

Investor Presentation

Results for the quarter ended 30 June 2023

24 August 2023

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 & acquisition strategy, plans & objectives of management for future operations are forward-looking statements. Such forward-looking statements involve known & unknown risks, uncertainties & 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 & future business strategies & 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 & 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 & 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 & ratios. We believe that these measures are useful indicators of our ability to incur & service our indebtedness & can assist certain investors, security analysts & 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 & Run-Rate Adjusted EBITDA are not measures of our financial performance or liquidity under IFRS & 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 & financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under IFRS.

Presenting Team



Who
- Humphrey Cobbold - CEO

When
- Joined in 2015 – 8+ years in role

Previous experience
- Over 29 years experience including CEO of Wiggle (leading global sports ecommerce business) & as partner of McKinsey & Co.

Education
- M.B.A. with Distinction from INSEAD, MA degree in Natural Sciences from Cambridge University



Who
- Alex Wood - CFO

When
- Joined in 2018 – 5+ years in role

Previous experience
- Over 20 years experience including CFO & interim CEO of Gala Bingo, M&A Director at Gala Coral Group & a director of corporate finance at KPMG

Education
- ACA Qualification, First Class Master's degree in Chemistry from Nottingham University



Who
- Rebecca Passmore – Group MD – UK & CH

When
- Joined in 2017 – 6+ years in role

Previous experience
- Over 20 years experience in multi-site retail & operations including Aldi, Asda-Walmart, TK Maxx & Wickes UK

Education
- Bachelor of Arts degree in Business Studies from Nottingham University & Advanced Management Programme at Harvard

Introduction & overview

Financial results

- Performance in Q2 was strong & ahead of expectations, with **Q2 Adj EBITDA of £36m** & RR Adj EBITDA of **£128m** (both up +£8m vs Q1)
- Adj EBITDA £13m for the month of June vs £9m in June 2022
- Accelerating momentum driven by ongoing recovery of base membership & revenues, good cost control & robust growth from the predictable maturation of new site openings in 2022 & 2023
- Clear visibility of RR Adj EBITDA converting reliably to Adj EBITDA (the "tailwind" effect) & in turn to cash flow & deleveraging
- Closing cash of £211m[1] & available liquidity of £356m[1] maintains ample strategic flexibility & allows us to continue with the new site opening programme

Market & business update

- Value gyms continue to take share in an attractive & once again expanding fitness market
- Limited, if any, impact of the cost of living crisis seen in PureGym member numbers & trends with clear evidence of "trading down" to value
- Our business model continues to show resilience & consistency with new sites (including 10[2] in Q2) on track to deliver >35% ROCE[3]
- Careful but sustained new site roll out is allowing PureGym to remain well ahead of the competition & consolidate market leadership position in the UK
- Management's clear & sustained focus on cost containment & strategic sourcing decisions (especially energy/utilities) are clearly paying dividends

Outlook

- A clear strategy delivering against a compelling long run opportunity at home & overseas
- Undrawn £145m RCF maturity has been extended by 5 months to January 2025 to preserve full flexibility
- Preparation for refinancing of the bonds is a key focus of management, with strong support from LGP & KKR



Notes:
(1) Includes £31m cash held by parent, Pinnacle Topco Limited. (2) This includes 7 corporate owned gyms and 3 franchise gyms. (3) Based on LTM actual performance of old and new gyms as at 30 June 2023.



Financial results

A strong Quarter, with continued & accelerating growth in revenue & EBITDA

Q2 2023 highlights

An outstanding quarter with accelerating growth in EBITDA underpinned by membership, revenue & ARPM progression

+39%
Adj EBITDA growth vs Q2 2022

+17%
Revenue growth vs Q2 2022

+11%
Member growth vs Q2 2022 (+16% in the UK)

+4%
ARPM growth vs Q2 2022

£128m
RR Adj EBITDA[1]

35%
ROCE[2]

+10
New sites (Incl 3 franchise)

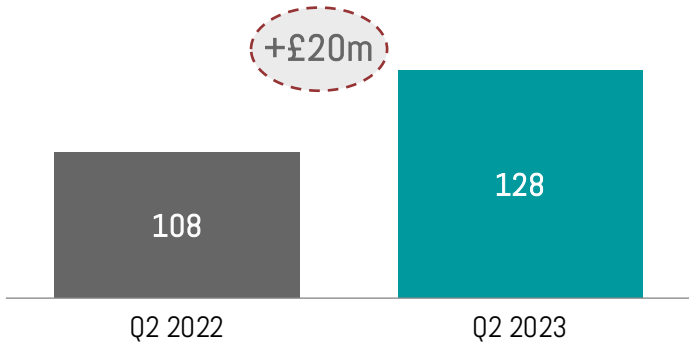
582
Total open sites[3]

Notes: (1) For the 12 months ended 30 June 2023. (2) Represents UK mature gyms, being those opened in 2017 & prior. Newer sites are delivering slightly ahead of this at 36%. Calculated using Adjusted EBITDA. (3) Gyms in estate includes 566 corporate-owned & 16 franchise gyms in the Middle East.

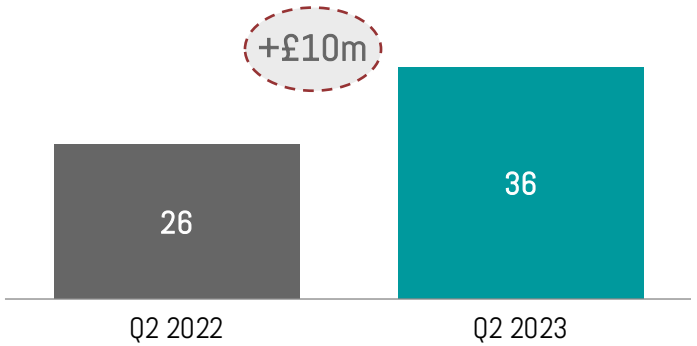
Q2 2023 financial results vs Q2 2022 (1/2)

Q2 2023 performance showed strong progression on all key variables vs Q2 2022 & was ahead of expectations...

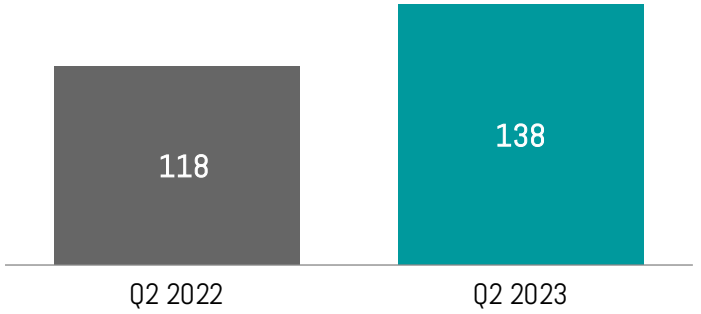
Run-Rate Adj EBITDA (£m)



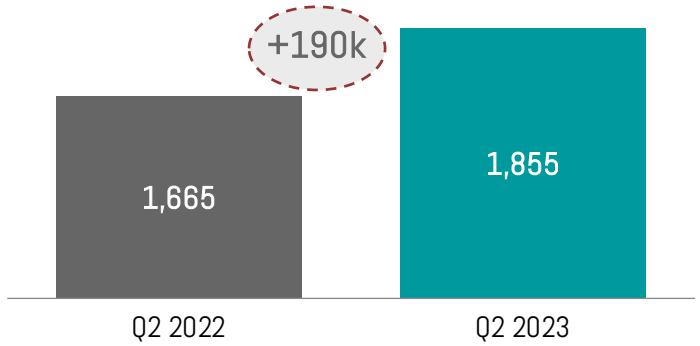
Adj EBITDA (£m)



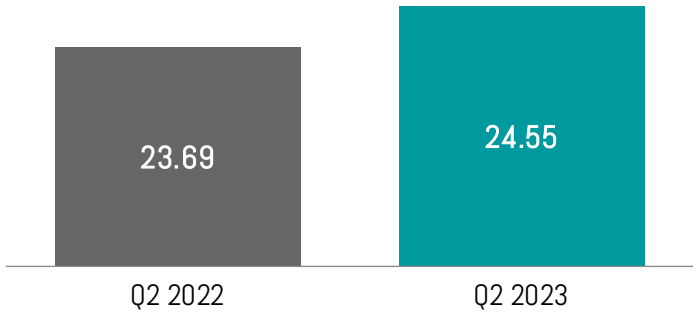
Revenue (£m)



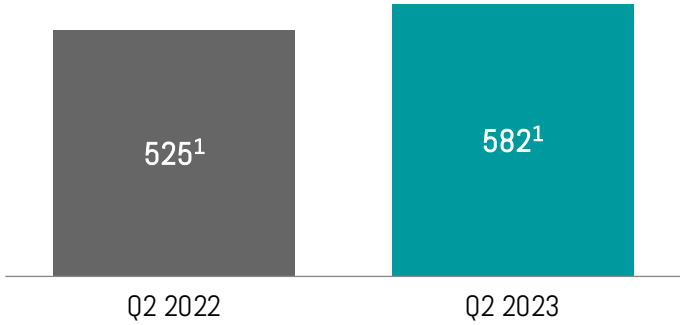
Closing members (k)



ARPM (£)



Gyms in estate

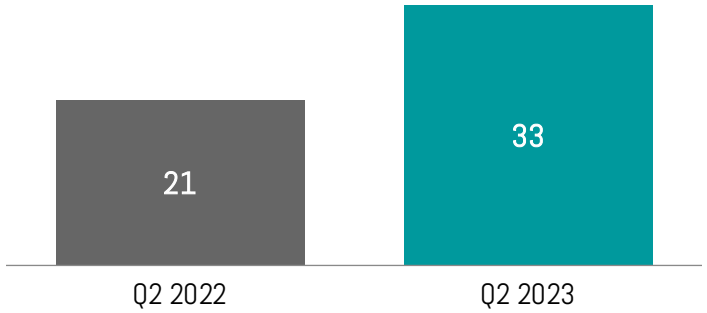


Notes: (1) Q2 2023 Gyms in estate includes 566 corporate-owned & 16 franchise gyms in the Middle East. Q2 2022 Gyms in estate includes 521 corporate-owned & 4 franchise gyms in the Middle East. (2) Q2 2022 as restated, see note 30 of the Pinnacle Bidco plc 2022 Annual Report & Accounts. (3) All financials relate to the Quarter with the exception of RR Adjusted EBITDA which is a last 12 month measure.

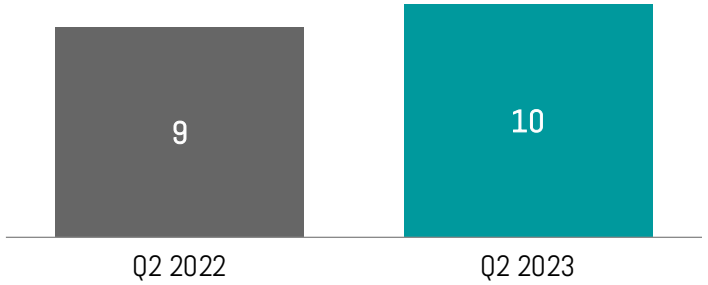
Q2 2023 financial results vs Q2 2022 (2/2)

...which converted to £33m of Operating Cash Flow in the Quarter

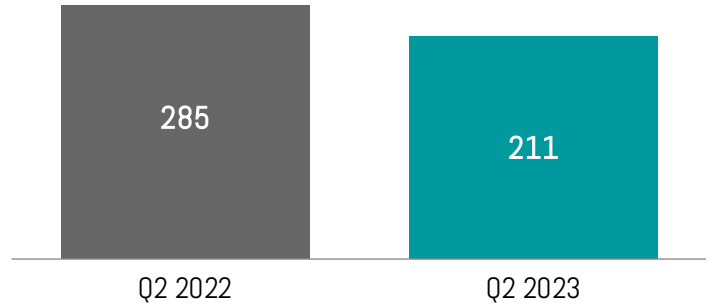
Operating Cash Flow[1] (£m)



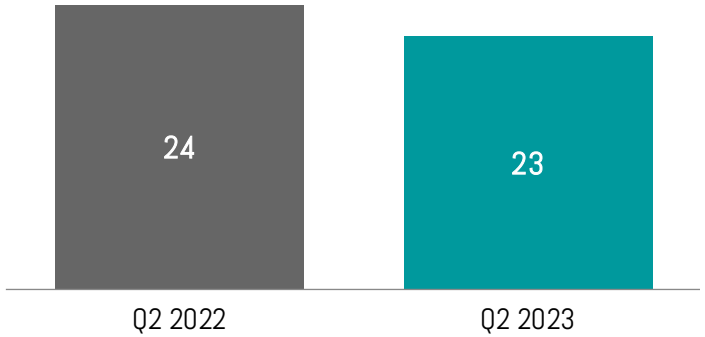
New sites opened[2]



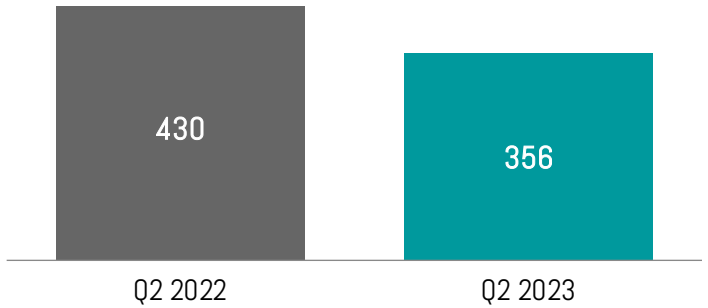
Cash[3] (£m)



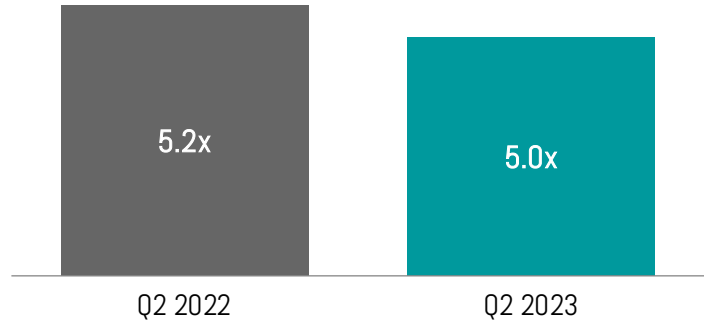
Capex (£m)



Available liquidity[3,4] (£m)



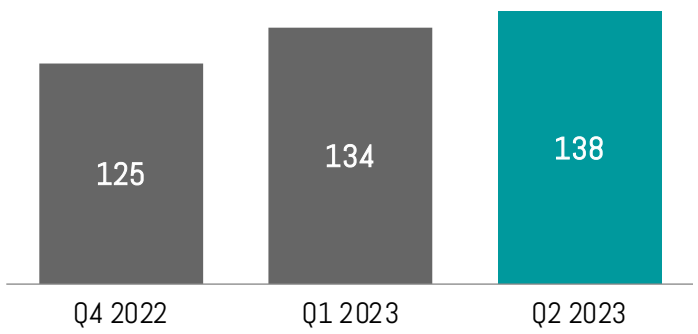
SS Net Leverage[5]



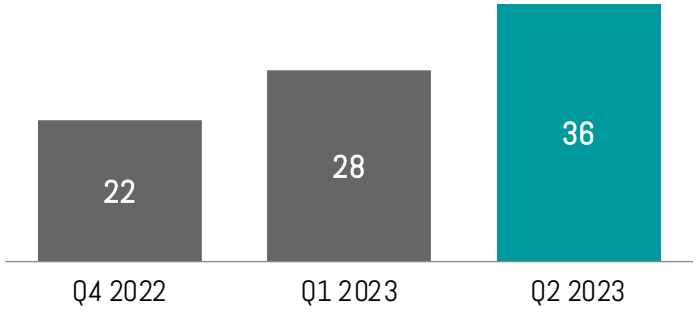
Notes: (1) Operating Cash Flow, stated after maintenance & refurbishment capex but before interest on borrowings or growth capex. (2) Q2 2022 new sites includes 9 corporate-owned sites. Q2 2023 new sites includes 7 corporate-owned & 3 franchise gyms in the Middle East. (3) Q2 2022 includes £30 million & Q2 2023 includes £31 million cash held by parent, Pinnacle Topco Limited. (4) Liquidity defined as cash plus available RCF facilities. (5) SS Net Leverage defined as Senior Secured Net Debt ("SSND") divided by Run-Rate Adjusted EBITDA. SSND defined as total senior indebtedness (excl. finance leases) less cash & cash equivalents. For the purposes of the leverage calculation, SSND uses average rates of exchange for the last 12 month period.

Q2 built further on a strong Q1, showing significant & accelerating performance momentum across the Group

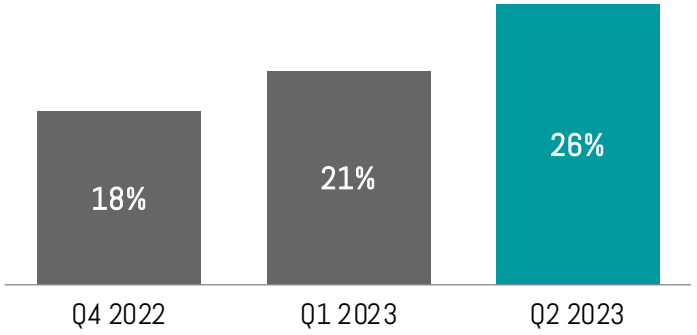
Revenue (£m)



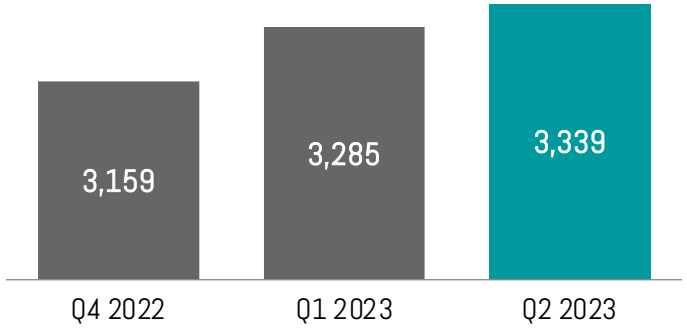
Adj EBITDA (£m)



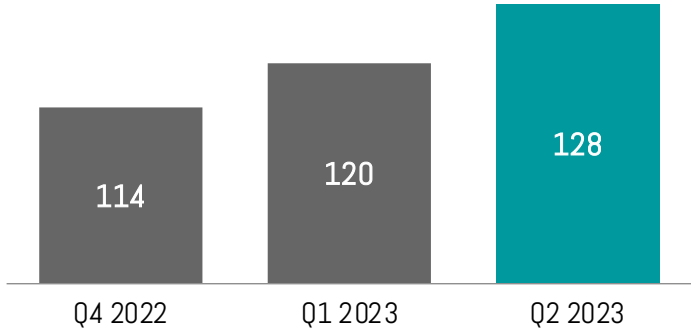
Adj EBITDA margin %



Average members per gym



Run-Rate Adj EBITDA (£m)



Head office costs (£m)

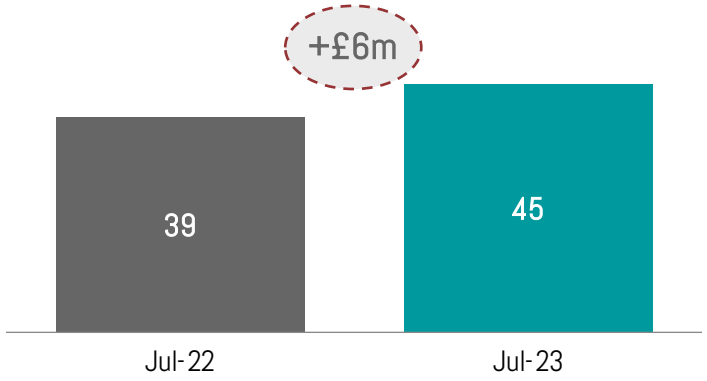


Notes: All financials relate to the Quarter except RR Adj EBITDA, which is a last 12 month measure.

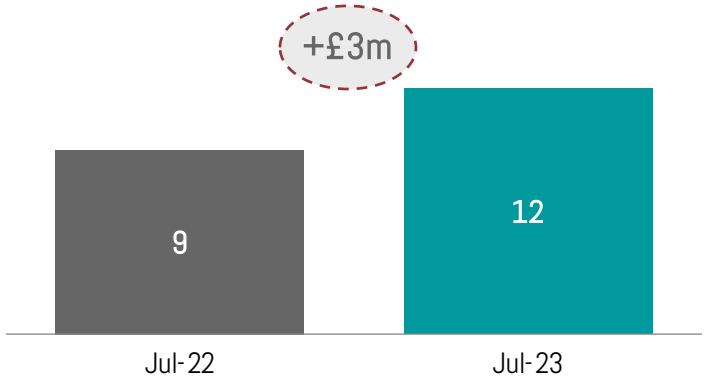
Current trading update

The strong momentum seen in Q2 has continued into July & into August

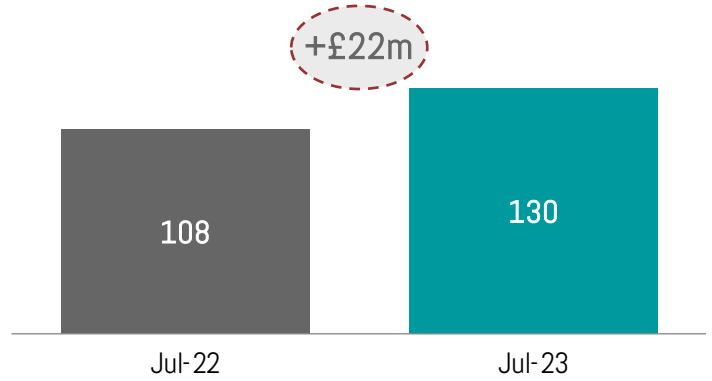
Revenue (£m)



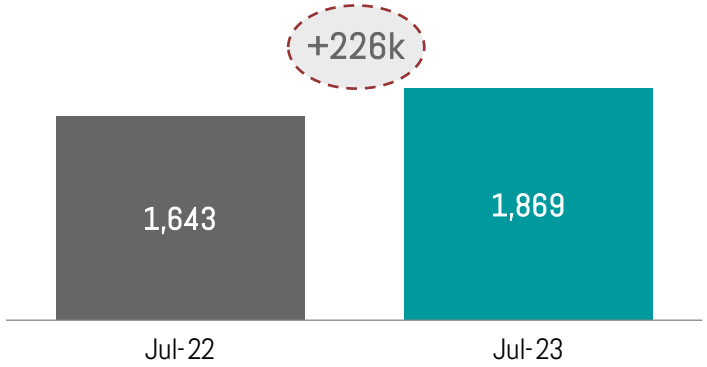
Adj EBITDA (£m)



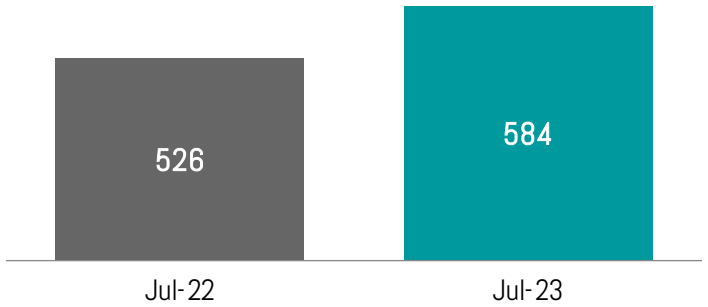
RR Adj EBITDA (£m)



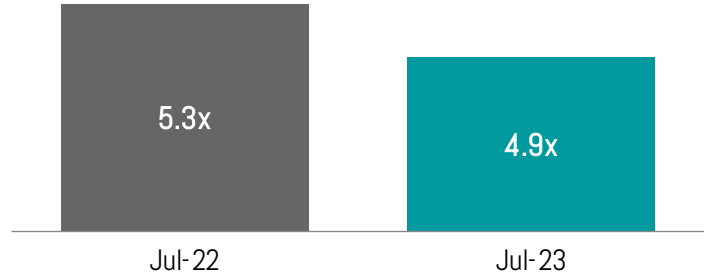
Closing members (k)



Gyms in estate[1]



SS Net Leverage[2]



Notes: (1) Jul-23 Gyms in estate includes 568 corporate-owned & 16 franchise gyms in the Middle East. Jul-22 Gyms in estate includes 522 corporate-owned & 4 franchise gyms in the Middle East. (2) SS Net Leverage defined as Senior Secured Net Debt ("SSND") divided by Run-Rate Adjusted EBITDA. SSND defined as total senior indebtedness (excl. finance leases) less cash & cash equivalents. For the purposes of the leverage calculation, SSND uses average rates of exchange for the last 12 month period.

With healthy recovery in base revenue continuing across all geographies

H1 2023 vs H1 2022

UK LFL Revenue[1]

Up +5%



DK LFL Revenue[1]

Up +3%



CH LFL Revenue[1,2]

Up +17%



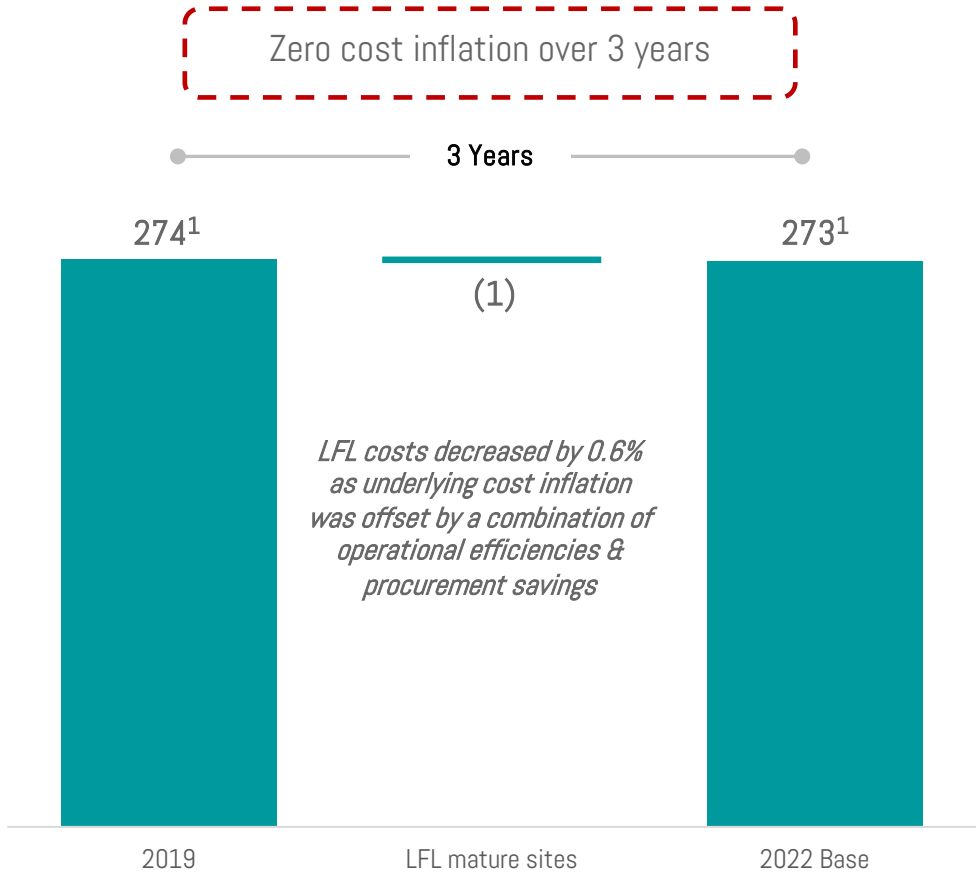
Notes: (1) LFL revenue based on gyms open in 2020 & prior. (2) As restated, see note 30 of the 2022 Pinnacle Bidco plc Annual Report & Accounts.

Costs continue to be extremely well controlled, leading to drop through of growing revenues to EBITDA, growing margins & strong cash conversion

1. As previously reported, groupwide **LFL cost base kept flat from 2019 to 2022**, with only 5% cost inflation expected in 2023 vs 2022
   - Strong focus on **procurement activity & operational actions** to reduce costs & combat cost inflation
   - **Energy contracts previously fixed** at the bottom of the market, plus significant focus on consumption reduction

2. **Energy cost volatility has now been de-risked** with 90%+ of supply fixed through to the end of 2024
   - Expected utility cost inflation **only £5-8m** across the whole Group in 2024 vs 2022

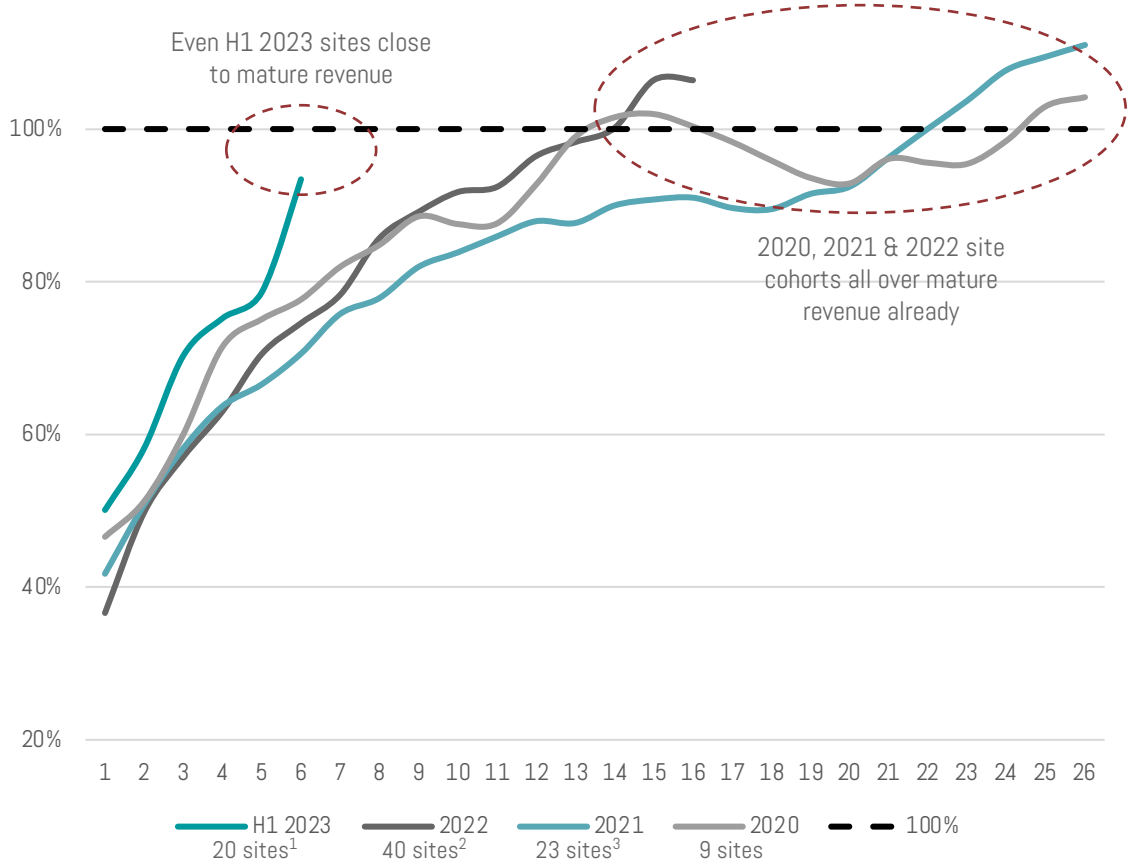
Total Group LFL gym costs £m



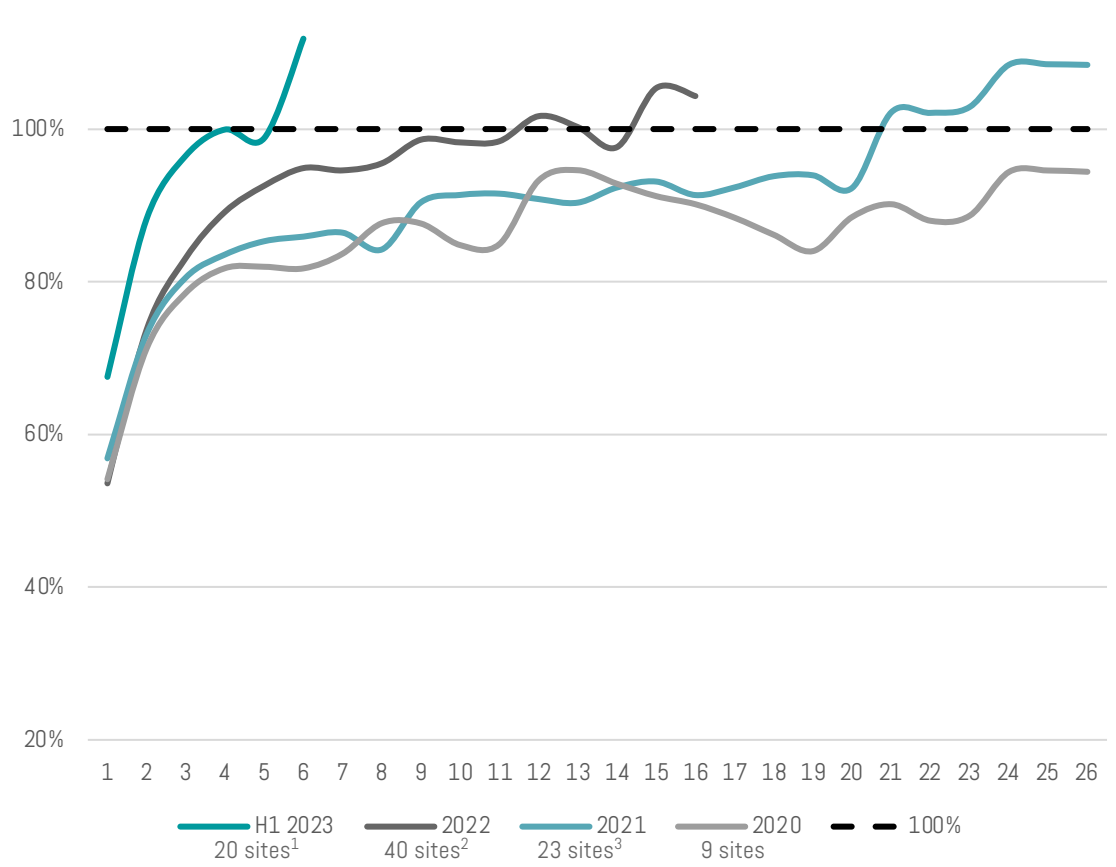
Note: See appendix for further details of each of these areas. (1) 2019 restated for comparability to include £7.7m re PTFC model change which is largely equally offset in revenue uplift in the UK BU.

Recent UK site openings continue to progress well highlighting the product offer is "hitting the mark" & delivering strong growth momentum

Actual revenue vs mature site target by month after opening



Actual membership vs mature site target by month after opening



Notes: (1) H1 2023: 3 sites in the data by M6. (2) 2022: 5 sites in the data by M16. (3) 2021: 13 sites in the data by M26.

ROCE remains strong & improving over time, with new site ROCEs at least matching those of the core estate

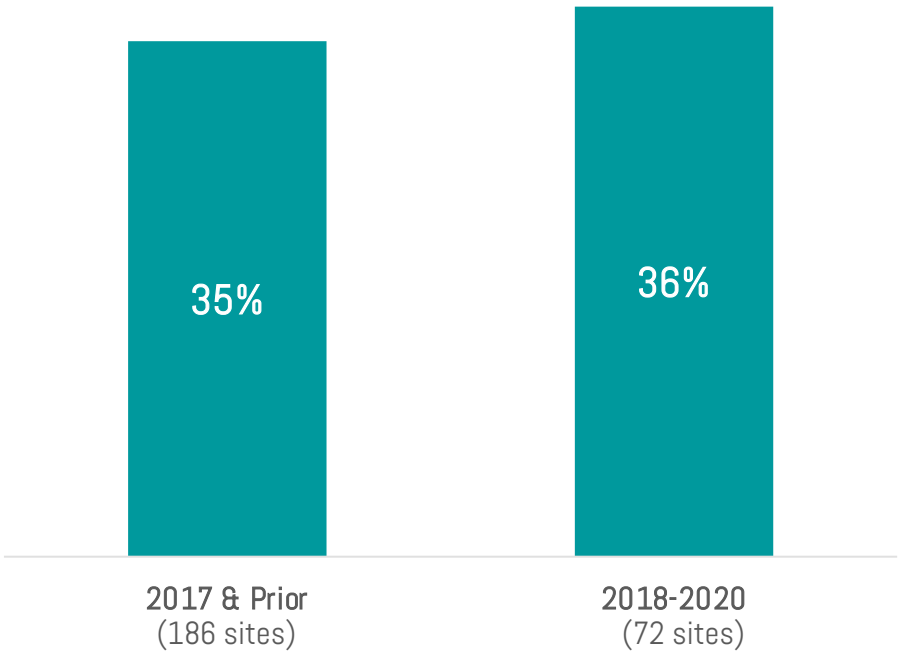
Strong ROCE delivered in LTM June 2023

- Rigorous process of site selection requires a ROCE[1] that exceeds "feasibility" target of >30%
- The UK mature estate delivered a ROCE of 35% in LTM June 2023
- As the business continues to recover this ROCE will increase further

UK mature site analysis

LTM as at 30 June 2023	£m
Number of mature gyms[2]	186
Revenue	203
Gross profit	199
Fixed property costs	(55)
Other opex	(67)
Gym Adjusted EBITDA	**77**
Gym Adjusted EBITDA margin	*38%*
Average initial capital cost	1.2
Mature ROCE for 2017 & prior gyms	**35%**

LTM Cohort ROCE[1] as at June 2023



Notes: (1) ROCE defined as new site capex / LTM Adjusted EBITDA. (2) Mature includes all corporate owned gyms opened in 2017 or prior. (3) Organic sites excluding Tonbridge (closed, legal dispute) & London Bank (London city centre site committed to pre pandemic).

Management continues to deploy capital into high quality new site openings

- £13m of new site capex in Q2 2023[2]
- 7 new corporate owned site openings in Q2 2023[3]
- £7m spend on maintenance & refurbishment works across estate
- Coming out of the pandemic we have carefully scaled our organisational ability to deploy capital wisely in new sites & refurbishments. We intend to use this ability in the coming periods

£m	Q2 2023	Q2 2022
New site capital expenditure[2]	13	15
IT development capital expenditure	3	2
Expansionary capital expenditure	**16**	**17**
Maintenance & refurb capital expenditure	7	7
Total capital expenditure	**23**	**24**
Expansionary capex working capital movement	(1)	(1)
Maintenance & refurb capex working capital movement	-	(1)
Total capital expenditure cash flow	22	22

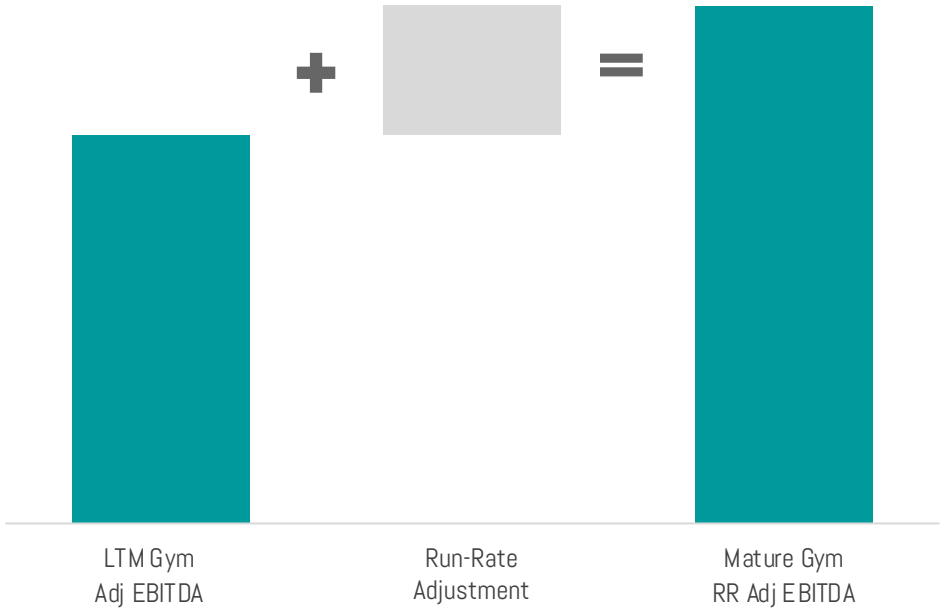


Notes: (1) ROCE is defined as initial new site capex/LTM Gym Adjusted EBITDA. (2) Reported new site capex in the period may not directly correspond to the number of new sites opened in the period due to construction works spanning multiple periods. Average capex per new corporate gym opening is £1.2m. (3) Some initial capex on H2 2023 sites incurred in Q2 2023.

The Group's Run-Rate Adjustment increases immature LTM Adj EBITDA to reflect the maturation of immature gyms which have already opened

Reminder of the run rate mechanics

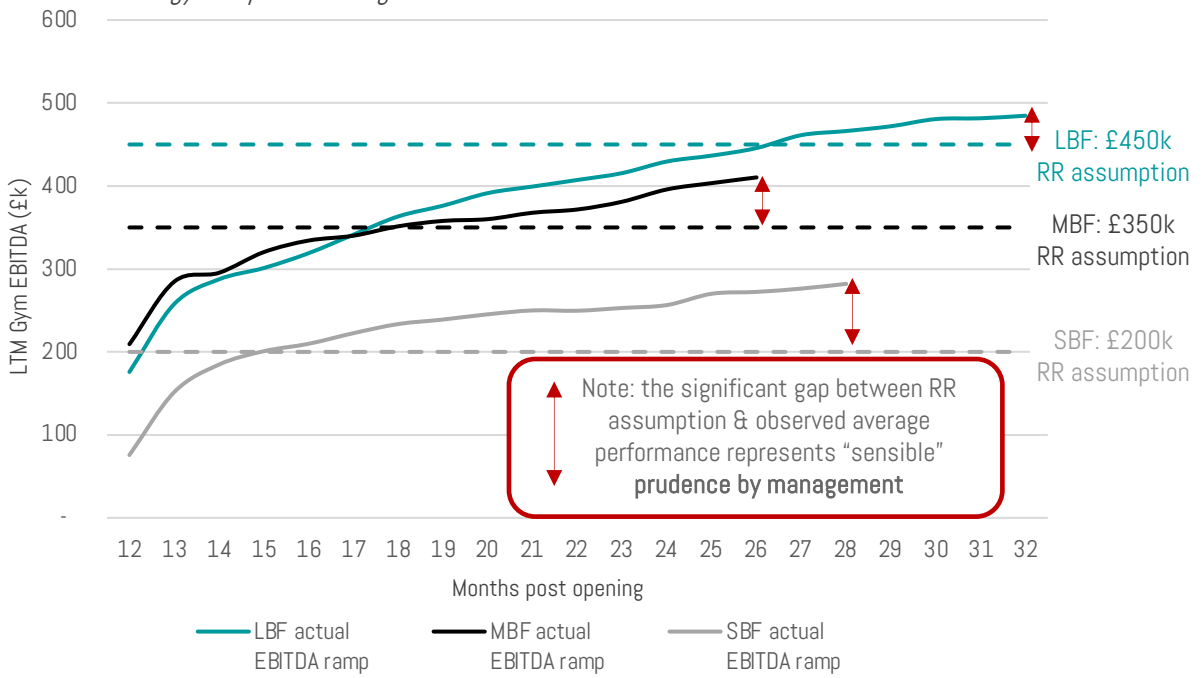
- Given the predictability of mature site performance, a Run-Rate Adjustment is calculated to reflect the maturation of new gyms
- The Run-Rate Adjustment reflects the difference between the current LTM Adj EBITDA & future mature Adj EBITDA



Run rate assumption

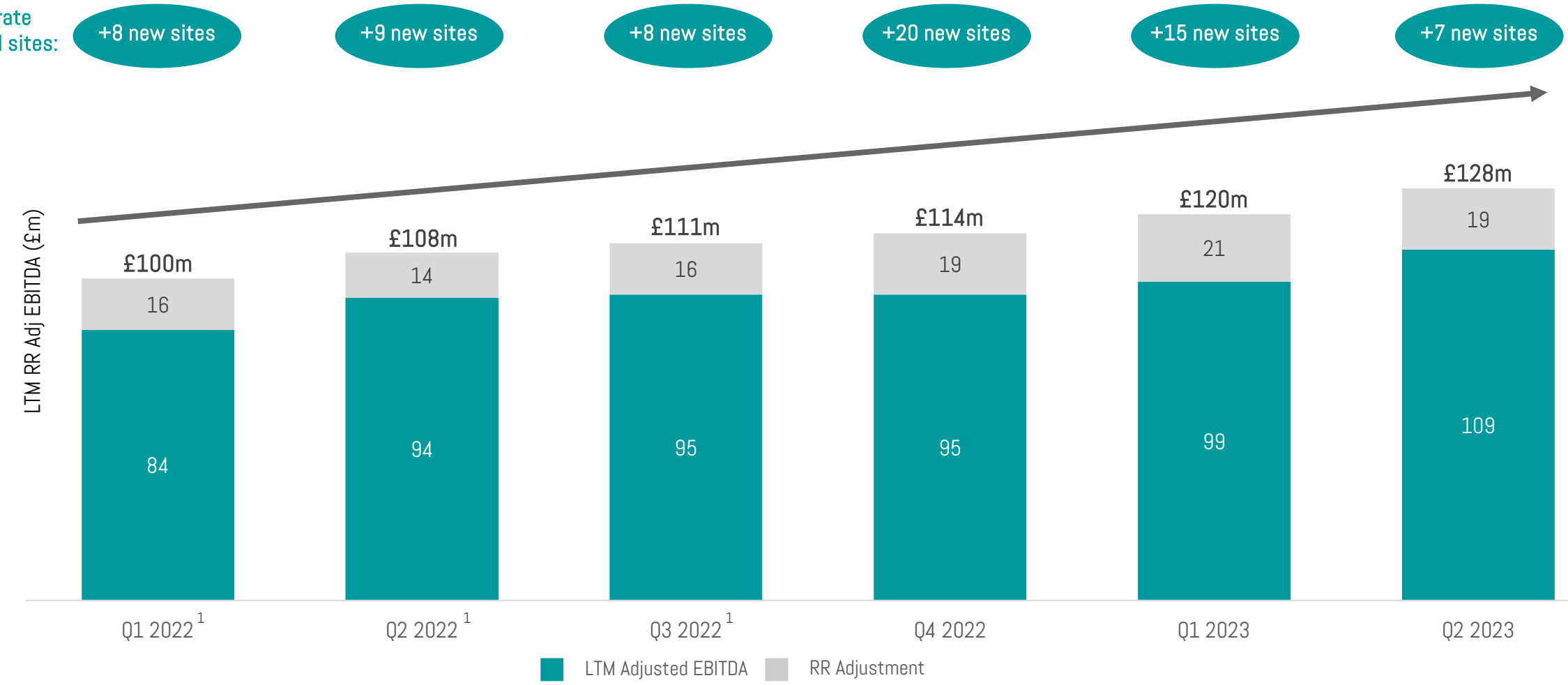
- The run rate assumption is set based on historic average performance at maturity for each gym format (small, medium & large box)
- Having now established a reliable track record of SBF & MBF new site performance, run rate assumptions have been updated accordingly[1]

Reflects new gyms opened during 2019 & later[2]



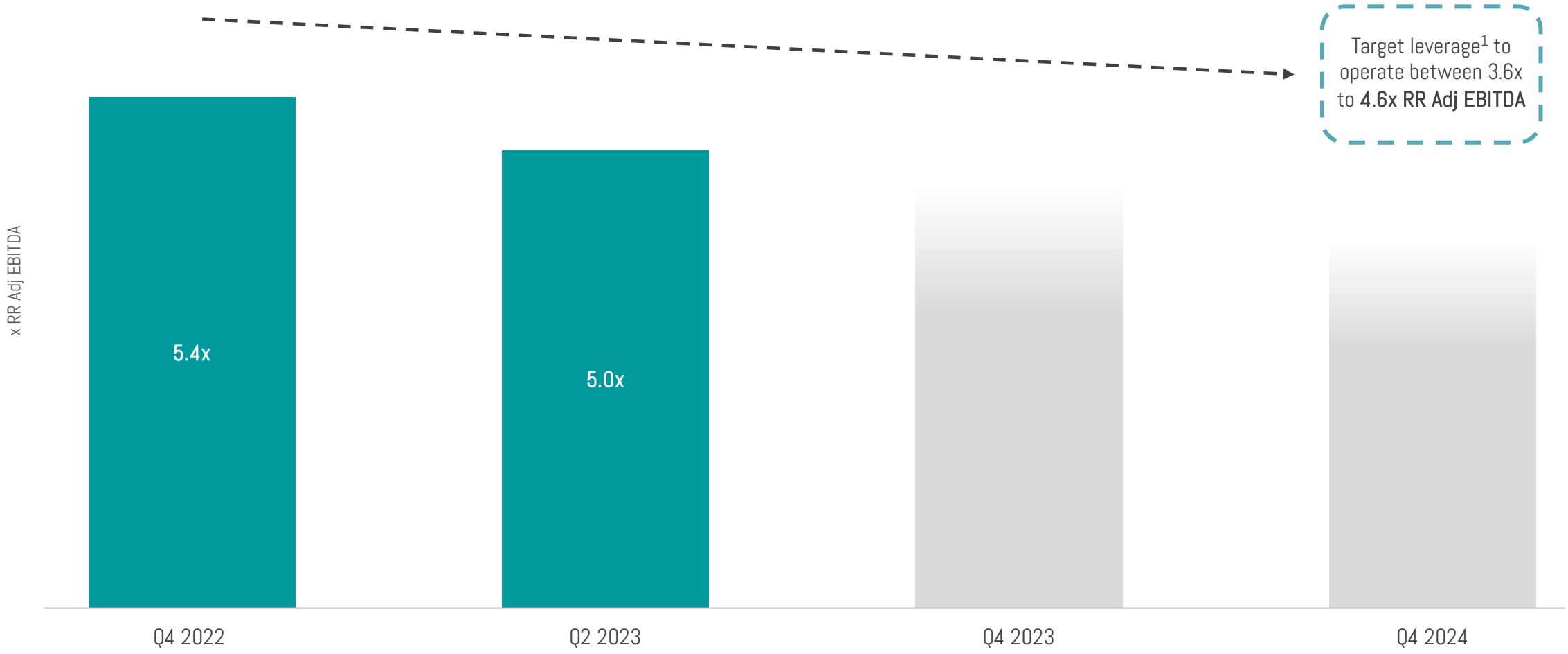
Notes: Run-Rate Adjustment is defined as the adjustment made to those gyms which are less than three years old at the end of the reporting period. These adjustments replace the Adjusted EBIDTA earned by these sites in the last twelve month period with the projected Adjusted EBITDA for their third year of operation.
(1) A prudent RR assumption of £150k & £300k was previously included for SBF & MBF sites, which have been updated in 2023 to £200k & £350k respectively given the consistent & reliable track record that has been established since the introduction of these formats. The RR Assumption for LBF format gyms remains unchanged at £450k. (2) Lines start & end when cohorts have sufficient critical mass of new sites for the analysis to be meaningful.

As can be illustrated by recent performance, the Run-Rate Adjustment converts into Adj EBITDA reliably over a 12-24 month period



Notes: (1) As adjusted for the restatement of the results of Switzerland. See note 30 of the 2022 Pinnacle Bidco plc Annual Report & Accounts.

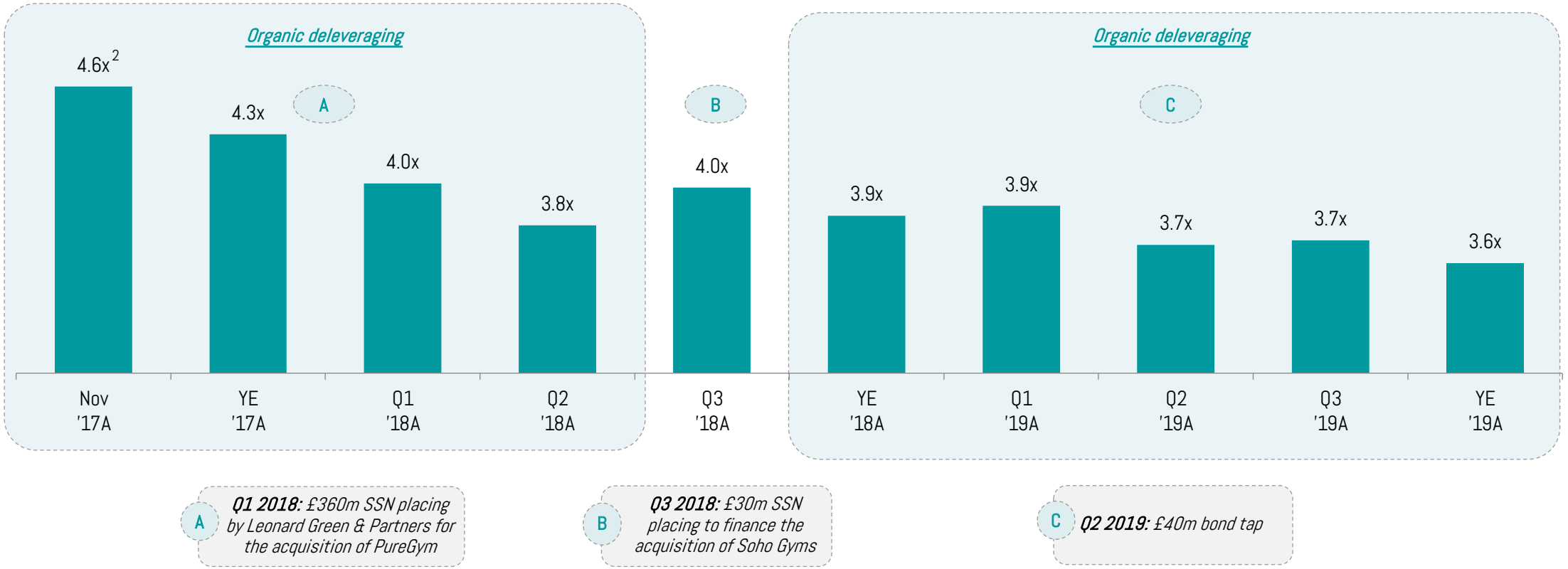
The strong EBITDA momentum means the business is rapidly "growing back into its shoes" from a leverage perspective...



Notes: (1) SS Net Leverage defined as Senior Secured Net Debt ("SSND") divided by Run-Rate Adjusted EBITDA. SSND defined as total senior indebtedness (excl. finance leases) less cash & cash equivalents. For the purposes of the leverage calculation, SSND uses average rates of exchange for the last 12 month period.

A reminder of PureGym's track record of organic deleveraging whilst pursuing organic growth

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



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

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

C *Q2 2019: £40m bond tap*

Notes: All years stated under IFRS; December year end. (1) Senior Secured Net Debt ("SSND") defined as total senior indebtedness (excl. finance leases) less cash & cash equivalents. For the purposes of the leverage calculation, SSND uses average rates of exchange for the last 12 month period. (2) Net leverage based on LTM Sep-17A Run-rate Adj. EBITDA of £78.6m, proforma for the acquisition by LGP.



Market dynamics

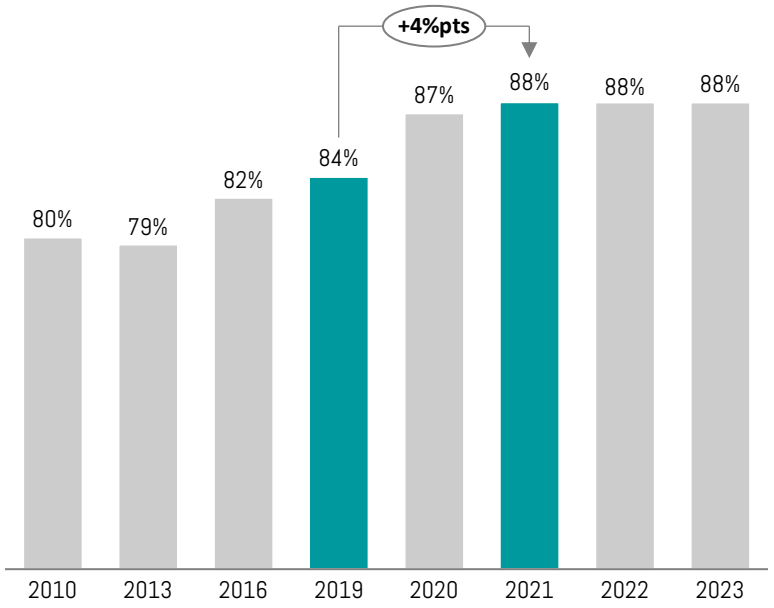
Well positioned in an attractive market, offering clear foundations for long run growth

Health & fitness continues to grow in importance, especially post pandemic

Importance of Health, Wellness & Exercise to UK consumers

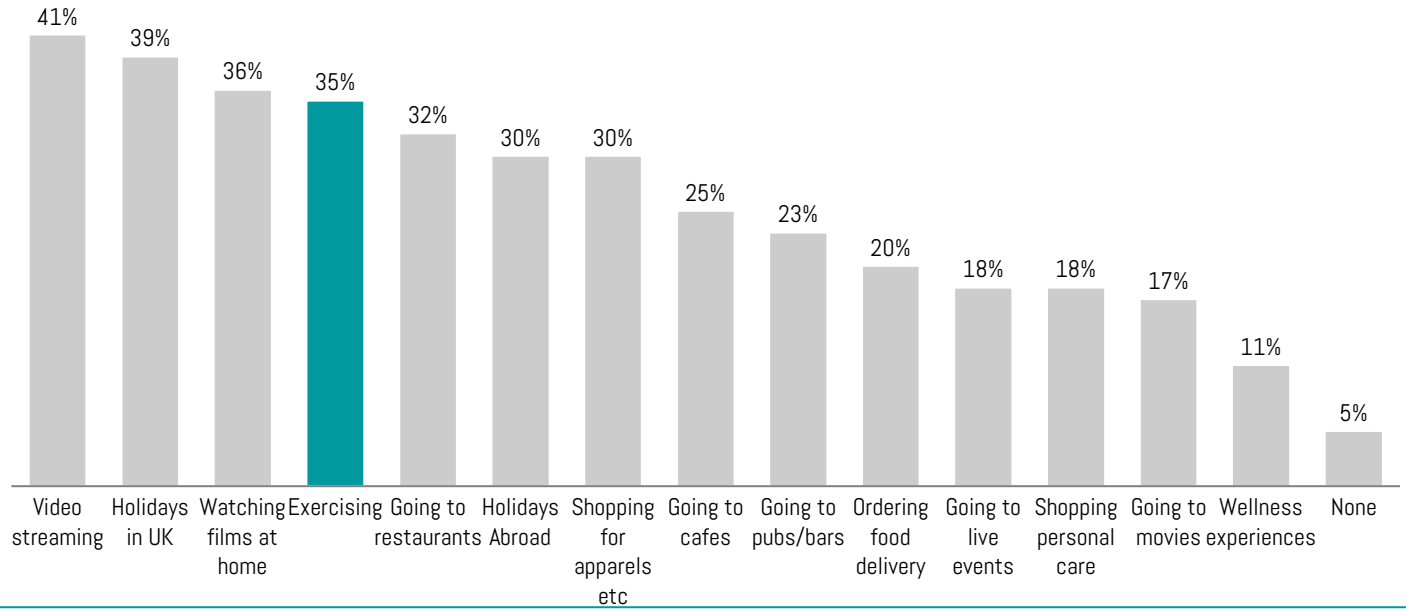
Individuals have shown a greater concern for their wellbeing since the pandemic...

Proportion of Population Giving High Priority to Health[1]
(% Respondents)



... & consistently rank exercise within the top 5 activities most central to their lifestyle

Important Lifestyle Activities[2]
(% Respondents)



Sources: Deloitte / EuropeActive European Health & Fitness Market Report, NHS Survey for England Health, IBISWorld, PWC Outlook for Fitness 2022, OC&C analysis.

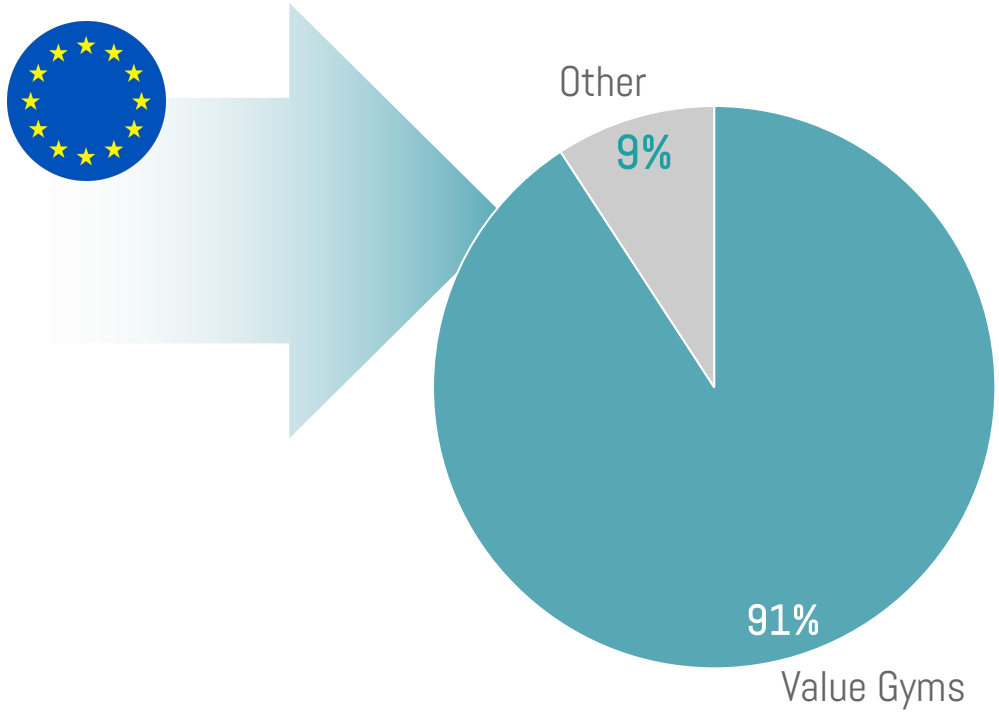
Notes: (1) Proportion of population giving high priority to health, Combination of NHS Survey for England Health & IBISWorld estimates. Information stated for the year ended February. (2) Proportion of respondents ranking in their top 5 most important activities for their lifestyle. Survey number 1,997.

Value fitness operators continue to win the battle for memberships by both expanding markets & taking share

Share of Gym / Fitness Club Membership Additions

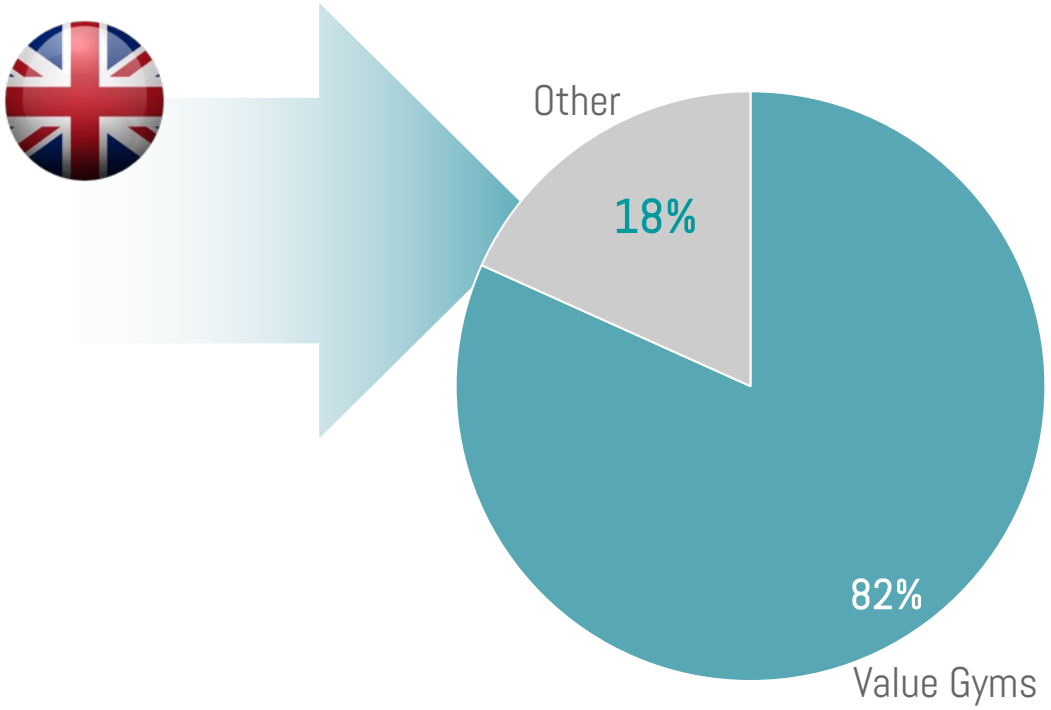
Europe

2015-2022, Top 20 operators[1]



United Kingdom

2015-2023 (Feb Y/E)[2]



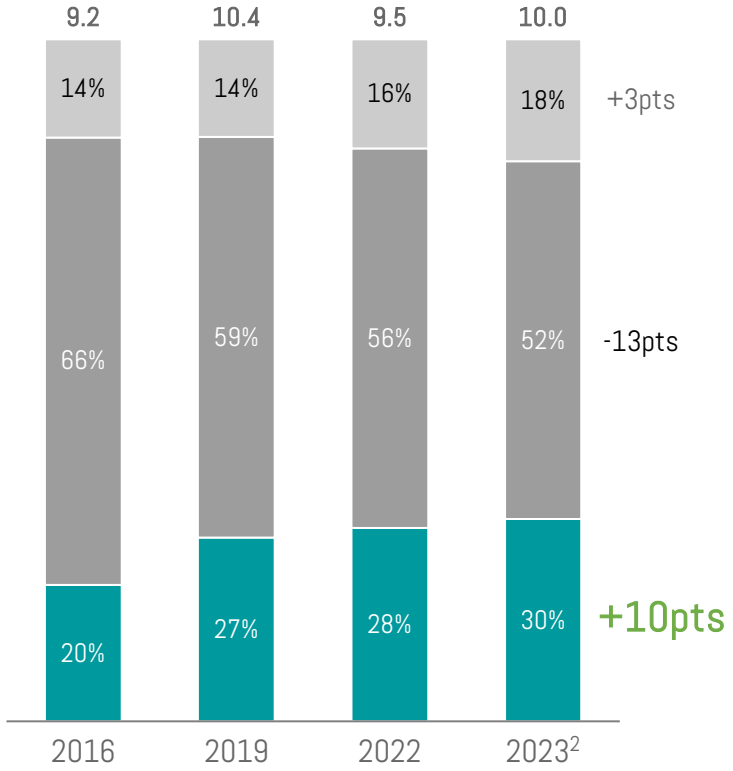
Sources: Deloitte / EuropeActive European Health & Fitness Market Reports (2016, 2023), Lesiure Database Company, OC&C analysis.

Notes: (1) Based on 15 gym operators from Top 20 list from Europe Active 2023 Report (2015 membership data not available for remaining 5). (2) Share of membership additions calculations for the UK based on Premium & Value segment additions only, as mid-market / public declined in membership vs 2015 – premium segment includes price driven YoY changes between segments.

As a result, the value segment continues to maintain or gain significant share in all our key geographic markets...

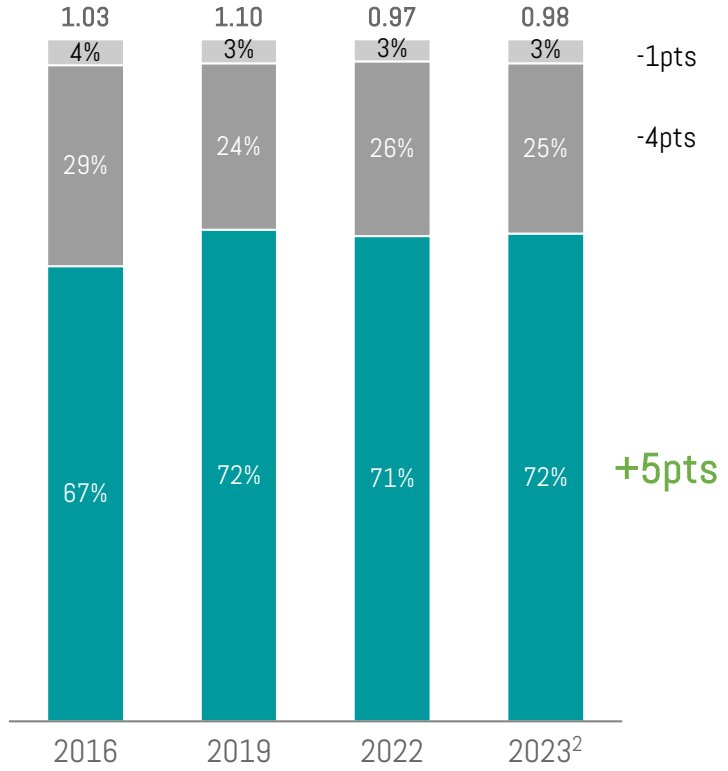
United Kingdom

Membership by segment[1], 2012-23 (m)
All Feb Y/E



Denmark

Membership by segment, 2015-23 (m)



Switzerland

Membership by segment, 2014-23 (m)



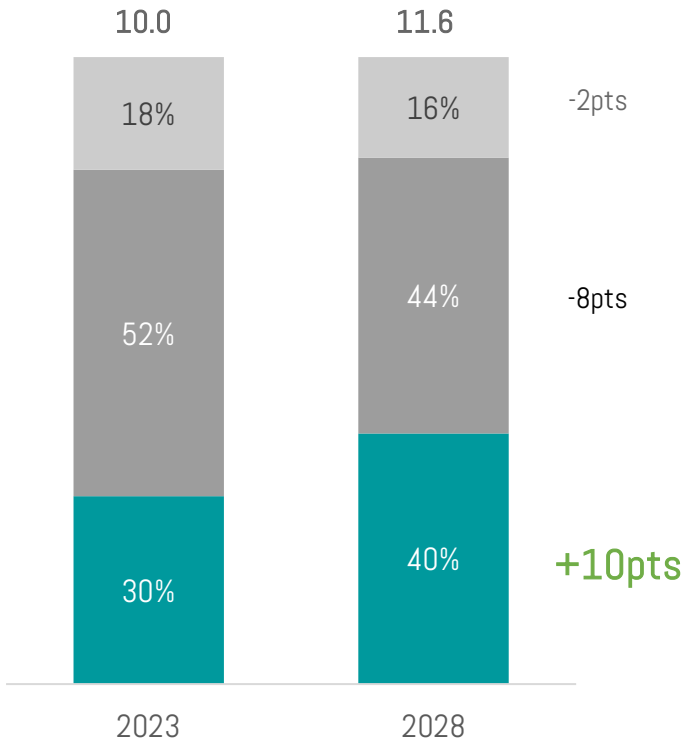


Sources: Deloitte / EuropeActive European Health & Fitness Market Reports, Lesiure Database Company, Swiss Active Market Report, Market Survey May 2023, Desk Research, OC&C analysis.
Notes: (1) UK market figures include effects of price driven YoY change between segments, e.g. a mid-market gym joins the premium segment if its monthly fee becomes higher than £60 a month. (2) Estimates.

...and is expected to continue this growth over the next 5 years

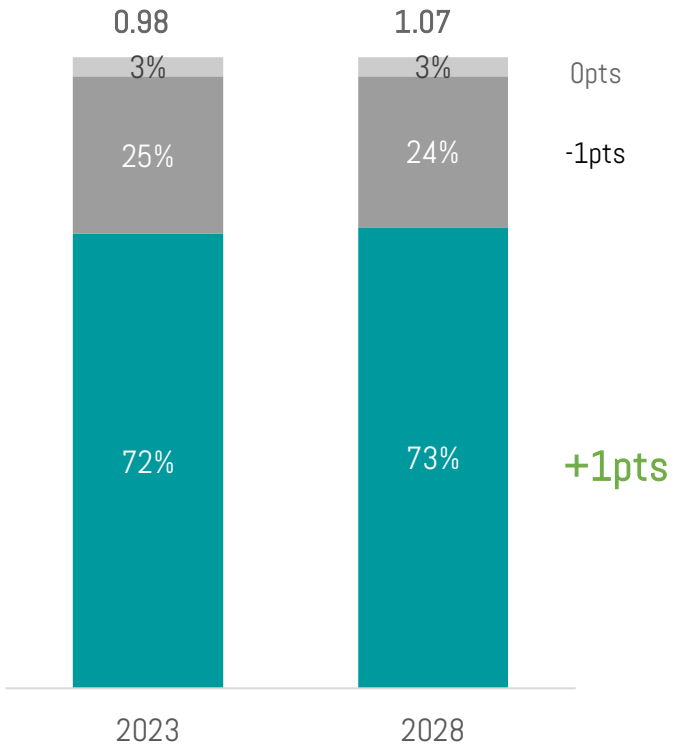
United Kingdom

Membership by segment[1], 2023-28 (m)
All Feb Y/E



Denmark

Membership by segment, 2023-28 (m)



Switzerland

Membership by segment, 2023-28 (m)

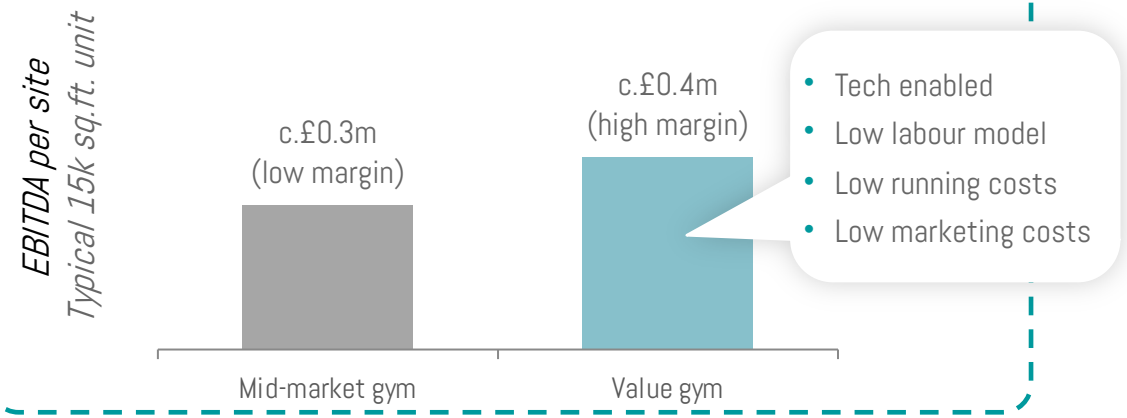




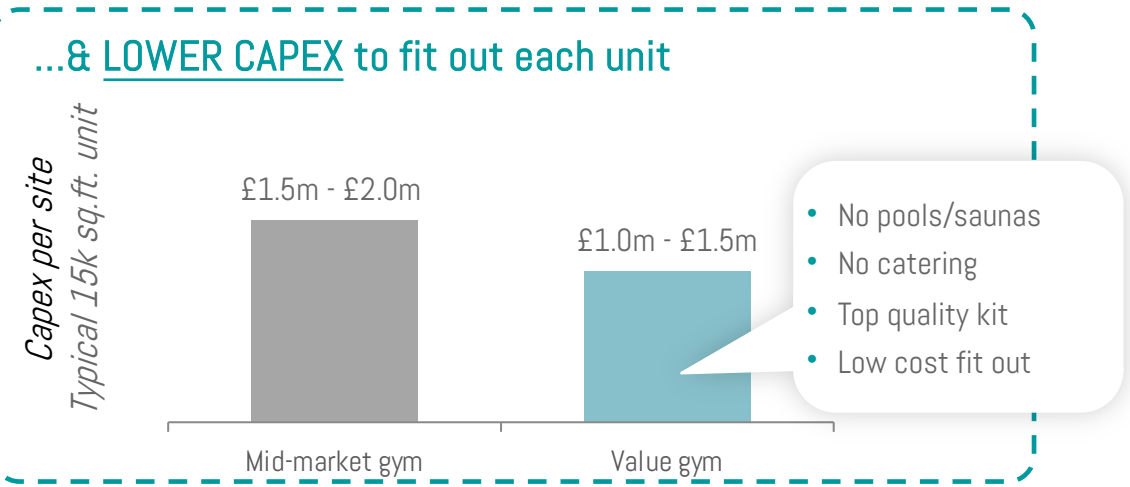
Sources: Deloitte / EuropeActive European Health & Fitness Market Reports, Lesiure Database Company, Swiss Active Market Report, Market Survey May 2023, Desk Research, OC&C analysis.
Notes: (1) UK market figures include effects of price driven YoY change between segments – eg a mid-market gym joins the premium segment if its monthly fee becomes higher than £60 a month. (2) Estimates.

Value is winning because the business model is economically superior to traditional gym models

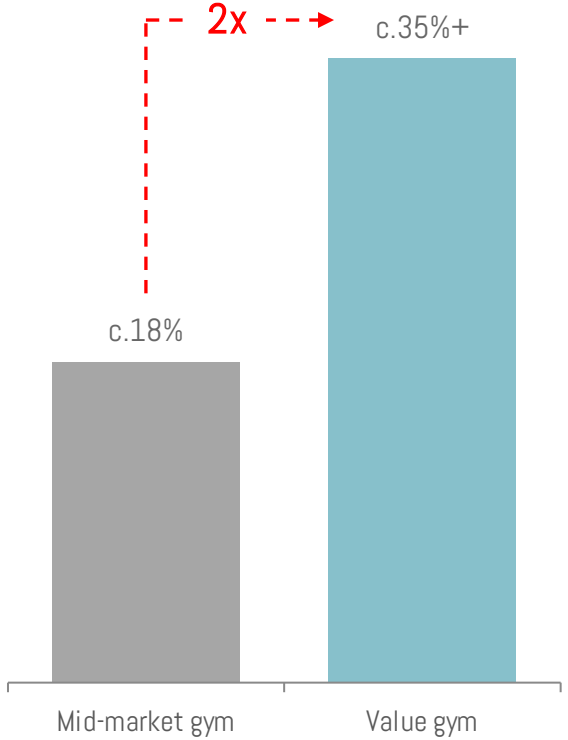
Significantly HIGHER EBITDA due to lower costs...



...& LOWER CAPEX to fit out each unit



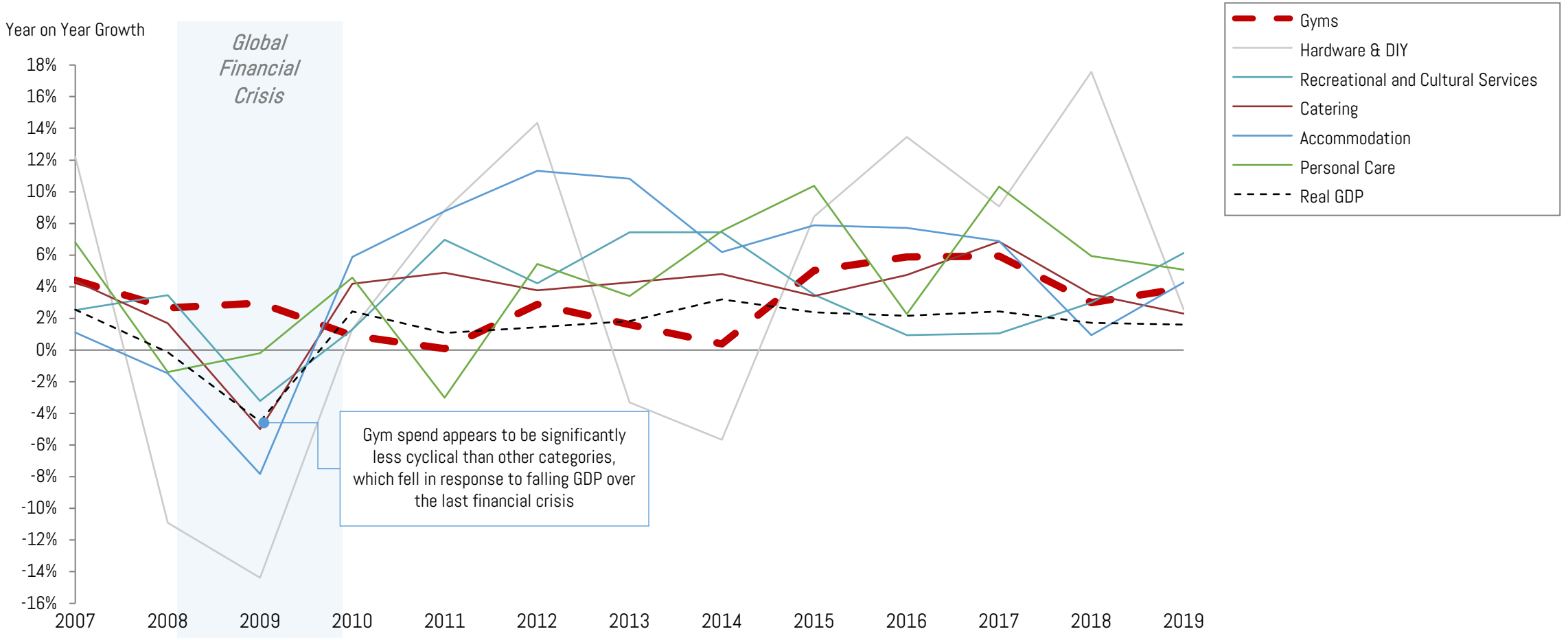
Higher & More Sustainable ROCE



Sources: Average LA Fitness 15k sq. ft. site performance data, as representative of a typical mid market operator in the UK.

Resilience of spend on gyms is to be expected given evidence from the last major recession

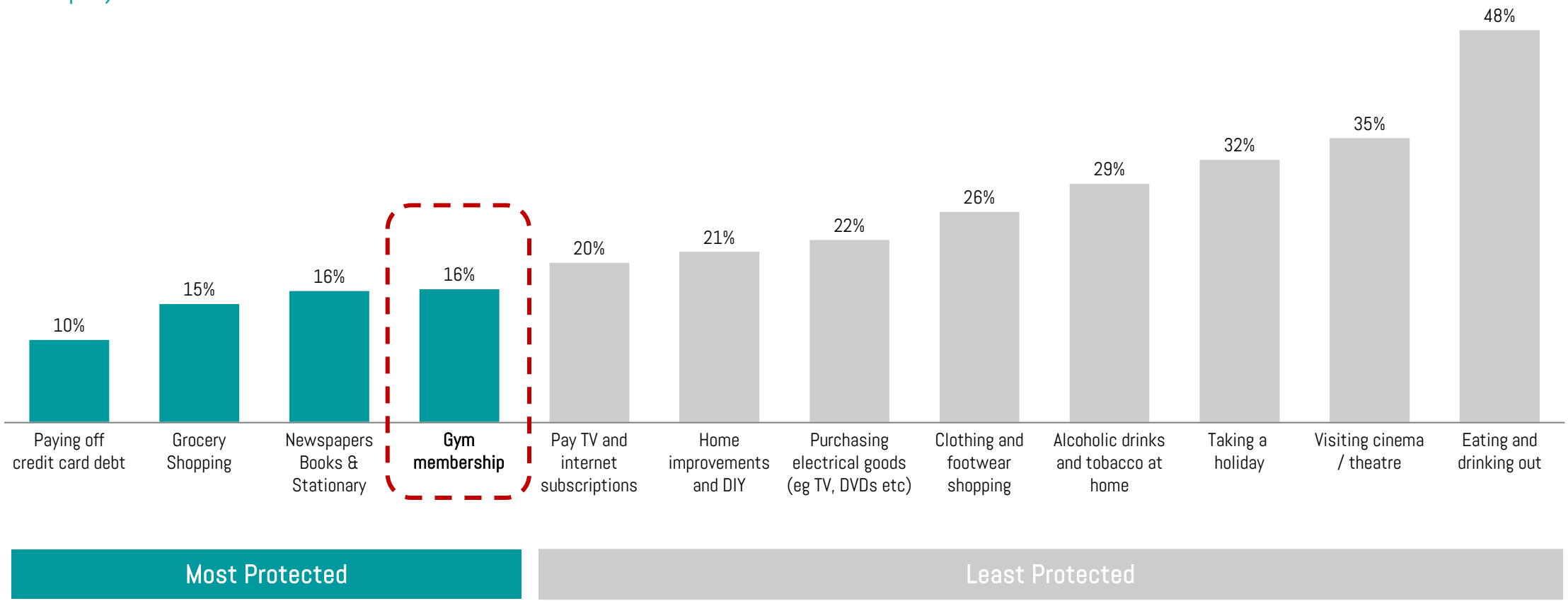
Historical performance of consumer spending by category (YoY Growth %), 2007-2022



Sources: Lesiure Database Company, Oxford Economics, Euromonitor, OC&C Analysis.

Research conducted in May 2023 supports the view that gym membership spend in the UK is likely to be protected by consumers

Items Most Likely to Reduce Spending On in an Economic Downturn[1]
(% Rank Top 3)



Sources: OC&C Market Survey May 2023.

Notes: (1) Which of the following items would you be most likely to reduce spending on if the economy gets worse in the next 6 months? Please rank the top 5 (top = most likely item you would reduce spending on in the event of an economic downturn). Survey number 2,257.

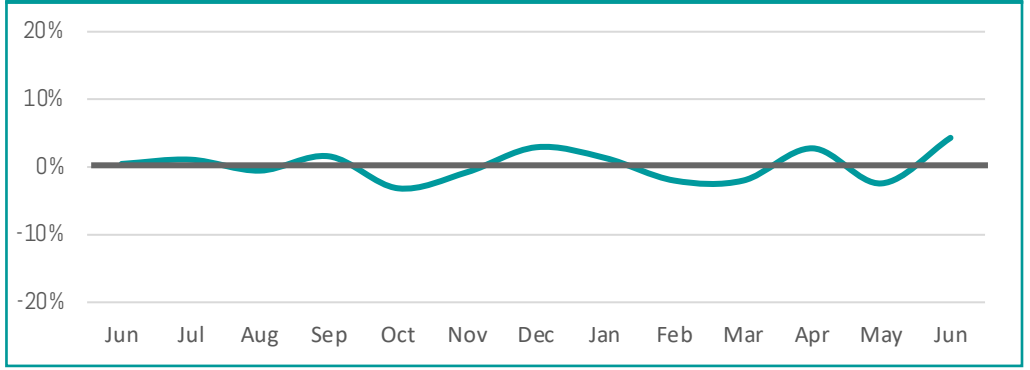
No adverse trends that might indicate Cost of Living Crisis related issues are visible in current KPIs for PureGym's members in the UK

PureGym 'Cost of Living Indicators'

Traffic to PureGym.com	*Traffic increased YoY*
Web conversion rate	*Web conversion in line with PY*
Joiner ARPM	*Joiner ARPM increased YoY*
Member discounting	*Fewer days on promotion vs PY*
Bad debt recovery	*No decline in bad debt collection rates*
Cancellations due to 'financial concerns'	*In line with pre Cost of Living Crisis rates*
Existing member upgrades	*% upgrades to Plus increasing YoY*
Ancillary spend	*Spend per member increased YoY*

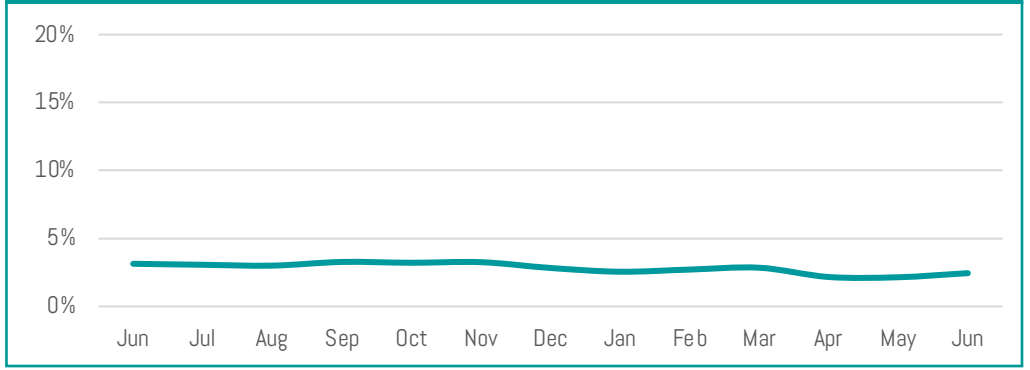
PureGym UK Bad Debt Collection Rate – 2022/23 vs 2018/19

% of members where bad debt fee was successfully collected



Churn Due to 'Financial Concerns' – 2022/23[1]

% of Total Cancellations

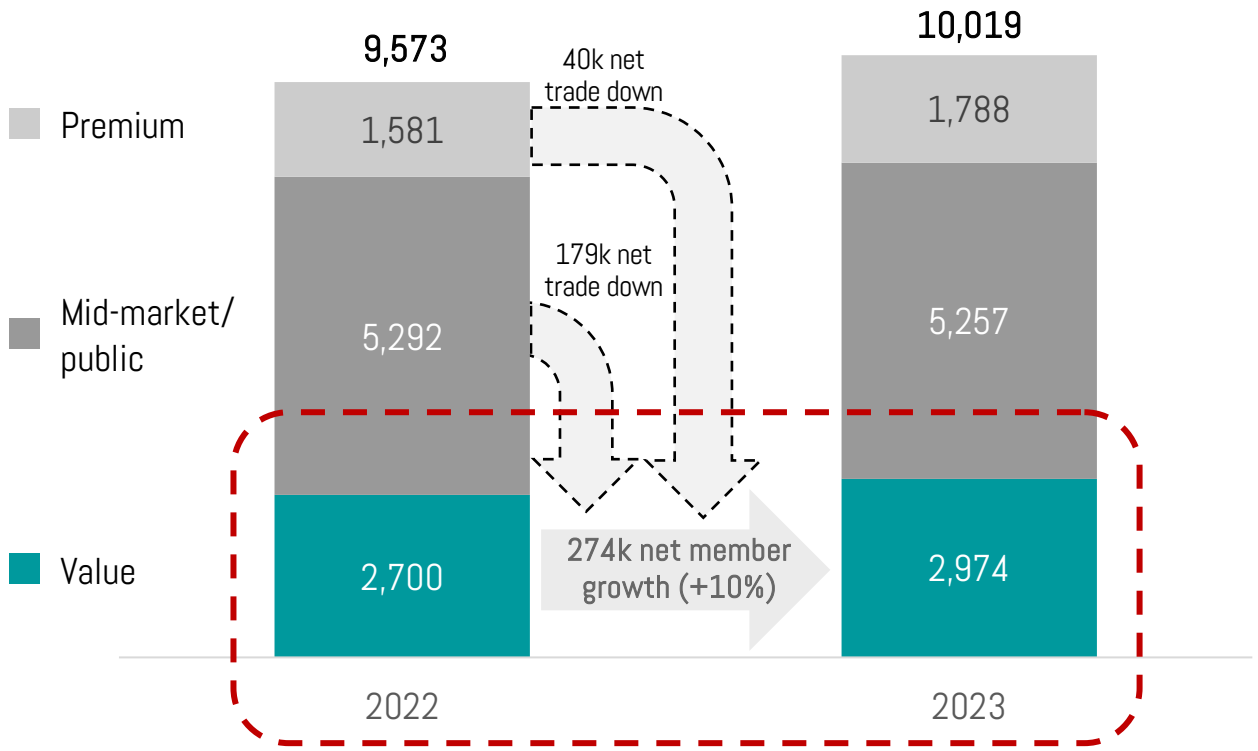


Sources: Management Data.

Notes: (1) Based on data provided for online cancellations, pro-rated for total leavers. Additional cancellation reasons added in May 2023.

It is clear that PureGym & the value sector benefit from trade-down of the mid-market & even premium members

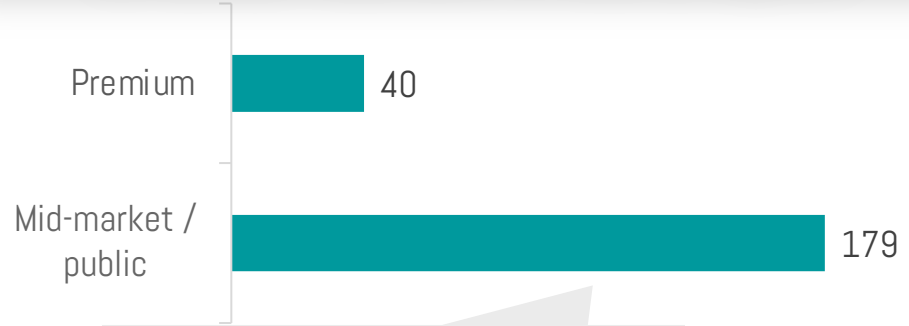
UK Value Sector Membership Growth 2022-2023 (000 members)



Comments

- Value segment grew by 274k members (+10%) 2022 to 2023
- OC&C survey results show a large proportion of new members have traded down from mid-market or premium gyms
- These survey results have been used to derive the trade down proportions in the illustration opposite
- This level of trade down represents only 3% of the mid / public sector membership, so significant scope exists for further trade-down

Net Member Trade Down to Value by Segment



Value has benefitted from net trade down of members from mid-market / public gyms

Sources: Lesiure Database Company, OC&C Market Model, Desk Research, OC&C Market Survey May 2023, OC&C analysis.

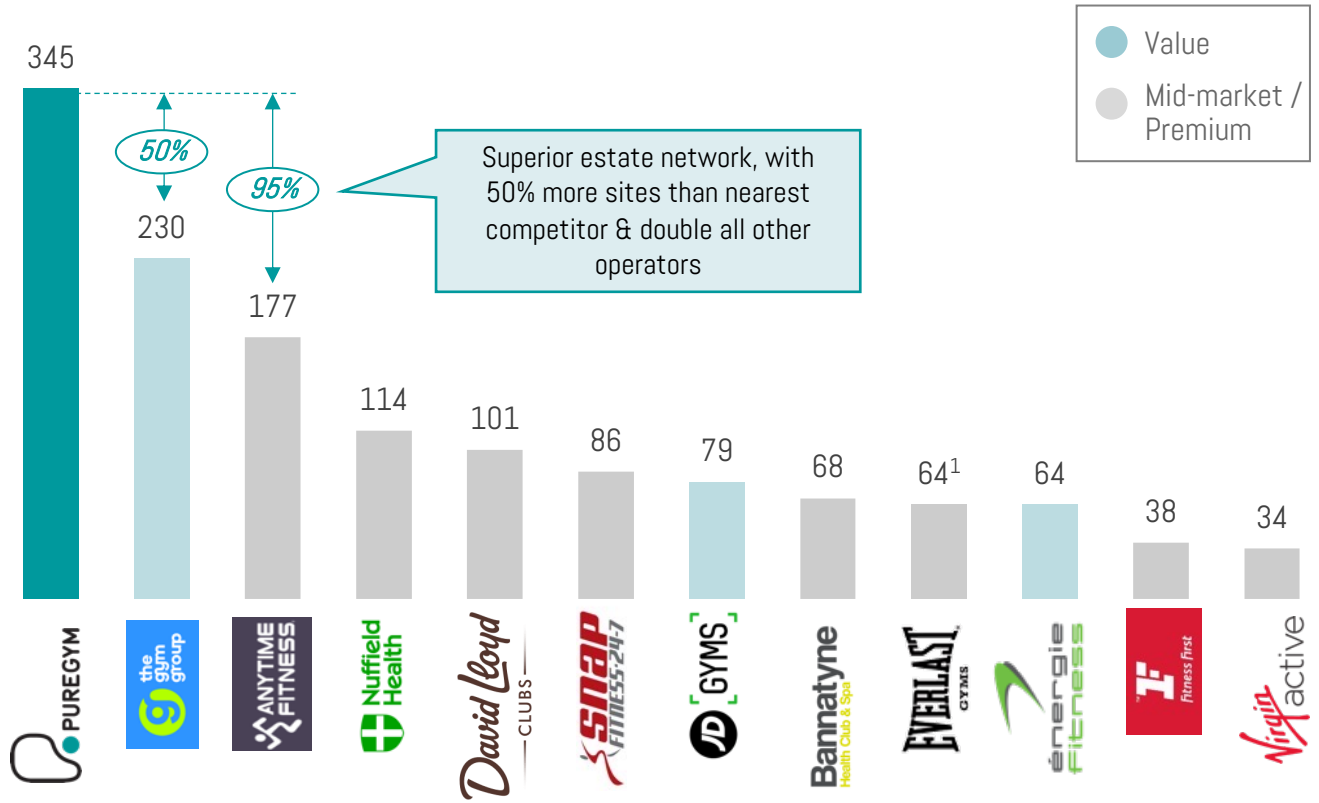
PureGym occupies clear market leadership positions in key markets

Extensive club network covering the whole of the UK



50%+ more sites than closest competitor

Site numbers by major fitness brands – March 23



Sources: Management Data, Lesiure Database Company.

Notes: (1) Includes Sports Direct Fitness.



Business update

PureGym's high performing business model continues to show resilience & consistency

The PureGym brand & model is now firmly & consistently established in all geographies



UK: Caerphilly, South Wales



Denmark: Biblioteksvej, Copenhagen suburbs



Switzerland: La Chaux-de-Fonds, Romandy

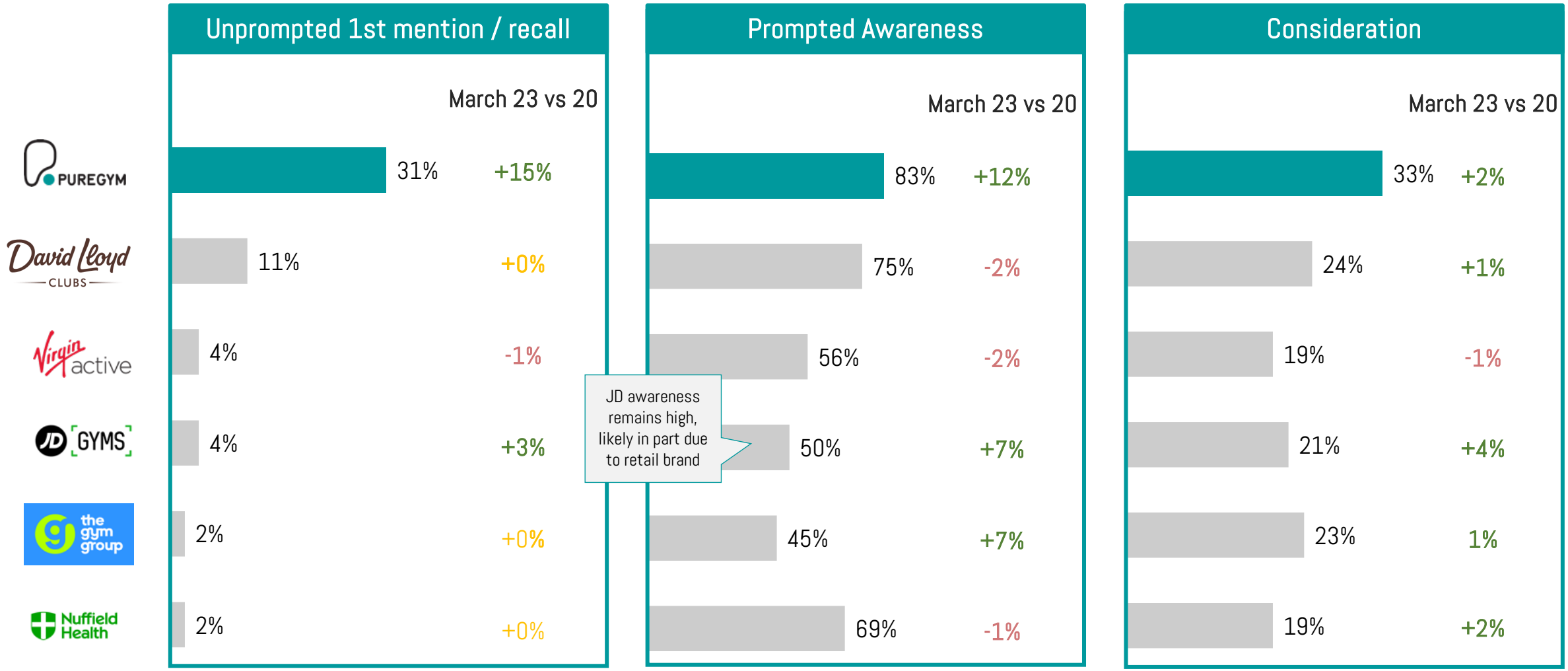


USA: Tysons Corner near Washington DC



Saudi Arabia: Golden Belt, Alkhobar

Brand recall, awareness & consideration is unparalleled & growing strongly - especially in the UK for example



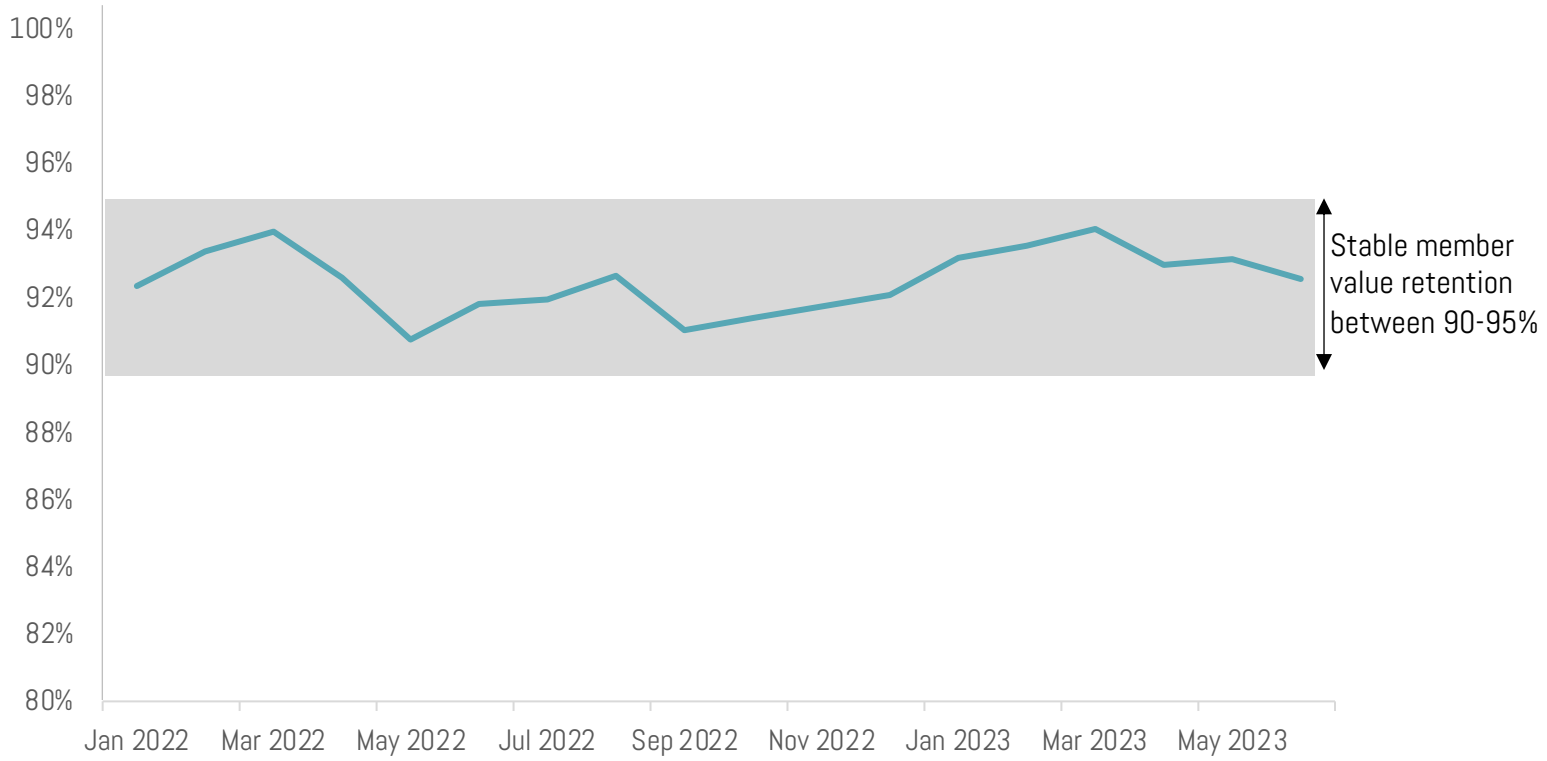
Sources: PureGym Brand Tracker Survey.

Notes: (1) Top brands based on unprompted brand awareness.

High monthly member value retention reflects this resonance of the proposition with consumers

UK member value retention 2022 – June 2023

3 Month Rolling Average



PureGym's high member value retention is driven by:

- Premium & non-discounted members are stickier, meaning highest value members stay
- Upsell campaigns & offers to increase premiumisation throughout customer lifetime
- Proactive Revenue Management to price up existing members

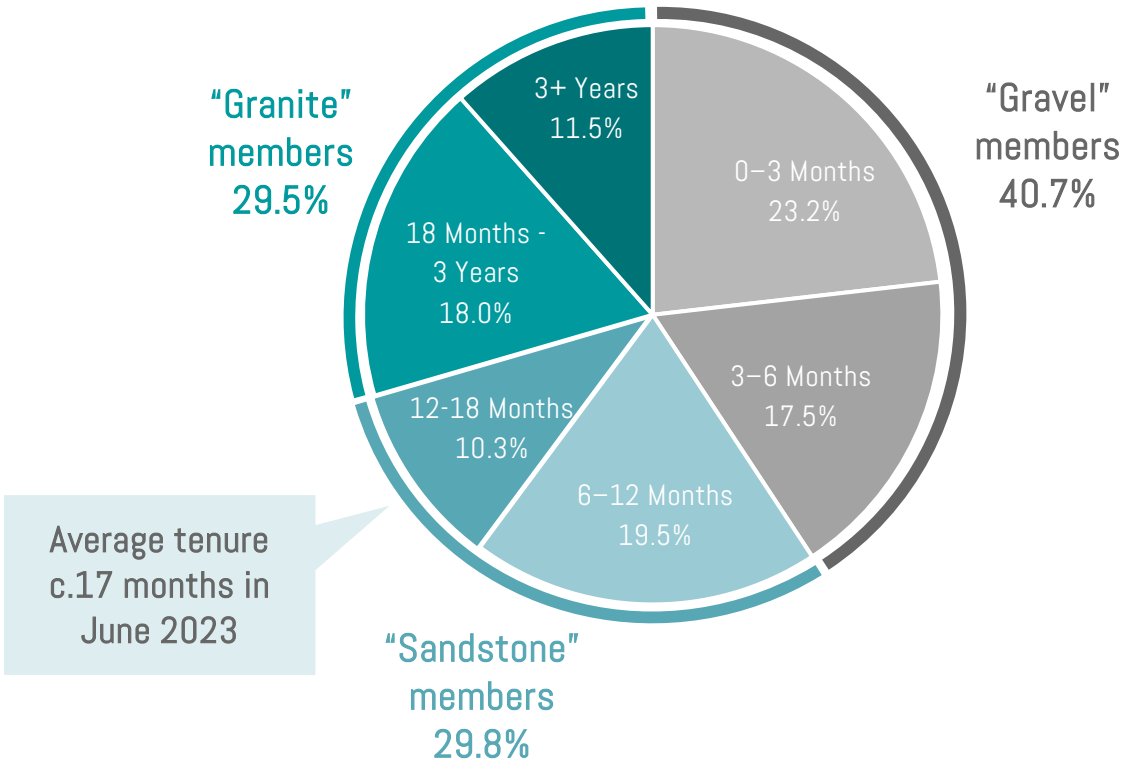
Sources: Management Data.

Note: (1) Member value retention is calculated as the net value of payments received from the same member base in subsequent months (i.e. the Jan 2022 % is calculated by taking total payments received in Dec-21 and then total payments received in Jan-22 for the same set of members).

In turn, this translates into member loyalty with tenure of membership increasing steadily to 17 months in the UK for example

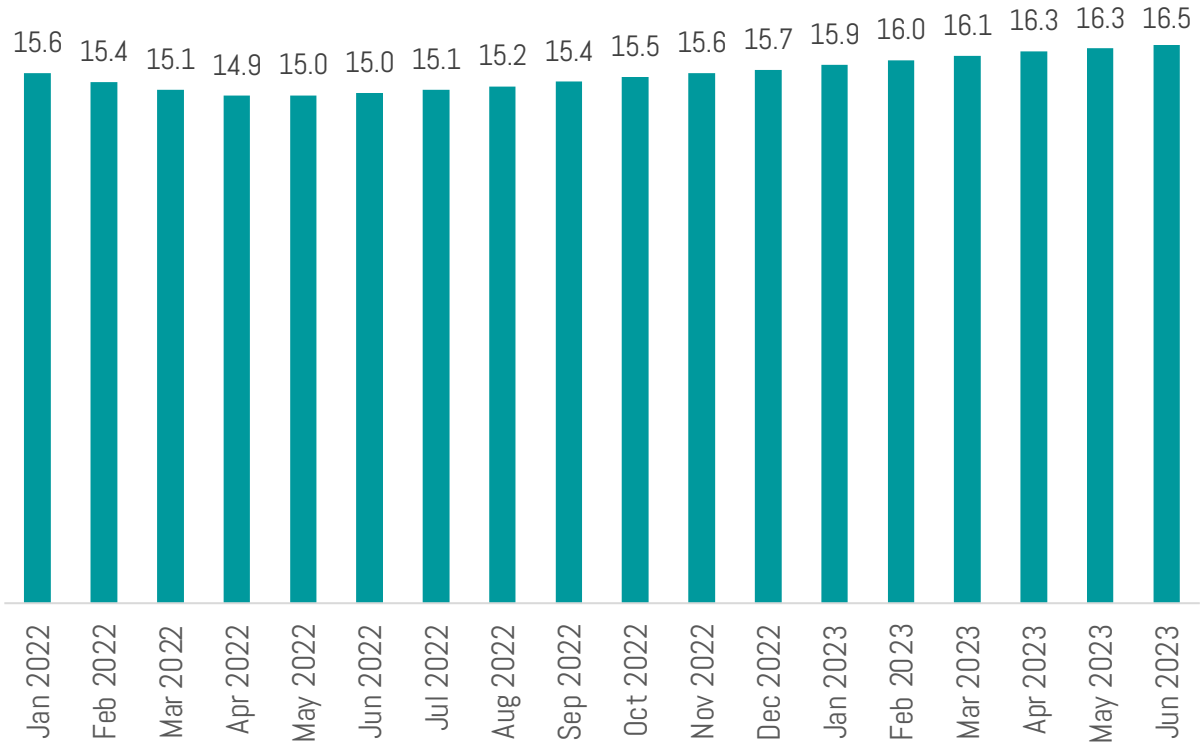
Average tenure longer than a standard contract[1]...

% active members by tenure, June 2023



...growing over time

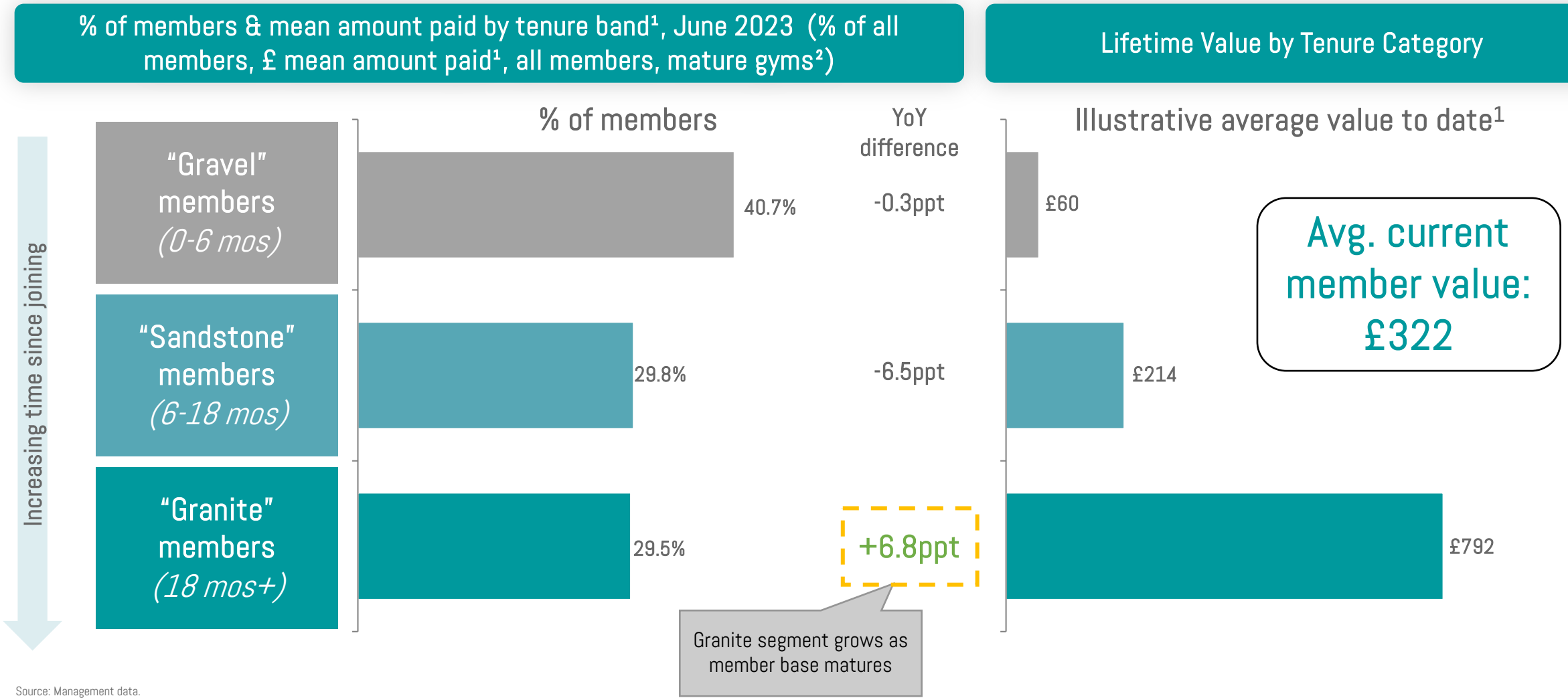
LTM Rolling LFL Average Tenure[2], Jan-22 to Jun-23 (# Months, Mature Gyms[3])



Source: Management data.

Notes: (1) Standard contract assumed as 12 months. (2) Tenure is defined as months of continuous, paying membership without a payment break but includes members that freeze their accounts. Tenure does not include time during COVID closures (3) Mature Gyms have been open for at least 2 years at start of calendar year.

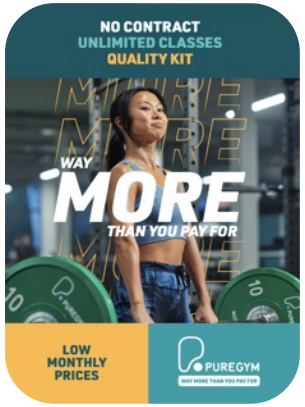
& this loyalty underpins member tenure value of over £300 per current member



Source: Management data.

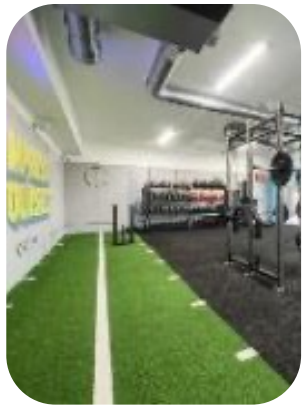
Notes: (1) As of 30 July 2023, based on 2023 H1 Average Monthly Subscription Revenue. (2) Gyms opened for 2 years or more at the start of the given year.

Excellent commercial performance is enabled by industry-leading revenue management



'Premium value' positioning, with leading levels of brand awareness

- Premier Inn vs Travelodge
- Maintain investment in product… indeed make it better over time where performance is strong
- Invest digitally, nationally & locally to build brand awareness & consideration



Low-cost, high volume member acquisition via highly invested web & app

- High levels of brand awareness
- Best in-class national, digital & local marketing consideration & purchase
- Partnerships access incremental audiences
- Results in very low cost of acquisition (CPA)



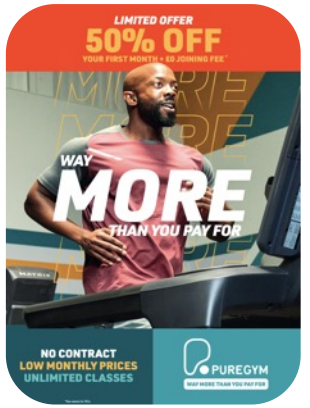
Highly sophisticated price & promotional management

- Market-leading variable pricing model: £49.99 in Clapham vs £16.99 in Bury
- New clubs managed on a 'volume first' basis, then yield managed for revenue
- Managed closely with promotional length & depth to maximise volume & ARPM



Extensive product suite accesses broad audience & increases yield

- Plus: £5-£10 extra per month – bundled product
- Bolt-ons: £3-£8 specific elements
- Members often upgrade club access with multi-gym & delivers further revenues

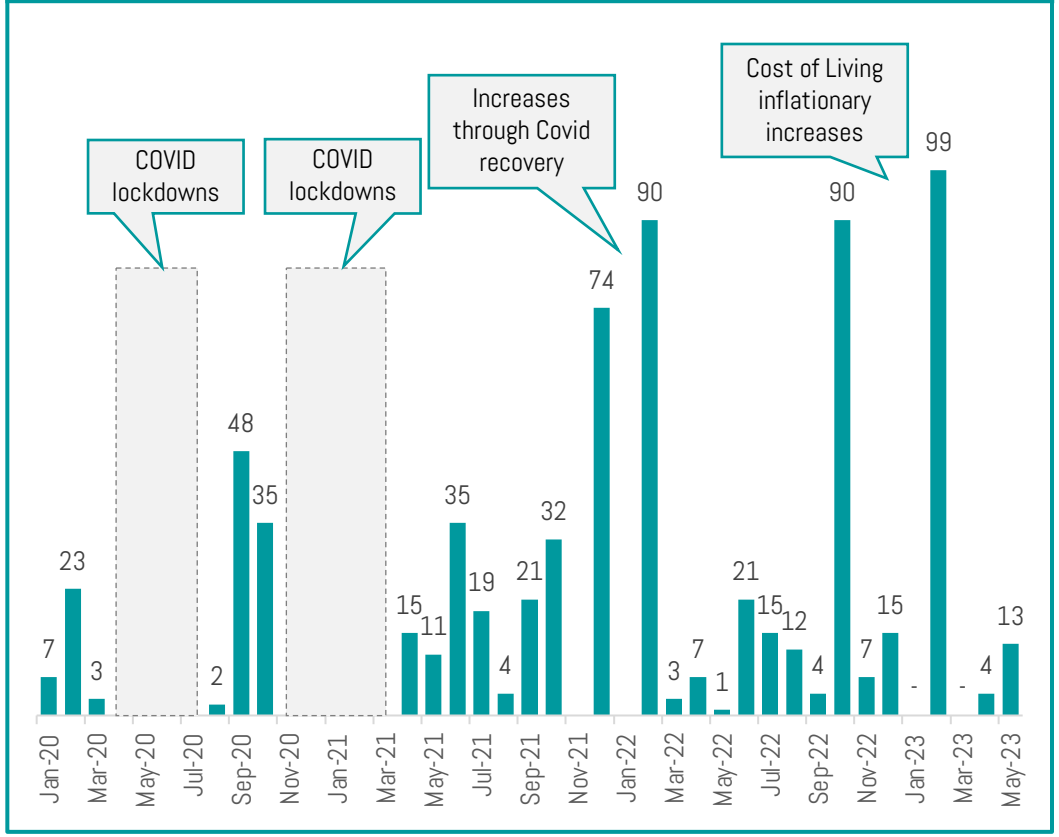


Best-in-class data, analytics & model to drive performance

- In house capability in data & analytics
- Proprietary tools & models deployed to manage commercial performance
- Supported by un-paralleled scale of data & insight

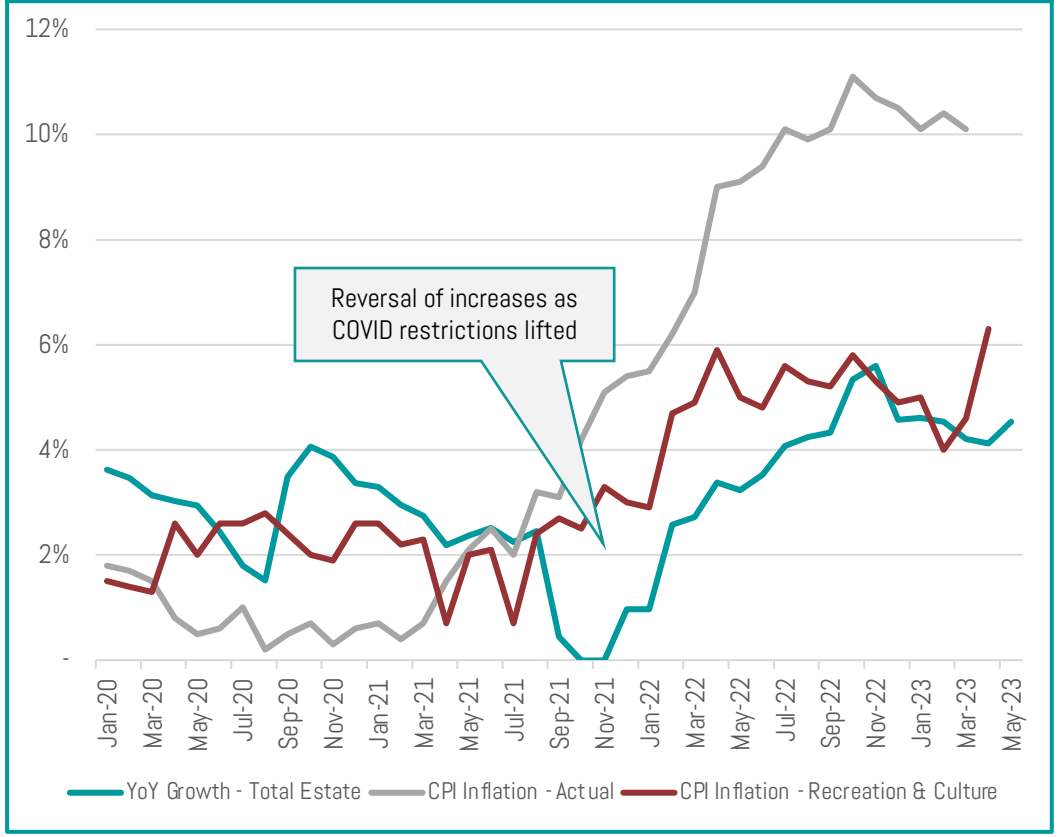
Crucially, it is clear that PureGym has a measure of pricing power given the clear progression of yield & revenue performance

UK LFL Core Price Changes per Month[1]



Monthly rhythm & routine instilled across all markets, with larger 'batch' prices to react to macroeconomic conditions

UK LFL Core YoY Price Growth Vs Inflation



Through Cost of Living Crisis maintained a c.5% YoY HP inflation, maintaining premium value positioning & mitigating cost inflation

Notes: (1) Relates to the number of price changes put through (to the Core product) each month, for new members.



Outlook

A clear strategy delivering against a compelling long run opportunity at home & overseas

Building blocks for our strategy remain clear

3. Expand through franchising

- Develop network across other areas of the world to leverage core IP & create value through low capital intensity EBITDA growth

2. Grow by opening new sites

- Identify the best locations in white & grey space
- Leverage superior brand & operational processes to monetise sites
- Deliver great returns on new capital deployed & grow EBITDA

1. Drive recovery in core estate

- Despite the macro factors the business is making good progress
- Over 95% LFL revenue[1] achieved & more to come
- Strength of high ROCE model confirmed & being maintained

Notes: (1) 95% LFL total group revenue achieved for the month of June 2023 vs June 2019.

The opportunity to provide accessible fitness on an international scale through franchising is clear & has the potential to be very large

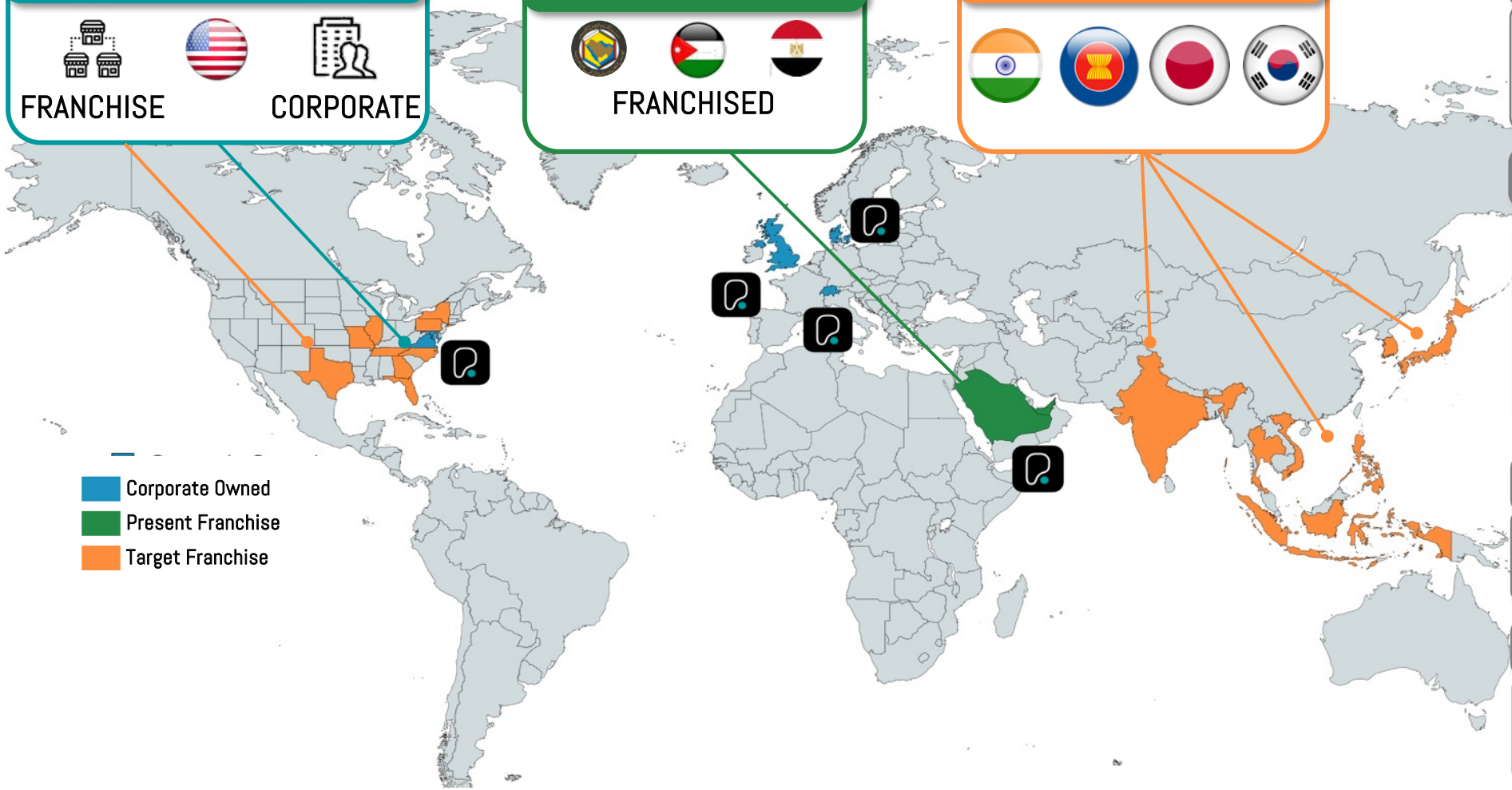
USA

FRANCHISE CORPORATE

MIDDLE EAST

FRANCHISED

REST OF WORLD



JAPAN

- Low fitness penetration (3.3%), no strong value operator
- Large, wealthy population

SE ASIA / ASEAN

- Thailand, Vietnam, Philippines & Indonesia - high population densities & no strong value gym presence
- Total population of 700m spread across ASEAN countries

INDIA

- 1.3bn people largely unserved by value fitness operators

SOUTH KOREA

- 51m population, higher fitness penetration at circa 7%
- Strong franchising market



Conclusions

PUREGYM

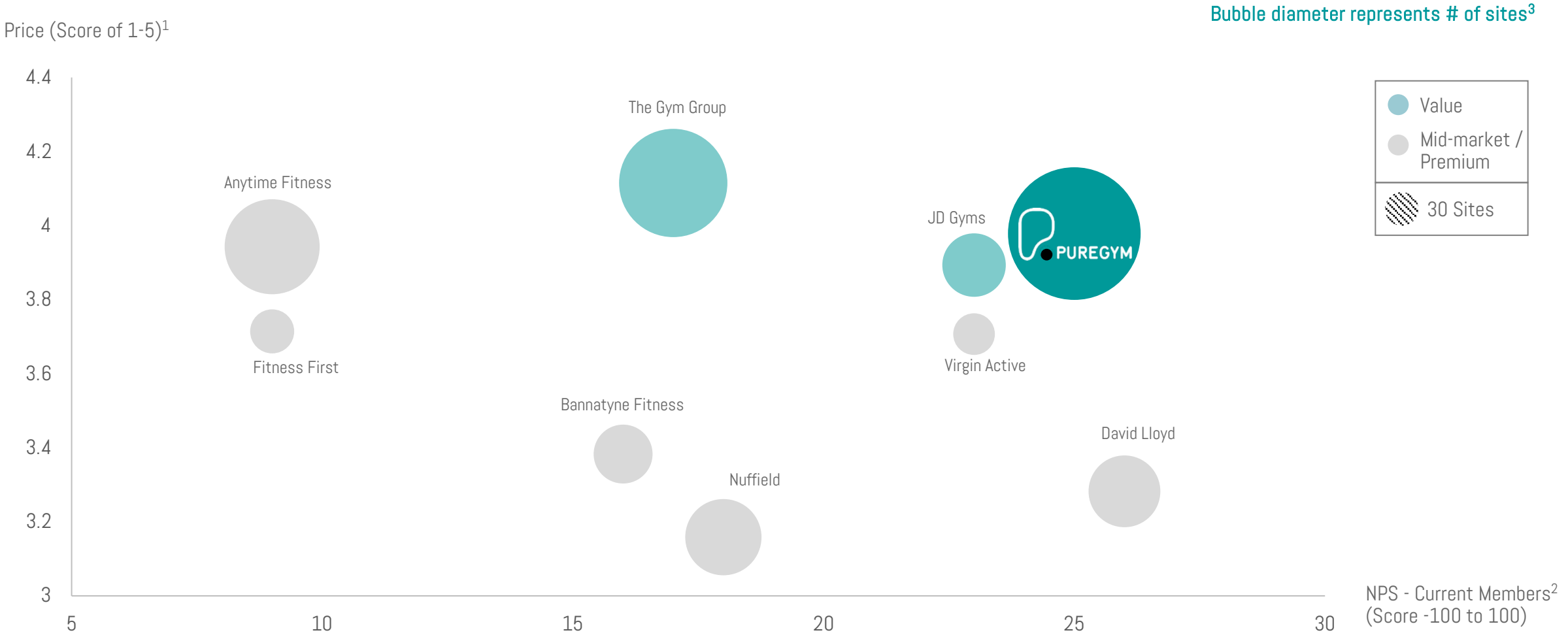
Conclusions

1. Q2 ahead of expectations with **Adjusted EBITDA of £36m** & RR Adj EBITDA of **£128m** (both up +£8m vs Q1)
2. **Strong momentum** is accelerating due to recovery of base revenues, good cost control & new site growth
3. **Clear visibility** of RR Adj EBITDA converting reliably to Adj EBITDA & in turn to cash flow & deleveraging
4. Both old & newer UK sites delivering **over 35% ROCE** & continuing to improve
5. Judicious new site opening programme is further strengthening UK Market Leadership position
6. A clear strategy delivering against a **compelling long run opportunity** at home & overseas
7. RCF extended 5 months, strong support from LGP & KKR & **well prepared for refinancing** of the bonds



Appendices

The PureGym proposition in the UK clearly resonates very strongly with members



Sources: PureGym Market Survey (June 2022), Lesiure Database Company.

Notes: (1) How would you rate [gym] on a scale of 1-5? (2) How likely are you to recommend [gym] to a friend? (3) Selected brands based on sample size.

Strong gym cost control: 2019 to 2022 Bridge

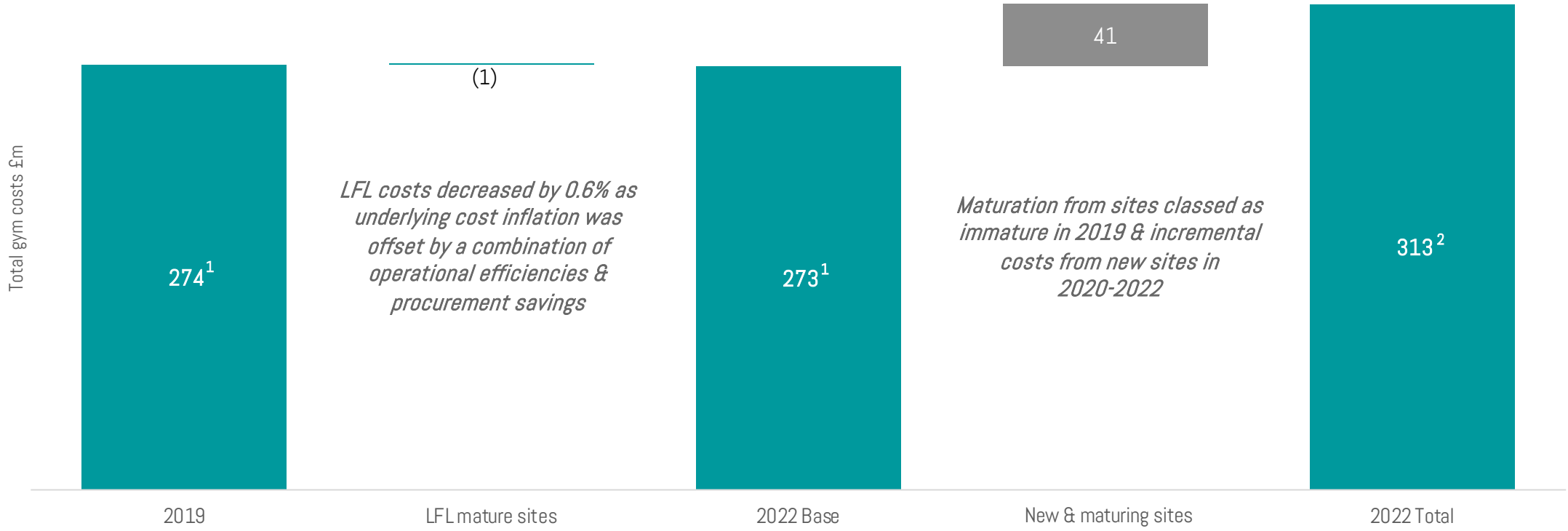
LFL gym costs kept flat across the group in 2022, with absolute costs scaling due to increasing gym numbers

Only **0.5%** cost inflation over 3 years

2019
Closing gyms: 484
Average gyms: 457
Gym cost/av site: £600k

3 Years

2022
Closing gyms: 543[3]
Average gyms: 520
Gym cost/av site: £603k *(+0.5%)*



Notes: (1) 2019 restated for comparability to include £7.7m re PTFC model change which is largely equally offset in revenue uplift in the UK BU. (2) Excludes US gym costs of £3.3m in 2022. (3) Excludes 3 USA gyms.

Management has successfully focused on containing energy/utility costs now & into the future...

Supply side actions

- ✓ The Group has benefited from **fixing energy prices at the bottom of the market**
- ✓ This continues to provide protection for most of 2023
- ✓ Prices have fallen since their peak & the Group has fixed through to the end of 2024 – **removing majority of future price volatility risk**

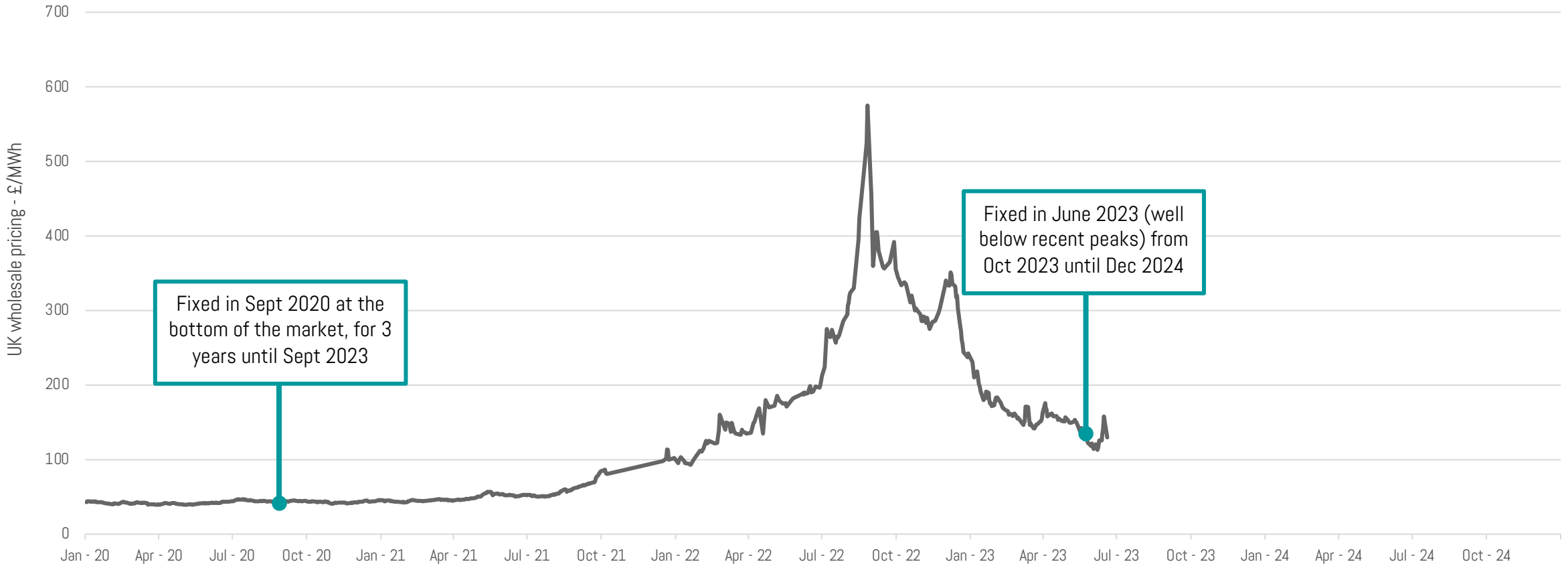
Conclusion: cost increase in 2024 limited to £5-8m vs 2022 across the whole Group

Demand side actions

- ✓ The Group is deploying significant resources to reduce energy consumption
- ✓ **Targeting 20% consumption reduction** in the near term (12-24 months) & further reduction for the longer term
- ✓ Investing c.£10m of capex to deliver these savings

...& benefitted from an effective energy contracting strategy across the Group

The UK electricity profile is indicative of the strategy adopted across the Group, whereby both UK & DK entered the energy crisis protected with price fixes in place & both have recently locked out to 2024 now the market pricing has reduced



Operating cost inflation expected to be contained below 5% in 2023

While we expect to see operating cost inflation in 2023 vs 2022, PureGym has a low labour costs model & has worked hard to successfully minimise the increases

LFL average site opex per gym

2022: **£0.6m** pa

- Fixed Property Costs
  - Rent
  - Rates
  - Service charge
- Staff - Management
- Staff – PT/FC
- Cleaning
- Marketing
- Utilities
- Other – R&M, Tech, Insurance, Admin etc.

Inflationary outlook for 2023

Property costs (+4%)
- UK: leases largely index-linked (mostly cap & collar at 1-3%)
- DK: generally out of contract so good negotiating power, working on estate optimisation to reduce costs overall
- CH: 2% inflationary increases

Staff (flat)
- Broadly flat – inflationary increases offset by operational efficiencies:
- UK: Managers: 6-8% increases in Jan 2023
- UK: PT/FC: c.9.7% in Apr 2023 (NMW) with partly offsetting increase in rental revenue

Cleaning (-4%)
- Reducing YoY due to procurement & operational focus

Marketing (+5%)
- UK: Moderating as a % of revenue through economies of scale
- Increase driven by Denmark, due to one-off rebranding project

Utilities (+11%)
- UK & DK: now fixed through to Dec 2024

Other (+2%)

LFL opex costs expected to increase <5%. LFL yield progression offsets this in 2023

Average site capex costs per gym[1]

2022: **£1.2m**

- Main construction
- Mechanical & engineering fit-out
- Gym equipment
- Acquisition costs

Inflationary outlook for 2023

Main construction
- Construction costs include structural work & fit out
- Larger increases in certain material but overall project costs are well controlled

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

Gym equipment
- Freight costs returning to normal after inflation in 2021/22

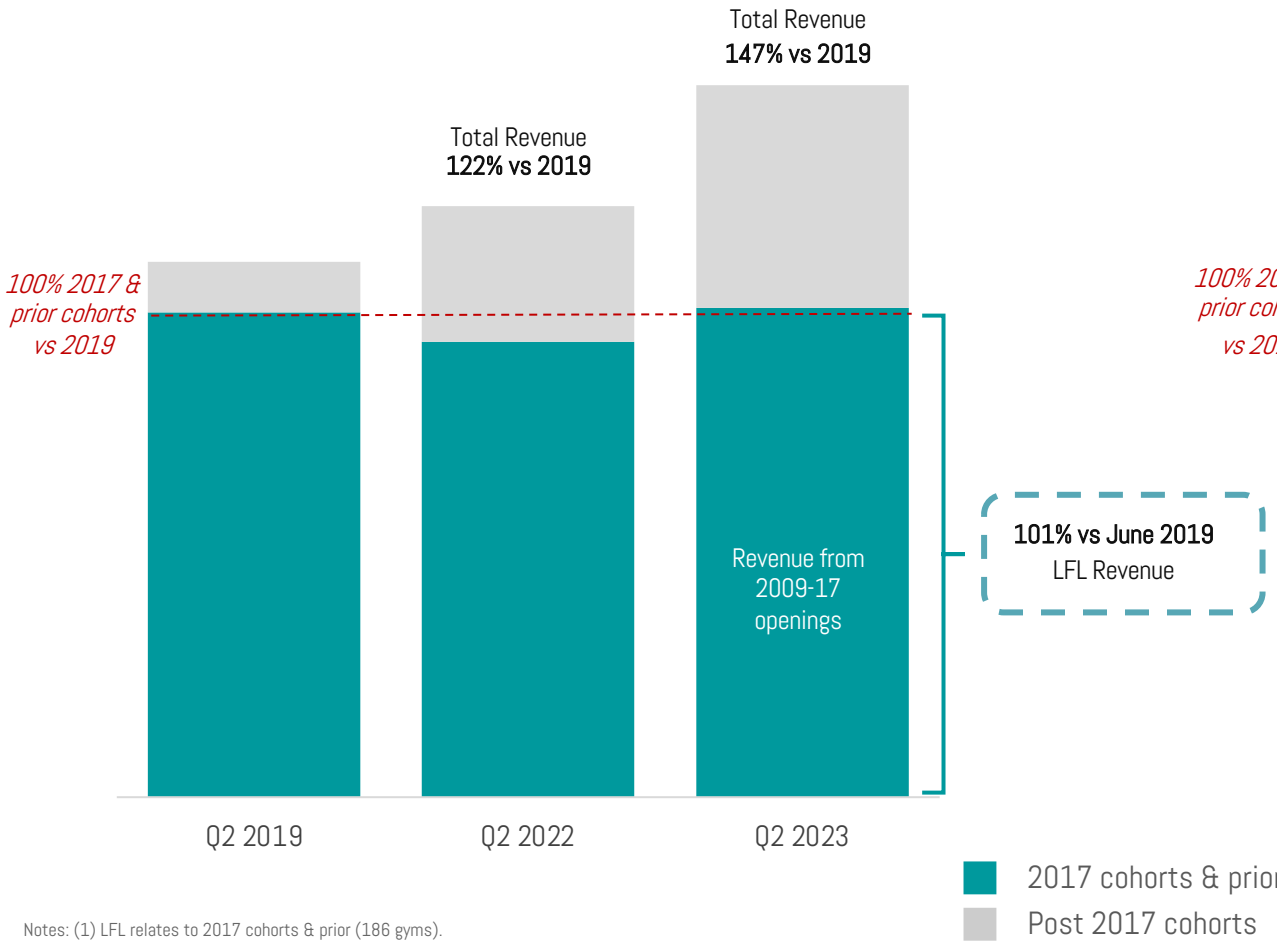
Acquisition costs
- c.2-3% increase

Underlying cost inflation – however fit out costs being managed down through effective value engineering

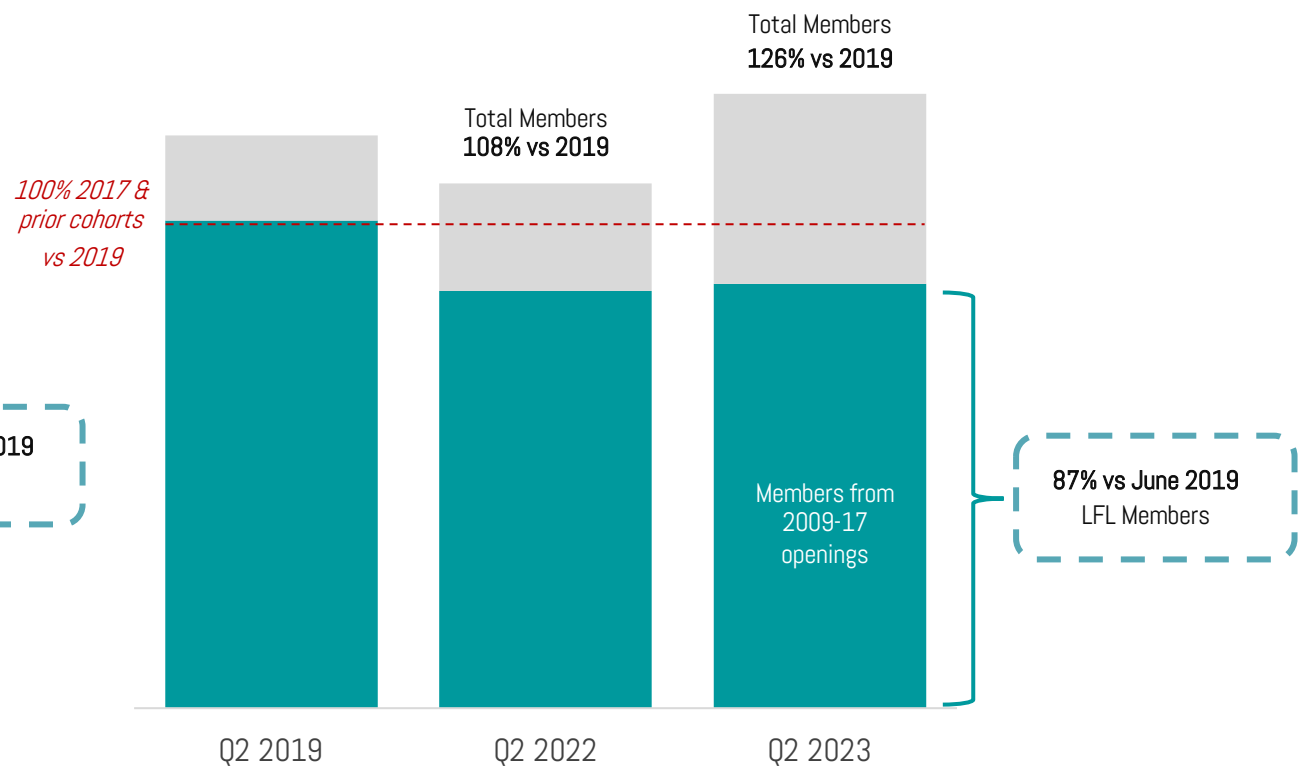
Notes: (1) Represents the average across the whole Group & reflects mix impact of small & medium box formats as well as large box formats.

The UK LFL estate has now exceeded 2019 revenue levels

UK Revenue



UK Member Base

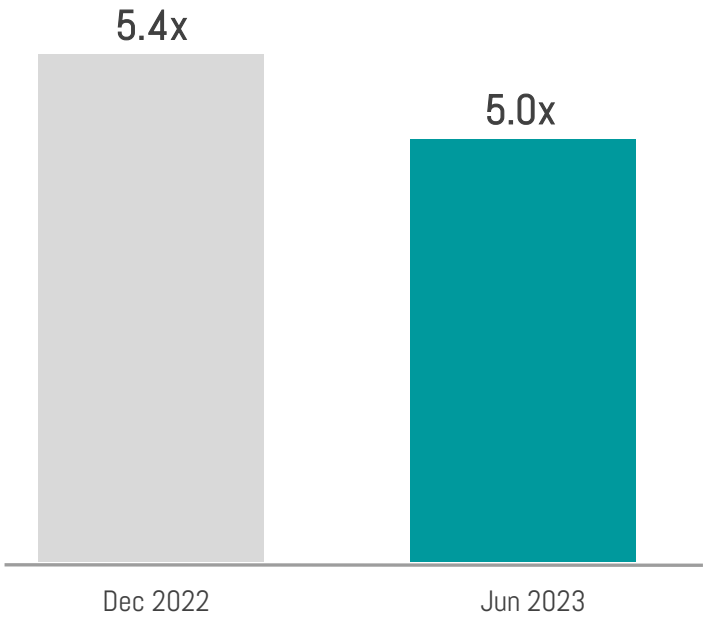


Notes: (1) LFL relates to 2017 cohorts & prior (186 gyms).

The continued & accelerating growth in EBITDA means the Group has returned to a profile of deleveraging

Proforma leverage

	Dec 2022	Jun 2023
Liquidity[1]	£380m[2]	£356m[2]
SS Net Debt	£614m[2]	£644m[2]
RR Adj EBITDA	£114m	£128m



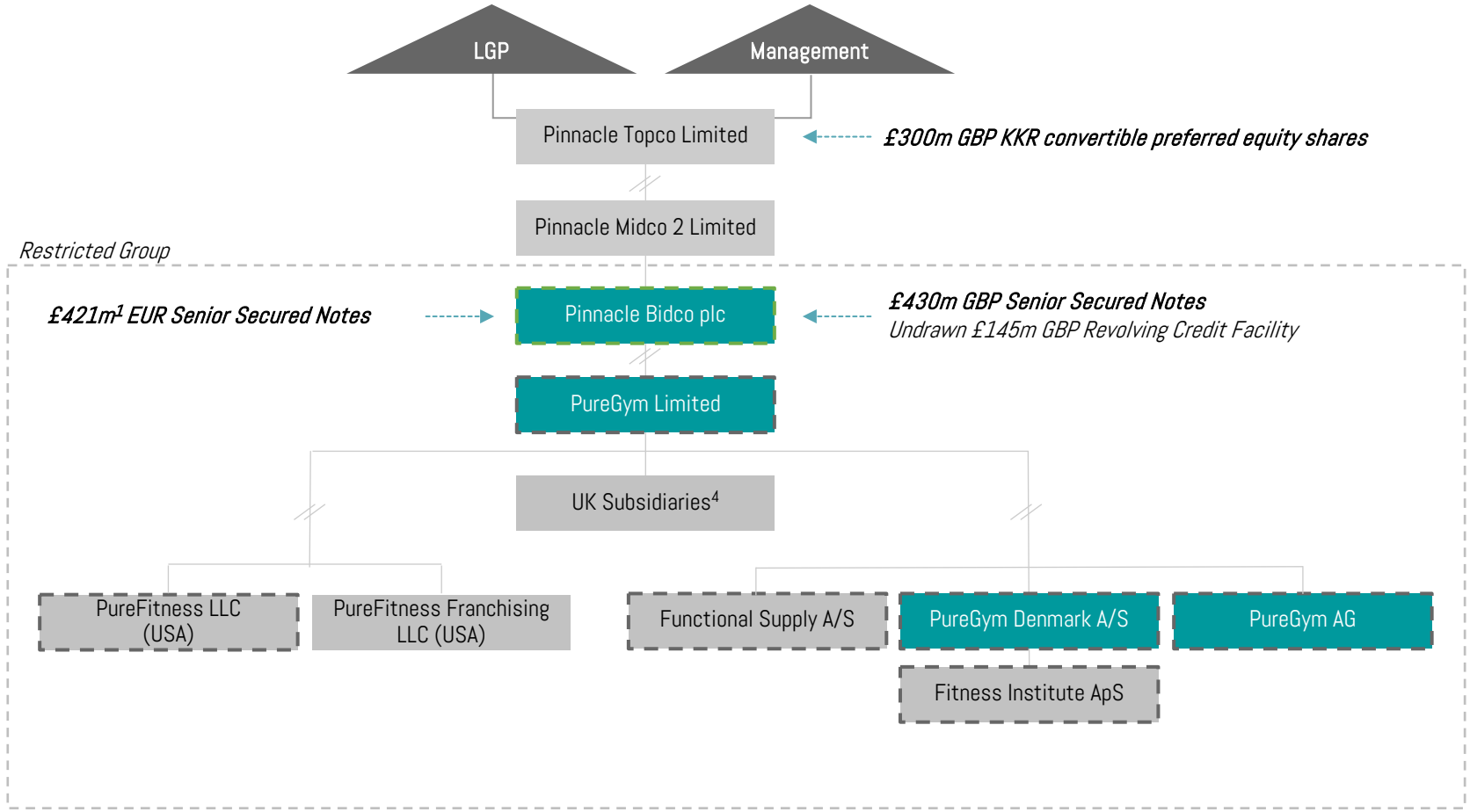
Proforma Net Debt

As at 30 June 2023	£m
Cash	211[3]
Senior Secured Sterling Notes 6.375%	(430)
Senior Secured EUR Notes 5.5%	(425)
Senior Secured Net Debt	**(644)**
Non-property leases/other	(5)
Total Net Debt	(649)
Q2 2023 RR Adj EBITDA	128
Actual SS Net Leverage	*5.0x*

Notes:(1) Liquidity defined as cash plus available RCF facilities. (2) Includes £31m held by parent company, Pinnacle Topco Limited at 30 June 2023 (£30m at 31 December 2022). (3) £211m cash includes non-Sterling balances translated at average exchange rates for the LTM period, in line with banking document definitions. This is equivalent to £211m cash reported on slide 7 where non-Sterling balances are translated at closing exchange rates. Both figures include £31m held by parent company, Pinnacle Topco Limited.

Corporate structure

£211m of cash on balance sheet across the Group as at 30 Jun 2023[3]



Notes:
(1) EUR denominated €490 million Senior Secured Notes (converted to pounds sterling at the 30 June 2023 closing rate of €1.163 to £1.0000). (2) The Guarantors accounted for 98% of Group Run-Rate Adjusted EBITDA for the year ended 31 December 2022, & substantially all of the Group's total assets as of 31 December 2022. (3) £31m of which is held on the balance sheet of Pinnacle Topco Limited. (4) Includes LA Leisure Limited & Ovalhouse Limited.

Key performance indicators

£m	For the three months ended 30 June 2023	For the three months ended 30 June 2022[1]	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Total number of corporate-owned gyms	566	521	566	521
Total number of franchise gyms	16	4	16	4
Total number of gyms	582	525	582	525
Total number of members ('000s)	1,855	1,665	1,855	1,665
Average number of members ('000s)	1,875	1,666	1,840	1,655
Average number of members per gym	3,339	3,227	3,307	3,226
Average revenue per member per month (£)	24.55	23.69	24.61	23.44
Reported revenue (£ million)	138.1	118.4	271.6	232.8
Reported EBITDA (£ million)	60.4	47.6	110.7	92.8
Adjusted EBITDA (£ million)	35.8	25.7	63.4	49.4
Adjusted EBITDA margin	25.9%	21.7%	23.3%	21.2%
Gym Site Adjusted EBITDA (£ million)	51.5	41.6	95.7	81.4
Gym Site Adjusted EBITDA margin	37.3%	35.1%	35.2%	35.0%
Run-Rate Adjusted EBITDA (£ million)	128.4	107.8	128.4	107.8
Operating Cash Flow (£ million)	33.5	21.4	46.0	33.2
Operating Cash Flow Conversion	93.6%	83.0%	72.6%	67.2%
Senior Secured Net Debt[2] (£ million)	643.8	562.1	643.8	562.1
Ratio of Senior Secured Net Debt to LTM Run-Rate Adjusted EBITDA	5.0x	5.2x	5.0x	5.2x
Ratio of LTM Run-Rate Adjusted EBITDA to Pro Forma Net Interest Expense	2.5x	2.0x	2.5x	2.0x

Notes:.
(1) As adjusted for the restatement of the results of Switzerland. See note 30 of the 2022 Pinnacle Bidco plc Annual Report & Accounts. (2) Senior Secured Net Debt at 30 June 2023 includes £31 million (£30 million at 30 June 2022) cash held by parent, Pinnacle Topco Limited.

Segmental performance

£m	3 months ended 30 June 2023	2022[1]	Change %	6 months ended 30 June 2023	2022[1]	Change %
United Kingdom	92	77	19%	179	151	18%
Denmark	35	34	4%	72	67	7%
Switzerland	10	7	30%	19	14	33%
Other	1	-	n/a	2	-	n/a
Total Revenue	**138**	**118**	**17%**	**272**	**233**	**17%**
United Kingdom	29	21	41%	52	41	29%
Denmark	6	6	3%	10	10	3%
Switzerland	1	0	200%	1	-	n/a
Other	-	(1)	n/a	-	(1)	n/a
Total Adjusted EBITDA	**36**	**26**	**39%**	**63**	**49**	**28%**
United Kingdom	32%	27%		29%	27%	
Denmark	16%	16%		15%	15%	
Switzerland	8%	4%		5%	0%	
Other	6%	n/a		(10)%	n/a	
Adjusted EBITDA margin	**26%**	**22%**		**23%**	**21%**	

Note: (1) As restated, see note 30 of the Pinnacle Bidco plc 2022 Annual Report & Accounts

Group cash flow Q2 2023

- Group Adjusted EBITDA of £36m in Q2 2023 up 39% on Q2 2022, converting to £33m of Operating Cash Flow for the quarter
- Group Operating Cash Flow has increased year on year due to improving profits, and has also benefited in Q2 2023 from a more favourable working capital position due to payment timings around the period end. Maintenance expenditure has risen slightly to £7m for the quarter
- Expansionary capital expenditure for the quarter of £15m reflecting investment in the 7 corporate-owned sites opened in Q2 2023 & initial payments made towards sites due to open later in the year
- Tax, interest & debt issue costs for the quarter of £9m mainly relates to £12m interest on senior secured notes offset by £2m of interest earned on the Group's cash deposits
- "Other" cash outflow for the quarter of £3m includes £2m of working capital timing differences on rent payments & £2m of pre-opening costs & other adjustments excluded from Group Adjusted EBITDA
- H1 2022 equity injection reflects the down flow into the Pinnacle Bidco Group of £270m of the £300m investment received from KKR in January 2022

	3 months ended 30 June		6 months ended 30 June	
£m	2023	2022[1]	2023	2022[1]
Group Adjusted EBITDA	**35.8**	**25.7**	**63.4**	**49.4**
Movement in working capital	4.4	2.1	(2.9)	(7.2)
Maintenance & refurb capital expenditure	(6.7)	(6.4)	(14.4)	(9.0)
Group Operating Cash Flow	**33.5**	**21.4**	**46.0**	**33.2**
Operating Cash Flow conversion	*94%*	*83%*	*73%*	*67%*
Expansionary capital expenditure	(15.4)	(15.7)	(36.9)	(25.2)
Exceptional items	(0.4)	(1.5)	(1.0)	(1.7)
Tax, interest, & debt issue costs	(9.4)	(11.8)	(22.1)	(26.0)
Other	(3.5)	(4.9)	(8.0)	(16.4)
Net cash flow before acquisition & financing	**4.8**	**(12.6)**	**(22.0)**	**(36.1)**
Equity injection	-	-	-	270.0
Finance lease capital repayments	(0.8)	(1.6)	(2.0)	(3.2)
Other financing cash flows	-	(7.2)	-	(9.6)
Net cash flow	**4.0**	**(21.5)**	**(24.0)**	**221.1**

Note: (1) As restated, see note 30 of the Pinnacle Bidco plc 2022 Annual Report & Accounts.

PUREGYM

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

£m	For the three months ended 30 June 2023	For the three months ended 30 June 2022[7]	For the six months ended 30 June 2023	For the six months ended 30 June 2022[7]
Loss for the period	**(5.7)**	**(19.0)**	**(25.9)**	**(41.4)**
Income tax	1.4	(2.7)	0.4	(4.0)
Net finance cost	30.5	36.4	65.2	73.1
Operating profit	26.2	14.7	39.7	27.8
Depreciation & impairment of PPE	28.5	27.5	59.4	54.6
Amortisation & impairment of intangible assets	4.7	5.4	10.1	10.5
(Profit) / loss on disposal of property, plant & equipment	1.1	(0.1)	1.0	(0.1)
Profit on lease modifications	(0.5)	-	(0.5)	-
Exceptional administrative expenses	0.4	-	1.0	-
Group Reported EBITDA[1]	**60.4**	**47.6**	**110.7**	**92.8**
Other adjustments[2]	0.8	2.0	2.3	3.5
Share based payment charge[3]	-	0.1	0.1	0.2
Pre-Opening Costs[4]	1.2	0.9	2.4	2.0
Cash Rent Adjustment[5]	(26.7)	(24.9)	(52.1)	(49.2)
Adjusted EBITDA	**35.8**	**25.7**	**63.4**	**49.4**
Head office costs	15.7	15.8	32.4	32.0
Gym Site Adjusted EBITDA	51.5	**41.6**	95.7	**81.4**
LTM Adjusted EBITDA	109.0	93.4	109.0	93.4
Run-Rate Adjustment[6]	19.4	14.3	19.4	14.3
Run-Rate Adjusted EBITDA (LTM)	**128.4**	**107.8**	**128.4**	**107.8**

Notes: (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 & 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 & certain employees. (4) Pre-opening costs represent the total of all gym site operating costs incurred prior to the opening of a new gym & primarily consist of staff costs & marketing. (5) Under IFRS 16, most lease costs are excluded from Group Reported EBITDA. To produce a comparable & more relevant EBITDA figure, the contractual property rent payments due during the accounting period are deducted & 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) 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 & regularly updates forecasts based on current & anticipated performance, taking into account seasonality & location-specific factors. (7) As restated, see note 30 of the Pinnacle Bidco plc 2022 Annual Report & Accounts.

Glossary

Term	Definition
Adjusted EBITDA	The profit or loss for a certain period before income tax expense, net finance cost, depreciation & impairment of property, plant & equipment & right of use assets, amortisation & 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.
EBITDA	The profit or loss for a certain period before income tax expense, net finance cost, depreciation & impairment of property, plant & equipment & right of use assets, amortisation & 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, & the capital costs of investments in technology in that period.
Gym Site Adjusted EBITDA	Adjusted EBITDA for that period, excluding Head Office Costs.
Gym Site Adjusted EBITDA Margin	Gym Site Adjusted EBITDA divided by revenue for that period.
Head Office Costs	All non-gym specific costs, other than depreciation & 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.
Maintenance & Refurbishment Capital Expenditures	The total capital expenditure incurred in a period less Expansionary Capital Expenditure incurred in that period.
Medium Box Format (MBF)	Medium Box Format (MBF) are gyms that are typically 9,000-12,000 square feet in size.

Glossary

Term	Definition
Net Debt	Total indebtedness of the Group including finance lease liabilities as reported under IAS17 (excluding property lease liabilities recognised under IFRS 16) less cash & cash equivalents.
New Gyms	The gyms that have been open 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 & Refurbishment 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.
ROCE	Return on capital employed. Gym Site Adjusted EBITDA divided by initial invested capital.
Run-Rate Adjustment	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.