PureGym Q2 2025 Results Conference Call

28 August 2025, 09:30am UKT

Clive Chesser (CEO):

Good morning, everyone and welcome to the presentation of our results for quarter ended 30 June 2025. Joining me today are Alex Wood, 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 am this morning, dated 28 August 2025 and will guide you to the page number references as we go through the document. If you could turn to page 3, I'll begin by covering the highlights of the quarter.

The strong performance from Q1 continued into the second quarter of the year, with an excellent performance across all of our geographies. We continued to deliver strong growth with Run-Rate Adjusted EBITDA increasing to £203 million at the quarter end and that's up £39 million year-on-year. We delivered Adjusted EBITDA of £56 million, up £15 million or up 35% compared to the second quarter of 2024. At a segmental level, we generated strong year-on-year growth in EBITDA across both Denmark and Switzerland, which are up £5 million year-on-year in the quarter combined. The US delivered £4 million EBITDA in the quarter alone.

Progress on the integration of the Blink business continues to go very well and plans are well underway for the rebrand of the Blink estate to PureGym in the second half of this year. We opened 11 new high-quality sites in the quarter and continue to maintain a strong pipeline for this year and beyond. Senior Secured Net Leverage reduced to 4x Run-Rate Adjusted EBITDA, well down from the 4.3x reported at Q4 2024 post the Blink acquisition, as well as from the 4.2x reported at Q1 2025. Finally, interest cover has increased to 2.4x Run-Rate Adjusted EBITDA, which is up from 2.2x in Q4 2024, post Blink acquisition.

These results build on top of a strong first quarter and overall, I'm very pleased indeed with the performance delivery across the Group for the first half of the year.

Looking ahead to our outlook for the remainder of 2025 and beyond, we expect to deliver 60 to 65 high quality new sites across the UK, Switzerland, and the US. The keen eyed among you may spot this is slightly lower than the 70-site guidance provided at the beginning of the year, this is a timing point only as we decided to open some of the Q4 sites in the peak January trading period instead. So, rest assured, the pipeline of new sites is excellent and we're very confident in a strong year of new openings in 2026 and, indeed, the opportunity for continued growth in the UK, Swiss and US markets.

Also for 2025, we expect to continue the growth trajectory of EBITDA in the US as we successfully integrate Blink. This continued success is giving us great confidence that this transaction will prove to be very value accretive for all stakeholders, including you, our bond holders. As a reminder, we do not have any cross-border trading activities and can, of course, source equipment in market as required. We, therefore, do not anticipate any impact from US tariffs.

We continue deploying our PureGym operating model in both Denmark and Switzerland, with each being well on track and delivering both margin and EBITDA growth. As always, we will maintain our strong focus on cost control and gym EBITDA Margin expansion across the Group.

So, with that introduction, I'd like to pass over to Alex who will share with you more details on our second quarter results. Alex.

Alex Wood (CFO):

Thank you Clive and good morning, everyone. I would like to start by sharing with you the highlights of our financial results for the period ended 30 June 2025 and that starts on page 5. In headline, Q2 was an excellent quarter. Run-Rate Adjusted EBITDA exceeded £200 million for the first time, which increased year-on-year and quarter-on-quarter to £203 million. This follows sustained growth in Adjusted EBITDA, which increased to £56 million for the quarter.

The key drivers of this were strong performance and maturation of the new sites opened in 2023 and 2024, good cost control across the Group and also £4 million of Adjusted EBITDA contributed by the Blink acquisition sites. Revenue for the second quarter increased by 24% year-on-year and this is despite 26 planned site closures in Denmark versus this time last year as we execute our strategy to concentrate members into a more optimised and higher quality footprint in that geography. Of course, it includes the revenue from the newly acquired Blink sites, as well.

During the quarter, we opened 11 new corporate sites, taking us to a total of 693 gyms across the Group and, as a result of this strong performance, I'm very pleased to share that Return on Capital Employed for mature gyms in the UK has increased to 39%.

So, with those as the headlines, let me move on to page 6 now to provide a little more detail. Overall, we're seeing accelerating momentum with year-on-year progress across all of our key metrics. Run-Rate Adjusted EBITDA increased by £39 million and Adjusted EBITDA increased by £15 million or 35% compared to this time last year. It's the first time PureGym has broken through £50 million of EBITDA in any single quarter, which you can see we did quite convincingly.

Both metrics are ahead of the 24% year-on-year revenue growth as a result of good operating leverage. In short, our costs across the group are well controlled so there's really strong flow through of incremental revenue to the bottom line. Membership increased by over 460,000 members versus the prior year, closing the quarter with over 2.4 million members. This is due to growth across both mature and maturing sites and the addition of the newly acquired Blink members.

This member growth was complemented by continued ARPM growth of 3% year-on-year. With regard to site numbers, we've increased the number of gyms in our total Group estate by 77 compared to Q2 2024, taking that total to 693.

Turning to page 7, the business generated £43 million of Operating Free Cash Flow in the quarter. That's an increase of £13 million year-on-year. Cash Flow Conversion was 77%, an increase of 5 percentage points versus the prior year. Capital expenditures for the quarter totalled £33 million, an increase of £9 million year-on-year, including the funding of 11 new sites during the period.

Lastly, I'd like to call your attention to the bottom right-hand corner of this page which shows Senior Secured Net Leverage has come down to 4.0 times Run-Rate Adjusted EBITDA at the quarter end. A reduction of 0.3x since the end of 2024, following the Blink acquisition. I'll touch on this in a little more detail shortly.

Moving on to page 8 to cover Capital Expenditure. During the second quarter we invested £14 million in new corporate owned site openings, with an average cost per site of £1.2 million. £3 million of growth CapEx was invested into Denmark as we continue the one-off upgrade of the Danish estate, which has shown great results so far. IT and project CapEx of £7 million in the quarter represents investment in the Group's technology infrastructure as well as spend on one-off value enhancing projects and some gym dilapidation costs in relation to the estate rationalisation in Denmark.

Alongside this growth CapEx, we spent £9 million on maintenance and refurbishment during the quarter as we continue to carefully deploy capital across our existing estate, a critical discipline we're committed to upholding. As we've said before, we believe that this careful investment into maintaining a high-quality estate is key to driving value for our members over the long term.

Last but by no means least, I'd like to touch on Net Leverage and Interest Cover over on page 9. We continue to demonstrate a reliable deleveraging trend, as you can see on this page, with Net Leverage reducing to 4.0x from the 4.3x reached after the Blink acquisition. Interest cover is also up to 2.4x Run-Rate Adjusted EBITDA, which is an increase of 0.2x from the end of 2024. These measures have been achieved as a result of strong trading and careful investment of capital into high returning assets across the Group.

So, all in all, a very pleasing second quarter. A very reliable and robust track record of results from systematic delivery of our proven operating model and disciplined new high-quality site roll out. So, with that, let me now hand back over to Clive for some closing remarks.

Clive Chesser (CEO):

Thank you, Alex. So, let me conclude with the update over on page 11. The business continues to have very strong momentum and we expect this momentum to continue through the second half of the year. This doesn't happen by accident, I'd like to take this opportunity to thank my colleagues for their ongoing efforts and ongoing pursuit of excellence in everything that we do. We remain laser focused on driving robust and consistent highly cash generative mature gym performance, as well as maintaining strong cost discipline and control.

We're also continuing to focus on only the highest quality new site locations as we continue to roll out at pace. In this quarter we opened another 11 new sites and the forward pipeline remains strong

with 60 to 65 new sites expected across 2025 in total. We're delighted with the strong EBITDA and margin growth in both Denmark and Switzerland as PureGym's operating model in those geographies becomes increasingly embedded. We continue to be extremely excited about the Blink acquisition and its integration, which is progressing well.

Throughout this period of investment, including the acquisition of Blink, we've continued to evidence strong deleveraging, which is a discerning feature of our highly cash generative operating model. Overall, we're pleased to be reporting a very solid first half for the year and, as always, I'd like to thank you for your ongoing support and trust in us and the business. With that, I think we're ready for any questions.

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