PureGym Q1 2026 Results Conference Call

19 May 2026, 10:00am BST

Clive Chesser (CEO):

A very good morning to everybody, and a warm welcome to the presentation of our results for the quarter ended 31 March 2026.

Given we announced our 2025 full year results just three weeks ago, this update is intended to provide a brief summary of our latest results. I'm joined today in London by Alex Wood, our Chief Financial Officer, and we'll be running through the presentation that was posted on our website at 7:00am this morning, dated 19 May 2026, and as usual, we'll guide you to the page reference numbers as we go through the document.

So, let's get started.

On page 2, I'd like to begin by providing an overview of our latest performance. Our trajectory of accelerating momentum has continued into the first quarter with a successful peak trading performance across all geographies. We continue to deliver strong growth across all our markets with Run-Rate Adjusted EBITDA and Adjusted EBITDA growing considerably against Q1 2025.

All of our markets continue to perform very well, including those outside the UK, and I specifically wanted to call out the excellent results across Denmark, Switzerland and the US, which collectively were up 38% year-on-year. I'd like to take this opportunity to offer my sincere thanks to all our teams for the great work they continue to do, which is driving these strong results.

We delivered a further eight high-quality new sites during the quarter, including one single bolt-on acquisition in the US. As a reminder, we typically avoid opening sites in the middle of peak, preferring to concentrate openings in the other three quarters across the year, so we're on track in terms of new site openings.

The business continues to demonstrate strong de-leveraging, and we're also pleased to be reporting continued growth in our interest cover ratio.

Overall, these latest results reflect a business that is in excellent health, whilst demonstrating strong momentum across all aspects of the Group.

Looking ahead, we spoke in detail on our guidance for 2026 just a few weeks ago, and I'm pleased to confirm that we're reiterating that same guidance today. We're on track to deliver at least 60 new high-quality sites across our geographies, with a significant runway for expansion over the years to come. I would point you back to our full year results on our website, if any of you missed that presentation, where we articulated the significant and exciting white space opportunity that is ahead of us in our core markets and beyond.

This expansion, alongside continued investment and laser-focused cost control, will drive continued EBITDA growth into the future, continuing our consistently strong track record.

We plan to invest £30 million in 2026 to roll out full-site upgrades in New York and New Jersey, delivering a fantastic and well-invested proposition to our members in America. We're delighted with progress in New York and New Jersey and remain excited about the future potential for the business to scale in the US, which as we all know, is the largest gym and fitness market in the world.

With those as the headlines, let me now hand over to Alex to take you through some more of the details. Alex, over to you.

Alex Wood (CFO):

Thank you, Clive, and good morning, everyone.

Let me start by sharing with you the highlights of our financial results for the first quarter over on page 4. Overall, the first quarter of 2026 was an excellent start to the year, maintaining the strong momentum that we had last year and delivering strong year-on-year growth across all of our markets.

Run-Rate Adjusted EBITDA increased to £244 million, up £52 million versus Q1 2025. Adjusted EBITDA reached £56 million in the quarter, and that was an increase of £11 million year-on-year. We opened eight new corporate sites in the period, taking the total estate to 721 sites and grew our membership base to 2.5 million. Revenue also performed strongly, increasing to £194 million in the quarter. As a result of this performance, I'm very pleased to confirm the return on capital employed for mature gyms was 42% in the benchmark UK market.

With those as the headlines, let me now provide a little more detail over on page 5. Overall, the landscape continues to be very positive with strong year-on-year progression across all of our key metrics. Run-Rate Adjusted EBITDA increased by 27% to £244 million at the end of Q1 2026, and Adjusted EBITDA increased by over 24% year-on-year in the quarter. Both metrics are growing strongly, demonstrating very effective flow-through of revenue growth to EBITDA due to continued discipline on both operating and head office costs. Revenue growth was supported by continued expansion of the member base, which was up 4% from Q1 2025, and continued ARPM growth of 1% up year-on-year.

Finally on this page, compared to this time last year, the total number of gyms in our estate increased by 32 across the Group. Just to help you with the maths on site numbers, we opened 56 new gyms over the last 12 months. We completed the program of Danish consolidation where we closed 13 sites and there were also 11 site closures in the UK and Switzerland as we exited some sites that were not hitting our demanding performance thresholds. The net of those numbers is the 32 estate increase you can see in the headline figures.

Turning to page 6, the business generated £53 million of operating cash flow in the quarter and that was an increase of £19 million compared to Quarter 1 2025. This represents an operating cash flow conversion of 95%, which is slightly higher than our underlying position of between 75% to 80% simply due to an unwind of working capital timing differences at the year-end.

Our cash position reflects continued careful investment in growth over the last 12 months, closing at £75 million, and combined with our revolving credit facility of £175 million, the Group continues to have excellent liquidity, well in excess of £200 million. Capital expenditure for the quarter totalled £31 million, with the opening of eight new corporate sites and continued investments across the estate. Lastly on this page, I'd like to draw your attention to the bottom right-hand corner, where senior secured net leverage reduced to 3.6 times at the quarter end, a reduction of 0.2 times versus Quarter 4 2025, reflecting both strong EBITDA growth and disciplined capital management.

Moving on to page 7 now, to stand back for a moment and look at the overall performance trend. A few weeks ago, I shared with you our track record of reliable EBITDA growth over the last few years, and this trajectory continues in the first quarter of 2026. As a reminder, the teal bars are Adjusted EBITDA. The grey bars show the run-rate adjustment which reflects the expected EBITDA from the maturation of immature gyms. As a point of note, we have updated the run-rate assumptions for 2026 onwards to more closely reflect the actual performance of new sites and the table showing those assumptions has been included in the appendix for your reference.

We track the ramping of new sites very closely and they follow an extremely consistent and well-proven site maturation curve, and what we see here is a clear and consistent pattern. The run-rate adjustment reliably converts into actual Adjusted EBITDA within 12 to 18 months and in this way, you can see that growth is underpinned by continued high-quality site expansion and consistent new openings across each period. Overall, this highlights the high level of confidence we have in our growth trajectory and provides you, as investors, with a high degree of forward visibility.

Turning to page 8, we can further demonstrate that PureGym's reliable growth is a direct function of the consistent and reliable performance of our proven business model. The table on this page shows the actual Q1 2026 last 12 months' performance of all of our mature gyms in the UK business, where of course we have the longest history of new site openings. The left-hand side separates out mature gyms into their year of opening. You can see a clear pattern here as well – tremendous consistency and repeatability of the model, very consistent Gym EBITDA of approximately £500,000 per gym, irrespective of when those sites were opened. This continues to be delivered year after year, demonstrating a number of important points.

Firstly, the older cohorts continue to perform well, and this is because they're excellently located and are very well invested.

Secondly, performance has remained strong as we continue to roll out, and this is for two reasons. Firstly, because we have a deeply embedded attitude focused on learning and continuous improvement in every aspect of our performance, and secondly, because we get scale economies as we grow, making better marketing decisions, better efficiency, more data to inform decisions, lower costs from contractors, etc. As we've shown over 15 years, we know how to turn those scale advantages into economic value and business performance.

Thirdly, the business has a very high batting average of new high-quality site selection, which is something that we've talked a lot about in the past and obsess over. Combined, this means PureGym can evidence a very high-quality estate and its ability to deliver very consistent return on capital, and we are confident that we can continue that into the future.

Over on page 9, you can see that this very strong performance is repeatable in other markets. You can see that all of the established geographies delivered over 40% mature Gym EBITDA margin in March 2026, with the UK delivering 44%, Denmark at 41% and Switzerland at over 50% margin, and all these markets are delivering very similar levels of absolute mature Gym EBITDA per site. In time, we also expect to deliver over 40% Gym EBITDA margin in the acquired Blink estate in the US as we embed the PureGym operating model in that geography.

It is worth noting that the US sites we acquired are good performers in their own right, and we expect to enhance them further by embedding our model. In time, we believe that they have the potential to be amongst the top-performing sites in the Group.

With strongly performing sites comes strong cash generation, so let's take a look at that now over on page 10. I thought it would be helpful to remind you how cash generative the business is and how we invest that cash in highly returning new sites to grow the business, de-lever and create equity value. This cycle of high, predictable cash generation that is reinvested to drive reliable growth and more cash generation is our flywheel business model and it's spinning well.

The chart on the left illustrates on a simplified basis how we think about these dynamics. In round numbers, PureGym generated Adjusted EBITDA of £220 million over the last 12 months. As a reminder, Adjusted EBITDA is a proxy for cash profit. We spend between £40 million to £50 million of cash annually on maintenance and refurbishment to sustain a very high-quality existing estate and I've shown £50 million on this page for simplicity. That therefore leaves approximately £170 million of surplus cash generated over the last 12-month period. That's about 75% to 80% operating cash conversion.

We use approximately half of this cash to fund bond interest payments, and that leaves over £80 million of free cash inflow. Now, we could, of course, keep that money in the bank, but a much more beneficial use of that cash is to invest it in strongly returning new sites, which is what the right-hand side of the page comments on. We choose to invest this cash in very high-returning projects and 40% return on capital new sites. By investing surplus cash into new high-quality site openings, we drive future overall EBITDA growth and increased cash generation.

I showed you a couple of pages earlier that the annual cohort performance demonstrates our crucial ability to maintain performance over many years. It is a self-reinforcing virtuous circle which compounds over time. As I've referenced above, internally we refer to this as the flywheel effect, which rapidly de-levers the business and creates equity value. All of this, of course, is very good for you as bondholders and for our shareholders as well.

Turning to capital expenditure now, over on page 11. During the quarter, we invested £12 million in new corporate-owned site openings at an average cost per site of approximately £1.2 million. In the US, we invested £10 million in entry pods, signage, CCTV, and additional equipment to improve the offering, and we acquired a single, high-quality site complementing our footprint.

Alongside this growth CapEx, we invested £6 million on maintenance and refurbishment as we continue to carefully deploy capital across our existing estate. We spend a lot of management time ensuring disciplined and consistent investment in maintaining this high-quality estate. We do this because we believe that it's important for long-term value creation across all of our markets.

Now let's turn to PureGym's excellent track record on head office cost control, as well as proven operational gearing, over on page 12. The key point I want to get across here is that PureGym works hard to be really efficient from an overhead point of view. This means that the business can scale without increasing its head office cost base proportionately and this operational gearing over recent years is proven clearly as you can see on this page.

Head office costs have remained very well controlled over the last few years, despite considerable growth in the size of the business and macro inflation pressures. Now, we're able to do this because of our scale advantage, in-house procurement capability, continuous innovation, and a mindset that is cost-focused at every level. Currently, overhead has decreased to just 9.5% of revenue and over time, we expect to reduce this further as the business grows and AI is deployed to make many overhead functions structurally more efficient.

Why is this proven operational gearing so important? Well, it means that our revenue growth converts directly into EBITDA and cash very effectively as the business continues to grow. This makes the flywheel that I referred to earlier spin even faster. The business is growing at the top line and driving improved efficiency on costs at the same time, which is a powerful combination that leads to very effective cash generation, de-leveraging, which of course you, our bondholders, like and value creation, which our equity-holders like. In that way, we deliver consistently on the requirements of all of our stakeholders.

That segues neatly to update on our de-leveraging, over on page 13. The business has continued to demonstrate a clear pattern of de-leveraging since our refinancing in December 2022, driven by both strong cash generation and consistent growth in profitability. That track record has continued into the first quarter of 2026, with senior secured net leverage reducing by another 0.2 times to 3.6 times Run-Rate Adjusted EBITDA, and our Interest Cover has increased now to 2.8 times. Overall, this reflects a business that is not only growing strongly but doing so while maintaining financial discipline and strengthening its balance sheet.

With that, I'll hand you back over to Clive, who will run you through a summary and any closing remarks.

Clive, over to you.

Clive Chesser (CEO):

Thank you, Alex.

Let me now summarise and conclude over on page 15. The key takeaways are that we have delivered another quarter of reliable ongoing growth with Run-Rate Adjusted EBITDA reaching £244 million. We expect to deliver over 60 new sites in 2026 across the UK, Switzerland and the US. The PureGym model is proven across multiple markets where we're delivering more than 40% mature Gym EBITDA margins.

In the US, progress has been encouraging as we continue to deploy the PureGym operating model. The business continues to be highly cash generative, and we use that cash to reinvest in highly returning new sites. This delivers strong de-leveraging over time, as well as equity value creation.

Overall, Q1 has been an excellent start to the year, delivering strong financial performance, accelerating momentum and establishing solid foundations for the rest of 2026 and beyond.

Thanks to Alex and my colleagues here for all their hard work and thanks to everyone for dialling in and for your continued support. It's much appreciated. Have a good day.

Thank you.

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