14 March 2017

The Gym Group plc
('the Company' or 'The Gym')

Full Year Results
A year of profitable growth and significant pipeline progress

The Gym Group plc, the fast growing, nationwide operator of 89 low cost gyms branded 'The Gym', announces its full year results for the year ended 31 December 2016.

Financial Highlights

- Revenue of £73.5 million, an increase of 22.6% (2015: £60.0 million)
- Group Adjusted EBITDA[1] of £22.7 million, an increase of 33.4% (2015: £17.0 million)
- Adjusted earnings per share[2] increased to 5.6p (2015: Adjusted loss per share of 1.8p)
- Adjusted profit before tax[3] increased by £10.7 million to £8.7 million (2015: Adjusted loss before tax of £2.0 million)
- Statutory profit before tax of £6.9 million (2015: loss before tax of £12.4 million)
- Proposed final dividend of 0.75p per share, giving a proposed full year dividend of 1.0p per share

Operational Progress

- Average Mature Site EBITDA[4] increased to £476,000 (2015: £472,000)
- 15 new gyms opened in 2016, increasing the total estate to 89
- Total year end members at 448,000[5], an increase of 19.1% versus prior year (2015: 376,000)

Outlook

- Early 2017 performance in line with the Board's expectations; 495,000 members at the end of February, an increase of 10.5% since the year end
- Expect to achieve towards the top end of the guidance range of 15 to 20 sites openings for 2017, with 17 sites exchanged at the start of the year, compared to 12 sites in early 2016

John Treharne, CEO of The Gym Group, commented:

"2016 has been a good year with strong financial and operational progress. Our existing estate continues to deliver excellent returns and our low cost, 24/7, no contract model is disrupting the market and attracting new members. We will continue to expand rapidly in 2017 through a well developed site pipeline.

We have had an encouraging start to 2017 with January and February, key months for any gym business, showing record membership levels with an increase in members to 495,000."

An audio webcast of the analyst presentation will be available from 13:00 today via our website www.tggplc.com
A copy of the Annual Report and Accounts is available via our website.

For further information, please contact

The Gym Group John Treharne, CEO Richard Darwin, CFO	**via Instinctif Partners**
Numis Oliver Cardigan Oliver Hardy Toby Adcock	**020 7260 1000**
Instinctif Partners Matthew Smallwood Justine Warren	**0207 457 2020**

[1] Group Adjusted EBITDA is calculated as operating profit before depreciation, amortisation, long term employee incentive costs, exceptional items and other income.
[2] Adjusted earnings per share is calculated as the Group's profit for the year before amortisation, exceptional items, other income and the related tax effect, divided by the basic weighted average number of shares.
[3] Adjusted profit before tax is calculated as profit before tax before amortisation, exceptional items and other income.
[4] Average Mature Site EBITDA is calculated as Group Adjusted EBITDA contributed by the mature gym portfolio, divided by the number of mature sites. Mature sites are defined as gyms that have been open for 24 months or more measured at the end of the year.
[5] Average member numbers grew by 20.8% to 429,000 (2015: 355,000).

Chairwoman's Statement

2016 has been a good year for The Gym. Revenue increased by 22.6% to £73.5 million, Group Adjusted EBITDA increased by 33.4% to £22.7 million and Adjusted Earnings per share increased from a loss of 1.8p to a profit of 5.6p. We are pleased to recommend a final dividend per share of 0.75p, bringing the full year dividend to 1.0p per share. 15 new sites were opened taking the total number of gyms to 89. Following the Company's IPO in November 2015, the free float has increased from 50% to 64% and we continue to welcome new shareholders to this exciting growth business.

I have enjoyed seeing this business develop and grow over the year, consistently delivering increasing revenue and profit by growing the estate efficiently and meeting the needs of all our members, current and new. With a strong balance sheet we are well positioned to drive future growth and realise the substantial market opportunity. Our vision remains to provide affordable exercise facilities to every person who wants to improve their wellbeing; a very positive purpose for a company.

A strong feature of 2016 has been building out the team to realise our growth potential. I was delighted to welcome David Kelly and Emma Woods as Non-Executive Directors to our Board alongside Paul Gilbert, the Senior Independent Director. David brings a wealth of experience in digitally enabled businesses and Emma is a very accomplished and experienced marketeer across several multi-site leisure businesses. David and Emma have undertaken a thorough induction and are now providing challenge and support to the business in equal measure. The Board is now compliant with corporate governance requirements, and our reporting and operating rhythm is well established.

I was also delighted that John Treharne, as founder CEO, has strengthened the Executive Committee. Nick Henwood and Barney Harrison bring new energy, discipline and rigour to operations and marketing in partnership with the experienced leaders Jonathan Spaven and Jasper McIntosh in property and technology respectively. Our CFO, Richard Darwin, has also strengthened his finance team and they have risen to the challenge I set to deliver this report to you, our shareholders, alongside year end results, in record time. This leadership team has the ability and capacity to deliver on our growth ambitions.

A standout feature of The Gym Group is its culture, the way work gets done. Everyone is focused on delivering a great gym experience for our members - it doesn't come much healthier than that. I have now visited over 30 sites and seen first-hand the commitment of our gym managers. To grow, a business needs to nurture talent and the Gold award for Investors in People is external recognition for the high standards we achieve. My visits have included, by example, Hounslow, Liverpool, Vauxhall as early sites; Kingston and Ealing having been recently refreshed; Sheffield, Tottenham, Gloucester, Bracknell and Angel as they reach maturity; and Southfields, Southall, Tooting, Sunbury and Peckham Rye as new sites. Whilst every gym has its own character, every gym also has consistently excellent equipment, is well maintained, has the highest standards of safety and cleanliness and many smiling faces be it in gym classes or after a workout. Our Net Promoter Score has increased again this year, testament to the business delivering member delight.

I also visited Bristol Longwell Green. This is one of four sites purchased from Fitness First, with the next three to open as The Gym in 2017. With fit-out works limited to under three weeks to ensure we were open for members during the peak New Year period, it's very satisfying to see a site that looks like The Gym and is now welcoming nearly two times prior membership numbers shortly after reopening. We maintained strict capital discipline in these purchases but it demonstrates our willingness to be opportunistic in accelerating our rollout in target areas.

The Gym has extensive opportunities to grow in the years ahead. Our low cost, no contract, high quality, 24 hour gym membership is highly attractive in today's fast moving, value and health conscious society. We have developed a bolder, more confident design that helps our members to Lift, Tone, Burn and Move their way through their workout or to join our expanding class programme. More than a third of our joiners continue to be new to gym membership. We have become a favourite amongst students and see the largest number of new joiners coming from traditional higher cost gyms. We look forward to reaching more communities as we open more gyms to provide them with the same encouragement to enhance their wellbeing.

This is a simple, profitable business model with much room for growth. We look forward to delivering on that.

Finally, let me extend thanks to three Directors who left the business having been connected to its prior private equity ownership: Philip Newborough, David Burns and Jim Graham. Philip committed Bridges Ventures as a founder investor alongside John Treharne; David committed Phoenix Equity Partners as secondary investor and lead investor through the IPO; and Jim Graham worked first at Phoenix and then directly at The Gym as Chief Operating Officer. Their contribution was fundamental to the early stage success of the Company and I give my personal thanks for their support to me as your incoming Chairwoman. It continues to be a high performing growth company; as shareholders we all look forward to sharing in its success.

Penny Hughes
Chairwoman
14 March 2017

Chief Executive's Review

Introduction

I am pleased to present my second Chief Executive's Review following our Initial Public Offering on the Full List of the London Stock Exchange in November 2015. The Gym Group has been able to deliver further strong growth and progress in a year when there have been significant changes in the economic and political landscape.

During the year we increased our estate to 89 sites, up from 74 in the prior year. The 15 new sites were in line with our guidance and in the last two years we have delivered 34 new sites overall. The financial and operational results continue to be strong: total year end members increased by 19.1% to 448,000 (2015: 376,000); revenue increased by 22.6% to £73.5 million (2015: £60.0 million). Group Adjusted EBITDA increased by 33.4% to £22.7 million (2015: £17.0 million). Adjusted profit before tax increased by £10.7 million to £8.7 million (2015: Adjusted loss before tax of £2.0 million) and Adjusted earnings per share increased to 5.6p (2015: Adjusted loss per share of 1.8p). Our statutory profit before tax increased significantly to £6.9 million (2015: loss of £12.4 million).

As well as delivering strong results, we have laid down the foundations for the sustained growth of the business. This involved strengthening the new site pipeline for 2017 and increasing the levels of functional expertise at both Board and Executive Committee level. These steps will help us to cement our market leadership in the rapidly growing low cost gym sector, as well enabling us to use our increased scale to investigate ways to grow further. The scale of the opportunity and our ability to deliver is as strong now as it ever has been.

Low cost gyms are a fast growing and developing market, and we continue to drive the expansion of the sector by attracting members that are new to the gym market, whilst also attracting members from more traditional gym operators. More than a third of our joiners have never been a member of a gym before. The market opportunity is constantly evolving. Low cost gym operators have an important role in providing affordable gym provision, particularly as some local authorities such as Manchester are seeking to find significant savings from their leisure budgets.

Strategic progress

Delivering performance from gyms

The way our new sites mature over time remains predictable. At the year end we had 55 sites that had been open for more than two years. Progress has been made in driving profitability from the mature estate, evidenced by an increase in the mature EBITDA per site of 0.8% to £476,000 (2015: £472,000). This profitability per site has been achieved both from sites opened in the early years of the Group's history, as well as from the newer cohorts that have recently reached maturity: sites opened between 2008 and 2012 have an average EBITDA per site of £483,000, and sites opened between 2013 and 2014 have an average EBITDA of £465,000.

As we continue to build at a lower cost than the historic sites, our return on capital on the mature estate has risen to 32% (2015: 31%). The return on capital for mature sites opened between 2008 and 2012 and for sites opened in 2013 and 2014 is consistent at 32%.

We still have a relatively immature estate with 34 sites having been open for less than two years. Our results benefit from profits earned from these sites even whilst they are maturing. Our new sites opened in 2015 and 2016 earned £3.8 million of site EBITDA during the year (2015: £4.5 million from new sites). The site opening programme was concentrated in the last quarter of 2016 and this had some impact on new site margin compared to 2015. We can expect to benefit from the growth of these sites as they mature during 2017 and beyond.

Improving operating efficiencies

We experienced an increase in the mature EBITDA margin in 2016 to 47.5% (2015: 46.3%). This has been achieved by our ability to deliver a low cost, technology led business model. We operate with disciplined cost control, which begins with selecting the right sites and negotiating acceptable levels of rent and other fixed costs (rates and service charges). This is assisted by a stronger covenant with landlords (through being a listed company with minimal debt). The fixed cost percentage was maintained for the mature category at 26% of revenue in 2016 (2015: 26%). Unlike other leisure businesses we have a known and predictable cost base. We negotiate fixed rental uplifts at years five and ten on the majority of our 15 year leases. The recent rateable value changes have enhanced our visibility on future payment levels. We have contracted on electricity and gas for the majority of our sites until 2019. Equally, our business model means that we are not exposed to significant cost pressures from the National Living Wage or from exchange rates.

This disciplined approach to delivering our cost base enables us to give our members the benefit of low cost gym membership at an average membership fee of £17 (2015: £16). Our offering continues to be consistently and genuinely low cost, with membership fees ranging from £10.99 to £28.99. Our strategy is to be the lowest cost quality operator in any given market and the success of this approach is shown by our rising membership numbers and the strength of our brand.

Achieving our rollout strategy

The low cost model continues to attract different types of operator. Increasingly, The Gym is sought by landlords for the best sites, assisted by the stronger financial covenant following the IPO. Our disciplined approach to site rollout is key in delivering the high returns and sustained performance that we have seen from our mature sites.

We opened 15 sites in 2016. Our programme had a strong London bias with eight of the sites being within the M25. Some of the 2016 openings have been as strong in terms of the number of members at opening as the sites we opened in the earliest years of the business. There remains a substantial growth opportunity to expand our footprint across the UK. The type of space that we can use is highly flexible and varied – a real strength of our business model. In 2016, gyms opened in the lower floors of residential developments (Tooting, Southfields), an old car park (Blackpool) and vacant retail space (Oldham). We also refurbished one of the Fitness First sites that we acquired – this was reopened after a three week turnaround (Bristol Longwell Green). Small scale acquisitions, such as the four sites we have acquired from Fitness First, are a useful tool in delivering our rollout strategy. Other site opportunities are emerging as retailers look to reduce their amount of available space. In the first half of 2017, we will be opening a new gym at the Sainsbury's site in Murrayfield using some vacant first floor space.

Our new sites continue to trade well, in line with our expectations. Our pipeline is expanding rapidly and we entered the year with our strongest pipeline ever, with 17 sites exchanged. Consequently, we are well positioned to achieve towards the top end of our guidance range of between 15 and 20 openings in 2017. Over the medium term we continue to believe that 15 to 20 openings per year will secure the appropriate level of scale and quality to grow our estate.

The strong returns on capital demonstrated from the mature estate are not yet fully benefiting from the reduction in costs that we have achieved in fitting out the new sites. Savings have been achieved on multiple stages of the fit-out process, including build costs, gym equipment and fixtures and fittings. During 2016 our average fit cost was £1.33 million compared to a historical average on mature sites of £1.49 million. The variety of sites that we open does result in this cost varying according to the type of building we select and also depends on the scale of landlord works required. In certain instances, in retail warehouse sheds predominantly in the North, we have achieved fit-out costs as low as £1.11 million.

Developing the customer proposition

The Gym benefited from new branding developed in 2015 and we have upgraded the sites with this new branding when their planned refurbishments became due. Eight sites, including our first ever site in Hounslow, have been refurbished across the estate, including a members' zone, new cardio equipment and rebranding. Refurbishments will continue to be important in sustaining the returns from our business model, with several sites due to be refurbished in 2017 that were opened in 2012.

Further developments have been made to our class offering as we continue to extend our range and number of classes. Origin, a bespoke high intensity workout for members, is being trialled across The Gym this year. We continue to believe that in a no contract environment high levels of customer satisfaction are fundamental to customer retention and rejoiner levels. Our Net Promoter Score, which measures customer feedback, increased to 62.2% (2015: 60.2%) during the year. Our Feefo score (our online measure of customer satisfaction) was 91.6%. We intend to introduce member satisfaction as a metric within the incentive programme at site level during the coming year, further reinforcing its importance to the running of a successful gym.

Focusing on our people

During the year the business has recruited new talent to ensure that we have the appropriate expertise at Board and Executive Committee level to support continued growth in the medium term. David Kelly and Emma Woods joined the board as Non-Executives, enhancing our expertise in key areas. David brings a wealth of relevant IT experience from companies such as Amazon UK, eBay and Rackspace. Emma is currently Group Marketing and Digital Director of Merlin Entertainments plc and has previously worked at Pizza Express. IT and commercial marketing are both areas where successful low cost companies will differentiate themselves. The insight that they are already bringing is very welcome. Nick Henwood joined as our first ever Operations Director with previous experience in David Lloyd Leisure, Autoglass and Mothercare. In a business fast approaching 100 sites he is bringing important levels of structure and review to operations. Barney Harrison is our new Commercial and Marketing Director and has joined us from Sky, with experience at SkyBet and Sky Ireland. This is an important role as we seek out ways to improve customer acquisition and retention and to drive ancillary revenue.

The support of our people continues to be key to our success. A free share distribution to staff was made in April 2016 to reward and encourage ownership. The share matching scheme allows staff to buy shares each month in a tax efficient way with the investment being matched by the Company. To date 79 (31.5%) of our colleagues have joined the scheme. Our people are highly engaged, passionate and committed to the significant business that we are creating. I have seen this first hand in witnessing their dedication in ensuring the new sites are launched successfully. Recognition of our people's hard work and high standards continues with the Group recently being awarded the Investors in People Gold award, the only gym business to have this accolade.

Our use of technology

Technology and systems are at the heart of our business and facilitate the low cost environment that we operate in. We intend to upgrade our capability in this area with the development of a new member management system in the coming year. In addition, we are working closely with our call centre provider to further improve performance in this critical area for member satisfaction. We have also refreshed and modernised our website to enhance customer conversion levels.

A new email sales platform was adopted in 2016 to improve the way we communicate with new and lapsed members. More of our marketing is now digital as the amount we dedicate to pay per click and search engine optimisation is expanded. We constantly seek ways of improving the efficiency of our marketing communications through text, email and local activity - all keys tools in attracting new members in a local area. Increasingly we are focused on retaining those members that join us through induction and other retention tools. However, we recognise that member attrition is a natural by-product of a no contract, flexible business model and that each member may have several membership events with us during their lifetime. We are also utilising technology in trials to grow ancillary revenue streams.

Outlook

The new financial year has started well and in line with the Board's expectations. January and February are the two most significant trading months of the year for any gym business. Membership numbers at the end of February had increased to 495,000, a record level, with a 10.5% increase since December 2016. This level of member growth will help to underpin our performance for the rest of the year. In 2017 we anticipate opening towards the top end of the guidance range of 15 to 20 sites. As in 2016, these site openings will be weighted to the second half of the year, with six sites expected to be open in the first half of the year.

After a year of rapid growth we will continue to focus on delivering on our strategic priorities and once again making significant financial progress. We are embarked on a path that I am convinced will deliver further value for our members and our shareholders.

John Treharne
Chief Executive Officer
14 March 2017

Financial Review

Summary

We are pleased to have delivered another strong set of financial results in the first full year following our IPO, with revenue growth of 22.6% and Group Adjusted EBITDA growth of 33.4%.

This growth has contributed to our first positive Adjusted Earnings result of £7.2 million, compared to a £1.1 million loss in 2015.

Group Operating Cash Flow increased by 34.0% as a result of the increase in Group Adjusted EBITDA, offset by a 6.7% increase in maintenance capital expenditure due to the higher number of gyms in operation.

	2016 £'000	2015 £'000
Total Number of Gyms	89	74
Total Number of Members ('000)	448	376
Revenue	73,539	59,979
Group Adjusted EBITDA[1]	22,691	17,016
Group Adjusted EBITDA before Pre-Opening Costs[2]	24,888	19,681
Adjusted Earnings[3]	7,153	(1,107)
Statutory profit before tax	6,940	(12,382)
Group Operating Cash Flow[4]	24,944	18,616

[1] Group Adjusted EBITDA is calculated as operating profit before depreciation, amortisation, long term employee incentive costs, exceptional items and other income.
[2] Group Adjusted EBITDA before Pre-Opening Costs is defined as Group Adjusted EBITDA excluding the costs associated with new site openings.
[3] Adjusted Earnings is calculated as the Group's profit for the year before amortisation, exceptional items, other income and the related tax effect.
[4] Group Operating Cash Flow is calculated as Group Adjusted EBITDA less working capital less maintenance capital expenditures.

Result for the year

	2016 £'000	2015 £'000
Revenue	73,539	59,979
Cost of sales	(830)	(1,073)
Gross profit	**72,709**	**58,906**
Administration expenses	(64,153)	(55,105)
Long term employee incentive costs	(519)	-
Exceptional costs	(321)	(7,607)
Other income	-	1,105
Operating profit / (loss)	**7,716**	**(2,701)**
Finance income	19	265
Finance costs	(795)	(9,946)
Profit / (loss) before tax	**6,940**	**(12,382)**
Tax (charge) / credit	(1,237)	909
Profit / (loss) for the year	**5,703**	**(11,473)**
Tax charge / (credit)	1,237	(909)
Amortisation of intangible assets	1,442	2,308
Other income	-	(1,105)
Exceptional administration expenses	321	7,607
Exceptional finance costs	-	1,623
Adjusted profit / (loss) before tax	**8,703**	**(1,949)**
Tax (charge) / credit	(1,237)	909
Tax effect of above items	(313)	(67)
Adjusted Earnings	**7,153**	**(1,107)**

Revenue

The 22.6% increase in revenue for 2016 has been driven by both increases in membership numbers and Average Revenue per Member per Month.

Our commitment to member satisfaction, one of our key strategic drivers, is reflected in our membership numbers. Member numbers at the year end grew significantly, from 376,000 at 31 December 2015 to 448,000 at 31 December 2016.

Our average member numbers grew by 20.8% to 429,000 (2015: 355,000), largely due to the opening of 15 sites during the year. Average Revenue per Member per Month increased by 1.5%, from £14.08 to £14.29 in 2016 as our pricing continues to mature.

As a result, revenue for the year ended 31 December 2016 increased to £73.5 million (2015: £60.0 million).

Administration expenses

Administration expenses increased by 16.4%, primarily due to the number of gyms increasing from 74 at 31 December 2015 to 89 at 31 December 2016.

The largest cost within administration expenses is property lease rentals. These increased from £11.2 million in 2015 to £13.5 million in 2016 due to the increase in the number of gyms. Staff costs also form a significant part of administration expenses and increased from £8.4 million to £9.9 million, excluding a charge of £0.5 million from long term employee incentives. The increase was driven by both gym openings and head office support costs.

Head office costs increased from £6.3 million in 2015 to £7.3 million in 2016. This was largely due to the full year effect of headcount increases from 2015, administrative costs associated with being a fully listed company and costs associated with the new head office location.

Depreciation charges increased from £10.9 million in 2015 to £12.7 million in 2016, largely as a result of the increased number of sites. Depreciation as a percentage of revenue decreased from 18.2% to 17.3%, reflecting the growing maturity of our estate.

Amortisation charges decreased from £2.3 million to £1.4 million due to certain intangible assets recognised on the acquisition of The Gym Limited becoming fully amortised during the year.

Group Adjusted EBITDA

	2016	**2015**
	£'000	**£'000**
Operating profit / (loss)	**7,716**	**(2,701)**
Depreciation of property, plant and equipment	12,693	10,907
Amortisation of intangible assets	1,442	2,308
Exceptional items	321	7,607
Other income	-	(1,105)
Long term employee incentive costs	519	-
Group Adjusted EBITDA	**22,691**	**17,016**

Group Adjusted EBITDA increased by 33.4% to £22.7 million (2015: £17.0 million), due to the ongoing rollout of new sites and existing sites reaching mature profit levels.

Group Adjusted EBITDA is adversely affected by pre-opening costs incurred in the process of opening new sites. Group Adjusted EBITDA before Pre-Opening Costs increased by 26.5% to £24.9 million. Pre-opening costs decreased from £2.7 million to £2.2 million, reflecting 15 site openings in 2016 compared to 19 in 2015.

Growth in EBITDA from our mature sites has contributed significantly towards the growth in Group Adjusted EBITDA. Mature Site EBITDA[5] contributed by the 55 mature sites increased by 38.9% to £26.2 million (2015: £18.8 million from 40 sites).

EBITDA from new sites decreased from £4.5 million in 2015, representing 34 sites, to £3.8 million in 2016, also with 34 sites. This is largely as a result of the timing of gym openings in 2016 compared to 2015. The new gyms opened in 2016 are performing well.

[5] Mature sites are defined as gyms that have been open for 24 months or more measured at the end of the year. New sites are defined as gyms that have been open for less than 24 months at the end of the year.

Exceptional items

Exceptional costs have decreased significantly year on year as 2015 included £7.6 million of costs associated with the Group's IPO and the exploration of strategic options in the lead-up to this.

In 2016 exceptional costs relate to £0.1 million of reorganisation activities during the Group's post-IPO period, and £0.2 million of costs associated with the relocation of the Group's head office.

Long term employee incentives

During the year the Group introduced a Performance Share Plan ('PSP') and Share Incentive Plan ('SIP'). PSP shares were granted to certain members of senior management. In April 2016 each of our employees was awarded £1,000 of free shares under the SIP, which vest in three years subject to continued employment.

We also operate a matching shares scheme under the SIP, where for every share purchased by an employee the Company will award one matching share, up to a maximum value, which vest in three years subject to continued employment.

The Group recognised a charge of £0.5 million in relation to these share based payment arrangements.

Finance costs

Finance costs decreased from £9.9 million in 2015 to £0.8 million in 2016 as a result of the Group's post-IPO financing structure. The Group currently has drawn £10.0 million of its five year bullet repayment facility.

Taxation

The Group has incurred a tax charge of £1.2 million for the year ended 31 December 2016, which represents an effective tax rate on statutory profit before tax of 17.8%. This includes the benefit of £0.3 million of prior year adjustments in relation to interest charges on shareholder loan notes held prior to the IPO.

The underlying effective tax rate, after adjusting for amortisation and exceptional items, is 17.8%.

Earnings

Statutory profit before tax increased to £6.9 million (2015: loss of £12.4 million), largely as a result of the increase in Group Adjusted EBITDA and decrease in exceptional costs and finance costs. The Group delivered a profit for the year of £5.7 million, compared to a loss of £11.5 million in 2015, as a result of the factors discussed above.

Basic earnings per share ('EPS') was 4.5p (2015: loss of 19.0p). Adjusted EPS was 5.6p (2015: loss of 1.8p). Adjusted EPS is calculated by excluding amortisation, exceptional items, other income and the resultant tax effect from basic earnings.

Dividend

The Group declared an interim dividend of 0.25p per share. The Board is recommending a final dividend of 0.75p per share, resulting in a full year dividend of 1.0p per share.

In the future, the Board intends to adopt a progressive dividend policy. When making proposals for the payment of dividends, the Board considers the resources available to the Group, including liquidity and the Company's distributable profits.

Cash Flow

	2016	**2015**
	£'000	**£'000**
Group Adjusted EBITDA	22,691	17,016
Movement in working capital	5,186	4,348
Maintenance capital expenditure[1]	(2,933)	(2,748)
Group Operating Cash Flow	**24,944**	**18,616**
Expansionary capital expenditure[2]	(20,922)	(28,230)
Other income	-	1,105
Exceptional items	(944)	(7,001)
Taxation	(243)	(73)
Finance costs	(552)	(4,108)
Dividends paid	(321)	-
IPO proceeds	-	89,931
Repayment of debt	-	(89,842)
Other net cash flows from financing activity	-	16,886
Net cash flow	**1,962**	**(2,716)**

[1] Maintenance capital expenditure comprises the replacement of gym equipment and premises refurbishment.
[2] Expansionary capital expenditure relates to the Group's investment in the fit-out of new gyms and product enhancements, acquisitions and IT projects. It is stated gross of amounts funded by finance leasing (2016: £nil; 2015: £3.1 million) and net of contributions towards landlord building costs.

The Group's increasing Group Adjusted EBITDA and efficient use of working capital continues to deliver strong cash flows. Group Operating Cash Flow increased by 34.0% to £24.9 million (2015: £18.6 million). This is largely as a result of the 33.4% increase in Group Adjusted EBITDA, offset by a £0.2m increase in maintenance capital expenditure due to the increased number of gyms in operation.

Our negative working capital profile continues to give Group Operating Cash Flow Conversion of more than 100%, at 109.9% for the year (2015: 109.4%).

The reduction in expansionary capital expenditure of £20.9 million (2015: £28.2 million) arises as a result of the fit-out of new gyms.

The net cash inflow, as well as the self-financing of the rollout programme during the year, resulted in a reduction in Net Debt : Group Adjusted EBITDA to 0.23x (2015: 0.42x).

Balance sheet

	2016	2015
	£'000	£'000
Non-current assets	148,157	134,551
Current assets	10,795	8,636
Current liabilities	(34,257)	(25,546)
Non-current liabilities	(10,405)	(9,198)
Net assets	**114,290**	**108,443**

Our business model and strong conversion from revenue to cash results in an uncomplicated balance sheet.

Non-current assets have increased by £13.6 million to £148.2 million (2015: £134.6 million). This is as a result of capital expenditure in property, plant and equipment and computer software totalling £27.6 million, offset by depreciation and amortisation of £14.1 million.

Current assets have increased due to higher cash balances, as discussed above. Current liabilities have increased by £8.7 million as a result of lease incentives associated with new gyms opening in the year, and increases in trade and other payables as the size of our operations increases.

The Group has drawn £10.0 million of its five year bullet repayment facility. £30.0 million of the facility was undrawn at 31 December 2016 and will be utilised to fund new sites, working capital and capital expenditure.

Guidance

We reiterate the guidance that we have made previously:

- we expect to open towards the top end of the guidance level of 15 to 20 openings for 2017;
- the charge for long term employee incentives is anticipated as £0.9m in 2017, rising to £1.5m in 2018; and
- pre-opening costs are expected to remain stable at £140,000 per site in 2017.

In addition, in 2017:

- we expect the new site fit-out costs to continue to be between £1.3 million and £1.4 million per site, with a further £2.0 million to £2.5 million of capital spend on IT, prior year acquisitions and other expansionary projects;
- maintenance capital expenditure is expected to equate to 7% of revenue;
- depreciation is expected to be 16% of revenue in 2017;
- to support the growth of the business we expect head office costs to be 9.0% to 9.5% of revenues (2016: 10%); and
- the effective tax rate, after adjusting for amortisation and exceptional items, is expected to be 23%.

Richard Darwin
Chief Financial Officer
14 March 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Revenue		73,539	59,979
Cost of sales		(830)	(1,073)
Gross profit		**72,709**	**58,906**
Administration expenses		(64,993)	(62,712)
Other income		-	1,105
Operating profit / (loss)		**7,716**	**(2,701)**
Finance income		19	265
Finance costs		(795)	(9,946)
Profit / (loss) before tax		**6,940**	**(12,382)**
Tax (charge) / credit	6	(1,237)	909
Profit / (loss) for the year attributable to equity shareholders		**5,703**	**(11,473)**
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) attributable to equity shareholders		**5,703**	**(11,473)**
Earnings per share	4	**pence**	**pence**
Basic		4.5	(19.0)
Diluted		4.4	(19.0)
Adjusted earnings per share	4		
Basic		5.6	(1.8)
Diluted		5.6	(1.8)
Reconciliation of operating profit to Group Adjusted EBITDA			
Operating profit / (loss)		7,716	(2,701)
Depreciation of property, plant and equipment	7	12,693	10,907
Amortisation of intangible assets		1,442	2,308
Exceptional items	3	321	7,607
Other income		-	(1,105)
Long term employee incentive costs	5	519	-
Group Adjusted EBITDA		**22,691**	**17,016**

Group Adjusted EBITDA is a non-GAAP metric used by management and is not an IFRS disclosure

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Non-current assets			
Property, plant and equipment	7	99,037	85,237
Intangible assets		48,717	49,137
Trade and other receivables		403	-
Deferred tax asset	6	-	177
Total non-current assets		148,157	134,551
Current assets			
Inventories		159	122
Trade and other receivables		5,814	5,654
Cash and cash equivalents		4,822	2,860
Total current assets		10,795	8,636
Total assets		**158,952**	**143,187**
Current liabilities			
Trade and other payables		34,123	25,546
Income taxes payable		134	-
Total current liabilities		34,257	25,546
Non-current liabilities			
Borrowings	8	9,178	8,966
Provisions		544	232
Deferred tax liabilities	6	683	-
Total non-current liabilities		10,405	9,198
Total liabilities		**44,662**	**34,744**
Net assets		**114,290**	**108,443**
Capital and reserves			
Issued capital		12	12
Own shares held		48	48
Capital redemption reserve		4	4
Share premium		136,280	136,280
Retained deficit		(22,054)	(27,901)
Total equity shareholders' funds		**114,290**	**108,443**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Issued capital	Own shares held	Capital redemption reserve	Share premium	Retained deficit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2015	9	-	-	48,974	(17,398)	31,585
Loss for the year and total comprehensive loss	-	-	-	-	(11,473)	(11,473)
Share based payments	-	-	-	-	1,018	1,018
Conversion of Preference share capital into Ordinary share capital	2	-	-	-	-	2
Cancellation of share capital	(4)	-	4	-	-	-
Issue and repurchase of Ordinary share capital	-	48	-	-	(48)	-
Costs associated with the issue of share capital	-	-	-	(2,620)	-	(2,620)
Issue of Ordinary share capital	5	-	-	89,926	-	89,931
At 31 December 2015	12	48	4	136,280	(27,901)	108,443
Profit for the year and total comprehensive income	-	-	-	-	5,703	5,703
Share based payments	-	-	-	-	465	465
Dividends paid	-	-	-	-	(321)	(321)
At 31 December 2016	**12**	**48**	**4**	**136,280**	**(22,054)**	**114,290**

Consolidated Cash Flow Statement

For the year ended 31 December 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Cash flows from operating activities			
Operating profit / (loss)		7,716	(2,701)
Adjustments for:			
Other income		-	(1,105)
Exceptional items	3	321	7,607
Depreciation of property, plant and equipment	7	12,693	10,907
Amortisation of intangible assets		1,442	2,308
Long term employee incentive costs		519	-
Loss on disposal of property, plant and equipment		30	98
Increase in inventories		(37)	(47)
Increase in trade and other receivables		(451)	(1,372)
Increase in trade and other payables		5,622	5,669
Cash generated from operations		27,855	21,364
Tax paid		(243)	(73)
Interest paid		(571)	(4,124)
Net cash flow from operating activities before exceptional items and other income		27,041	17,167
Other income		-	1,105
Exceptional costs		(944)	(7,001)
Net cash flow from operating activities		**26,097**	**11,271**
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment		22	-
Purchase of property, plant and equipment		(22,833)	(27,330)
Purchase of intangible assets		(1,022)	(575)
Interest received		19	16
Net cash flows used in investing activities		**(23,814)**	**(27,889)**
Cash flows from financing activities			
Dividends paid		(321)	-
Proceeds of issue of Ordinary shares		-	89,931
Drawdown of bank loans		-	17,500
Payment of financing fees		-	(1,067)
Costs associated with IPO		-	(2,620)
Repayment of bank loans		-	(53,902)
Repayment of shareholder loans		-	(22,699)
Repayment of finance leases		-	(13,241)
Net cash flows (used in) / from financing activities		**(321)**	**13,902**
Net increase / (decrease) in cash and cash equivalents		1,962	(2,716)
Cash and cash equivalents at 1 January		2,860	5,576
Cash and cash equivalents at 31 December		**4,822**	**2,860**

Notes

1. General information

The financial information, comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, has been extracted from the Consolidated Financial Statements of The Gym Group plc ('the Company') for the year ended 31 December 2016, which were approved by the Board of Directors on 14 March 2017.

The financial information does not constitute statutory accounts within the meaning of sections 435(1) and (2) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards ('IFRS'). An unqualified report on the Consolidated Financial Statements for the year ended 31 December 2016 has been given by the auditors Ernst & Young LLP. It did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The Consolidated Financial Statements for the year ended 31 December 2016 will be filed with the Registrar of Companies, subject to their approval by the Company's shareholders at the Company's Annual General Meeting on 6 June 2017.

2. Basis of preparation

The Consolidated Financial Statements for the year ended 31 December 2016, from which the financial information in this announcement is derived, have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the EU, International Financial Reporting Interpretations Committee ('IFRIC') interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Consolidated Financial Statements have been prepared on a going concern basis under the historical cost convention as modified by the recognition of derivative financial instruments at fair value through the profit and loss.

The Directors have made appropriate enquiries and formed a judgement at the time of approving the Financial Statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the Financial Statements.

3. Exceptional items

	2016 £'000	2015 £'000
Costs in relation to IPO	-	5,731
Share based payment costs associated with IPO	-	1,018
Exploration of strategic options	-	809
Costs in relation to aborted merger with Pure Gym	-	49
Costs related to post IPO reorganisation	149	-
Costs associated with head office relocation	172	-
	321	**7,607**

An additional £2,620,000 of exceptional costs associated with the issue of share capital as part of the IPO was recognised directly in reserves in the prior year.

4. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by the weighted average number of Ordinary shares outstanding during the year, excluding unvested shares held pursuant to The Gym Group plc Share Incentive Plan and The Gym Group plc Performance Share Plan.

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion of all dilutive potential Ordinary shares. During the year ended 31 December 2016, the Group had potentially dilutive shares in the form of share options and unvested shares issued pursuant to The Gym Group plc Share Incentive Plan and The Gym Group plc Performance Share Plan.

	2016	**2015**
Basic weighted average number of shares	128,105,275	60,485,605
Adjustment for share awards	347,617	-
Diluted weighted average number of shares	**128,452,892**	**60,485,605**
Basic earnings per share (p)	**4.5**	**(19.0)**
Diluted earnings per share (p)	**4.4**	**(19.0)**

Adjusted earnings per share is based on profit for the year before exceptional items, amortisation and their associated tax effect.

	2016 **£'000**	**2015** **£'000**
Profit / (loss) for the year	5,703	(11,473)
Amortisation of intangible assets	1,442	2,308
Other income	-	(1,105)
Exceptional administration expenses	321	7,607
Exceptional finance costs	-	1,623
Tax effect of above items	(313)	(67)
Adjusted earnings	**7,153**	**(1,107)**
Basic adjusted earnings per share (p)	**5.6**	**(1.8)**
Diluted adjusted earnings per share (p)	**5.6**	**(1.8)**

5. Long term employee incentive costs

The Group had the following share based payment arrangements in operation during the year:

- The Gym Group plc Performance Share Plan
- The Gym Group plc Share Incentive Plan – Free shares
- The Gym Group plc Share Incentive Plan – Matching shares

The Group recognised a total charge of £465,000 (2015: £1,018,000) in respect of the Group's share based payment arrangements and related employer's national insurance of £54,000 (2015: £51,000). During the prior year the Group operated The Gym Group Senior Management Share Option Plan.

6. Taxation

The major components of taxation are:

(a) *Tax on profit*

	2016 £'000	2015 £'000
Current income tax		
Current tax on profits for the year	426	-
Adjustments in respect of prior years	(49)	(173)
Total current income tax	377	(173)
Deferred tax		
Origination and reversal of temporary differences	1,118	(700)
Change in tax rates	18	(91)
Adjustments in respect of prior years	(276)	55
Total deferred tax	860	(736)
Tax charge / (credit) in the Income Statement	**1,237**	**(909)**

b) Reconciliation of tax charge / credit

The tax on the Group's profit / loss before tax differs from the theoretical amount that would arise using the weighted average rate applicable to profits / losses of the Group as follows:

	2016 £'000	2015 £'000
Profit / (loss) before tax	6,940	(12,382)
Tax calculation at standard rate of corporation tax of 20.00% (2015: 20.25%)	1,388	(2,507)
Expenses not deductible for tax purposes	156	786
Exceptional IPO costs not deductible	-	1,023
Change in tax rates	18	(93)
Adjustments in respect of prior years	(325)	(118)
	1,237	**(909)**

(c) *Deferred tax*

During the year the Group recognised the following deferred tax assets and liabilities:

	Accelerated capital allowances £'000	Losses £'000	Intangible assets £'000	Share schemes £'000	Total £'000
At 1 January 2015	(1,768)	2,251	(1,042)	-	(559)
Prior year adjustment	(55)	-	-	-	(55)
Recognised in income statement	1,545	(1,245)	400	-	700
Change in deferred tax rate	91	-	-	-	91
At 31 December 2015	(187)	1,006	(642)	-	177
Prior year adjustment	276	-	-	-	276
Recognised in income statement	(564)	(796)	217	25	(1,118)
Change in deferred tax rate	-	(50)	32	-	(18)
At 31 December 2016	**(475)**	**160**	**(393)**	**25**	**(683)**

7. Property, plant and equipment

	Leasehold improvements	Fixtures, fittings and equipment	Gym and other equipment	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2015	56,752	4,033	25,657	533	86,975
Additions	17,364	1,549	9,428	391	28,732
Disposals	(89)	(13)	(298)	-	(400)
At 31 December 2015	74,027	5,569	34,787	924	115,307
Additions	16,729	1,178	8,257	381	26,545
Disposals	(100)	-	(244)	-	(344)
At 31 December 2016	**90,656**	**6,747**	**42,800**	**1,305**	**141,508**
Accumulated depreciation					
At 1 January 2015	6,606	1,672	10,872	315	19,465
Charge for the year	5,745	656	4,329	177	10,907
Disposals	(42)	(7)	(253)	-	(302)
At 31 December 2015	12,309	2,321	14,948	492	30,070
Charge for the year	6,422	812	5,205	254	12,693
Disposals	(48)	-	(244)	-	(292)
At 31 December 2016	**18,683**	**3,133**	**19,909**	**746**	**42,471**
Net book value					
At 31 December 2015	61,718	3,248	19,839	432	85,237
At 31 December 2016	**71,973**	**3,614**	**22,891**	**559**	**99,037**

8. Borrowings

	2016	2015
	£'000	£'000
Non-current		
Bank facility A	10,000	10,000
Loan arrangement fees	(822)	(1,034)
	9,178	**8,966**

The Group's bank borrowings are secured by way of fixed and floating charges over the Group's assets.

HSBC and Barclays bank facility
On 12 November 2015 the Group entered into a five year bullet repayment facility with HSBC and Barclays. The facility comprises a £10.0 million term loan ('facility A') for the purposes of refinancing the Group's previous finance leases, a £25.0 million term loan ('facility B') to fund acquisitions and capital expenditure, and a £5.0 million revolving credit facility. Interest is charged at LIBOR plus a 2.5% margin.

At 31 December 2016, facility A was fully drawn and facility B and the revolving credit facility were undrawn.

Five year record

	2016 £'000	2015 £'000	2014 £'000	2013[1] £'000	2012[1] £'000
Revenue	73,539	59,979	45,480	35,734	22,264
Group Adjusted EBITDA	22,691	17,016	14,688	11,752	6,000
Group Adjusted EBITDA before Pre-Opening Costs	24,888	19,681	16,668	12,886	7,615
Group Operating Cash Flow	24,944	18,616	16,514	14,751	9,624
Group Operating Cash Flow Conversion	109.9%	109.4%	112.4%	125.5%	160.4%
Expansionary Capital Expenditure	20,922	28,230	20,335	14,058	21,645
Net Debt	5,178	7,140	49,205	36,743	18,979
Net Debt to Group Adjusted EBITDA	0.23x	0.42x	3.35x	3.11x	3.16x
Adjusted Earnings	7,153	(1,107)	(4,452)	(3,551)	(958)
Adjusted Earnings per share (p)	5.6	(1.8)	(9.1)	(13.3)	(3.6)
Total Number of Gyms (number)	89	74	55	40	32
Total Number of Members ('000)	448	376	293	225	166
Average Revenue per Member per Month (£)	14.29	14.08	13.98	14.06	13.78
Number of Mature Gyms in Operation (number)	55	40	32	16	10
Mature Gym Site EBITDA	26,161	18,828	16,244	9,505	6,041

[1] The Gym Group plc acquired control of The Gym Limited on 13 June 2013. Before this date the Group did not constitute a single legal group. Prior to the acquisition, combined financial information has been prepared on a basis that aggregates the results, cash flows, assets and liabilities of each the companies constituting the Group.

Responsibilities statement

The following statement will be contained in the 2016 Annual Report and Accounts:

We confirm that to the best of our knowledge:

- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the Group; and
- the Strategic Report contained in this Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

Richard Darwin
Chief Financial Officer and Company Secretary
14 March 2017