

Investor Presentation

Results for the quarter ended 31 March 2022

24 May 2022

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.

Q1 2022 Group results highlights

Revenue & membership

1,677k
Closing members
up +21% vs Mar 2021

£116m
Q1 revenue
up +£115m vs Q1 2021

£23.38
ARPM per month
vs £0.13 in Q1 2021

Adjusted EBITDA

£25m
Adj EBITDA
up +£50m vs Q1 2021

21.6%
Adj EBITDA Margin
vs a loss in Q1 2021

£106m
Run Rate Adj EBITDA
up +£47m vs Dec 2021

Group estate

518
Gyms in the estate[3]
vs 491 gyms at Mar 2021

9
New gyms in Q1 2022[3]
vs nil in Q1 2021

Includes 3
New gyms in USA
vs nil in Q1 2021

Liquidity & Cash Flow

£450m
Liquidity[1,4]
vs £231m at Mar 2021

£12m
Operating Cash Flow
Up +£41m vs Q1 2021

SS Net Debt & Capex

£543m
Net debt[4]
vs £778m at Mar 2021

3.4x
Proforma net leverage[2]
down from 4.8x at Mar 2021[5]

£14m
Capex
vs £8m in Q1 2021

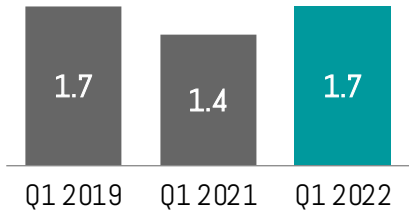
Notes:
(1) Liquidity defined as cash plus available RCF facilities. (2) Includes £30 million cash held by parent, Pinnacle Topco Limited and based on £161m RR Adj EBITDA for 2019. (3) Gyms in estate includes 4 franchise gyms in KSA, 1 opened in Q1 2022. (4) Includes £30 million cash held by parent, Pinnacle Topco Limited. (5) Stated using Senior Secured Net Debt as at 31 March 2021 of £778m and RR Adj EBITDA for 2019 of £161m (proforma for the acquisition of Fitness World).

Q1 2022 Group results vs 2019 & 2021

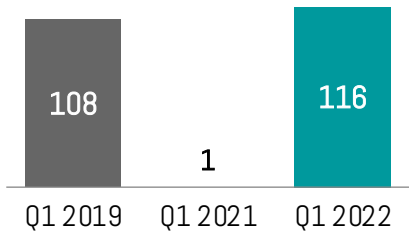
All figures stated to the nearest £ million, except for members (million) and gyms (number)

Revenue & membership

Closing members

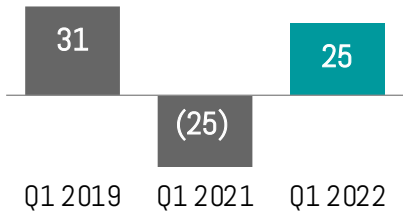


Revenue

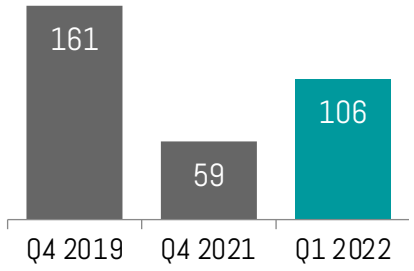


Adjusted EBITDA

Adj EBITDA[1]

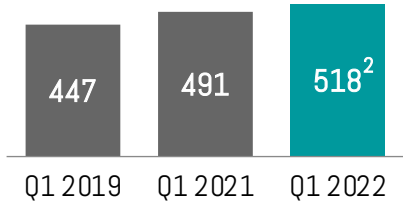


Run Rate Adj EBITDA

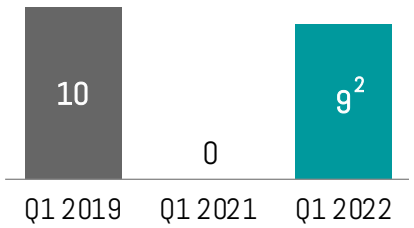


Group estate

Gyms in estate

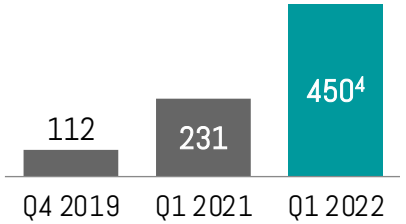


Q1 new sites

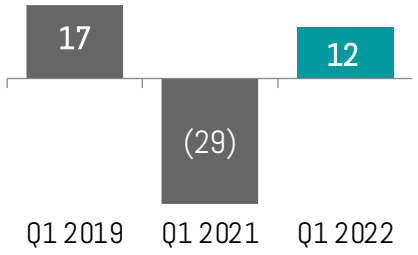


Liquidity & Cash Flow

Available liquidity[3]

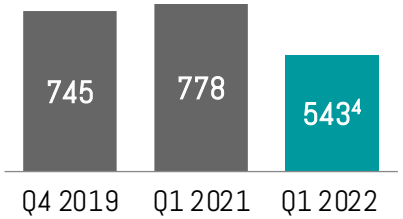


Q1 Cash Flow[5]

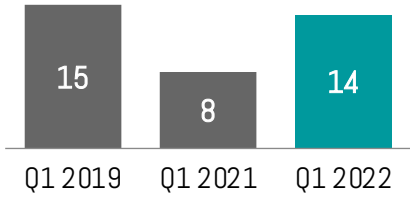


SS Net Debt & Capex

SS Net Debt



Capex



Notes:
2019 includes the results of Fitness World on a proforma basis, except for available liquidity and Q1 cash flow which are based on PureGym UK only. All figures exclude Poland. (1) In 2021 and 2022, excludes the benefit and cost of any COVID-19 rent deferments. (2) Gyms in estate includes 4 franchise gyms in KSA, 1 opened in Q1 2022. (3) Liquidity defined as cash plus available RCF facilities. (4) Includes £30 million cash held by parent, Pinnacle Topco Limited (5) Operating cash flow, stated after maintenance & refurbishment capex but before interest on borrowings or growth capex.

Capital expenditure

Momentum building in capital deployment

- £11.3m spent on expansionary capex in Q1 2022
  - 8 new corporate owned sites
  - 514 total gym estate (as at 31 Mar 2022) excluding franchised sites
- £2.6m spend on maintenance & refurbishment works across estate
- 1 new franchise site opened requiring no capital outlay from the group

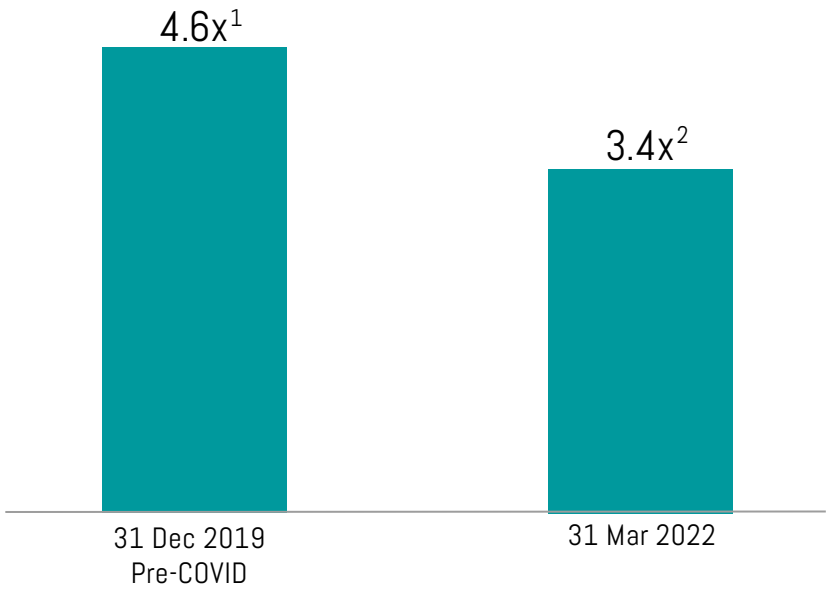
£m	Q1 2022	Q1 2021
Expansionary capital expenditure	11.3	5.8
Maintenance and refurb capital expenditure	2.6	1.7
Total capital expenditure	**13.9**	**7.5**



Senior Secured Net Debt is significantly lower than pre-Covid at £543m, with available liquidity of £450m

Proforma leverage is lower than pre-Covid

Liquidity [4]	£160m	£450m[3]
SS Net Debt	£745m	£543m[3]



Proforma Net Debt

As at 31 March 2022	£m
Cash	304[3,5]
Senior Secured Sterling Notes 6.375%	(430)
Senior Secured EUR Notes 5.5%	(417)
Senior Secured Net Debt	**(543)**
Non-property leases/other	(25)
Total Net Debt	(568)
FY19 Proforma RR Adj EBITDA	161
Illustrative leverage [2]	*3.4x*

Notes
(1) Proforma for the acquisition of Fitness World. Based on Dec-19A Run-Rate Adj. EBITDA of £161m, based on Dec-19PF Senior Secured Net Debt of £745m (consisting of the Sterling Notes (£430m), the Euro Bridge Facility (£380m, converted using LTM average FX rate of EUR 1.1711 to £1) less cash (£65m as converted at average rates of exchange for the LTM period) & including certain adjustments) & Dec-19A Proforma Run-Rate Adj. EBITDA of £161m. (2) Based on FY19 RR Adj EBITDA of £161m proforma for Fitness World & Mar-22A Senior Secured Net Debt of £543m (consisting of the Sterling Notes (£430m), the Euro Notes (£417m, converted using LTM average FX rate of EUR 1.175 to £1) less cash (£304m as converted at average rates of exchange for the LTM period and including £30m cash held by parent company, Pinnacle Topco Limited)). (3) Includes £30m held by parent company, Pinnacle Topco Limited. (4) Liquidity defined as cash plus available RCF facilities. (5) Non-sterling cash balances converted at average rates of exchange for the LTM period. Differs from cash and liquidity figures reported elsewhere which are converted using closing exchange rates

Outlook for 2022

A focus on cost management & cost control

- While not immune to headwinds we are well placed to navigate the cost inflation storm
- Property costs are contractual & largely bound by caps & collars
- PureGym has a low labour cost & low utility usage model
- Utilities are on forward contracts & are fixed through 2022 & part 2023
- Procurement team established during the pandemic are driving savings
- Management actions will focus on cost control & mitigation projects

Yield management is a powerful tool in an inflationary environment

- PureGym has the technical ability to vary pricing on a per product & per gym basis
- Facilitates increasing yield on a gym by gym basis where it is appropriate to do so
- Premium product penetration continues to grow across the group driving ARPM
- Continue to expect price progression

Building momentum in capital deployment & site roll out

- Extended lead times on certain fit out items but in general this is being well managed



Conclusions

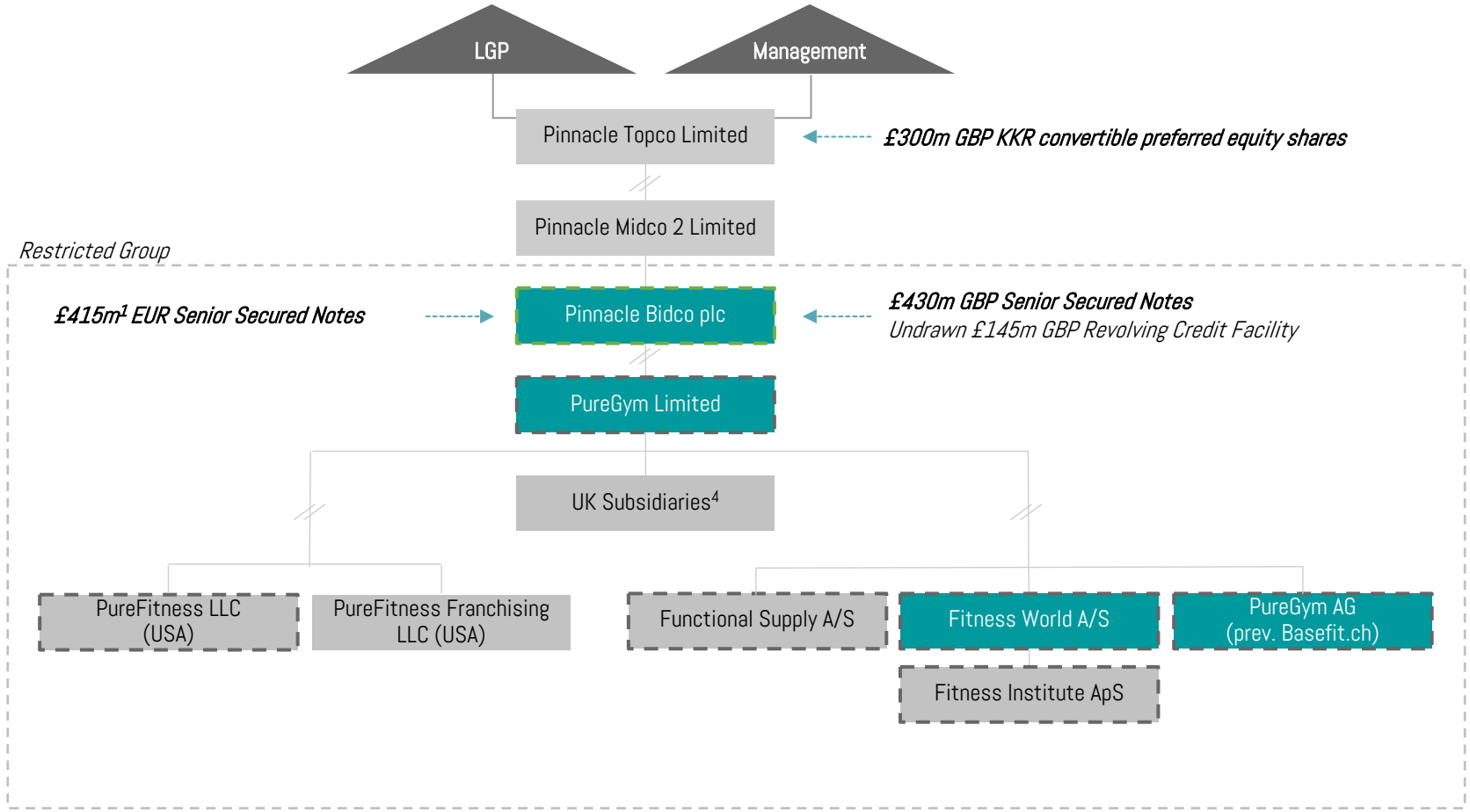
1. £300m cash received in the quarter from new equity investment by KKR to fund expansion
2. In an excellent financial position – with £305m of cash & £450m of total liquidity
3. A strong trading performance to start the year with Q1 revenue +7% ahead of 2019
4. 1.7m members at Mar 2022, up +21% vs Mar 2021
5. Run Rate Adj EBITDA continues its upward trajectory, reaching £106m by the end of Q1 2022
6. Strong focus on mitigating cost pressures through management action & yield management
7. The path of recovery is clear & we are advancing well…but a degree of patience will be required



Appendices

Corporate structure

£305m of cash on balance sheet across the Group as at 31 Mar 2022[3]



Notes
(1) EUR denominated €490 million Senior Secured Notes (converted to pounds sterling at the 31 March 2022 closing rate of €1.181 to £1.0000). (2) The Guarantors accounted for 99% of Group Run-Rate Adjusted EBITDA for the year ended 31 December 2021, and substantially all of the Group's total assets as of 31 December 2021. (3) £30m of which is held on the balance sheet of Pinnacle Topco Limited. (4) Includes LA Leisure Limited and Ovalhouse Limited

Limited exposure to current cost pressures in the near term

Whilst we expect to see increases in some costs, PureGym has a low labour cost model & is largely protected from significant inflation

Site P&L costs

Av. opex per gym: c.**£0.6m** pa

Inflationary outlook

Fixed Property Costs
- Rent
- Rates
- Service charge

Property leases
- 17% fixed uplifts (most at 2% pa)
- 15% open market value (some capped)
- 68% index-linked (most cap & collar at 1-3%)

Rates, Service charge
- Assumed 2-3% inflationary increases

Staff - Management

Staff – PT/FC

Staff
- Managers: 4-6% increases in Jan 2022
- PT/FC: c.7% in Apr '22 (NMW) with offsetting increase in rental revenue

Cleaning

Cleaning
- Reducing YoY with improved post Covid cost management offsetting inflation

Marketing

Marketing
- Moderating as a % of revenue through economies of scale

Utilities

Utilities
- c.100% protected in 2022, c.65% for 2023

Other – R&M, Tech, Insurance, Admin etc.

Other
- 2-3% increase

Overall opex costs expected to increase 4-6%. Yield progression will offset this partially in 2022 & fully in 2023

Site Capex costs

Av. capex per gym: c.**£1.2m** pa

Inflationary outlook

Main construction

Main construction
- Construction costs include structural work and fit out
- Larger increases in certain material but overall project increase of c.5%

Mechanic & engineering fit-out

Mechanic & engineering fit-out
- In line with main construction cost increase of c.5%

Gym equipment

Gym equipment
- Freight costs causing temporary increase of c.5%

Acquisition costs

Acquisition costs
- c.2-3% increase

Site capex cost expected to increase 3-6%. With ongoing yield progression we expect to continue to deliver >40% ROCE on new sites

Notes:
(1) Based on UK unit economics as the target operating model for the Group and are broadly reflective of the total Group dynamics.
(2) 80% of Denmark utility cost are hedged in 2022. In Switzerland the utility costs are passed through by landlords, but any impact or exposure is not material in the context of the Group as a whole.

Group cash flow Q1 2022

- Group Adjusted EBITDA up £50m on Q1 2021 to £25m resulting in £12m operating cash inflow
- Increase of working capital outflow to £11m reflects settlement of deferred liabilities, compared to a period of cash preservation in Q1 2021, as well as changes in operating model in Switzerland vs 12 months paid in advance
- Maintenance and refurbishment capex primarily reflects maintenance of the existing estate with some minor refurbishments occurring in the quarter
- Expansionary capex includes expenditure on the completion of 8 new corporate owned sites opened in the quarter and commencement of works on new sites to be opened after the period end
- "Other" cash outflow mainly relates to the repayment of Covid rent due from prior periods
- Equity injection of £270m reflects the investment received from KKR in January 2022. KKR invested £300m into the Group's parent company, Pinnacle Topco Limited, of which £270m has been down-streamed into the Pinnacle Bidco Group

	Quarter ended 31 Mar		12 months ended 31 Dec	
£m	**2022**	2021	**2021**	2020
Group Adjusted EBITDA	**25.0**	(25.4)	**39.8**	11.4
Movement in working capital	(10.6)	(2.0)	(15.3)	9.6
Maintenance & refurb capital expenditure	(2.5)	(1.5)	(13.1)	(9.8)
Group operating cash flow	**11.8**	(28.9)	**11.3**	11.2
Operating cash flow conversion	*47%*	*n/a*	*29%*	*99%*
Expansionary capital expenditure	(9.5)	(8.6)	(34.4)	(36.5)
Exceptional items	(0.2)	10.7	(4.9)	(13.7)
Tax, interest, & debt issue costs	(14.2)	(15.1)	(52.8)	(69.7)
Other	(11.4)	0.5	(16.5)	(16.1)
Net cash flow before acquisition & financing	**(23.5)**	41.4	**(97.3)**	(92.6)
Net investment in Fitness World	-	-	-	(226.4)
Acquisition finance	-	-	-	262.9
Issue of senior secured notes	-	38.9	38.8	-
Equity injection	270.0	-	-	100.7
Finance lease capital repayments	(1.7)	(1.8)	(7.7)	(6.3)
Other financing cash flows	(2.3)	0.1	8.7	0.2
Net cash flow	**242.5**	(4.2)	**(57.5)**	38.5

Segmental performance

£m	Quarter ending 31 March			12 months ending 31 December		
	2022	2021	Change %	**2021**	2020[1]	Change %
United Kingdom	74	-	n/a	194	142	36%
Denmark	33	-	n/a	90	104	(14)%
Switzerland	8	-	n/a	24	24	(2)%
United States of America	-	-	n/a	-	-	n/a
Total Revenue	**116**	1	**n/a**	**308**	**271**	**14%**
United Kingdom	20	(14)	n/a	44	7	492%
Denmark	5	(9)	n/a	(5)	4	n/a
Switzerland	1	(3)	n/a	1	(0)	n/a
United States of America	(1)	-	n/a	-	-	n/a
Total Adjusted EBITDA[2]	**25**	**(25)**	**n/a**	**40**	**11**	**249%**
United Kingdom	27%	n/a		**22%**	**5%**	
Denmark	14%	n/a		(5)%	4%	
Switzerland	14%	n/a		5%	(0)%	
United States of America	-	n/a		n/a	n/a	
Adjusted EBITDA margin	**22%**	**n/a**		**13%**	**4%**	

Notes:
(1) The 2020 results of Poland have been excluded as the business was sold in the year and is treated as a discontinued operation in the Group financial statements.
(2) In 2020 and 2021, the cash rent adjustment excludes the impact of COVID-19 rent deferments. Therefore, Adjusted EBITDA more closely reflects the underlying trading results of the Group for the period

Key performance indicators

£m	For the three months ended 31 Mar 2022	2021	For the twelve months ended 31 Dec 2021	2020	For the twelve months ended 31 Dec 2019PF
Total number of corporate-owned gyms	514	491	509	492	484
Total number of franchise gyms	4	-	3	-	-
Total number of gyms	518	491	512	492	484
Total number of members ('000s)	1,677	1,384	1,535	1,451	1,699
Average number of members ('000s)	1,649	1,411	1,526	1,609	1,682
Average number of members per gym	3,234	2,869	3,032	3,386	3,683
Average revenue per member per month (£)	23.38	0.13	16.8	14.0	21.90
Reported EBITDA (£ million)	46.6	(7.1)	118.2	87.5	206.9
Adjusted EBITDA (£ million)	25.0	(25.4)	39.8	11.4	131.1
Adjusted EBITDA margin	21.6%	n/a	12.9%	4.2%	29.7%
Gym Site Adjusted EBITDA (£ million)	43.2	(18.8)	85.7	49.4	170.7
Gym Site Adjusted EBITDA margin	37.3%	n/a	27.9%	18.3%	38.6%
Run-Rate Adjusted EBITDA (£ million)	106.3	(10.9)	59.1	38.1	160.6
Operating Cash Flow (£ million)	11.8	(28.9)	11.3	11.2	101.2
Operating Cash Flow Conversion	47.3%	n/a	28.5%	98.5%	77.2%
Senior Secured Net Debt (£ million)	542.8[1]	777.8	819.9	733.9	744.6
Ratio of Senior Secured Net Debt to LTM Run-Rate Adjusted EBITDA	5.1x	n/a[2]	13.9x	19.3x	4.6x
Ratio of LTM Run-Rate Adjusted EBITDA to Pro Forma Net Interest Expense	2.0x	n/a[2]	1.1x	0.8x	3.1x

Notes: All figures have been adjusted to exclude Poland as it is a discontinued operation. Fitness World results have been included in the 2020 Group results since the acquisition on 14 January 2020
(1) Includes £30 million cash held by parent company, Pinnacle Topco Limited
(2) As Q1 2021 Run Rate Adjusted EBITDA is negative, the ratios calculated with this KPI do not provide useful benchmarks and are therefore not applicable. If the ratios were to be calculated in line with the definitions, the Ratio of Senior Secured Net Debt to LTM Run Rate Adjusted EBITDA would be (71.3)x and the Ratio of LTM Run Rate Adjusted EBITDA to Pro Forma Net Interest Expense would be (0.2)x.

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

£m	For the three months ended 31 Mar 2022	For the three months ended 31 Mar 2021	For the twelve months ended 31 Dec 2021	For the twelve months ended 31 Dec 2020	For the twelve months ended 31 December 2019PF
Loss for the period	**(21.0)**	**(54.7)**	**(146.3)**	**(193.8)**	**(28.5)**
Income tax	(1.4)	(6.0)	(19.7)	(20.8)	(3.7)
Net finance cost	36.8	23.0	126.2	128.5	101.5
Depreciation and impairment of PPE	27.1	27.1	118.7	111.7	99.1
Amortisation and impairment of intangible assets	5.1	9.3	29.3	55.6	19.7
(Profit) / loss on disposal of property, plant & equipment	-	(0.2)	3.3	2.5	0.1
Profit on lease modifications	-	-	(0.2)	(0.1)	(0.4)
Exceptional administrative expenses	-	(5.6)	6.9	3.8	11.6
Group Reported EBITDA[1]	**46.6**	**(7.1)**	**118.2**	**87.5**	**206.9**
Other adjustments[2]	1.5	1.4	6.9	-	0.8
Share based payment charge[3]	0.1	0.1	0.4	0.4	0.3
Pre-Opening Costs[4]	1.1	0.4	3.3	1.6	3.6
Cash Rent Adjustment[5]	(24.3)	(20.2)	(89.1)	(78.0)	(80.4)
Adjusted EBITDA	**25.0**	**(25.4)**	**39.8**	**11.4**	**131.1**
Head office costs	18.2	6.5	45.9	38.0	39.5
Gym Site Adjusted EBITDA	**43.2**	**(18.8)**	**85.7**	**49.4**	**170.7**
LTM Adjusted EBITDA[6]	90.1	(41.8)	39.8	12.8	131.1
Run-Rate Adjustment[7]	16.1	30.9	19.3	25.3	29.5
Run-Rate Adjusted EBITDA (LTM)	**106.3**	**(10.9)**	**59.1**	**38.1**	**160.6**

(1) Group Reported EBITDA is defined as earnings before net finance cost, taxation, depreciation, amortisation, profit/loss on sale of property, plant & equipment, impairment, profit/loss on lease modifications and exceptional items. (2) Other adjustments includes the net impact of various one-off items not included in "Exceptional items" but which are not reflective of the underlying trade of the Group. (3) The share based payment charge relates to shares in the ultimate parent company, Pinnacle Topco Limited, issued to directors and certain employees. (4) Pre-opening costs represent the total of all gym site operating costs incurred prior to the opening of a new gym and primarily consist of staff costs and marketing. (5) Under IFRS 16, most lease costs are excluded from Group Reported EBITDA. To produce a comparable and more relevant EBITDA figure, the contractual property rent payments due during the accounting period are deducted and any property rent-related expenses included in Group Reported EBITDA are added back. Management believes that adjusting EBITDA to reflect cash rent is a better reflection of actual earnings. (6) 2020 LTM Adjusted EBITDA represents the Combined Group on a proforma basis. (7) The Run-Rate adjustment reflects the impact of 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 therefore seeks to reflect the anticipated mature Adjusted EBITDA potential of those gyms which were trading at the end of the relevant period. Management forecasts EBITDA on a gym specific basis and updates forecasts quarterly based on current and anticipated performance, taking into account seasonality and location-specific factors.

Glossary

Term	Definition
Adjusted EBITDA	The profit or loss for a certain period before income tax expense, net finance cost, depreciation and impairment of property, plant & equipment & right of use assets, amortisation and impairment of intangible fixed assets, profit/loss on disposal of property, plant & equipment, profit/loss on lease modifications, exceptional administrative expenses, & adjustments, after adding back Pre-Opening Costs & share based payment charges, & 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 & the end of every month in that period.
Average Revenue Per Member Per Month	Revenue for that period divided by the number of months in that period & 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 & the end of every month in that period.
Cash Rent Adjustment	The deduction of the cash rent payable during the period which otherwise was not reflected in EBITDA (as reported on an IFRS16 basis). From 2021 onwards, the Cash Rent Adjustment excludes the cash impact of COVID-19 rent deferments. Therefore, Adjusted EBITDA more closely reflects the underlying trading results of the group for the period.
Combined Group	Refers to Pure Gym & Fitness World.
EBITDA	The profit or loss for a certain period before income tax expense, net finance cost, depreciation and impairment of property, plant & equipment & right of use assets, amortisation and impairment of intangible fixed assets, profit/loss on disposal of property, plant & equipment, profit/loss on lease modifications & exceptional administrative expenses.
Expansionary Capital Expenditure	The Initial Capital Investment & the capital costs of expanding gym sites incurred in that period, and the capital costs of investments in technology in that period.
Fitness World or Fitness World Group	Refers to Forward TopCo A/S & its subsidiaries.
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 & amortisation, related to the operation of head office functions in a given period.
Large Box Format (LBF)	Large Box Format (LBF) gyms are gyms that are typically over 12,000 square feet in size.

Glossary

Term	Definition
Maintenance & Refurbishment Capital Expenditures	The total capital expenditure incurred in a period less Expansionary Capital Expenditure incurred in that period.
Mature Gyms	The gyms that have been open as Pure Gyms for 24 months or more or as Fitness World clubs open as for 24 months or more as of the end of the relevant reporting period.
Net Debt	Total indebtedness of the Group including finance lease liabilities as reported under IAS17 (excluding property lease liabilities recognised under IFRS 16) less cash & 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 & trading as of the specified date or the end date of the relevant period.
Operating Cash Flow	Adjusted EBITDA plus Working Capital Cash Flow & less Maintenance & Corporate Capital Expenditure cash flows for that period.
Operating Cash Flow Conversion	The Operating Cash Flow for that period divided by Adjusted EBITDA for that period.
Pre-Opening Costs	The total of all gym site operating costs incurred during the pre-opening periods of gyms in that period. Pre-Opening Costs primarily consist of staff & marketing expenses.
Proforma 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 & including synergies expected to be realised from the combined Group.
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 & 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.

Investor Contact Details

PureGym
Town Centre House
Merrion Centre
Leeds LS2 8LY

Website: corporate.puregym.com
Email: ir@puregym.com