the averages. This analysis shows clearly on the right-hand side that there are many more sites already performing better than pre-COVID than those few London city centre gyms that are being held back on the left-hand side in grey. And you'll note that it's a very small number of those London city worker gyms that are being held back at the moment. And as we mentioned last time, for every London Wall, there's a Fulham, and for every Aldgate,

there's a London Hays, the key thing for you to remember is that demand has been displaced here, it hasn't gone away. And we are seeing, slowly but surely, an improvement in London worker gyms as workers return to the office. It's a very similar picture for Denmark and Switzerland as well.

The other corroborative data that is extremely useful, as I've shown you before, relates to our new site performance. I've updated this to the latest position over on page 18. Strong new site performance provides further evidence that healthy, underlying member demand for gyms and fitness facilities post-COVID-19. You can see that each grey line here represents a new site that is opened post-COVID, with the teal line being the average member ramp up all these new gyms, and the dashed line being the pre-COVID average.

And so, this chart shows two things. Firstly, new sites post-COVID are performing well, very well in fact, with members ramping ahead of pre-COVID levels. And secondly, that the ramps are following a broadly similar trajectory to before, showing the sustained consistent quality of our site selection. I think it's clear from this data that there remains really strong latent demand for our product and brand in the marketplace, even in new locales where we haven't been present before.

And finally, just to close out the section; I thought you would appreciate a commentary on costs over on page 19. In summary, we have very limited exposure to current cost pressures. Remember, distinct from any other businesses, we don't have complicated manufacturing facilities or involved supply chains or anything of that sort of nature. Instead, our operating model is very simple, and most of our cost lines are protected. Rents, which are the largest proportion of our cost base, are formulaic and subject typically to cap and collar protections that are set out in contract.

In terms of utilities, we forward purchased until the middle of 2023, so we are protected in the near term, which should give the markets, the utility markets, a chance to settle down. And whilst there are inflationary increases in staff costs, we operate the low labour cost model, which minimises the impact and exposure to us here. So, overall, we expect the inflationary increase in costs to be between 4 to 6%, which should be covered by the yield progression that we see, as I discussed earlier.

On new site development costs, which I've summarised on the right-hand side of the page, we are seeing some cost inflation to the tune of 3 to 6%, and we are doing our best to manage that given our scale advantage. But again, helped by yield progression, we're confident that our industry-leading unit returns will continue to be preserved.

I should mention that we are seeing, along with many other businesses at the moment, some degree of interference with supply coming out of Asian countries where there have been very severe lockdowns imposed. This does not affect margins for us, so there's no cause for concern, but it does mean that we are experiencing some delays in the availability of certain elements of our new site-building fit-outs, which may slow the rollout in '22 to a degree. As I say, no cause for concern here, we're working well with our suppliers to find solutions and workarounds as you would expect.

Okay, so having covered the latest trading updates, now let me turn to the fundraising news, which starts on page 21. And the headline here is that we've raised £300 million which puts us in an excellent financial position to pursue our great strategy. The investment has been made by KKR in cash in exchange for convertible preferred equity shares. Clearly, this sort of investment doesn't come for free, so in exchange, KKR's instrument converts to 22% of the equity value of the business if there's an exit event, or 11% annual interest compounded, whichever is the higher. KKR's preferred equity ranks behind all senior secured debt, as you would expect, but ahead of the ordinary equity.

Many of you will be aware that we also considered going public in 2021 but in the end chose to stay private. And this route actually delivers twice the cash raise that we would've achieved through an IPO, so we believe that this was a good outcome for the business. And even when you include the aborted fees in relation to the IPO, total costs in relation to all of the fundraising activity in 2021 were, in aggregate, around 4% of the funding raised. So clearly, some of the money spent on preparing for the IPO was reused very efficiently to help us raise the capital from KKR. And you can see on the right-hand side of this page that this puts us in a very strong financial position with £332 million of cash on the balance sheet at the year-end proforma for the transaction.

And for those who may not be familiar with KKR, I provided some detail on page 22. They are one of the world's leading investment firms, and we are extremely proud to welcome them as a partner investor. It goes without saying that I would like to formally thank KKR for their interest in us as a team and PureGym as a business and thank them for their backing. KKR have a long and distinguished track record, they have a strong mindset in partnering with businesses and they have incredibly deep pockets. So, when coupled with Leonard Green and Partners, we are delighted to have two of the world's most credible and capable financial partners sitting around our board table and providing us with support and challenge.

Over on page 23, you can see that this is the latest in a string of funding deals that we've completed over the pandemic period, and looking back, we think we've navigated the challenges pretty well. In fact, we raised over $1 billion over the pandemic period in one form or another. And naturally, a huge thank you goes to you as our bond investors for the faith that you have shown in us and the support you've provided us throughout.

Where does the funding deal leave us then in terms of net debt? Well, over on page 24, I show the significant beneficial impact. The funding deal fundamentally resets the balance sheet and lays the foundation for our post-COVID return to growth. You can see on the right-hand side the constituent parts of our capital structure. Very simple, two tranches of bond debt as a reminder, Euros and Sterling, broadly split 50:50 and the £332 million of cash on the balance sheet. We have £477 million of liquidity and significantly reduced net debt in absolute terms, which stands at £520 million, a position that is £220 million lower than pre-COVID.

And so, to end this section, I thought it would be fitting now to remind bondholders of our modus operandi under normal trading circumstances. I've set out on page 25 our track record of deleveraging from 2017 through to before COVID hit, and you can see not only is the leverage so far decreasing, it's showing that this business can very effectively de-lever as it grows rapidly, but also secondly, that we've raised small tranches of bonds along the way to

fund new sites or acquisition activity. This is the mode of operation to which we expect to return once we deploy our current cash capital.

So, overall, from a financial setup and structure perspective, a busy two years, for sure, but all is well that ends well, and I hope you will agree that we are now excellently set up for the future. And with that, I shall now pass you back over to Humphrey to provide any closing comments on the fundraising and talk you through our latest views on strategy and outlook. Over to you, Humphrey.

Humphrey Cobbold (CEO)
Thank you, Alex, and thank you for that excellent summary. Yes, just briefly on the fundraising and the relationship with KKR. I first worked with members of the European KKR senior team about 20 years ago. And so, I've maintained contact over the years. They looked at us a couple of times in the last few years, most notably back in the 2017 process when Leonard Green acquired the company. And that's important because those relationships mean they come to the table with a well-formed view on the business, a good understanding of myself and increasingly Alex now, they're getting to know him, and that leads to a very productive and constructive situation around the board room table. KKR and Leonard Green are very different investment firms in some ways but have some very similar philosophies and approach to partnering and working with management teams and businesses.

So, not only is the money important, and it is important for the reasons Alex has outlined, but we've chosen carefully in terms of the relationship partner that we've got on board as well because that's very important for us to be able to progress our strategy into the future. So, just to echo Alex's points, a big welcome to KKR, they're good news for us. I believe they're very good news for you as bond investors as well. Let me turn us then to page 27 and just encapsulate a reminder of the progress we've made over the last few years. PureGym was founded, as you remember, in 2009 with just three gyms in the UK. I joined the business in 2015; we had just 80 sites, all in the UK, and Alex joined me in 2018.

Today we have 520 gyms across the UK, Denmark, Switzerland, Saudi Arabia, and the USA. This has not happened by chance, but it is the result of our relentless program of management activity which has ensured that we're the market leader in each of our core geographies in which we operate. And we believe that there's a huge opportunity for the business post-COVID, and we're well-placed to take advantage of that.

Now, moving on to page 28, some of you will have seen this slide before, but I am sharing again as I think it provides really important context for our bond investors and for our stakeholders in general.

We see a clear group of large-scale value gym operators emerging in the market. All of these mega players benefit from the obvious and very significant advantages highlighted on the right-hand side of this page 28. This does represent a big structural change in the industry and a very positive one for those of us equipped to play in this Champion's League sort of landscape. And we firmly believe that we've earned our position in that landscape and that we're in a great position to exploit that in the future as part of this elite group.

And then turning, for context, to page 29 as well, we continue to believe that the value gym model is extremely attractive and relevant for consumers. And I do just want to explain, once again, one of the reasons why we believe this to be the case. One of the simplest ways to understand our proposition is to recognise that we've been an early player in the increasingly popular sharing economy. Our proposition appeals to members because it is just incredibly good value. One of our members typically benefits from £10,000 to £25,000 worth of equipment per visit, for just £1 or £2 per hour of a visit. You and I know that there simply aren't many good things you can buy out there these days for a couple of quid, and most consumers can't dream of buying £20,000 worth of equipment. So, it's just great value. And I do believe that this is analogous to consumers avoiding the fixed costs of owning a car by using Zipcar or renting an expensive telephoto lens for a week rather than buying one. It just makes good sense. Not only is that incredible value for consumers, it's also a really efficient use of resources from an ESG point of view, because each piece of equipment we install can be used so much during the week or month. It's much more efficient for the planet than everyone having a set of dumbbells at home, which you use for one or two hours a week.

So, turning to page 30, one other important point about our model, which Alex has already alluded to in part, is around revenue and pricing management. We focus a lot of effort on this because it is so important for an operationally geared business like ours. I don't want to run through all the detail on this page, which I hope you're at least somewhat familiar with. However, I do want to underscore one key point as follows. A combination of well-developed processes in this area, combined with our overall scale in markets, means that we have a fair degree of pricing power. Now in the current world situation with rising cost pressures, even if we have those under control in the near term, as Alex explained, a degree of pricing power is a very valuable asset to have. And we also note that our competitors, such as the Gym Group, referred to active price management in their recent results announcement. And this suggests that we're not alone in watching price and revenue management carefully. Excellence in revenue and price management is an absolutely key strength as we navigate the future.

So with that as context, let me now share a summary of our strategic process and plans over on page 31. As you can see, it's a simple plan, but then again, all the best plans are. Let me give you the headlines now, and I'll elaborate on them a little bit more in each area. Firstly, we're extremely excited about accelerated growth through franchising in the Middle East, Asia and the USA. Secondly, investment to grow our existing footprints in the UK and Swiss estates. And thirdly, investing to improve the Danish estate and make the most out of our excellent market position there. And finally, investing in the all important area of digital innovation and technology, and all the while deploying the capital with a strong investment discipline and control.

So, let's go into a bit more detail in each of those areas. Let's start by looking at the global landscape for international franchise development over on Page 32. And let me start with the macro view. If you look on this map to the east of Europe, there are over 1.5 billion economically active people who don't have any consistent access to good quality, value based, flexible fitness, the type that we provide. That's an opportunity of around three times the population of Western Europe. And thus far, there are no consistent, credible providers of the value fitness model in those regions. We think that's a really interesting opportunity.

But let's zero in a bit. We opened our first gyms in Saudi Arabia in the Middle East last year. And I'll come to our further development potential there in a moment. Over to the Far East, we see Japan is potentially very attractive and have ongoing discussions with potential partners that have been hampered only by COVID restrictions over the last year or so.

Moving on to the Asian region, which includes Thailand, Vietnam, the Philippines and Indonesia, this region has a population of 700 million, but no strong value chain offering. That smacks of a significant opportunity. And of course, there are the challenging big beasts of China and India, which represent huge untapped potential markets. And finally, we've opened three of our own gyms as an operator in North America earlier this year, with these sites being flagship show sites, if you like. Once we prove the model works in the USA, and we believe there's no reason why it shouldn't, there's a tremendous opportunity for our franchise rollout in one of the largest markets in the world. And this is a time when 20% of sites in the fitness market have closed as a result of COVID.

But from this overall view, let me just explain how real this really is now and turn to Page 33 to highlight what is happening. We used the pandemic period to build our international franchising infrastructure, capabilities, and processes. We have a full set of materials in the form of 12 detailed manuals covering every aspect of operating a PureGym. We're able to support our partners with virtual and on the ground training, and we are set up also to work with them on sites getting the asset quality right both remotely and by having people on the ground when we're able to travel to different parts of the world. All the way through last summer, we were building these capabilities in real time by hosting members of our key Middle Eastern partner Al Hokair from the KSA in the UK, covering all aspects of the business, from operations to property development, technology, finance and marketing.

We are overinvesting in the relationship necessary to build the platform for success with the current and future franchise partners. And to bring this to life, one stage further and turning to Page 34 here, you can see the four sites that we've now opened in Saudi Arabia. Three are for women only and one is for men only. And they've gone off like rockets. We're really pleased with their performance so far. We believe there's a tremendous opportunity for many more gyms in the Kingdom of Saudi Arabia, but also throughout the Middle East and Asia, and we plan to put in the effort to accelerate that rollout over the coming years. The franchise opportunity really is extremely exciting, and you'll hear more about that.

Turning now to the USA on Page 35. As I mentioned just now, and Alex alluded to, we've also launched in the USA three new sites on the East Coast near Washington, D.C. These sites look absolutely fantastic and have also been delivered during all the challenges of the pandemic. Lots of work remotely over iPhones and iPads to review site development. We discovered all sorts of new ways of working over the last 12 to 18 months. These sites are off to a really healthy start, so we're excited about the potential for rollout of further gyms in the USA after completing this sort of R&D like expenditure. And of course, if we're successful in the USA, the runway there for growth will prove to be very significant indeed.

Now turning to Page 36, let me just explain why franchising works so well for us. The key here is that our operating model has the capacity to allow the franchisee to make really good profits even after we have taken out royalty and other fees of around £110,000 a year on

average. Now, the key for a successful franchise model is that there needs to be enough site level profit, enough meat on the bones if you like, to go around to be good for both the franchisor and the franchisee. We absolutely have that. Now we want to get a small number of sophisticated institutional investors who can raise sufficient capital to partner with us in the coming years, just as Al Hokair is doing in the Middle East and to roll out 200 plus sites each. And if the franchisee is making a comparable amount to the other established operators that we show on this page 36, all of whom are great operators, then we think that makes it a very viable model for the franchisee.

And franchise sites are extremely value accretive to the PureGym group. On page 37 we illustrate how this is the case. On the left hand side, you can see the approximate profile of payments to PureGym for a typical franchise site. These payments are pretty standard, comprising a royalty fee and various set up and service fees, such as IT and equipment supply and marketing support. The headline is on the right hand side that for every franchise site opened, the PureGym Group receives over £1 million of free cash flow over the initial 10 year period from opening. And the key here is that there is no initial capital outlay for the group in the site. And remember that a good site can go on for 20 or even 30 years with ongoing franchise fee payments. Therefore, each good site is highly value accretive and requires no incremental capital from PureGym group as the franchisor.

Now, if you feel that this looks and sounds like an international version of the Planet Fitness model in the USA, we make no apologies for that. We're great fans of what they have achieved as a business, and we're happy to steal from the best with pride as we think about how we create a strong international franchising business.

Turning much closer to home and the UK, on to slide 38, the plan for the UK on one level is very simple. There are lots of white space opportunities left in the UK. Now we've innovated and we've got format flexibility. The UK, as we've said before, we believe is one of the most attractive markets in Europe. We're confident that there's an opportunity to grow the current estate of 300 to over 700 sites by taking the best locations available on the market we aim to deliver a locked out market leadership position in the UK.

Turning to Page 39, in Switzerland, we have a market that has not been fully penetrated by a high value, low price operator, so we plan to do that. We believe there's an opportunity to invest in a further 100 to 200 new sites in Switzerland, and there's already sterling work going on to create a pipeline of new site opportunities as we spread out across the country. And there's also the opportunity to step change profitability in Switzerland by implementing our no contract monthly model and our variable pricing and revenue management capability.

On page 40, we highlight that the investment in Switzerland has already started. We've rebranded the entire estate to PureGym, which has been highly successful on a number of levels, both from a colleague and from a member perspective.

And then onto Page 41 in Denmark. The plan here is not so much to add more sites, but the plan is to drive value by investing in refurbishments to improve the existing estate, product quality, and layout. This will be done in concert with consolidating some lower quality, smaller sites to improve overall estate profitability. This will create a much better invested and

configured local estate. We're deploying the group's approach to revenue management to variable pricing capability to optimize revenue in Denmark. And finally, we'll use our group scale to drive down costs. And a good example of that is that we've already brought the costs of equipment down quite significantly through our group purchasing power.

And then technology, turning onto Page 42. The application of technology to every aspect of our business is critical to our success, and we've always invested significantly in technology as you can see from this slide. Over £35 million and over 200 person years' worth of investment over the last few years. And we did not stop investing through the pandemic. We kept that investment up with the support of our investors. Developing, for example, the app, adding workout plans, slot bookings, contactless entry, and the considerable development to make sure we had websites and functionality to launch in the Kingdom of Saudi Arabia and the USA as the pandemic came to an end.

And turning to Page 43, we plan to continue and increase our investment in technology going forward, both in core technology and in digital fitness. Firstly, in the platform and infrastructure arena to maintain rock solid foundations for growth and risk management. Secondly, in the suite of applications that drive our superior business performance, what we call our smart suite. Thirdly, turning data into information increasingly with the use of artificial intelligence to automate activities which will help make us an increasingly better business, making better business decisions. And then finally, connected fitness, developing digital offerings and creating omni-channel fitness journeys and experiences. We have the scale and the capability and now the funding to ensure that we stay at the cutting edge of innovation and continue to lead the field in our sector.

So, all in all, a very exciting next few years is ahead of us. We've raised the funds for a reason and that is to deploy them wisely to grow the business. So let me just summarise that once more on Page 44. We've got the ambition to grow the group two to three fold as we look towards the end of the decade, building towards 1,000-2,000 plus sites and 3-4 million members. Starting on the left hand side of this page, we aim to grow in the Middle East, Asia, and North America. These markets, as I've explained, offer significant, indeed, some would say, almost unlimited opportunities for growth by deploying our franchising model.

And on the right hand side of the page, in balance with this, we have clear plans to develop scale and performance in our existing markets with plenty of opportunities for growth. And I hope you'll agree this is a pretty exciting set of prospects for us.

And so, to conclude and wrap everything up on Page 46. We are delighted to have concluded a £300 million new equity investment to fund our ambitious expansion plans. This puts us into an excellent financial position with £332 million of cash and £477 million of total liquidity. The path of recovery is clear, and we're advancing well, but a degree of patience will be required by all of us. We have a clear strategy to capitalise on the global opportunity for franchising, which I've outlined today. We're progressing well with our initial openings in Saudi Arabia, and the opportunity is virtually unlimited in scale when you look across the world as a whole. We are accelerating the momentum of new site rollouts and refurbishment of existing sites in current geographies. We have made significant investment in tech and digital to drive performance and capture new fitness market opportunities. And we see this as a key area for

continued investment going forward. And we will continue to ensure that we have the human capital and the organisational capability to match the physical capital in the future.

So, hopefully this update has been informative for you and given you all a feel for the future. I'd like to take this opportunity to thank you once again for your continued support of the business, and I hope that you appreciate our ongoing transparency.

Our next results announcement will be towards the end of May when we'll be updating on our Q1 results and we very much look forward to speaking to you again then.

And with that, I'd like to close the formal proceedings and I think we'd be happy to take a few questions.