PureGym FY 2024 Results Conference Call

29 April 2025, 10am UKT

**Clive Chesser (CEO):**

A very good morning to everybody from a warm and sunny London and welcome to the PureGym results presentation for the full year ended 31st of December 2024. Joining me today are Alex Wood, our Chief Financial Officer and Rebecca Passmore, Chief Operating Officer. We'll be running through the presentation that was posted on our website at 7:00 a.m. this morning dated 29 April 2025. As usual, we'll guide you to the page number references as we go through the document, and we'll be offering a chance to ask a few questions at the end of the presentation. So, let's get started.

I'd like to start by thanking my predecessor as CEO, and our new chairman, Humphrey Cobbold, for his support to me and for handing over a business in such good health. I feel very fortunate and privileged to be leading the PureGym business and I'm excited about our future prospects. Humphrey and I've been working closely together to ensure business continuity with no disruption to our growth.

Onto page 3 for the headlines on our 2024 business performance and results, as well as our strategic outlook and guidance for the year ahead. Overall, I believe that you, as our investors, should be very satisfied with both the performance that we are reporting and the strategic progress that the business continues to make. The central focus of Alex, Rebecca and me together has been to make sure there has not been any kind of blip in either performance or progress. And, so far, I'm confident that the evidence suggests that we have been successful in this task. We delivered strong growth with Run Rate Adjusted EBITDA increasing to £184 million, up +£34 million year on year. The business also ended the year with strong momentum with Adjusted EBITDA of £42 million in Q4 up +£7 million versus Q3 2024.

Senior Secured Net Leverage at the year-end was 4.3x Run Rate Adjusted EBITDA. This was lower than the prior year, even after the acquisition of Blink, and shows that the business continues to demonstrate strong underlying deleveraging.

We opened 102 new corporate sites during the year, 56 acquired through Blink and 46 organic new openings. We invested £29 million in Denmark, which is driving growth in that market as planned. Danish EBITDA was up 19% year on year in 2024. And as you know, we also successfully issued £150 million of Senior Secured Notes in September, and this funding was primarily used to acquire the Blink assets.

On to outlook and guidance. We remain very confident that the Blink acquisition will prove to be highly valued accretive for all our stakeholders. We will rebrand and integrate the business later this year and realise significant EBITDA growth, firstly, through implementing our operating model in gyms, and, secondly, by right sizing the cost base. Alex will provide more details on this shortly.

Let me also reassure you in relation to US tariff announcements, as there has been so much in the news recently. Whilst we are not for a moment complacent on this and we, of course, monitor the global macro carefully, we believe that PureGym is very well-positioned to avoid any material impact. We do not have any cross-border trading activities, and we have flexibility in our equipment supply chain, enabling us to source equipment locally in market as required.

In terms of any broader macro ramifications, as a reminder, PureGym was born in a recession and has demonstrated over many years that the business is incredibly resilient in a recessionary environment when members actively seek better value for money.

Our Danish investment programme will conclude in the Summer of 2025, and is fully on track to deliver good returns, something you can already start to see coming through from our segmental reporting.

Switzerland will also deliver strong growth year on year following systematic operating model changes that we made at the end of 2024. And finally, in terms of new sites, we expect to roll out an excess of 70 new sites across the UK, Switzerland, and the US in the year ahead, primarily in the UK. As ever, we are fastidious about ensuring that these will all be of the highest quality.

So, our growth plans are all well on track and 2025 is set to be another exciting year for the business. So, with that summary completed, let me hand over to Alex to provide some more details.

**Alex Wood (CFO):**

Thank you, Clive, and good morning, everyone. I'd like to start by sharing with you the highlights of our results for the period ended 31st of December 2024, on page 5.

2024 was an excellent year, characterised by ongoing growth in EBITDA, strong cash conversion, and robust underlying returns on invested capital. We delivered Run Rate Adjusted EBITDA of £184 million and Adjusted EBITDA of £154 million. I would call out for you that Run Rate Adjusted EBITDA includes £9 million in relation to Blink, with that being Blink's actual last 12 months results for 2024 for the sites that we acquired, less head office overheads that we inherited as part of the deal. I want to be clear that this does not include anything in relation to future synergies or improvements in Blink's EBITDA. All of that growth will be on top of this. This is the most transparent and considered way of presenting performance to you, so that the Run Rate Adjusted EBITDA is pure, and then you can judge us on Blink value creation as we deliver from this point forward.

We added 105 new sites in total, this includes the 56 acquired through Blink, 46 organic openings, and 3 franchise openings. We delivered 10% revenue growth versus 2023, and at the year end, member numbers had reached 2.25 million. Clearly this number has progressed further in Q1 2025 but, as usual, we won't report on that until next month.

Operating cash flow conversion was over 80%, and I am pleased to share that return on capital for mature gyms in the UK remains compelling at 38%. And, as I've mentioned before, we regard return on capital to be the key indicator of performance.

At the year end, we have a total of 680 open sites, and will of course open more high-quality new sites in 2025 and beyond. It's important to emphasize that we continue to be very rational in our new openings program. And, whilst you may have noted that we're doing more sites than ever before, we remain very disciplined, only selecting the highest quality sites that deliver strong returns that will be successful over the long term. In general, we're seeing very rational behaviour from competitors and plenty of white space opportunities – very different from what you might see in other sectors like casual dining for example.

So, with those as the highlights, let me move to page 6 now to go to a little more detail. Overall, we're seeing solid performance across all metrics and across all key geographies. Run Rate Adjusted EBITDA increased by +£34 million, up +23% compared to 2023, and Adjusted EBITDA increased by +£22 million, up 17% year on year. Mature gym EBITDA has continued to increase through 2024, so we've updated the Run Rate calculation to reflect this, and I've detailed that for you in the footnotes. These metrics are a result of efforts across the group to deliver solid revenue progression, manage costs, and ensure EBITDA flow through.

Revenue growth was supported by the addition of nearly 400,000 members versus the prior year, many of these through the Blink acquisition, of course.

Turning to page 7, the business generated £124 million of operating free cash flow in the year, and this is after maintenance and refurbishment expenditure. Cash flow conversion was 81%, at the top end of our usual underlying level of conversion of between 75 to 80%. Capital expenditure for the year totalled £134 million, including the funding of 46 new organic sites

during the period, bringing our total site footprint to 680, comprising 657 corporate owned and 23 franchise gyms.

And lastly, I'd like to call your attention to the bottom corner of this page, which shows Senior secured Net Leverage was 4.3x Run Rate Adjusted EBITDA at the year end, despite investment in the estate and the acquisition of Blink. And I'll provide a little more colour on that for you in a moment.

Moving to capital expenditure over on page 8. During 2024 we invested £48 million in corporate owned site openings in the UK with an average cost per site of £1.2 million. The further £29 million of capital was invested into the Danish business, mainly in the form of new equipment investments. As I've explained previously, this is a key part of the strategic plan for Denmark, to support the long run unit economics in this geography, improving the quality of the product and the proposition and consolidating sites to ensure that they are well invested, efficient, and yielding high margin returns for us.

We also invested £19 million in strongly returning growth projects and IT investment. Alongside this growth Capex, we've spent £38 million on maintenance and refurbishment during the year, as we continued to carefully deploy capital across the existing estates. As we've said before, we believe that this careful investment in maintaining a high-quality existing estate is key to driving value for our members over the long term.

Now to leverage and interest cover over on page 9. The business is strongly cash generative, and you can see its deleveraging profile clearly on this page. This has been driven by cash generation and steady improvements in profitability as investments in high-quality new sites reliably convert into EBITDA as those sites mature. You'll note that interest cover increased to 2.2x Run Rate Adjusted EBITDA. And I'd also like to draw your attention to the fact that the acquisition of Blink only increased leverage by 0.3x Run Rate Adjusted EBITDA which is a function of the fact that the assets that we acquired were generating £9 million of EBITDA even after excessive head office costs were inherited with the business, which of course we're planning to right size over time.

And that leads me nicely on to Blink. As we explained last time we spoke, we were not in a position to be able to disclose information in relation to the transaction because we were in the middle of negotiating with landlords. However, those negotiations have now all successfully concluded. So, we wanted to share some information about the deal with you now, over on page 11.

I've provided an overview of the Blink deal for you on this page, which we're delighted with, and very confident that it will prove to be a highly value-enhancing and strategic acquisition. After landlord negotiations concluded, we ultimately acquired 56 high-quality sites out of Blink's chapter 11 insolvency process. Whilst the Blink corporate entity itself was strained, the business contained some very good assets and PureGym was able to cherry pick the best sites in New York and New Jersey, shedding unwanted sites and many of Blink's corporate liabilities.

Conversion of the 56 acquired sites will be straightforward as the size and nature of the assets are very similar to that of PureGym and there are clear opportunities available to improve already robust gym operating performance and overhead productivity.

In summary, we believe that the £97 million purchase price represents very good value for a portfolio of this kind. And the acquired assets provide a very robust foothold in the world's largest fitness market, as well as a solid platform for our further onward growth.

Onto some of the key financials for Blink then over on page 12. The 56 sites acquired generated £98 million in revenue in 2024 and £29 million of Gym EBITDA. To save you doing the maths, that's an average of £510,000 of Gym EBITDA per site. So, these are all very high-quality sites, very much on a par with the good performance of the existing PureGym estate on an EBITDA per square foot basis and on other metric bases. That equates to a transaction multiple of only 3.4x Gym EBITDA, which we regard as a very attractive entry multiple for the deal.

As I touched on earlier, there are clear opportunities available now to realise head office synergies over time, which should deliver significant EBITDA growth as we move through 2025 and into 2026. And just to give you a couple of other data points, each site has an average of just over 5,500 members and is roughly 15,000 square foot in area. So very much in line with the existing PureGym model.

Onto page 13, this simple map illustrates that the assets that we've acquired are in some of the most densely populated markets in the world. The estate as a whole makes sense. This is a very coherent connected geographic area that lends itself well to good operational management. The whole area is about 70 kilometres east to west, by about 50 kilometres north to south. And it's the sort of area within which a brand and business in our sector can be managed and anchored.

In looking at this map, it's also important to note what's not in it. We rejected the 20+ Blink sites in the Chicago area, the Los Angeles area, Pennsylvania and Texas. These sites were not performing well enough for us and we felt spread the business a little too broadly. The sites we've acquired also, of course, fit very well with our existing Washington, D.C. presence.

On to slide 14, we highlight, as I'm sure you'll remember, that it was not an easy process getting the bid accepted for these assets. And the work did not end there. Since the transaction completed in November 2024, we've worked very hard to swiftly carve the assets out of the parent company Equinox and to begin integrating the acquired sites into the PureGym business. As part of the deal, PureGym negotiated a 90-day post completion window for lease negotiation which has proven extremely valuable. Early in 2025, we established new supplier and landlord relationships, and new commercial terms were agreed. Around the same time, Blink employees were transitioned onto the PureGym payroll and the 90-day window closed with the 56 sites then formally adopted into the PureGym Group. We're now focused on combining the acquired business with our existing US operations and preparing to invest further in the estate.

During 2025, we will invest in new equipment and technology, rebranding as PureGym and all of that completing in the second half of the year. And, towards the end of 2025, we'll look to deploy the PureGym operating model across the US business.

On page 15, you can see that we have a clear plan to realise significant EBITDA in the US and this is already very well progressed. The chart shown is illustrative and is not to scale, but it shows you that we have a very clear plan to drive incremental EBITDA growth. We secured £9 million of Adjusted EBITDA at auction after allowing for £20 million worth of inherited head office costs, which we took on to make our bid as appealing as possible for the administrators. However, these costs will reduce significantly as we integrate the business and right size the US central overhead and club operating cost basis.

In addition, there are cost savings from rent negotiations, supply chain synergies, technology integration and revenue enhancement, all of which will enable us to deliver significant growth in Adjusted EBITDA over 2025 and into 2026.

So, all in all, I hope you feel reassured that we've done a good strategic deal here that will be very value enhancing for all of our stakeholders and provide a long-term significant opportunity for PureGym in a new market. And with that, I shall now hand you back over to Clive and Rebecca to run through our strategic outlook and guidance. Clive, over to you.

**Clive Chesser (CEO):**

Thank you, Alex. So, let me start with an overview of our strategic outlook over on page 17. In 2025, we will continue to systematically deploy the PureGym operating model across all our geographies. This is a proven model which delivers strong and sustainable returns on investment, expertly curated by a talented team with many years of learned experience.

In the UK, we will deliver solid maturation of our immature new sites alongside continued strong performance in our existing

estate. In Denmark, the estate investment and consolidation program will conclude in 2025 to deliver a strong foundation for future EBITDA growth. We'll continue to drive improvements in Swiss operational performance to deliver strong EBITDA growth there. And in the US, our current core focus is on the integration of our recently acquired assets to realise EBITDA growth through overhead reduction.

And last, but by no means least, we will continue to grow our high-quality new site pipeline in the UK and Switzerland, as well as developing a strong new site pipeline within US, all whilst maintaining a tight grip on cost control across the group.

Looking beyond 2025, we aim to continue to deliver significant and reliable growth in EBITDA over the medium term through the ongoing and consistent implementation of our strategy. In the UK, we will capitalise on ample white space opportunity by opening over 300 new gyms over the medium term. I'd like to echo Alex's earlier comments that we remain rigorously disciplined in our new openings program, only selecting high quality sites that will be successful over the longer term.

In Switzerland, having successfully deployed the PureGym operating model, we will now similarly look to expand in this market, and envisage up to 50 high quality new sites over the coming years. In Denmark, on completion of the estate investment plan later this year, Denmark will be a high margin business delivering strong cash conversion and deleveraging as with all the other like-for-like sites across the group. In the US, we believe there is a significant opportunity for PureGym to differentiate from existing US operators, who typically operate much larger premises, and to roll out our more flexible formats across the largest fitness market in the world. And finally, we will continue to look out for the right franchise partners across international markets, including North America, to deliver capital-light growth where the right opportunities for partnerships exist.

Turning to page 19, you can see that this business has grown very successfully, first in the UK, then internationally through the integration of the Fitness World Group, as well as expansion through franchising, and, most recently, through the acquisition of the 56 Blink fitness sites in the US. We believe that this track record of growth, while still always maintaining the financial integrity of the Group, provides strong evidence in positioning the business as an excellent credit for investors with great and reliable future prospects.

On page 20, which I know has been used before, but is worthy of repetition. You can see that our scale and international reach places us amongst a small group of large scale, global, leading operators. And it's clear to me, as I'm building my perspective on the industry, there are many scale benefits that the larger players have access to and can use to differentiate themselves. These benefits include access to capital at more competitive rates, enhanced technology investment to improve the customer experience, lower customer acquisition costs and procurement costs, as well as being able to attract the highest quality management.

Lastly, before I hand over to Rebecca, on page 21, I just wanted to emphasise the structurally low-cost nature of our business model. Keeping operating costs low is a key tool in targeting mature Gym EBITDA margins of 40%, very strong by any standard. Having just to come into the fitness sector and, indeed, the value space, this structurally low-cost model is one of the things that really stands out for me about the PureGym. model. This page picks out six key areas where we work hard to embed structurally low cost:

- Strong discipline over location and format, keeps rent cost down and puts us in the right space in each market;
- Low energy usage, avoiding costly facilities such as swimming pools or saunas;
- A tech enabled self-serve operating model, reduces the need for sales and admin staff;
- A lean core staffing model with relatively limited risk to payroll cost inflation;
- A data-driven marketing approach that maintains our ultra-low cost of acquisition per new member; and finally
- Utilising scale to deliver synergies across the business and put downward pressure on prices in ongoing contract negotiations.

So, with that as a strategic overview, let me now hand over to Rebecca to provide a reminder of our operating model and guidance for 2025.

**Rebecca Passmore (COO):**

Thank you, Clive. It's worth spending a few minutes reminding you of the PureGym operating model because I believe it's really important for all of our stakeholders to fully understand the key aspects that keep cost low and margins high.

As you can see on slide 22, our gyms offer a consistent, top-quality fitness offering in convenient locations at an attractive price point. This provides excellent value for money for our members and makes fitness affordable for many who otherwise would not be able to access a gym. We believe our product offering is pitched slightly higher than other value operators and therefore we offer a boutique experience at a value gym price. And this allows us to charge a slight premium to several of our competitors, albeit this is carefully and constantly judged.

Given our scale of over 420 sites in the UK, we have well-calibrated models and tools which are used to systematically identify and select the best new site opportunities. Over on slide 23, I'll show you a few examples of these. We start with catchment analysis to determine expected market size and the size of formats to be applied. We then use demographic analysis to determine the quality of this population. Competition type and proximity is then mapped to understand how much of the population is already served by low-cost fitness. And then we apply a benchmark pricing tool to predict the yield. This means that PureGym can consistently deliver new high-quality sites with the same returns and Gym EBITDA year after year in a highly predictable manner.

As Clive mentioned earlier in the presentation, we observe rational behaviour from competitors and there's a high degree of discipline in the markets in which we operate.

On to page 24, let me expand a little on our approach to commercial performance which is so important in an operationally geared business model like ours. Our well-established revenue management strategy is set up so incremental revenues drop straight through to incremental profits. We work hard to get positioning correct, focusing on premium value. Think of us in a similar vein to Premier Inn versus their closest competitor Travelodge.

We have market leading levels of brand awareness which, supported by best-in-class digital marketing acquisition, helps us deliver high-volume, low-cost member acquisition. We run a sophisticated pricing and promotional platform that allows us to tailor prices at a local gym level based on levels of demand and local competition. We premiumise revenues where we can by charging a modest premium for multi-site access or early class booking for example. And we're building comprehensive data and analytics capabilities that allow us to continually review how we manage and drive forward revenue within the business.

As previously mentioned, PureGym's business model has always been highly tech enabled. Set out on page 25, the app is an excellent example of how technology plays an integral role in keeping operating costs low and in delivering a high-quality product and experience. Using the app, our members can plan their visit around busy-ness, use the auto generated QR codes to access the gym or book their favourite classes. The app reduces the demand from members on gym staff and the central member services team and, of course, that helps us to keep our operating costs down too.

As you can see on slide 26, in our Danish market, we've been investing to roll out our PureGym quality product and proposition. You can see the clear improvement in equipment offering and overall facilities from the before photos along the top versus the after photos along the bottom. This transformation across our Danish estate has supported a 19% EBITDA growth in 2024 versus the prior year and will ensure that the Danish estate will be extremely well invested once the program is complete, by late summer.

And finally for this section, turning to page 27, I'd like to provide you with some guidance for 2025. We expect to open in excess of 70 new high quality corporate sites across the group, mostly in the UK, but with some sites in Switzerland and the US. We'll be working hard to keep operating cost inflation across the group below 3%, maintaining the excellent discipline that we have shown in overhead cost management in the past.

We have a clear path for continued underlying deleveraging going forward, which is expected to remain within our target range of 3.6x to 4.6x Run Rate Adjusted EBITDA. We believe that quality is more important than quantity when it comes to new sites, and we're confident we'll be able to keep mature site ROCE well above 30%.

And in terms of Capex, we expect new sites to cost on average £1.2 million each. We will continue to see growth in Gym EBITDA margins, most notably in our Danish and Swiss portfolios. In the US, we inherited £20 million of head office cost but, rest assured, this will decrease over the course of the year, providing further EBITDA growth.

And finally, in terms of Capex, we anticipate spending a further £40-50 million through 2025 on maintenance and refurbishment investments, c.£15 million investment in the US and an additional c.£10 million to complete the one-off investment in our Danish estate.

And with that, let me hand you back now to Clive to wrap up.

**Clive Chesser (CEO):**

Thank you, Rebecca.

So that just leads me to conclude over on page 29. The business has continued to deliver a good performance in 2024 with Run Rate Adjusted EBITDA reaching £184 million, up +£34 million on 2023. There is further strong momentum in the business going into 2025 having delivered Adjusted EBITDA in Q4 of £42 million, up +£7 million on Q3, and full year Adjusted EBITDA of £154 million. We plan to open another 70 new sites in 2025 and I'm very confident in our team's ability to locate these new sites, open great gyms, and to tap into pools of latent talent demand.

We continue to make great progress with our work in Denmark and Switzerland, where we're investing and making significant positive business model changes. I expect these country operating units to continue to make further progress over the coming year.

We're very pleased with our acquisition of Blink, following the issuance of new bonds to fund the deal, which I hope you can see will be very positive for our business. The onboarding and hand over into my role as CEO and Humphrey's new role as Chair has been seamless. The team here has not missed a beat, and we are firing on all cylinders.

So, in summary, we're feeling very positive about the strong foundations we've set for 2025 and beyond, for continued good operational performance and for further expansion.

Thank you very much for your time, for your attention, and your continued support. Hopefully what we've shared today has been helpful. We look forward to updating more on our Q1 performance at the back end of May. So, thank you very much, everybody, and goodbye.

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