PureGym Q1 2025 Results Conference Call

22 May 2025, 10am UKT

Clive Chesser (CEO):

Thank you, and good morning, everybody. Welcome to the presentation of our results for the quarter ended 31st of March 2025. As usual, I'm joined today by Alex Wood, our Chief Financial Officer, and by Rebecca Passmore, our Chief Operating Officer.

We announced our 2024 Full Year results just over 3 weeks ago on the 29th of April. So, this update will be a short and to the point summary of our Q1 2025 results. We'll be running through the presentation that was posted on our website at 7:00 a.m. this morning, dated 22nd of May 2025. We'll guide you to the page number references as we go through the document. So, let's get straight into things.

Turning to page 3, I'll summarise the headlines. We started the year well with a successful peak trading period across all of our geographies. We delivered strong growth with Run-Rate Adjusted EBITDA increasing £33m vs the prior year, now standing at £192m, as well as accelerating momentum in our Adjusted EBITDA, which reached £45m in the quarter, up 25% vs Q1 2024.

At a segmental level, we generated strong year on year growth in EBITDA across all parts of the Group, including in both Denmark & Switzerland, which are up £3m year-on-year in the quarter combined. And the US delivered £2.5m EBITDA in Q1, with excellent progress made on the integration of Blink.

And lastly, Senior Secured Net Leverage reduced quarter on quarter to 4.2x Run-Rate Adjusted EBITDA, down from 4.3x at the end of Q4 2024.

Looking ahead to our outlook for the remainder of 2025, we're on track to deliver approximately 70 high-quality new sites across the UK, Switzerland, & the US. We expect to grow EBITDA in the US as we successfully integrate Blink, and as a reminder, we do not have any cross-border trading activities and can source equipment in-market as required. We therefore do not anticipate any impact from US tariffs.

Both Switzerland & Denmark remain on track to deliver EBITDA growth as we continue deploying our PureGym operating model in both regions. And, as always, we will maintain our strong focus on cost control and Gym EBITDA margin expansion.

So overall, as I hope you will agree, this was a strong start to the year. And, looking forward, I'm pleased to reiterate our confidence in the performance trajectory of the group. Let me now pass over to Alex to give you some more detail on the results that I've just summarised. Alex, over to you.

Alex Wood (CFO):

Thank you Clive and good morning everyone. Let me start on page 5 with the headlines of our financial results for the period ended 31st of March 2025.

Q1 was an excellent start to the year with sustained growth in EBITDA underpinned by membership, revenue and average revenue per member progression. The first point I'd like to make is that we continue to grow Adjusted EBITDA very well, up 25% vs Q1 2024. And this was driven by growth in the like-for-like base business, good cost control, strong performance & maturation of new sites opened across 2023 & 2024, plus a £2.5m contribution from the Blink business.

Overall, revenue for the quarter was up 23% compared with Q1 in the prior year, which was driven by 21% growth in member volume. Part of this being as a result of the acquisition of Blink. Run-Rate Adjusted EBITDA stepped up again to £192m and that included an £8m contribution from Blink from the eight months pre-acquisition. And we're pleased that we continue to maintain Return on Capital Employed from mature gyms in the UK which still stands at 38%. In addition, new sites continue to perform well, we opened another 13 in the first quarter, bringing the total to 689 sites, comprising 666 corporate owned and 23 franchise gyms.

So, with those as the headlines let me provide a little more detail now starting on page 6. We remain pleased with the progress delivered across all of our key metrics. The continued growth in member numbers, average revenue per member and site numbers compound together to support the strong momentum you can see in our financials with revenue up £35m vs Q1 2024 to £183m. We invest a lot of management time and effort into managing costs as well, to ensure that revenue growth converts well into strong margins and to bottom line profitability. So, this is one of the reasons why, when combined with the top line performance, we're delivering that strong EBITDA growth.

And, when we factor in the expected maturation of recently opened high-quality immature gyms, which as you know is another area where we apply relentless discipline and focus, you can see our Run-Rate Adjusted EBITDA grew by £33m year on year to £192m.

Turning to page 7, the business generated £34m worth of operating free cash flow in the quarter, that's after maintenance & refurbishment expenditure, and is an increase of £4m vs Q1 in the prior year. This was an operating cash flow conversion of 76%. The prior year was slightly higher, simply due to routine timing differences around working capital payments. Cash on the balance sheet remains strong at £139m at the quarter end, even after the funding of 13 new sites and continued investment into the existing estate.

Lastly on this page, the bottom right-hand chart highlights that the business is continuing to show clear, consistent deleveraging, with Senior Secured Net Leverage down to 4.2x at the quarter end. And I'll elaborate a little more on this shortly.

Let's touch on capital expenditure next over on page 8. We invested £18m in new corporate-owned site openings in the first quarter at an average cost of £1.2m per site, in line with the prior year. We also spent £7m in the quarter on maintenance & refurbishment and plan to continue to carefully deploy capital in refurbishment across the estate. As we've said, a well-invested estate is an important part of our business model and ensures a high-quality business for our members over the long term.

Finally, turning to slide 9. As I mentioned earlier, the business continues to perform well from a deleveraging perspective. Our underlying operations are strongly cash generative, which consistently and reliably delever the business over time, as you can see clearly on this page. This has been driven by cash generation and steady improvements in profitability as our investments in high-quality new sites reliably convert into EBITDA as those sites mature.

You'll also note that interest cover increased to 2.3x Run-Rate Adjusted EBITDA, up from 2.2x at Q4 2024, and we expect this to improve further as this year progresses. Following the acquisition of Blink, which increased our leverage by just 0.3x Run-Rate Adjusted EBITDA to 4.3x, we've already reduced leverage by 0.1x quarter on quarter to 4.2x.

All in all, a very pleasing first quarter's results and a good start to the year. So with that, let me hand back over to Clive now to provide some brief comments on latest trading and to conclude. Clive, over to you.

Clive Chesser (CEO):

Great, thank you, Alex. So yes, before I conclude, I'll provide a brief update on current activity within the business and current trading. Overall, I'm very pleased with how things are going. Six months ago, I took over a business with impressive momentum, led by a high-performing management team. I'm pleased that this momentum has continued, actually with the pace of growth accelerating in each of our markets. It's undoubtedly been a good peak trading performance, which sets a positive tone for the rest of the year. We've reached 2.45 million members across the Group at the end of Q1, which, of course, is a new record number for PureGym. And, we continue to manage the balance between price and member volume carefully, ensuring that we remain disciplined and continue to offer excellent value for money to consumers.

The UK business is performing well with strong and sustained mature gym margins and excellent new site performance. We continue to see discipline from competitors within the UK market in terms of sensible new site opening activity, given there are plenty of white space opportunities available.

In Denmark, our investment to increase the quality of the product and proposition is paying off, and we expect to see ongoing growth in EBITDA as a result. The Swiss business is going from strength to strength now that we've fully implemented the PureGym operating model. And the US integration work is going well with no signs of any changes in consumer behaviour in that market, despite the macro noise.

Last, but by no means least, we continue to focus on keeping our costs as efficient as possible, which is a very important part of our model, as you know. So, I'm confident that we will keep like for like cost inflation to below 3% year on year.

Hopefully that update was helpful to you and that just leads me to provide a few concluding comments over on page 11. Firstly, I'd like to thank all of our colleagues for their unstinting efforts. This business is performing well and that doesn't happen by accident. It's down to hard work and discipline from a very talented team who cares deeply about being the very best that we can be.

The PureGym product and proposition continues to resonate well with consumers and, thankfully, the business should not be impacted by US tariffs. We confidently believe that we are excellently positioned as a value operator to perform well, even if there are some recessionary implications from the tariff changes. The business has had an excellent start to the year with strong momentum, which enabled us to deliver £192m in Run-Rate Adjusted EBITDA during Q1 and £45m in Adjusted EBITDA.

We continue to maintain relentless focus on the fundamentals that drive sustainable revenue growth, cost control, and new site growth, which is why we have good momentum. We expect to open approximately 70 new high-quality corporate sites across the Group, mostly in the UK, but with some sites in Switzerland & the US. We've also seen good growth in EBITDA in both Denmark & Switzerland in Q1, validating that our strategy is working well in those markets. And the business is demonstrating sustained, underlying deleveraging with leverage expected to remain within our target range of 3.6 to 4.6x Run-Rate Adjusted EBITDA.

In the US we continue to make strong progress on the integration of Blink, which remains on track to be a very value enhancing acquisition for the Group. We have a proven and very effective business model, one that is enabling us to deliver against the compelling long run growth opportunity at home and overseas. And rest assured, we continue to be very disciplined in our approach and continue to focus on only the highest quality new site openings to deliver sustained, strong performance over the long term.

So, that concludes today's call. As ever, I'd just like to take this opportunity to express our appreciation to you, our bond investors, for your ongoing support. It's greatly appreciated by us. Thank you, and we look forward to updating you on our Q2 performance later on this year. Thanks, everybody!

[End of transcript]