

Pinnacle Bidco plc

Interim Financial Report for the nine months ended 30 September 2023

PUREGYM

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Business Overview

The PureGym Group ("the Group", being Pinnacle Bidco plc and its subsidiaries) is the second largest gym and fitness operator in Europe - with over 570 corporate-owned sites. The Group provides high quality, low cost, flexible physical fitness facilities and has market leading positions across the UK, Denmark and Switzerland – all now operating under the PureGym brand. In addition, working closely with carefully selected local partners, the Group is rolling out a successful Franchise model, with 19 sites operating in the Middle East and a strong underlying pipeline.

The current macro-environment remains a challenging time for all, but the business has continued to perform well against this backdrop with strong and accelerating momentum in the first 9 months of the year.

The Group has a robust capital and liquidity position with £213m[1] of cash on the balance sheet and £358m[1] of available liquidity at 30 September 2023. This, coupled with the support of its key shareholders, Leonard Green & Partners LP and KKR, puts the Group in a good position to fund expansion and investment in its estate. Shortly after the end of this reporting period, the Group successfully refinanced its external debt, supporting the financial stability of the business in the coming years.

Strategy and business model

The core vision is to provide members with affordable access to the benefits that activity and exercise can offer. The business does this by focusing investment on what most people want and use in gyms and by putting innovative technology that makes the process of being a member and the experience of activity as easy and straightforward as possible. This focus on affordable, flexible, and "value-for-money" membership has fundamentally changed the gym industry over the past few years and opened up increased access to activity, fitness and exercise for hundreds of thousands more people. We are proud of the environment we have created with our inclusive philosophy and the diversity of our membership across all our gyms.

The Group has a powerful and highly disruptive customer proposition, which is differentiated from traditional gym operators and appeals to a broad range of consumers. The Group's strategy is to occupy market leading positions in the value segment, whilst delivering profitable growth for our stakeholders. Key elements of the proposition include low cost membership fees, no obligation to sign a 'locked in' contract, excellent standards of hygiene and cleanliness and "24x7" access to high quality, well maintained gyms. The proposition is underpinned by the Group's differentiated capital efficient and technology-enabled gym operating model, which enables our gyms to support high levels of membership, operate on low costs, and generate strong unit economics, cash flow conversion and ROCE.



United Kingdom

PureGym is the UK's largest private gym operator, both by number of gyms and members. As of 30 September 2023, the Group operated 362 UK gyms (Q3 2022: 317 gyms) with 1,465,000 members (Q3 2022: 1,216,000).



Denmark

Having rebranded from Fitness World earlier this year, PureGym is also the leading operator in Denmark, both by number of gyms and members. As of 30 September 2023, with a programme of estate optimisation underway, the Group operated 167 Danish gyms (Q3 2022: 169 gyms) with 364,000 members (Q3 2022: 376,000).



Switzerland

As at 30 September 2023, PureGym operated 44 gyms in Switzerland (Q3 2022: 39 gyms) with 83,000 members (Q3 2022: 72,000). PureGym is the second largest gym operator and the leading high value, low cost operator in the country.



United States of America

The Group opened its first three gyms in the USA during 2022, operating under the Pure Fitness brand. As at 30 September 2023, the Group had 10,000 members in the USA (Q3 2022: 9,000).



The Middle East

The Group recently launched a franchise model with the first franchised sites opening in the Kingdom of Saudi Arabia in 2021. In 2023, the franchise has expanded to a second country with its first 2 sites opening in the UAE during the first quarter. As at 30 September 2023, there are 19 franchised gyms in operation (Q3 2022: 7). This model brings the Group's affordable, accessible gym proposition to a number of exciting new markets and provides a platform for expanding the franchised offering to other territories in the future.

Notes

1. Includes £31m cash held by parent, Pinnacle Topco Limited.

Business Overview (continued)

Whilst driving the operational and financial performance of our existing gym estate across all of our geographies, we will continue to roll out new corporate owned gyms in the UK and Switzerland in a measured and controlled way, where we can achieve our targeted return on capital, and will continue to progress our estate optimisation programme in Denmark, whilst exploring franchise opportunities in untapped markets.

Our ability to deliver on this strategy is underpinned by a strong business model:

- The world's population is more aware than ever of the importance of looking after physical and mental health, avoiding conditions such as obesity and ensuring a good immune system. We therefore believe that there will continue to be attractive and resilient fitness markets with significant growth opportunities in the value segment.
- The merit to consumers of having access to a fully-equipped, conveniently-located, always-open, well-maintained, safe and secure, shared use facility is very considerable and this merit is close to impossible for most consumers to replicate at home or in any other way.
- Clear benefits from being a diversified, scale operator with sites spread across countries and continents.
- Strong, differentiated customer proposition supported by technology which both improves the effectiveness from a consumer point of view and reduces operating costs.
- Low cost, capital efficient, technology-enabled operating model.
- A strong and experienced leadership team.
- Significant financial capacity to support ongoing expansion and estate rollout.

The fitness market

The Group operates in the value segment of the fitness market, which has grown quickly over the past several years. The expanding footprint of value gyms has increased the availability of fitness facilities to a larger proportion of the population.

The value gym market has demonstrated resilience during periods of economic decline in the past and can also support growth in these conditions as consumers consider cost-conscious alternatives. Whilst it's clear that the current macro-economic environment and cost of living crisis is challenging for consumers and for operators, we firmly believe the long-run outlook for our business remains bright – we have the right business model, operating in the most attractive segment, to be highly successful.



Q3 2023 Financial Review

Presentation of financial information

The Group has prepared consolidated financial statements as of and for the 9 months ended 30 September 2023 in accordance with IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board.

Funding

As at the end of the reporting period, the Group had £430 million of Senior Secured Notes ("the Sterling Notes") and €490 million of Senior Secured Notes ("the Euro Notes") in issue (together, "the Notes").

The Notes were listed on The Official List of the International Stock Exchange, for which Pinnacle Bidco plc was the Issuer and certain subsidiaries of the Group were guarantors. Interest on the Sterling Notes accrued at a rate of 6.375% and interest on the Euro Notes accrued at a rate of 5.500% both payable at half-yearly intervals. The Notes were due to be repaid in full on 15 February 2025.

In addition, the Group had a £145 million revolving credit facility (the "RCF") with seven international institutions. As at 30 September 2023, the RCF was undrawn.

Subsequent to the reporting period, on 11 October 2023, the Group completed the refinancing of its Euro and GBP Senior Secured Notes and RCF. The Group redeemed its existing €490 million and £430 million notes (the "Existing Notes") and issued €380 million and £475 million of new notes (the "New Notes"), due 11 October 2028. The New Notes were issued at par and bear interest at 8.25% and 10.00% per annum respectively. As part of the transaction, the Group paid down £50 million equivalent of the Existing Notes using cash on balance sheet, and paid early redemption fees of £6.1 million.

The Group also entered into a new £175.5 million RCF (the "New RCF"), due 11 July 2028, with five international institutions secured by fixed and floating charges over the assets and undertakings of Pinnacle Bidco plc and certain of its subsidiaries.

The New RCF bears interest at a floating rate derived from SONIA when drawn. Included within the total New RCF is a £10 million overdraft facility.

The New RCF is subject to a financial covenant, tested quarterly, of a minimum senior secured net leverage of 8.8x, when draw down of the RCF is greater than 40%.

The RCF provides headroom for the Group's working capital requirements, additional capacity for the roll out of new gyms, and downside protection from the unexpected impact of macroeconomic factors including cost and utility price inflation.



Q3 2023 Financial Review (continued)

- Performance in Q3 was strong & in line with expectations, with Q3 Adj EBITDA of £33m (+£10m vs Q3 2022)
- Continued & accelerating growth quarter-on-quarter with RR Adj EBITDA of £139m (+£11m vs Q2 2023)
- Increasing 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
- Closing cash of £213m[1] & available liquidity of £358m[1] maintains ample strategic flexibility & allows us to continue with the new site opening programme
- SS net leverage of 4.6x RR Adj EBITDA for Q3 - evidencing quarter-on-quarter deleveraging



Notes
1. Includes £31m cash held by parent, Pinnacle Topco Limited.

Q3 2023 Financial Review (continued)

Operating results

£m	For the three months ended 30 September 2023	For the three months ended 30 September 2022[1]	For the nine months ended 30 September 2023	For the nine months ended 30 September 2022[1]
Revenue	137.7	118.9	409.3	351.7
Operating expenses (exc. separately disclosed items)	(78.7)	(72.4)	(239.6)	(212.4)
Group Reported EBITDA	**59.0**	**46.5**	**169.7**	**139.3**
Depreciation, amortisation and impairment	(35.4)	(32.6)	(104.9)	(97.7)
(Loss) / Profit on disposal of PPE	0.1	(0.9)	(0.9)	(0.8)
Profit on lease modifications	0.4	0.4	1.0	0.4
Exceptional items	(0.5)	(0.3)	(1.6)	(0.3)
Operating profit	**23.6**	**13.2**	**63.4**	**41.0**
Net finance cost	(44.3)	(37.5)	(109.5)	(110.6)
Loss before tax	(20.7)	(24.3)	(46.2)	(69.7)
Income tax credit	4.0	5.1	3.6	9.1
Loss for the period	**(16.7)**	**(19.2)**	**(42.6)**	**(60.5)**

Revenue

Revenue increased by 15.8% to £137.7 million for the three months ended 30 September 2023 as compared to £118.9 million for the three months ended 30 September 2022, due to a combination of a 14.9% increase in members and a 2.2% increase in the average revenue per member resulting from measured price increases in existing gyms, the maturation of existing immature gyms and the opening of 55[2] new corporate owned gyms in the period from 1 October 2022 to 30 September 2023.

Revenue increased by 16.4% to £409.3 million for the nine months ended 30 September 2023 as compared to £351.7 million for the nine months ended 30 September 2022, due to a combination of a 14.9% increase in members, and a 3.9% increase in the average revenue per member resulting from measured price increases in existing gyms, the maturation of existing immature gyms and the opening of 55[2] new corporate owned gyms in the period from 1 October 2022 to 30 September 2023.

Operating Expenses (exc. separately disclosed items)

Operating expenses increased by 8.6% to £78.7 million for the three months ended 30 September 2023 as compared to £72.4 million for the three months ended 30 September 2022, and by 12.8% to £239.6 million for the nine months ended 30 September 2023 as compared to £212.4 million for the nine months ended 30 September 2022.

These increases were primarily due to an increase in number of corporate owned gym sites, an average inflationary uplift of c.5% in our operating cost base and investments in head office in preparation for the next phase of growth in the business.

Depreciation, amortisation and impairment

Depreciation, amortisation and impairment increased by 8.5% to £35.4 million for the three months ended 30 September 2023 as compared to £32.6 million for the three months ended 30 September 2022 and by 7.3% to £104.9 million for the nine months ended 30 September 2023 as compared to £97.7 million for the nine months ended 30 September 2022. These increases were due to the development of 55[2] new corporate owned gyms in the period 1 October 2022 to 30 September 2023, offset by the impact of impairments recorded in Q4 2022 which lower the depreciation charge going forward.

Exceptional Items

Exceptional items incurred in 2023 relate primarily to the rebranding of the Danish estate from Fitness World to PureGym.

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. The total site movement of 48 from 30 September 2022 to 30 September 2023 site is net of 7 closures in the year."

Q3 2023 Financial Review (continued)

Net finance costs

Net finance costs increased to £44.3 million for the three months ended 30 September 2023, an increase of £6.9 million, or 18.3%, as compared to £37.5 million for the three months ended 30 September 2022. This increase was primarily driven by a £6.1 million finance charge recognised in the quarter as an accrual for the early redemption fee due to be paid in October 2023 on the settlement of the Existing Notes, as part of the Group's refinancing. The remaining movement arises from increases in interest on the Group's property leases, due to the roll out of new sites.

Net finance costs decreased to £109.5 million for the nine months ended 30 September 2023, a decrease of £1.1 million, or 1.0%, as compared to £110.6 million for the nine months ended 30 September 2022. This decrease was primarily due to receiving interest income on cash deposits of £5.7 million during the nine months ended 30 September 2023 combined with £3.1 million of foreign exchange gain, offset by the early redemption fee of £6.1 million as described above.

Tax credit

The income tax credits of £4.0 million for the 3 months ended 30 September 2023 and £3.6 million for the 9 months ended 30 September 2023, arose due to recognition of deferred tax assets on taxable losses incurred during the period. These compare to credits of £5.1 million for the 3 months ended 30 September 2022 and £9.1 million for the 9 months ended 30 September 2022.

Q3 2023 Financial Review (continued)

Cashflow and Liquidity

£m	For the three months ended 30 September 2023	For the three months ended 30 September 2022[1]	For the nine months ended 30 September 2023	For the nine months ended 30 September 2022[1]
Net cash generated from operating activities	**38.6**	**13.5**	**99.7**	**39.3**
Net cash used in investing activities	(22.6)	(22.8)	(73.7)	(56.8)
Net cash (used in) / generated from financing activities	(14.5)	(15.9)	(48.6)	213.3
Net increase / (decrease) in cash and cash equivalents	**1.5**	**(25.3)**	**(22.6)**	**195.8**
Cash and cash equivalents on the first day of the period	180.3	254.8	204.6	31.9
Effect of exchange rates on cash held	0.4	1.1	0.2	2.9
Cash and cash equivalents at end of period	**182.2**	**230.6**	**182.2**	**230.6**
Cash held by Pinnacle Topco	31.2	30.0	31.2	30.0
Available cash at 30 September	**213.4**	**260.6**	**213.4**	**260.6**
Undrawn RCF Facility (including overdraft)	145.0	145.0	145.0	145.0
Availably liquidity at 30 September[1]	**358.4**	**405.6**	**358.4**	**405.6**

[1] Subject to a £30 million minimum liquidity test at each quarter end.

Net cash flows from operating activities

Net cash flows from operating activities comprise operating profit before interest, tax, profit/(loss) on disposals, depreciation, amortisation and impairment charges, net of the movement in net working capital and less tax, exceptional costs paid, net interest and debt issuance costs paid.

Net cash flow from operating activities for the three months ended 30 September 2023 was an inflow of £38.6 million, an increase of £25.1 million as compared to the three months ended 30 September 2022. Similarly net cash flow from operating activities for the nine months ended 30 September 2023 was an inflow of £99.7 million, an increase of £60.4 million as compared to the nine months ended 30 September 2022. These increases arose as the growth in revenue and operating profit, as set out on page 6, readily converts into cash.

Net cash flows used in investing activities

Net cash flows used in investing activities consist of expenditure on property, plant and equipment and intangible assets and amounts paid for acquisitions, less proceeds from disposals plus the portion of any capital expenditure funded through finance leases.

Net cash flow used in investing activities for the three months ended 30 September 2023 was £22.6 million, compared to £22.8 million for the three months ended 30 September 2022. Net cash flow used in investing activities for the nine months ended 30 September 2023 was £73.7 million, an increase of £16.9 million as compared to the nine months ended 30 September 2022. In all periods, these outflows primarily related to investment in new site development and refurbishment of the existing estate.

Net cash flows generated from / (used in) financing activities

Net cash flows from financing activities consist of the drawdown and repayment of loans, leases and shareholder equity.

Net cash used in financing activities in the three months ended 30 September 2023 was £14.5 million, and related entirely to lease capital payments. These lease capital payments represent a proportion of the property rental costs as accounted for under IFRS 16, with the remaining rental cost accounted for within net cash used in operating activities.

Net cash used in financing activities for the three months ended 30 September 2022 was £15.9 million, of which £15.4 million related to lease capital payments.

Net cash used in financing activities in the nine months ended 30 September 2023 was £48.6 million and related entirely to lease capital payments.

Net cash generated from financing activities in the nine months ended 30 September 2022 was £213.3 million and consisted of a £270.0 million equity injection from an issue of share capital in the period, which was partially offset by a cash outflow of £46.5 million lease capital payments and £8.5 million repayment of government loans and other short-term debt.

Cash and liquidity

As at 30 September 2023, the Group had cash and cash equivalents of £213.4 million (including £31.2 million held by the parent company, Pinnacle Topco Limited) and access to undrawn facilities of £145.0 million, giving total liquidity headroom of £358.4 million (30 September 2022: £405.6 million).

Notes

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

Q3 2023 Financial Review (continued)



Capital expenditure cashflow

The following table shows our cash flows from capital expenditure for the periods indicated. Expansionary Capital Expenditure for the three months ended 30 September 2023 mainly comprised investment in the 13 new corporate owned sites opened in the quarter. Some expenditure on these sites was incurred in Q2. In the three months ended 30 September 2022, the Group opened 8 new corporate owned sites.

In total, 35 new corporate owned sites have been opened in the nine months ended 30 September 2023, compared to 25 in the nine months ended 30 September 2022.

Maintenance and Refurbishment Capital Expenditure primarily relates to the Group's programme of site refurbishment.

	For the three months ended 30 September		For the nine months ended 30 September	
£m	2023	2022	2023	2022
Expansionary Capital Expenditure	12.1	16.8	49.0	42.0
Maintenance and Refurbishment Capital Expenditure	10.6	6.1	25.1	15.1
Total Capital Expenditure Cash Flow	**22.7**	**23.0**	**74.1**	**57.2**

Key Performance Indicators

	For the three months ended 30 September		For the nine months ended 30 September	
	2023	2022[1]	2023	2022[1]
Total number of corporate owned gyms	576	528	576	528
Total number of franchise gyms	19	7	19	7
Total number of gyms	595	535	595	535
Total number of members ('000s)	1,923	1,673	1,923	1,673
Average number of members ('000s)	1,873	1,654	1,852	1,654
Average number of members per gym	3,284	3,154	3,301	3,200
Average revenue per member per month (£)	24.49	23.96	24.56	23.63
Reported revenue (£ million)	137.7	118.9	409.3	351.7
Reported EBITDA (£ million)	59.0	46.5	169.7	139.3
Adjusted EBITDA (£ million)	33.5	23.2	96.8	72.6
Adjusted EBITDA margin	24.3%	19.5%	23.7%	20.6%
Gym Site Adjusted EBITDA (£ million)	49.3	40.5	145.0	121.8
Gym Site Adjusted EBITDA margin	35.8%	34.0%	35.4%	34.6%
Run-Rate Adjusted EBITDA (£ million)	139.3	111.2	139.3	111.2
Operating Cash Flow (£ million)	28.5	16.6	74.5	49.8
Operating Cash Flow Conversion	85.3%	71.9%	77.0%	68.7%
Senior Secured Net Debt[2] (£ million)	642.8	586.7	642.8	586.7
Ratio of Senior Secured Net Debt to LTM Run-Rate Adjusted EBITDA	4.6x	5.3x	4.6x	5.3x
Ratio of LTM Run-Rate Adjusted EBITDA to Pro Forma Net Interest Expense	3.1x	2.1x	3.1x	2.1x

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 September 2023 includes £31 million (£30 million at 30 September 2022) cash held by parent, Pinnacle Topco Limited.

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

£m	For the three months ended 30 September 2023	2022[7]	For the nine months ended 30 September 2023	2022[7]
Loss for the period	**(16.7)**	**(19.2)**	**(42.6)**	**(60.5)**
Income tax	(4.0)	(5.1)	(3.6)	(9.1)
Net finance cost	44.3	37.5	109.5	110.6
Operating profit	23.6	13.2	63.4	41.0
Deprecation and impairment of PPE	29.1	27.2	88.5	81.8
Amortisation and impairment of intangible assets	6.3	5.4	16.4	15.9
(Profit) / loss on disposal of property, plant & equipment	(0.1)	0.9	0.9	0.8
Profit on lease modifications	(0.4)	(0.4)	(1.0)	(0.4)
Exceptional administrative expenses	0.5	0.3	1.6	0.3
Group Reported EBITDA [1]	**59.0**	**46.5**	**169.7**	**139.3**
Other adjustments[2]	0.4	1.9	2.7	5.4
Share based payment charge [3]	0.1	0.1	0.2	0.3
Pre-opening costs [4]	1.0	1.3	3.3	3.2
Cash rent adjustment [5]	(27.0)	(26.6)	(79.1)	(75.7)
Adjusted EBITDA	**33.5**	**23.2**	**96.8**	**72.6**
Head office costs	15.8	17.3	48.2	49.3
Gym Site Adjusted EBITDA	**49.3**	**40.5**	**145.0**	**121.8**
LTM Adjusted EBITDA	119.3	94.4	119.3	94.4
Run-Rate Adjustment[6]	20.0	16.8	20.0	16.8
Run-Rate Adjusted EBITDA (LTM)	**139.3**	**111.2**	**139.3**	**111.2**

(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 2022 Pinnacle Bidco plc Annual Report & Accounts.

Disclaimers and Further Information for Noteholders

Further information for noteholders

This report was prepared in accordance with the indentures dated 24 January 2018 and 17 November 2020, among Pinnacle Bidco plc, as issuer, the guarantors named therein, Deutsche Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch, as paying agent and security agent and Deutsche Bank Luxembourg SA as transfer agent and registrar.

This report may include forward-looking statements. All statements other than statements of historical facts included in this report, 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 report. 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 report. 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. We define our non-IFRS measures as set forth in the glossary on page 13.

Risks

The Directors are responsible for the Group's risk management and monitor risks on an on-going basis to ensure these are being appropriately mitigated in line with its risk appetite. The Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance over the 2023 financial year remain substantially the same as those stated on pages 14 to 16 of our Annual Report and Accounts for the period ended 31 December 2022, which is available on our website corporate.puregym.com.

Glossary

"Adjusted EBITDA"
As the profit or loss for a certain period before income tax expense, net finance cost, depreciation of property, plant and equipment and right of use assets, amortisation of intangible fixed assets, impairment of property, plant and equipment, profit/loss on disposal of property, plant and equipment, profit/loss on lease modifications, exceptional administrative expenses, and other adjustments, after adding back Pre-Opening Costs and share based payment charges, and subtracting the Cash Rent Adjustment.

"Adjusted EBITDA Margin"
Adjusted EBITDA for that period divided by revenue for that period.

"Average Number of Members"
The average of the number of members as at the beginning of the first month and the end of every month in that period.

"Average Revenue Per Member Per Month"
Revenue for that period divided by the number of months in that period and further divided by the average number of members during that period. The average number of members during that period is calculated as the average of the number of members as of the beginning of the first month and the end of every month in that period.

"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 of property, plant and equipment and right of use assets, amortisation of intangible fixed assets, impairment of property, plant and equipment, profit/loss on disposal of property, plant and equipment, profit/loss on lease modifications and exceptional administrative expenses.

"Expansionary Capital Expenditure"
The Initial Capital Investment and the capital costs of expanding gym sites incurred 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 and 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 and Refurbishment Capital Expenditures"
The total capital expenditure incurred in a period less Expansionary Capital Expenditure incurred in that period.

"Mature Gyms"
Corporate-owned gyms that have been open for two full financial years or more as at the reporting date.

"Medium Box Format (MBF)"
Medium Box Format (MBF) gyms are gyms that are typically 9,000-12,000 square feet in size.

"Net Debt"
As total indebtedness of the Group including finance lease liabilities as reported under IAS17 (excluding property lease liabilities recognised under IFRS 16) less cash and cash equivalents.

"New Gyms"
Corporate-owned gyms that have been open for less than two full financial years as at the reporting date.

"Number of Gyms"
The total number of gyms that are open and trading as of the specified date or the end date of the relevant period.

"Operating Cash Flow"
Adjusted EBITDA plus Working Capital Cash Flow and less Maintenance and Refurbishment Capital Expenditures for that period.

"Operating Cash Flow Conversion"
The Operating Cash Flow for that period divided by Adjusted EBITDA for that period.

"Pre-Opening Costs"
The total of all gym site operating costs incurred during the pre-opening periods of gyms in that period. Pre-Opening Costs primarily consist of staff and marketing expenses.

Glossary continued

"ROCE"
Return on capital employed. Gym site Adjusted EBITDA for that period

"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 and cash equivalents.

"Small Box Format (SBF)"
Small Box Format (SBF) gyms are gyms that are typically 6,000-9,000 square feet in size.

"Working Capital Cash Flow"
Cash movements in working capital.

Pinnacle Bidco plc
Condensed Consolidated Interim Financial Statements
for the 9 months ended 30 September 2023

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Condensed Consolidated Statement of Comprehensive Income
for the 9 months ended 30 September 2023

	Note	**9 months ended 30 September 2023 (Unaudited) £m**	9 months ended 30 September 2022 Restated (Unaudited) £m
Revenue	2,3	**409.3**	351.7
Cost of sales		**(13.2)**	(10.9)
Other income		**0.3**	1.0
Other administrative expenses		**(331.5)**	(300.6)
Exceptional administrative expense	5	**(1.6)**	(0.3)
Administrative expenses		**(333.1)**	(300.8)
Operating profit	4	**63.3**	40.9
Finance income	6	**8.8**	1.5
Finance costs	6	**(118.2)**	(112.0)
Loss before income tax		**(46.1)**	(69.6)
Income tax credit	7	**3.5**	9.1
Loss for the period		**(42.6)**	(60.5)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations – foreign currency translation differences, net of tax		**0.7**	4.7
Total other comprehensive income for the period, net of tax		**0.7**	4.7
Total comprehensive expense for the period		**(41.9)**	(55.8)

See note 15 for details on the restatement to the 2022 consolidated statement of changes in comprehensive income.

Condensed Consolidated Statement of Financial Position
as at 30 September 2023

	Note	**30 September 2023 (Unaudited) £m**	31 December 2022 (Audited) £m
Non-current assets			
Intangible assets	8	**769.6**	783.3
Property, plant and equipment	9	**706.5**	681.0
Deferred tax assets		**65.6**	65.8
Other receivables		**7.3**	7.2
		1,549.0	1,537.3
Current assets			
Inventories		**5.7**	5.0
Trade and other receivables		**54.2**	28.7
Income taxes receivable		**0.6**	0.8
Cash and cash equivalents		**182.1**	204.6
		242.6	239.1
TOTAL ASSETS		**1,791.6**	1,776.4
Current liabilities			
Trade and other payables		**(159.8)**	(132.6)
Lease liabilities		**(65.7)**	(74.4)
Provisions		**(4.6)**	(4.5)
Income taxes payable		**-**	(0.1)
		(230.1)	(211.6)
Non-current liabilities			
Deferred tax liabilities		**(15.9)**	(19.2)
Other liabilities		**(2.1)**	(2.0)
Lease liabilities		**(468.9)**	(455.2)
Borrowings	10	**(1,416.5)**	(1,388.5)
Provisions		**(14.6)**	(14.7)
		(1,918.0)	(1,879.6)
TOTAL LIABILITIES		**(2,148.1)**	(2,091.2)
NET LIABILITIES		**(356.5)**	(314.8)
Equity			
Share capital		**2.8**	2.8
Share premium		**271.2**	271.2
Translation reserve		**8.1**	7.4
Accumulated losses		**(638.6)**	(596.2)
TOTAL EQUITY		**(356.5)**	(314.8)

Condensed Consolidated Cash Flow Statement

for the 9 months ended 30 September 2023

	Note	**9 months ended 30 September 2023 (Unaudited)**	9 months ended 30 September 2022 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	13	**172.7**	126.3
Exceptional expenses paid		**(1.6)**	(2.1)
Bank interest and similar charges paid		**(1.5)**	(1.3)
Bank interest received		**5.7**	1.4
Senior secured notes interest paid		**(39.2)**	(38.9)
Interest element of lease liability payments		**(36.8)**	(45.9)
Corporation tax refund received / (paid)		**0.5**	(0.3)
Net cash generated from operating activities		**99.8**	39.2
Cash flows from investing activities			
Purchase of property, plant & equipment		**(66.7)**	(52.9)
Purchase of intangible assets		**(7.4)**	(4.3)
Proceeds from disposals of property, plant and equipment		**0.4**	0.3
Net cash used in investing activities		**(73.7)**	(56.9)
Cash flows from financing activities			
Issue of ordinary share capital		**-**	270.0
Capital element of lease liability payments		**(48.5)**	(46.5)
Repayment of short term borrowings		**-**	(2.0)
Repayment of government loans		**-**	(6.5)
Outflows from intercompany receivables		**(0.1)**	(1.6)
Net cash used in financing activities		**(48.6)**	213.4
Net (decrease) / increase in cash and cash equivalents		**(22.5)**	195.7
Cash and cash equivalents at beginning of the period		**204.6**	31.9
Effect of exchange changes on cash held		**-**	3.0
Cash and cash equivalents at end of period		**182.1**	230.6

Condensed Consolidated Statement of Changes in Equity

for the 9 months ended 30 September 2023

	Share capital £m	Share premium £m	Translation reserve £m	Accumulated losses £m	Total Equity £m
Balance as at 1 January 2022	0.1	3.9	3.2	(474.8)	(467.6)
Correction of error (net of tax)	-	-	-	(9.5)	(9.5)
Restated balance as at 1 January 2022	**0.1**	**3.9**	**3.2**	**(484.3)**	**(477.1)**
Proceeds from shares issued (unaudited)	2.7	267.3	-	-	270.0
Loss for the period (restated) (unaudited)	**-**	**-**	-	(60.5)	(60.5)
Other comprehensive income for the period (unaudited)	**-**	**-**	4.7	-	4.7
Credit to equity for equity settled share-based payments (unaudited)	-	-	-	0.3	0.3
Balance as at 30 September 2022 (restated) (unaudited)	**2.8**	**271.2**	**7.9**	**(544.5)**	**(262.6)**
Balance as at 1 January 2023	**2.8**	**271.2**	**7.4**	**(596.2)**	**(314.8)**
Loss for the period (unaudited)	**-**	**-**	**-**	**(42.6)**	**(42.6)**
Other comprehensive income for the period (unaudited)	**-**	**-**	**0.7**	**-**	**0.7**
Credit to equity for equity settled share-based payments (unaudited)	**-**	**-**	**-**	**0.2**	**0.2**
Balance as at 30 September 2023 (unaudited)	**2.8**	**271.2**	**8.1**	**(638.6)**	**(356.5)**

See note 15 for details on the restatement to the 2022 consolidated statement of changes in equity.

Notes to the Condensed Consolidated Interim Financial Statements

1 General information

Pinnacle Bidco plc is a company incorporated in England and Wales under the Companies Act 2006 and is a public limited company. The address of the company's registered office is C/O Pure Gym Limited, Town Centre House, Merrion Centre, Leeds, West Yorkshire, LS2 8LY, United Kingdom. The condensed financial statements are unaudited and were approved by the Board of Directors on 29 November 2023.

This financial information for the 9 months ended 30 September 2023, including comparative financial information for the 9 months ended 30 September 2022, has been prepared on the basis of the accounting policies set out in the last annual report and accounts and in accordance with UK adopted IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board. This report does not include all the notes of the type normally included in an annual financial report and accordingly should be read in conjunction with the annual report for the year ended 31 December 2022.

In preparing the condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and key sources of estimation uncertainty were the same, in all material respects, as those applied to the consolidated financial statements for the year ended 31 December 2022.

Going concern assumption

In preparing these financial statements, the Directors have carefully evaluated the Going Concern basis of preparation. The Group meets its day to day working capital requirements, capex and funding of new sites through its cash reserves and credit facilities, being a revolving credit facility ("RCF") of £145 million which includes an overdraft of £10 million. The Group's cash reserves at 30 September 2023 totalled £182 million, and it has an additional £31 million of cash available in its parent company, Pinnacle Topco Limited. Combining these with the available RCF gives total available liquidity for the Group at 30 September 2023 of £358m.

As described more fully in note 16, the Group refinanced its Senior Secured Notes and RCF on 11 October 2023. As part of this, external debt was reduced by £50 million equivalent and its RCF was increased from £145 million to 175.5 million. When greater than 40% drawn, the New RCF is subject to a financial covenant, tested quarterly, of a minimum senior secured net leverage of 8.8x.

The Group's forecasts and projections taking account of reasonably possible changes in trading performance, showed that the Group should be able to operate within its existing facilities. Based on this review, the Directors have concluded that the Group has adequate resources to continue to remain a going concern for the foreseeable future and have therefore adopted the going concern basis in preparing its financial statements.

Information extracted from 2022 Annual Report

The financial figures for the year ended 31 December 2022, as set out in this report, do not constitute statutory accounts but are derived from the statutory accounts for that financial year.

The statutory accounts for the year ended 31 December 2022 were prepared under IFRS and have been delivered to the Registrar of Companies. They are available to download from corporate.puregym.com. The audit report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

2 Operating segments

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker, identified as the Executive Management Team of the Group. The Executive Management Team primarily consider the business from a geographical perspective, by country of operation. The Group's operations consist solely of the provision of high quality health and fitness facilities and associated services and consequently, it is not necessary to segregate operating segments by service or product. The Executive Management Team use the measures of Revenue and Adjusted EBITDA as key performance indicators in assessing the performance of the operating segments. A definition of Adjusted EBITDA is included below.

The Group's material reportable segments as at 30 September 2023, are the United Kingdom, Denmark and Switzerland. The results from other segments in which the Group operates (US and Franchising) are included in "All other segments", as they are deemed to be individually immaterial.

Segmental information presented to the Executive Management Team for the 9 months ended 30 September2023 is presented in the below tables, alongside comparative information:

	9 months ended 30 September 2023 (Unaudited)				
	United Kingdom £m	**Denmark £m**	**Switzerland £m**	**All other segments £m**	**Total £m**
Revenue	**272.1**	**105.2**	**28.2**	**3.8**	**409.3**
Adjusted EBITDA	**80.2**	**15.6**	**1.2**	**(0.2)**	**96.8**

	9 months ended 30 September 2022 Restated (Unaudited)				
	United Kingdom £m	Denmark £m	Switzerland £m	All other segments £m	Total £m
Revenue	229.1	100.4	21.4	0.8	351.7
Adjusted EBITDA	60.0	15.4	(0.7)	(2.1)	72.6

All operating segments derive revenue from all of the services and products included within note 3. All revenue included in the table above derives from external customers.

Adjusted EBITDA is a non-IFRS measure derived by adjusting operating profit for depreciation, amortisation, profit/loss on disposal of property, plant and equipment, profit/loss on lease modifications, impairment of property, plant and equipment, exceptional costs, share based payment charges, pre opening costs, other adjustments and the cash rent adjustment.

The cash rent adjustment includes an add back of any property rent related expenses charged in the statement of comprehensive income (including rent-free concessions agreed) and a deduction of contractual property rent payments due in the period (whether or not paid in cash in the period). Adjusted EBITDA is stated before rent deferments which relate to property rent deferments agreed with landlords due to COVID-19 gym closures.

The Adjusted EBITDA KPI is typically used within the industry as it is more effective than operating profit in representing the performance of the business and, as such, is a key focus of our stakeholders, including our investors, our bondholders and our banking partners. A reconciliation from operating profit to Adjusted EBITDA is included in note 4.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

3 Revenue

Revenue is analysed below segregated by service or product.

	9 months ended 30 September 2023 (Unaudited) £m	9 months ended 30 September 2022 Restated (Unaudited) £m
Member income	**365.4**	312.7
Vending and consumables income	**18.8**	17.0
Other revenue	**25.1**	22.0
	409.3	351.7

The Group experiences a small degree of seasonality. The majority of members join in January, February and March, and joiner rates also increase in September and October. Seasonality is generally positively driven by consumers' desire to improve their fitness at the start of the year and the start of new university and school terms and is negatively driven by Christmas and summer holidays. Marketing expenditure is generally focused around peak joining periods, particularly the January/February period.

The majority of member income is recognised over time to reflect the period over which the member receives the services provided. Vending and consumables income is recognised at a point in time. Other revenue includes revenue from personal trainers, recognised over time to reflect the period over which the personal trainer is operating, and sales of day passes to non-members and personal training services which are both recognised at a point in time.

4 Operating profit

A reconciliation from operating profit to EBITDA and Adjusted EBITDA is as follows:

	9 months ended 30 September 2023 (Unaudited) £m	9 months ended 30 September 2022 Restated (Unaudited) £m
Operating profit	**63.3**	40.9
Depreciation (note 9)	**86.1**	81.8
Amortisation (note 8)	**16.4**	15.9
Loss on disposal of property, plant and equipment	**0.9**	0.8
Impairment of property, plant and equipment	**2.4**	-
Profit on lease modifications	**(1.0)**	(0.4)
Exceptional expense (note 5)	**1.6**	0.3
Group EBITDA	**169.7**	139.3
Other adjustments	**2.7**	5.4
Share based payment charge	**0.2**	0.3
Pre-opening costs	**3.3**	3.2
Cash rent adjustment	**(79.1)**	(75.6)
Adjusted EBITDA	**96.8**	72.6

Notes to the Condensed Consolidated Interim Financial Statements (continued)

5 Exceptional administrative expense

Items that are material either because of their size or their nature, and that are non-recurring are considered as exceptional items and are presented within the line items to which they best relate. These items are analysed further below:

	9 months ended 30 September 2023 (Unaudited) £m	9 months ended 30 September 2022 Restated (Unaudited) £m
Costs relating to the rebrand of the Danish business to PureGym	**1.6**	-
Costs relating to acquisitions	**-**	0.3
Exceptional administrative expense	**1.6**	0.3

6 Finance income and costs

	9 months ended 30 September 2023 (Unaudited) £m	9 months ended 30 September 2022 Restated (Unaudited) £m
Bank interest received	**5.7**	1.4
Interest income on finance lease receivables	**-**	0.1
Foreign exchange gain	**3.1**	-
Total finance income	**8.8**	1.5
Interest on bank loans and overdrafts	**0.3**	0.2
Interest payable on lease liabilities	**35.5**	35.4
Commitment fees	**1.2**	1.1
Unwind of discount on provisions	**0.1**	-
Amortisation of capitalised finance costs	**3.1**	3.1
Early redemption fee on the Senior Secured Notes (note 16)	**6.1**	-
Unwind of discount on issue of the Senior Secured Notes	**3.5**	3.2
Interest on the Senior Secured Notes	**38.1**	37.6
Interest payable to group undertakings	**30.3**	28.0
Foreign exchange loss	**-**	3.3
Other interest payable	**-**	0.1
Total finance costs	**118.2**	112.0

Included within total finance costs for the 9 months ended 30 September 2023, is an accrual for £6.1 million of early redemption fees relating to the repayment of the Euro-denominated Senior Secured Notes. These charges were settled on completion of the Group's refinancing (see note 16) on 11 October 2023, after the end of the reporting period.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

7 Income tax

	9 months ended 30 September 2023 (Unaudited) £m	9 months ended 30 September 2022 Restated (Unaudited) £m
Current tax:		
- Corporation tax charge on loss for the period	**-**	(0.3)
- Adjustment in respect of prior periods	**-**	(0.1)
Total current tax charge	**-**	(0.4)
Deferred tax:		
- Origination and reversal of temporary differences	**3.5**	6.0
- Adjustment in respect of prior periods	**-**	3.5
Total deferred tax credit	**3.5**	9.5
Total tax credit on loss after tax	**3.5**	9.1

8 Intangible assets

	Goodwill £m	Brands £m	Customer Relationships £m	Development Projects in Progress £m	Software £m	Total £m
Cost						
1 January 2023	717.0	92.5	78.1	6.3	24.0	917.9
Additions	-	-	-	6.1	1.5	7.6
Transfers	-	-	-	(5.0)	5.0	-
Foreign exchange differences	(4.6)	(0.7)	(1.3)	-	(0.2)	(6.8)
30 September 2023	712.4	91.8	76.8	7.4	30.3	918.7
Accumulated amortisation						
1 January 2023	13.5	48.8	50.1	-	22.2	134.6
Charge for the period	-	2.2	10.3	-	3.9	16.4
Foreign exchange differences	(0.2)	(0.7)	(0.8)	-	(0.2)	(1.9)
30 September 2023	13.3	50.3	59.6	-	25.9	149.1
Net book value						
1 January 2023	703.5	43.7	28.0	6.3	1.8	783.3
30 September 2023	**699.1**	**41.5**	**17.2**	**7.4**	**4.4**	**769.6**

Notes to the Condensed Consolidated Interim Financial Statements (continued)

8 Intangible assets (continued)

	Goodwill £m	Brands £m	Customer Relationships £m	Development Projects in Progress £m	Software £m	Total £m
Cost						
1 January 2022	700.7	90.5	73.8	8.9	23.2	897.1
Additions	-	-	-	6.0	0.5	6.5
Disposals	-	-	-	(8.7)	(0.3)	(9.0)
Foreign exchange differences	16.3	2.0	4.3	0.1	0.6	23.3
31 December 2022	717.0	92.5	78.1	6.3	24.0	917.9
Accumulated amortisation						
1 January 2022	12.5	19.6	34.4	8.6	17.1	92.2
Charge for the year	-	4.3	13.4	-	4.4	22.1
Impairment	-	23.3	-	-	0.4	23.7
Disposals	-	-	-	(8.7)	(0.3)	(9.0)
Foreign exchange differences	1.0	1.6	2.3	0.1	0.6	5.6
31 December 2022	13.5	48.8	50.1	-	22.2	134.6
Net book value						
1 January 2022	688.2	70.9	39.4	0.3	6.1	804.9
31 December 2022	**703.5**	**43.7**	**28.0**	**6.3**	**1.8**	**783.3**

Brands represents the PureGym brand acquired as part of a business combination and valued at fair value at the date of acquisition. During the year ended 31 December 2022, the Group began the process of re-branding the Danish estate from Fitness World to PureGym. As a result, an impairment of £23.3m was recognised to fully write down the Fitness World brand.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

9 Property, plant and equipment

	Right of use assets	Leasehold costs	Leasehold improv-ements	Assets under construction	Fixtures& fittings	IT equipment	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
1 January 2023	616.2	17.6	304.0	8.3	137.3	8.7	1,092.1
Additions	59.2	0.3	19.9	15.1	21.8	2.9	119.2
Disposals	(1.6)	(0.3)	(2.1)	-	(2.5)	-	(6.5)
Transfers	(6.1)	1.6	12.8	(18.1)	9.7	0.1	-
Foreign exchange differences	(5.0)	-	(0.9)	-	(0.2)	-	(6.1)
30 September 2023	**662.7**	**19.2**	**333.7**	**5.3**	**166.1**	**11.7**	**1,198.7**
Accumulated depreciation							
1 January 2023	233.1	4.1	101.4	-	66.8	5.7	411.1
Charge for the period	48.1	2.5	17.8	-	16.1	1.6	86.1
Impairment	0.9	0.1	1.0	-	0.4	-	2.4
Disposals	(0.9)	(0.3)	(0.9)	-	(2.4)	-	(4.5)
Foreign exchange differences	(2.6)	-	(0.3)	-	-	-	(2.9)
30 September 2023	**278.6**	**6.4**	**119.0**		**80.9**	**7.3**	**492.2**
Net book value							
1 January 2023	383.1	13.5	202.6	8.3	70.5	3.0	681.0
30 September 2023	**384.1**	**12.8**	**214.7**	**5.3**	**85.2**	**4.4**	**706.5**

An impairment loss of £2.4m has been recognised for the nine months ended 30 September 2023 which is included within administrative expenses in the consolidated statement of comprehensive income. Of the impairment loss, £1.1m relates to the Denmark operating segment and £1.3m relates to the United Kingdom operating segment.

This impairment has been allocated proportionately across asset classes and relates to a small number of gyms across the Group that have a value in use below the carrying amount of their non-financial assets. The values in use for the impaired CGUs of £3.5m have been determined to result in higher recoverable amounts than using fair value less costs of disposal valuations. An impairment indicator was identified during the period for gyms which had underperformed against expectations. The value in use of the impaired gyms is based on estimated cashflows forecast to be generated post 30 June 2023.

Discount rates and long-term growth rates applied in the value in use calculations are determined at a country level. If operating cash flows for the gyms reviewed for impairment were to be 5% below forecasted levels, an additional impairment of £0.6m would have been recognised. If the discount rate applied in the calculations were to be 50 basis points higher, an additional impairment of £0.1m would have been recognised.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

9 Property, plant and equipment (continued)

	Right of use assets	Leasehold costs	Leasehold improv-ements	Assets under construction	Fixtures & fittings	IT equipment	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
1 January 2022	586.1	16.0	245.0	0.4	120.0	6.5	974.0
Additions	71.2	1.1	62.0	16.0	28.9	2.2	181.4
Transfers	(3.4)	-	6.7	(8.1)	4.8	-	-
Disposals	(55.2)	(0.1)	(11.5)	-	(18.3)	(0.2)	(85.3)
Foreign exchange differences	17.5	0.6	1.8	-	1.9	0.2	22.0
31 December 2022	**616.2**	**17.6**	**304.0**	**8.3**	**137.3**	**8.7**	**1,092.1**
Accumulated depreciation							
1 January 2022	157.8	3.0	74.4	-	58.9	3.9	298.0
Transfers	(4.1)	-	-	-	4.1	-	-
Charge for the year	64.9	1.0	26.7	-	18.8	1.8	113.2
Impairment	10.8	0.2	8.1	-	2.3	-	21.4
Disposals	(3.6)	(0.1)	(8.4)	-	(17.9)	(0.1)	(30.1)
Foreign exchange differences	7.3	-	0.6	-	0.6	0.1	8.6
31 December 2022	**233.1**	**4.1**	**101.4**	**-**	**66.8**	**5.7**	**411.1**
Net book value							
1 January 2022	428.3	13.0	170.6	0.4	61.1	2.6	676.0
31 December 2022	**383.1**	**13.5**	**202.6**	**8.3**	**70.5**	**3.0**	**681.0**

An impairment loss of £21.4m was recognised in the year ended 31 December 2022. This impairment was allocated proportionately across asset classes and relates to a small number of gyms across the Group that had a value in use below the carrying amount of their non-financial assets.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

10 Borrowings

Non-current

	30 September 2023 (Unaudited) £m	31 December 2022 (Audited) £m
€490m 5.500% Senior Secured Notes at principal value	**424.8**	434.1
Discount on issue of Senior Secured Notes	**(6.8)**	(10.6)
€490m 5.500% Senior Secured Notes	**418.0**	423.5
£430m 6.375% Senior Secured Notes	**430.0**	430.0
Capitalised issue costs	**(5.6)**	(8.8)
Senior secured notes net of issue costs and discount	**842.4**	844.7
Amounts owed to Group undertakings	**574.1**	543.8
	1,416.5	1,388.5

Amounts owed to Group undertakings relate to the parent company, Pinnacle Midco 2 Limited. Of the amounts owed to Group undertakings £459.3m (31 December 2022: £432.7m) accrue interest at 8% and £114.9m (31 December 2022: £111.1m) accrue interest at 4.375%. These amounts are repayable on 30 November 2027.

Financing

The Group has £430 million of Senior Secured Notes (“the Sterling Notes”) and €490 million of Senior Secured Notes (“the Euro Notes”) in issue (together, “the Notes”).

The Notes are listed on The International Stock Exchange, for which Pinnacle Bidco plc is the Issuer and certain subsidiaries of the Group are guarantors. Interest on the Sterling Notes accrues at a rate of 6.375% and interest on the Euro Notes accrues at a rate of 5.500% both payable at half-yearly intervals. The Notes are due to be repaid in full on 15 February 2025.

On issue of the Euro Notes in 2020, these were recognised at fair value of €422.8 million representing a discount on issue of €22.3 million. The Euro Notes are subsequently held at amortised cost with changes in the carrying amount recognised within finance cost as an unwind of discount on issue of senior secured notes.

Capitalised issue costs are amortised over the period to the repayment date of the Notes.

In addition, the Group has a revolving credit facility (“RCF”) with seven international institutions ("the Lenders"), secured by fixed and floating charges over the assets and undertakings of Pinnacle Bidco plc and certain of its subsidiaries. The term of the RCF was recently extended by 5 months from 15 August 2024 to 15 January 2025 (the “Extension period”). Included within the total RCF is a £10 million overdraft facility. As at 30 September 2023 and 31 December 2022, the facility was undrawn.

Following amendments to the terms of the RCF in 2021, the Lenders granted a financial covenant waiver which remains in effect until 15 August 2024. During this period, the financial covenant is replaced with a £30 million minimum liquidity test on the last day of March, June, September and December each year. During the subsequent Extension period, the RCF will be subject to a financial covenant where the net leverage ratio must be less than or equal to 7.7x when amounts drawn down on the facility are greater than 40%. The Group has been in compliance with all such covenants and tests during the current and previous financial periods.

After the end of the accounting period. the Group refinanced its Senior Secured Notes and RCF. Further details are included in Note 16.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

11 Financial instruments

	30 September 2023 (Unaudited) £m	31 December 2022 (Audited) £m
Financial assets measured at amortised cost		
Cash and cash equivalents	**182.1**	204.6
Trade receivables	**8.6**	6.6
Other debtors	**20.1**	14.3
Amounts owed by Group undertakings	**1.1**	1.1
	211.9	226.6
Financial liabilities measured at amortised cost		
Trade creditors	**31.4**	42.0
Other liabilities (current)	**4.1**	1.6
Other liabilities (non-current)	**2.1**	2.0
Accrued expenses	**63.6**	47.9
Interest and commitment fee accruals	**18.6**	13.5
Amounts owed to Group undertakings	**574.1**	543.8
Senior secured notes	**848.0**	853.5
	1,541.9	1,504.3

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

- Level 1: inputs are quoted prices in active markets
- Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets; and
- Level 3: a valuation using unobservable inputs i.e. a valuation technique. There are no Level 3 valuations.

Set out below is a comparison of carrying amounts and fair values of all the financial instruments as carried in the financial statements, other than finance leases, lease liabilities and those for which the fair value approximates closely with their carrying value. The fair value of senior secured notes is taken from the quoted market price. This is a Level 1 valuation. The fair value of all other borrowings is calculated by discounting the future cash flows at prevailing market interest rates, categorised as a Level 2 valuation. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 September 2023.

There were no transfers between levels throughout the period under review.

	Carrying Value		**Fair Value**	
	30 September 2023 (Unaudited) £m	31 December 2022 (Audited) £m	**30 September 2023 (Unaudited) £m**	31 December 2022 (Audited) £m
Financial liabilities				
€490m 5.500% Senior Secured Notes	**418.0**	423.5	**426.2**	378.5
£430m 6.375% Senior Secured Notes	**430.0**	430.0	**428.0**	371.4

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12 Financial risk management objectives and policies

The Group has exposure to the following risks from its use of financial instruments: liquidity risk, credit risk, and market risk arising from interest rate risk.

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and procedures for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The key market risks affecting the Group are interest rate risk and foreign exchange rate risk. Financial instruments affected by market risk include certain borrowings and deposits. Financial instruments affected by exchange rate risk include the Euro Notes. At 30 September 2023, the €490.0m Euro Notes had a carrying amount of £418.0m based on an amortised cost of €482.1m and an exchange rate of 0.867.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. During the period, the Group's exposure to the risk of changes in market interest rates related primarily to the Group's bank borrowings with floating interest rates.

As at 30 September 2023 and 31 December 2022, the Group had 100% of its borrowings in fixed rate instruments by way of senior secured loan notes, amounts owed to group undertakings and lease liabilities. The Group has access to a £145m revolving credit facility with floating interest rates but was not drawn down on this facility at the end of the period.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and operational liabilities and by maintaining adequate cash reserves.

The table below summaries the maturity profile of the Group's financial liabilities and includes contractual future interest payments:

	30 September 2023 (Unaudited)				
	Within 1 year £m	**Between 1-5 years £m**	**More than 5 years £m**	**Total contractual cash flows £m**	**Carrying amount £m**
Trade and other payables	117.7	2.1	-	**119.8**	**119.8**
Lease liabilities	105.2	341.1	368.6	**814.9**	**534.6**
Borrowings	38.5	1,664.1	-	**1,702.6**	**1,422.1**
Total financial liabilities	**261.4**	**2,007.3**	**368.6**	**2,637.3**	**2,067.5**

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12 Financial risk management objectives and policies (continued)

	31 December 2022 (Audited)				
	Within 1 year £m	Between 1-5 years £m	More than 5 years £m	Total contractual cash flows £m	Carrying amount £m
Trade and other payables	105.0	2.0	-	**107.0**	**107.0**
Lease liabilities	109.6	322.3	371.0	**802.9**	**529.6**
Borrowings	37.9	1,713.2	-	**1,751.1**	**1,397.3**
Total financial liabilities	**252.5**	**2,037.5**	**371.0**	**2,661.0**	**2,033.9**

Credit risk

The Group's principal financial assets are cash and trade receivables. The Group's credit risk is low as it has limited trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

13 Reconciliation of loss before tax to cash generated from operations

	9 months ended 30 September 2023 (Unaudited) £m	9 months ended 30 September 2022 Restated (Unaudited) £m
Loss before income tax	**(46.1)**	(69.6)
Adjustments for:		
Net finance cost	**109.4**	110.5
Depreciation	**86.1**	81.8
Amortisation	**16.4**	15.9
Impairment of property, plant and equipment	**2.4**	-
Share based payments	**0.2**	0.3
Loss on disposal of property, plant and equipment	**0.9**	0.8
Profit on lease modifications	**(1.0)**	(0.4)
Non-cash adjustment to lease liabilities due to rent concessions	**-**	(5.7)
Exceptional expense	**1.6**	0.3
Changes in working capital		
Inventories	**(0.8)**	(1.0)
Trade and other receivables	**(22.3)**	(5.6)
Trade and other payables	**26.2**	(0.7)
Provisions	**(0.3)**	(0.3)
Cash generated from operations	**172.7**	126.3

14 Changes in liabilities arising from financing activities

	Lease liabilities £m	Borrowings £m	Total £m
Liabilities arising from financing activities at 1 January 2023	**529.6**	**1,397.3**	**1,926.9**
Financing cash flows	(48.5)	-	**(48.5)**
New leases and lease modifications	59.2	-	**59.2**
Foreign exchange adjustments	(4.4)	(7.9)	**(12.3)**
Interest expense	35.5	71.9	**107.4**
Interest payments (presented as operating cash flows)	(36.8)	(39.2)	**(76.0)**
Liabilities arising from financing activities at 30 September 2023	**534.6**	**1,422.1**	**1,956.7**

	Lease liabilities £m	Borrowings £m	Total £m
Liabilities arising from financing activities at 1 January 2022	**575.0**	**1,341.9**	**1,916.9**
Financing cash flows	(46.5)	(8.5)	**(55.0)**
New leases and lease modifications	55.5	-	**55.5**
Foreign exchange adjustments	8.9	20.3	**29.2**
Interest expense	35.4	68.8	**104.2**
Interest payments (presented as operating cash flows)	(45.9)	(38.9)	**(84.8)**
Liabilities arising from financing activities at 30 September 2022	**582.4**	**1,383.6**	**1,966.0**

Notes to the Condensed Consolidated Interim Financial Statements (continued)

15 Correction of errors in the condensed consolidated interim financial statements for the 9 months ended 30 September 2022

An adjustment to revenue for the 9 months ended 30 September 2022 has been recorded in the statement of comprehensive income. This error was corrected in the annual report for the year ended 31 December 2022 and does not impact the reported statement of comprehensive income for that year.

In Q4 2022, management identified a computational error in the way in which revenue was being calculated in the Swiss operating segment, impacting the 9 months ended 30 September 2022 and previous financial years.

The error was confined to the Swiss operating segment and resulted from the use of legacy systems for the calculation of revenue, which had only been used by the Swiss operating segment. These had been in place since before the operating segment's acquisition by the Group.

The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

	9 months ended 30 September 2022 As reported £m	Profit Increase/ (Decrease) £m	9 months ended 30 September 2022 Restated £m
Revenue	354.4	(2.7)	**351.7**
Operating profit	**43.6**	**(2.7)**	**40.9**
Loss for the period	**(57.8)**	**(2.7)**	**(60.5)**
Foreign operations – foreign currency translation differences, net of tax	**6.2**	**(1.5)**	**4.7**
Total comprehensive expense for the period	**(51.6)**	**(4.2)**	**(55.8)**

16 Events after the reporting date

On 11 October 2023, the Group completed the refinancing of its Euro and GBP Senior Secured Notes, due February 2025, and its Revolving Credit Facility, due January 2025.

The Group redeemed its existing €490 million and £430 million notes (the "Existing Notes") and issued €380 million and £475 million of new 5-year notes in their place (the "New Notes"). The New Notes were issued at par, will bear interest at 8.25% and 10.00% per annum respectively and are due 11 October 2028. As part of the transaction, the Group paid down £50 million equivalent of the Existing Notes using cash on balance sheet and incurred early redemption fees of £6.1 million.

The Group also entered into a new £175.5 million RCF (the "New RCF"), due 11 July 2028, with five international institutions secured by fixed and floating charges over the assets and undertakings of Pinnacle Bidco plc and certain of its subsidiaries. The New RCF bears interest at a floating rate derived from SONIA when drawn. Included within the total New RCF is a £10 million overdraft facility.

When greater than 40% drawn, the New RCF is subject to a financial covenant, tested quarterly, of a minimum senior secured net leverage of 8.8x.

Concurrent with refinancing of the Group's external debt, Pinnacle Bidco plc also extended the term of its existing intercompany debt arrangements with parent, Pinnacle Midco 2 Limited. This extended the term of the existing loans from 30 November 2027 to 11 April 2029. All other terms remain unchanged.



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