



Capital Markets Day

19 May 2022



Forward-looking statement disclaimer

This presentation should be read in conjunction with the announcement published by The Gym Group plc on 19 May 2022.

This presentation and information communicated verbally to you contains certain projections and other forward-looking statements with respect to the financial condition, results of operations, businesses and prospects of The Gym Group plc.

These projections and forward-looking statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are several factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Any of the assumptions underlying these projections and forward-looking statements could prove inaccurate or incorrect and therefore any results contemplated in the projections or forward-looking statements may not actually be achieved.

Investors or other recipients are cautioned not to place undue reliance on any projection or forward-looking statements contained herein.

Save as required by law or by the Listing Rules of the UK Listing Authority, The Gym Group plc undertakes no obligation to update or revise (publicly or otherwise) any projection or forward-looking statement, whether as a result of new information, future events or other circumstances. Neither this presentation nor any verbal communication shall constitute an invitation or inducement to any person to subscribe for or otherwise acquire securities in The Gym Group plc.



Welcome & introduction

**Richard Darwin,
Chief Executive Officer**



Who you will meet today

Richard Darwin Chief Executive Officer

- CEO since September 2018 (CFO 2015 - 2018)
- Formerly CFO of Essenden plc (now Ten Entertainment Group plc) and Paramount Restaurants
- Held senior roles at Diageo plc, Hard Rock Cafe International and The Rank Group Plc



Mark George Chief Financial Officer

- Joined TGG as CFO in October 2018
- Previously Deputy CFO of Auto Trader plc
- Held senior roles in finance, strategy and investor relations at Asos Plc and Tesco Plc



Ann-marie Murphy Chief Operating Officer

- COO since February 2022 (previously Chief People Officer since joining The Gym Group in April 2018)
- Has over 15 years' experience across a variety of senior Human Resources roles, particularly in the travel and retail industries
- Qualified executive coach from the highly regarded Henley programme



Jasper McIntosh Chief Information Officer

- IT Director since June 2014, and primary IT and digital consultant to The Gym Group since 2011
- Previously delivered high profile projects for GlaxoSmithKline, Global Fund, the NHS and the French Presidential Palace
- Awarded a top 20 place in the CIO 100 list that recognises the most transformational and disruptive CIOs in the UK



Nick Shelmerdine Director of Strategy & Corporate Development

- Joined TGG in November 2021
- Former Associate Partner at OC&C Strategy Consultants and MD at The Restaurant Group plc, focused on building a food delivery business and major transformation projects
- Expertise in growth strategy, M&A, business development and change in the Consumer and Leisure space



Emily Kortlang Group Brand & Marketing Director

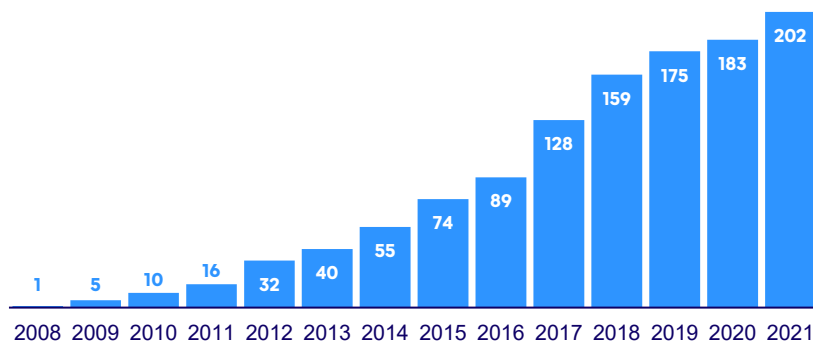
- Joined TGG as Group Brand & Marketing Director in October 2021
- Formerly Brand Director for Beats by Dr. Dre, at Apple
- Prior to that, held marketing roles at Red Bull and Fallon, responsible for brand, social media, creative, campaign & retail marketing



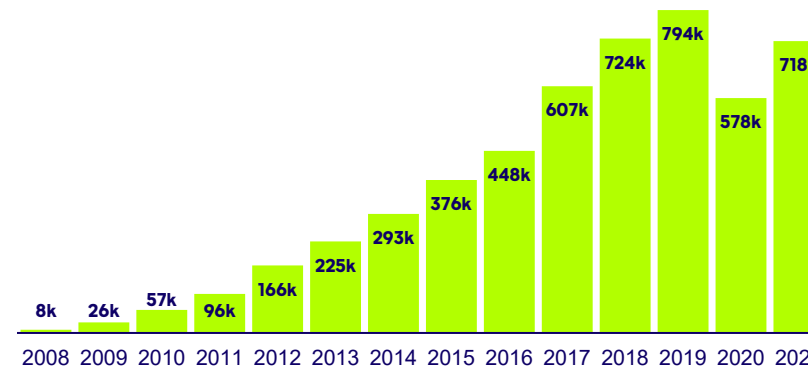
The story so far...



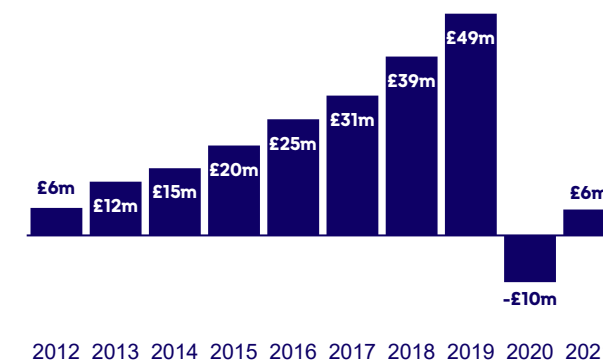
Number of gyms



Number of members¹



EBITDA (£m)²



1) 825k members at Feb 2022.

2) EBITDA for 2012 and 2013 is presented on an aggregated basis as the Group did not constitute a single legal group until 13 June 2013. EBITDA for 2012-2014 has not been restated for IFRS 16.

Business transformed since the IPO

01

Significant investment made in core infrastructure to run business of 200+ gyms

- New Tech platforms to support enhanced Member Experience (via Website and App)
- ERP system (Workday)
- New Gym Team model (Personal Trainers)

02

Rapid growth in estate

- 104 organic new sites
- 36 sites acquired through four separate acquisitions

03

Market-leader in sustainability

- First Carbon Neutral Gym in UK
- Commitment to Net Zero by 2035
- Rated AAA by MSCI
- First UK Health & Fitness Business to measure Social Value targets

04

Great place to work

- #25 in Glassdoor's top 50 places to work for in the UK
- High calibre Gym and Central Support teams



Strong proposition appealing to a wide demographic with multiple growth drivers



High quality, low cost gym proposition

Rated “Excellent” on Trustpilot
Consistently strong member satisfaction scores
c. 50 million gym visits p.a.

Growth drivers

Site
expansion

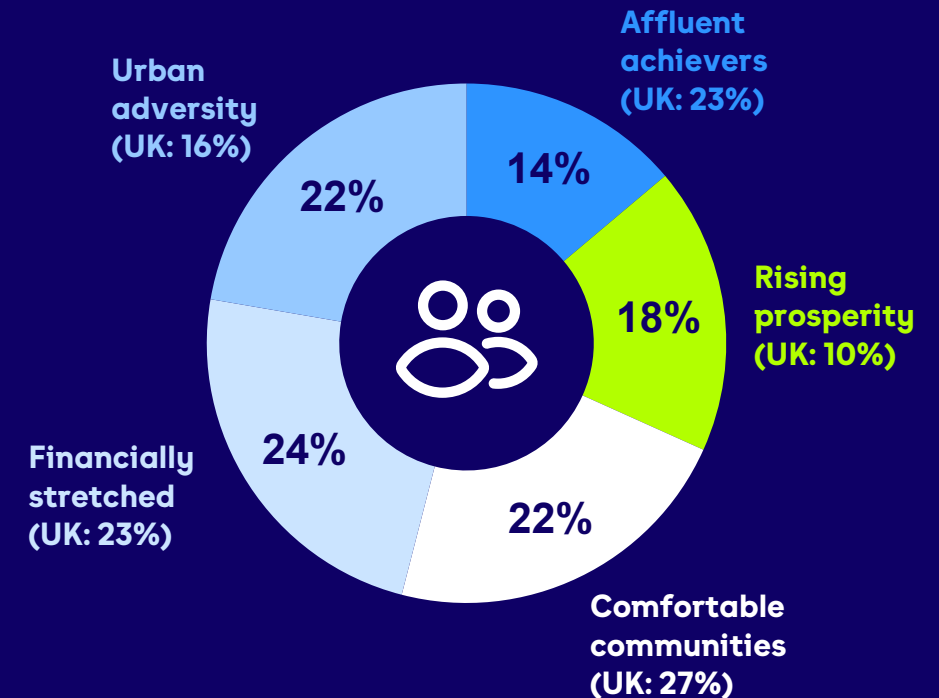
Yield
optimisation

Like for
like growth
from new
products

Expanding
consumer
appeal



Member demographic



Business model enables self financing growth



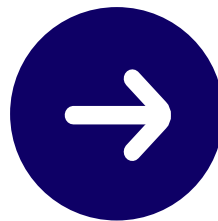
Our plan to 2025



Financial drivers

Revenue Recovery
of existing estate

25-30
new sites per year



2025 targets

300+
sites

£95-105m
EBITDA

£40-50m
PBT

Areas of focus today



Low cost gym market

Market opportunity



Key strategic initiatives

Enabling faster growth

**Next generation
technology**

**Revenue
optimisation**

Brand



Financial potential

**Financial outlook
and capital allocation**



Market opportunity

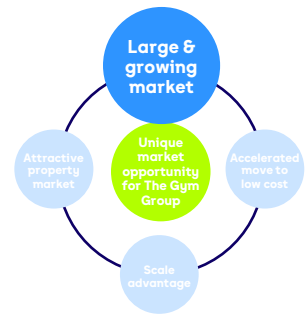
Richard Darwin,
Chief Executive Officer



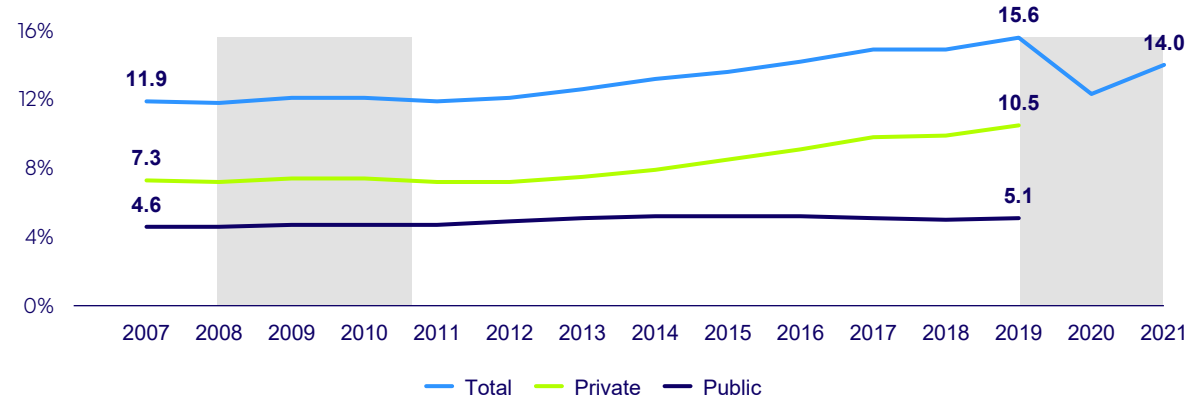
Unique market opportunity to accelerate expansion



Long-term growth and resilience in the UK gym market

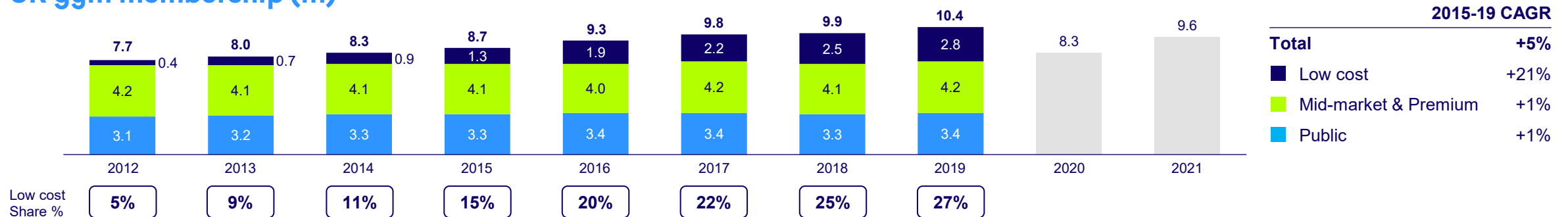


% of UK population that are members of a health & fitness club



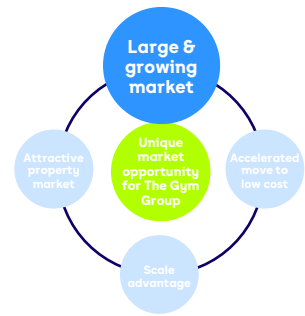
- Memberships of health & fitness clubs in structural long-term growth
- Private sector drives increased penetration; led by low cost gyms
- Market resilient to economic downturns
- Strong rebound in 2021 post COVID-19

UK gym membership (m)

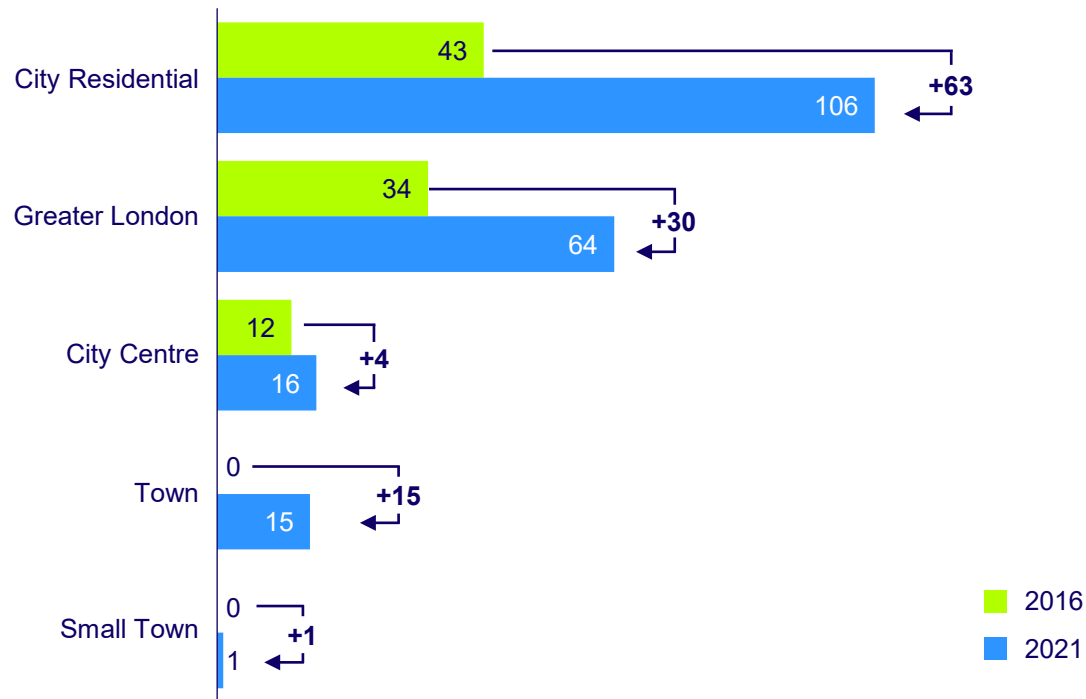


Source: LDC State of the Industry Report 2019 (as at March); Deloitte EHFMR 2022 for 2020-21 data (as at year end), segment split not available

Rapid growth across various categories with further opportunity in small towns



Number of sites by category 2016-21¹

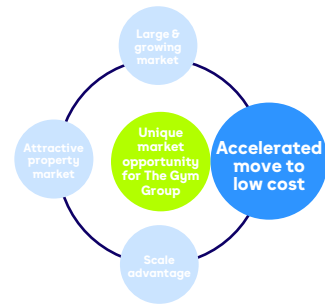


- Substantial growth in high performing City Residential (+147%) and Greater London (+88%) locations
- City Centre now ex-growth
- Model proven in Town locations (<10,000sq.ft)
- Developing format to operate in Small Towns

**Plan to deliver 25-30 sites from expansion of current categories;
with additional sites to come from Small Towns**

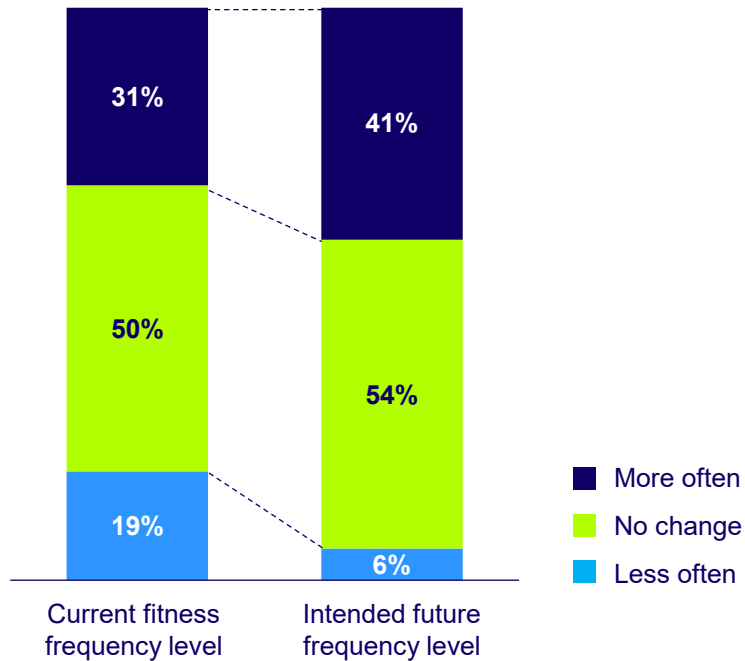
1) Number of UK sites at year end

An increased interest in health & fitness post-COVID



Fitness frequency now above pre-COVID levels and expected to increase further

UK Fitness frequency vs pre-COVID levels¹

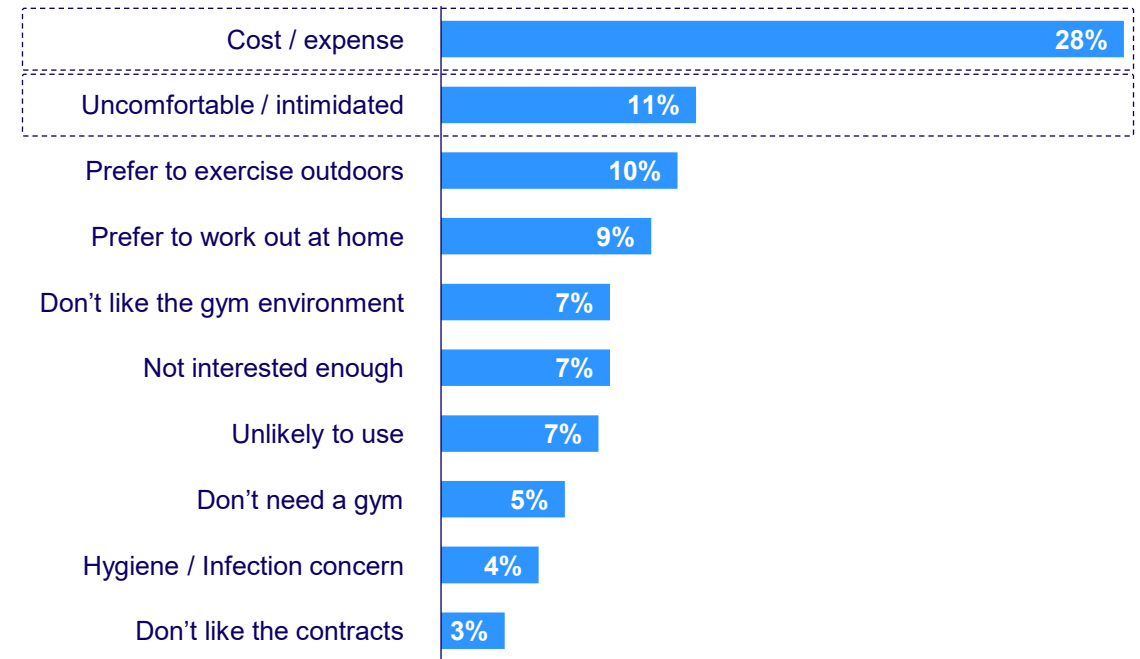


1) % change versus pre-COVID levels, Deloitte EHFMR 2022

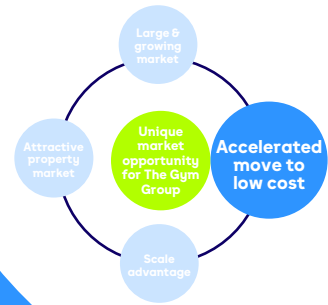
2) Top 10 reasons to not join a UK gym from non-gym members, TGG U&A Survey 2021

Sustained opportunity to target people interested in the gym but put off by cost

Main reasons to not join a gym²



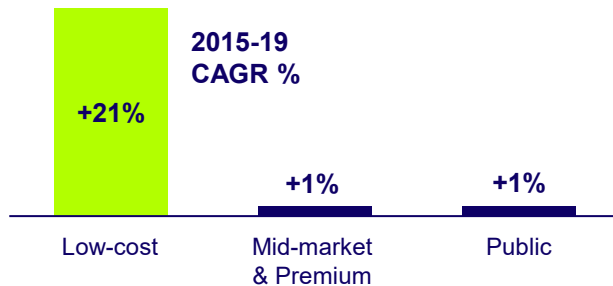
Post COVID structural trends accelerating move to low cost



01

Growth in low cost an existing theme pre-COVID

+21% CAGR pre-COVID
vs. +1% rest of market



Growth in low cost segments has been a continued theme across a range of sectors

02

Parts of Health & Fitness market weakened

Premium & mid-market distress; restructuring and administration



Leisure / public sector under threat; a number remain closed



03

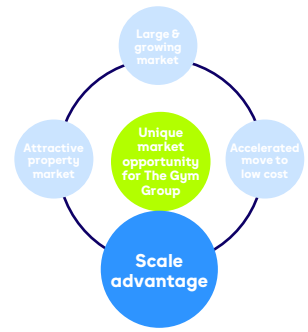
Cost of living crisis will increase focus on low cost options

Budget operators typically outperform the market during recession / downturns



Consumers consider fitness / gym access a necessity but may look to trade down

Scale advantages enhance strong market position



- Economies of scale result in a market with two clear leaders
- Challenges for smaller operators led to slow growth and exit
- The Gym Group fastest relative growth (+127%) in 2016-21
- 78% of growth in low cost gyms from top two players; combination of organic growth and acquisition
- Strong presence in Greater London (64 sites)¹

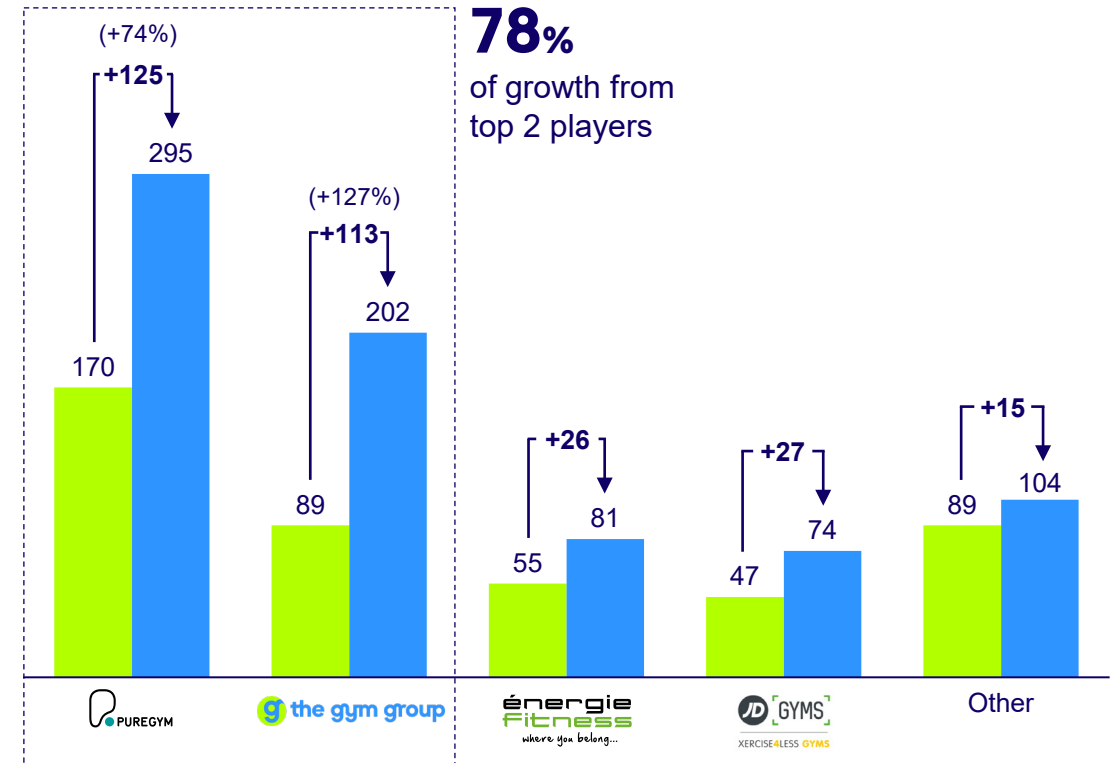


26.7%

market share

Number of sites vs low cost gym market as of 2021 year end.

UK number of low cost gyms, 2016-2021²



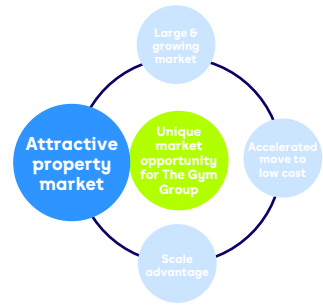
78%
of growth from
top 2 players

■ 2016 ■ 2021

1) The Gym Group number of sites inside M25 as of 2021 year end

2) Company estimates for the number of sites per low cost operator as at year end; low cost defined as majority of membership options <£25 per month and <£30 within London

Attractive property market creates opportunities to expand estate and achieve historic returns

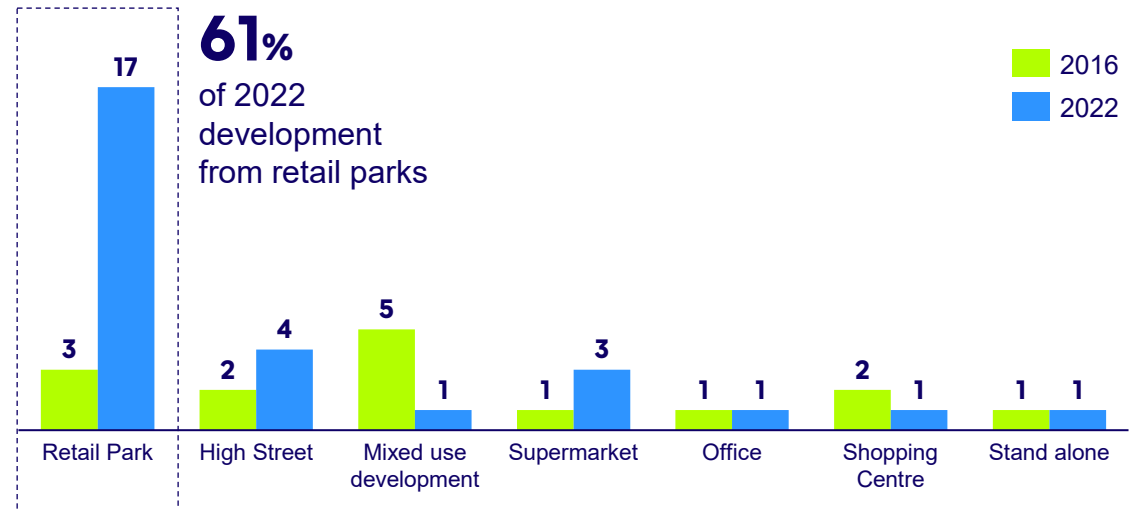


- Distress in retail / leisure - greater availability of target sites at affordable rents
- Opportunity in property market expected to continue into 2023 and beyond
- Rent moratorium ended March 2022; further boost to availability of property
 - General retail sites
 - Other gyms (direct from landlord); acquired three sites already
- Tailwinds to support acceleration of new-site rollout:
 - 28 sites to open in 2022 - fully secured
 - 25-30+ in 2023 and 2024 - partly secured

Strong pipeline targeting 30% ROIC

Sites in Fit out / Pre-sale	9
Exchanged / Lease Complete	13
Heads of terms / In legals	21
Offers out	58
Total	101

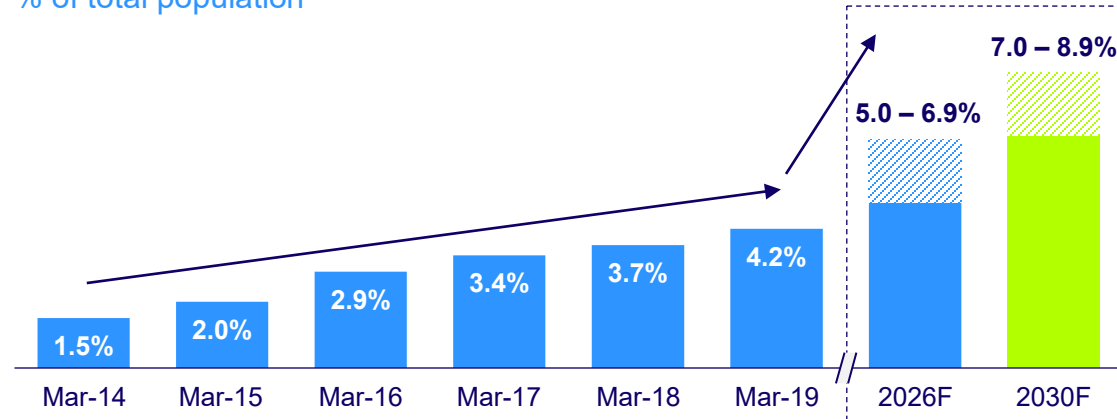
New-site openings/acquisitions 2016 vs 2022



Significant headroom in low cost gym market

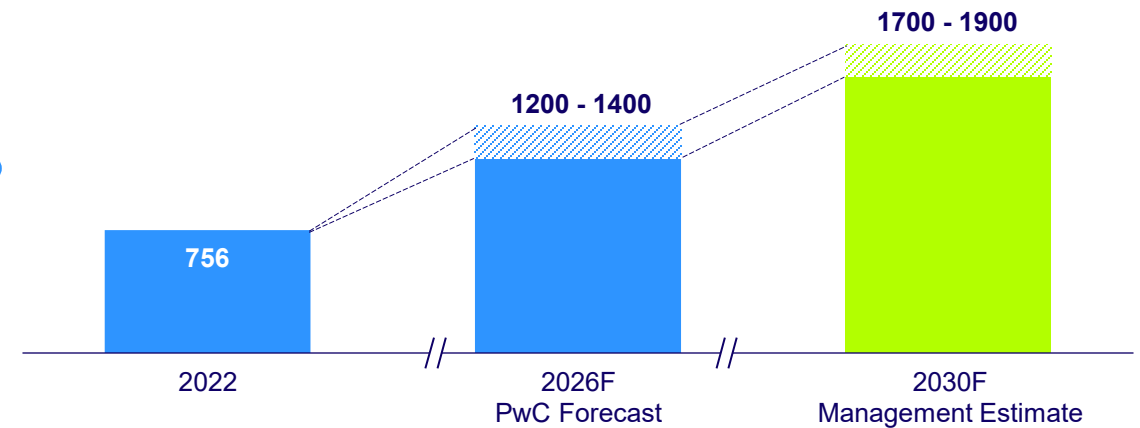
Low cost gym members penetration

% of total population



UK potential for low cost gyms

Number of low cost gyms



- Fitness penetration in Northern Europe above UK (Denmark 19%, Norway and Sweden 22%)¹
- PwC forecast 17% for UK by 2026
- Forecast penetration:
 - 5.0-6.9% by 2026 (PwC forecast)
 - 7.0-8.9% by 2030 (Management estimate)

- Pre-COVID PwC research² potential for c.1,200-1,400 low cost gyms in 2026
- Management forecast c.1,700-1,900 gyms by 2030
- Growth potential of low cost:
 - Up to 2x by 2026
 - Up to 2.5x by 2030
- Management estimate extends low cost growth to 2030

1) As at 2019; % of total population, Deloitte EHFMR 2020

2) PwC: UK low cost gym market headroom assessment January 2019



Enabling faster growth

Ann-marie Murphy,
Chief Operating Officer



We will enable faster growth through...

01

**Outstanding
product &
operational
delivery**

02

**Highly
satisfied
members**

03

**Flexible model
& product
formats**

We have a high quality, great value product

01 Outstanding product & operational delivery

Low cost
no contract
membership

Free
group exercise
classes

Access to
200 top quality
digital classes

Friendly, helpful
staff & access to
personal trainers

High quality
gym equipment

**Convenient
locations**
with 24/7 access

Multi-gym
access*

Bring a
friend*

* Available with LIVE IT membership

The most successful operating model in the market



Market leading flexible operating model

Fitness trainer Model

Employed contract – 12 hours a week

Paid at top banding NMW

Reduced rental agreement

Self-employed personal trainer business opportunity

Keep 100% of earnings

No license fee

Recognised as a great place to work

- **#25** in Glassdoor's top 50 places to work in the UK
- Won **Employee Excellence Award** for Best Approach to Covid
- **93%** approve of CEO & recommend on Glassdoor*

01

Outstanding product & operational delivery



glassdoor
BEST PLACES
TO WORK 2022



**Highly effective
operational
delivery at scale**

4 operational performance pillars

People / member service / safe, clean and legal / profit



Safe, clean and legal

We are consistently delivering high levels of quality audits, 96.8% on average

Constantly looking for areas to improve. We never stop our focus to ensure our gyms are safe, clean and compliant

4+

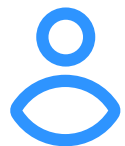
Visit frequency, driving Social Value 4+ visits per month

Aligns our commercial and social interests with our members interest - becoming and staying healthy and fit

Drives member engagement

Links into improving tenure and reducing churn

Our members 'love us'



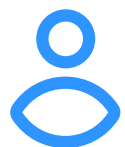
"Immediately I noticed the abundance of diversity in the gym.. I did the burn 400 class and loved it. All very tidy, clean and perfectly functional."

London Walthamstow



"The gym is always so clean and welcoming, the staff are great and never make you feel silly and are all so approachable. This makes me really enjoy working out which encourages me to come which is great for my fitness goals! 10/10 gym."

Bristol Longwell Green



"I really like the layout of The Gym, and always felt that there was plenty of equipment and a good range too. Overall, a great experience and I have referred many of my friends to The Gym West End!"

Glasgow West End

1) Average monthly churn 2022 versus 2021 (Apr – Dec)

02 Highly satisfied members

Engaged colleagues delivering great member service satisfaction

Increased our member service score +8pts over 12 month period from Mar 2020 to Apr 2021 (57%)

Focusing on clean, friendly and inclusive gyms has seen us further increase to 58% across the estate

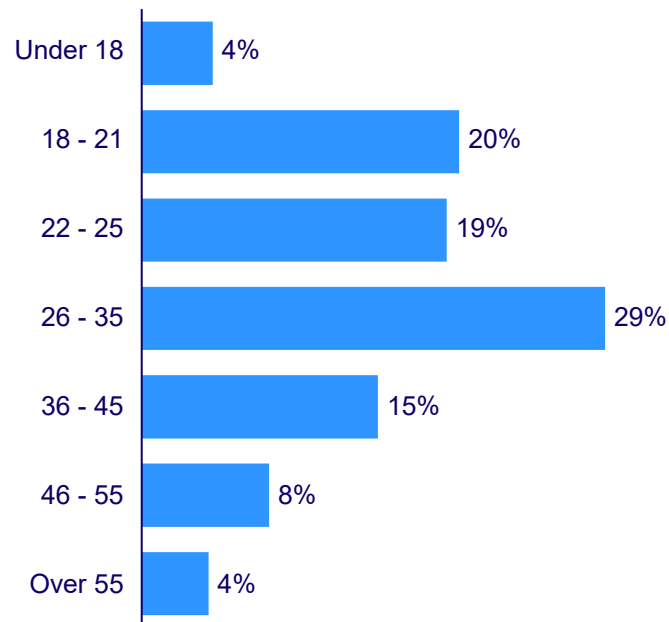


Our reviews increased by 23.1% in March 2022

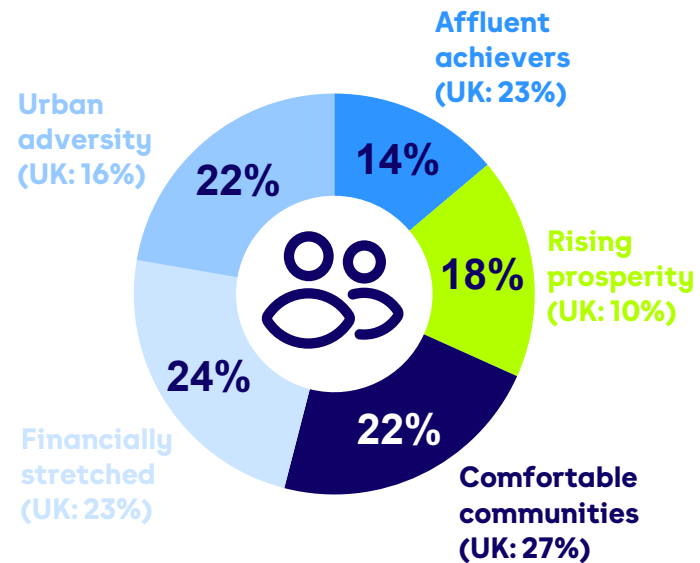
We provide affordable fitness for all

02 Highly satisfied members

Age

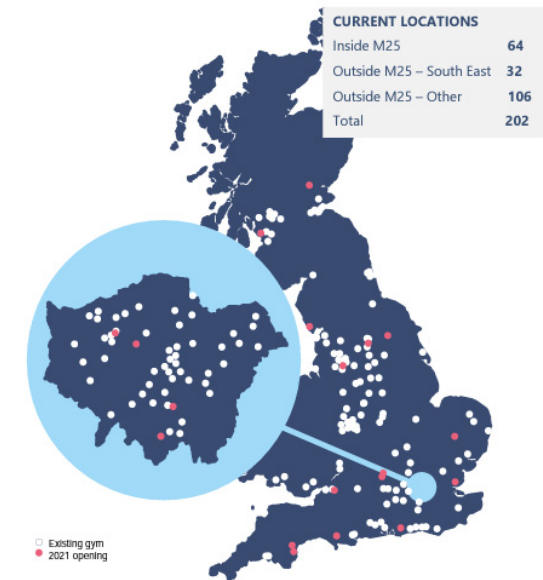


Affluence



32% of our estate is in the 20 most deprived local authorities

Location



c.50% of the UK population live within 15 min drivetime of at least one of our gyms

Our formats reflect member requirements

03 Flexible model & product formats

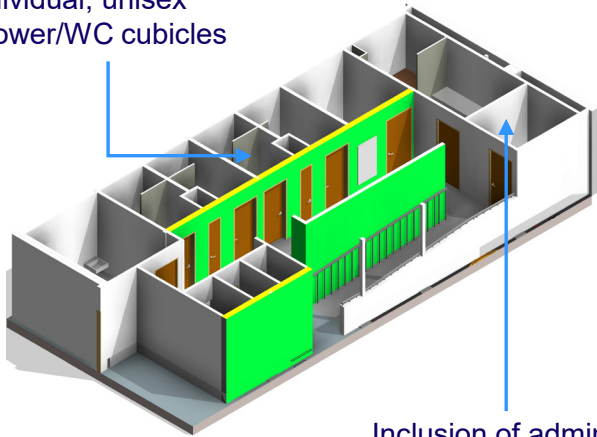
- 01 Live classes**
Solutions from full studio to open plan flexible spaces
- 02 Digital classes**
App integration of exercise plans and on-line classes
- 03 Gym amenities**
Changing and showering facilities to match gym profile
- 04 Operating model**
Flexing our resource model and deploying self serve
- 05 Product solutions**
Range of kit tailored to membership profile and usage
- 06 Flexible space**
Designed space to maximise flexibility of function and layout
- 07 Inclusive & relevant**
Innovation and diverse formats to remain relevant to all members

We optimise space and product...

03 Flexible model & product formats

Small

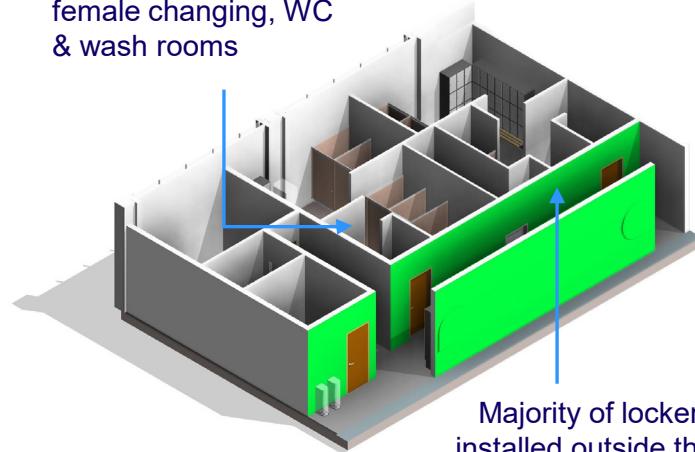
Individual, unisex shower/WC cubicles



Inclusion of admin & BOH areas within changing block

Medium

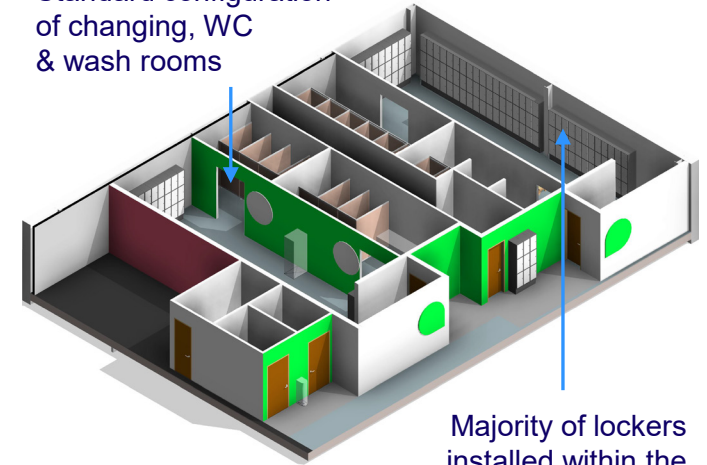
Reduced size male and female changing, WC & wash rooms



Majority of lockers installed outside the changing rooms

Large

Standard configuration of changing, WC & wash rooms

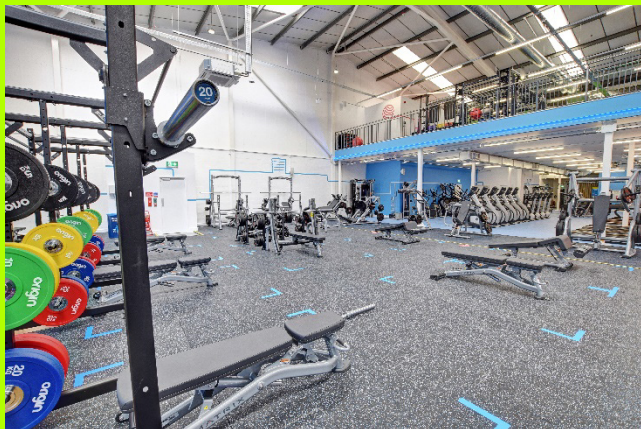


Majority of lockers installed within the changing rooms

Gym size	Gym ancillary (sq.ft & %)		Gym (sq.ft & %)		TOTAL (sq.ft)
Small	660	9%	6,840	91%	7,500
Medium	1,600	13%	10,900	87%	12,500
Large	2,720	18%	12,280	82%	15,000

...delivering growth across a range of sizes

03 Flexible model & product formats



York

City Residential

Retail Park

Opened April 2021

Size: 15,250 sq.ft



Sydenham

Greater London

High Street

Opened May 2021

Size: 12,750 sq.ft



Paignton

Town

Retail Park

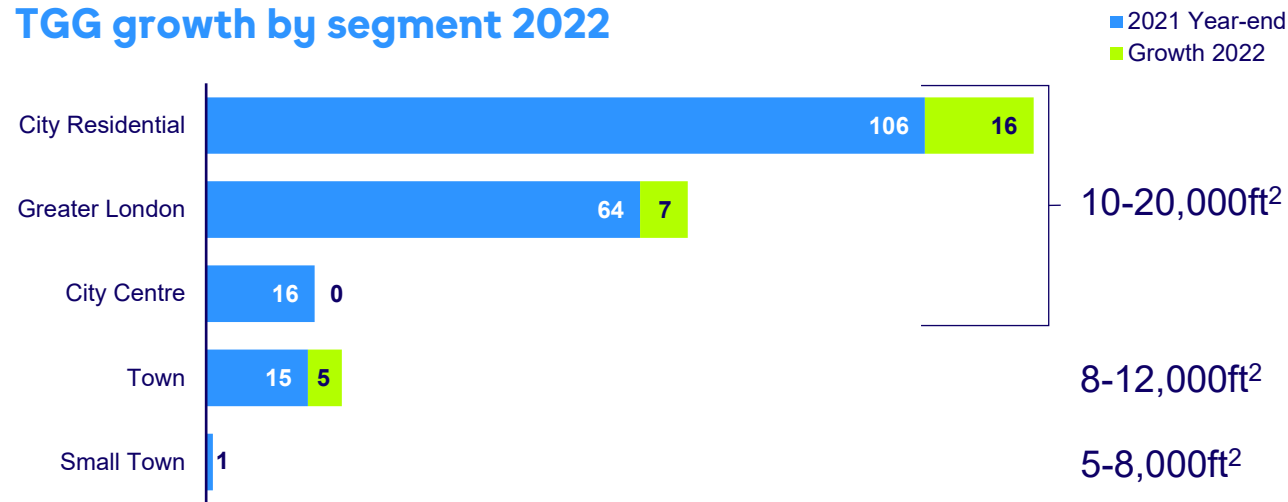
Opened September 2021

Size: 10,250 sq.ft

Our formats give us headroom for growth...

03 Flexible model & product formats

TGG growth by segment 2022



TGG estimated share of low cost market 2021

26.7%
(24.9% PY)

TGG growth 2022

+28
(sites)

UK low cost headroom

650
(to 2026)

Accelerating growth

28 new sites to be opened in 2022, including three gyms purchased from Fitness First

Low cost market share expected to increase further

Town locations increasing by 33%

High performing City Residential and Greater London residential locations continue growing due to favourable property market

Maintaining strong position in London residential market from organic growth and strategic acquisition

Pipeline for 2023 building successfully

1) Town catchment 25-55,000 adults within 10 min drive time

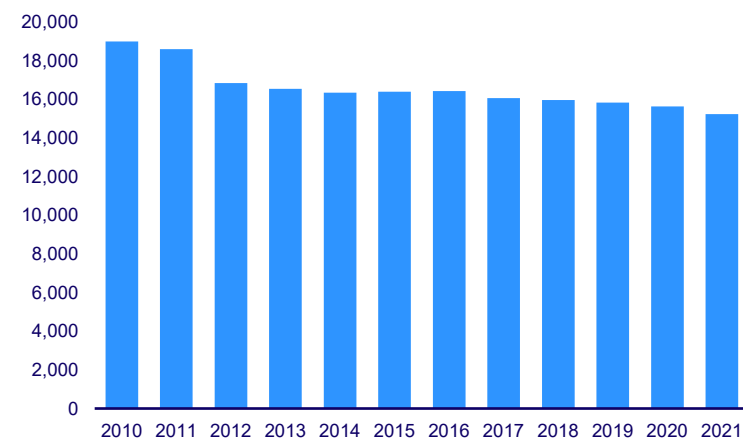
...and deliver proven returns

03 Flexible model & product formats

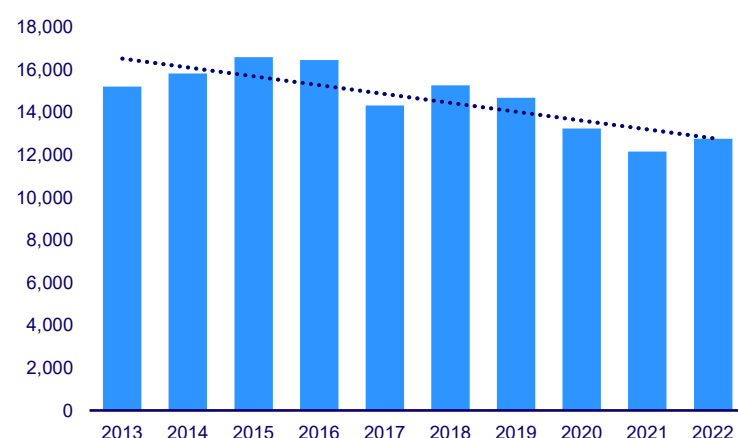
Smaller sites still delivering high returns

- The average size of a new gym through organic growth has been gradually reducing over several years as we have entered smaller catchments
- In 2021 the average new gym was c.12,000ft², ranging from 21,000ft² in Leeds to 7,000ft² in Dorchester
- Proven format and operating model across all sizes to deliver consistent ROIC
- Continuing to evolve and develop model for operating in even smaller catchments

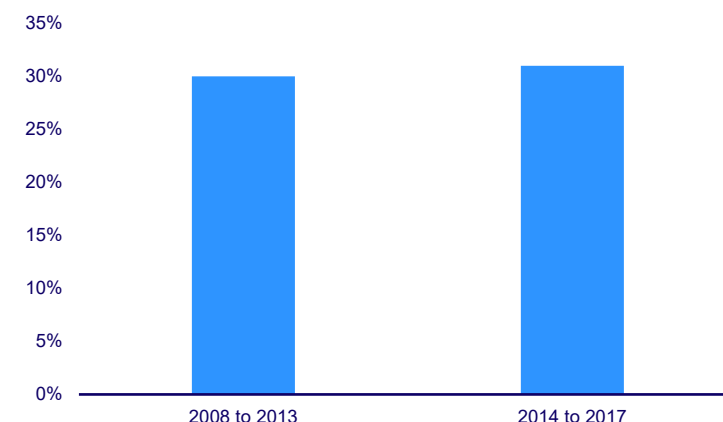
Rolling average size



Annual average new site size sq.ft



2019 ROIC in mature sites



Excl. Lifestyle and EasyGyms

Continued innovation enabling faster growth...

**Remote
operation.**

**Small Town
format.**

**Digital
fitness.**

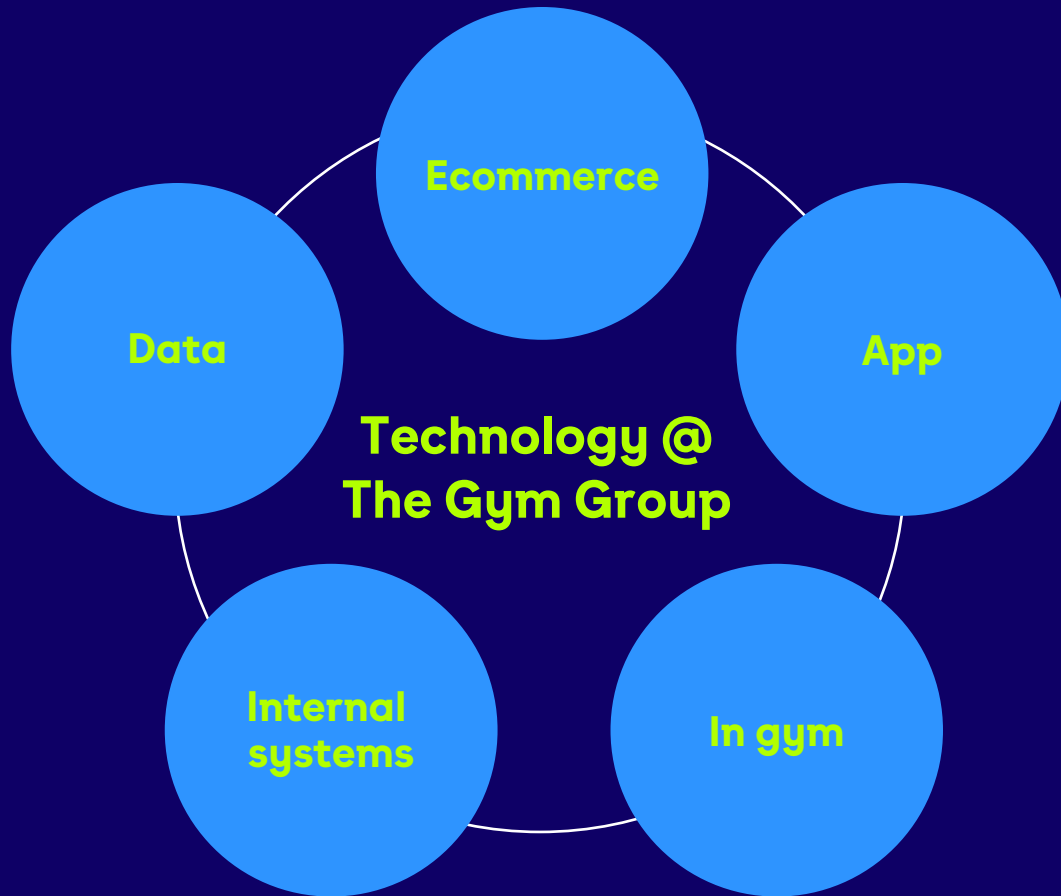
**Diet and
nutrition.**



Next generation technology

**Jasper McIntosh,
Chief Information Officer**

Technology is a critical enabler and key differentiator



Activity in Q1 2022

>14m
gym visits

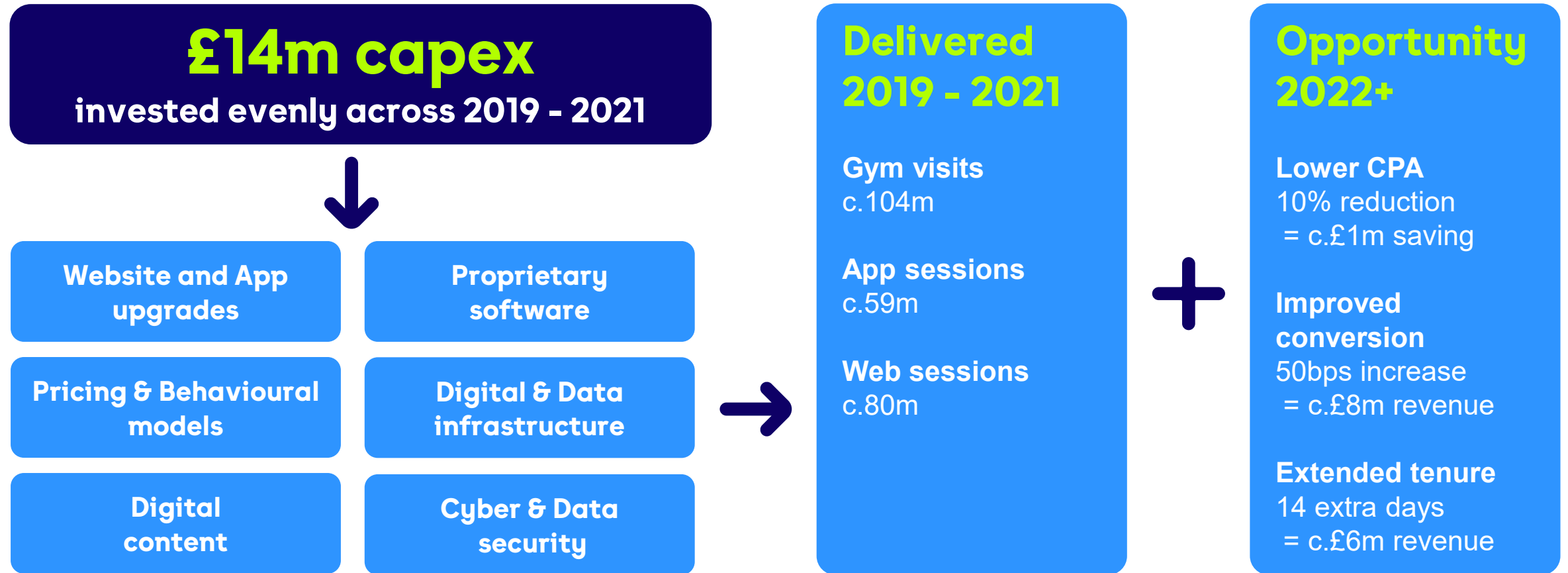
>19m
app sessions

>6.5m
web sessions

Technology drives every area:

- Online joining
- Gym entry
- Operational efficiency
- Digital content
- Decision support

Scale enables us to invest in initiatives beyond the reach of almost all other UK operators



Our strategy uses technology to drive KPI across acquisition, experience and efficiency



Acquisition

Ecommerce

Pricing



KPI impact

Web traffic,
conversion & yield



Experience

App

In-gym



KPI impact

Visits, member satisfaction,
churn



Efficiency

Productivity

Automation

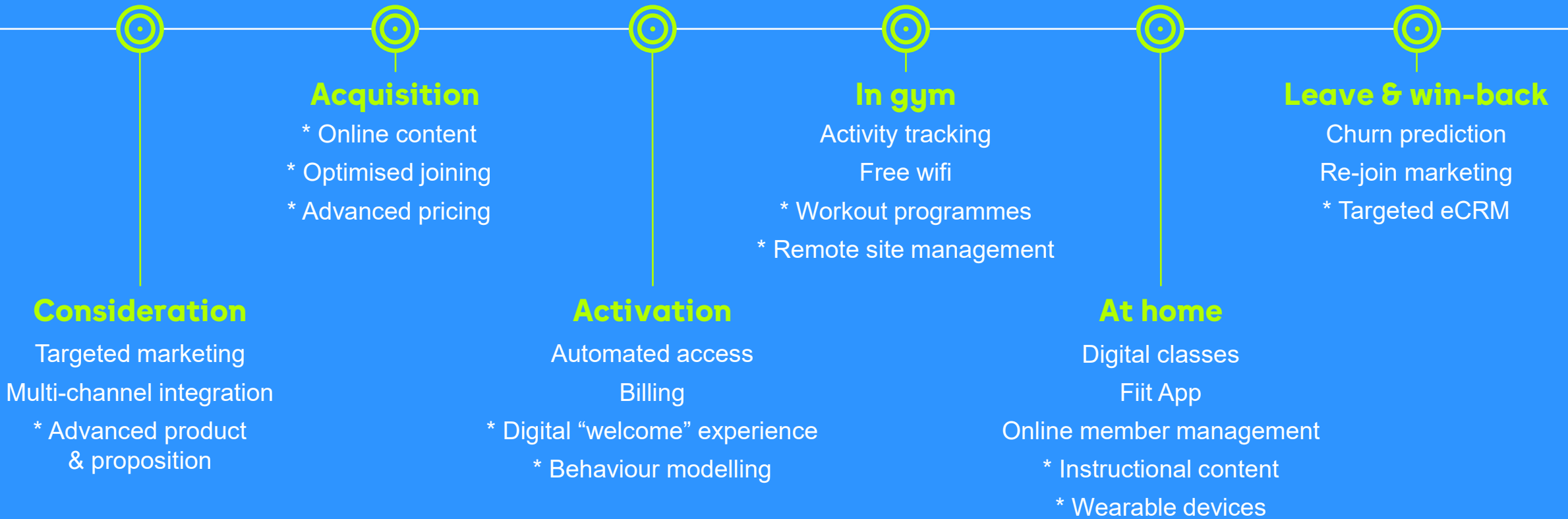


KPI impact

Rejoin,
cost

Data & insight as a key enabler

We are active right across the user journey and see further opportunity in many areas



* Area of further opportunity

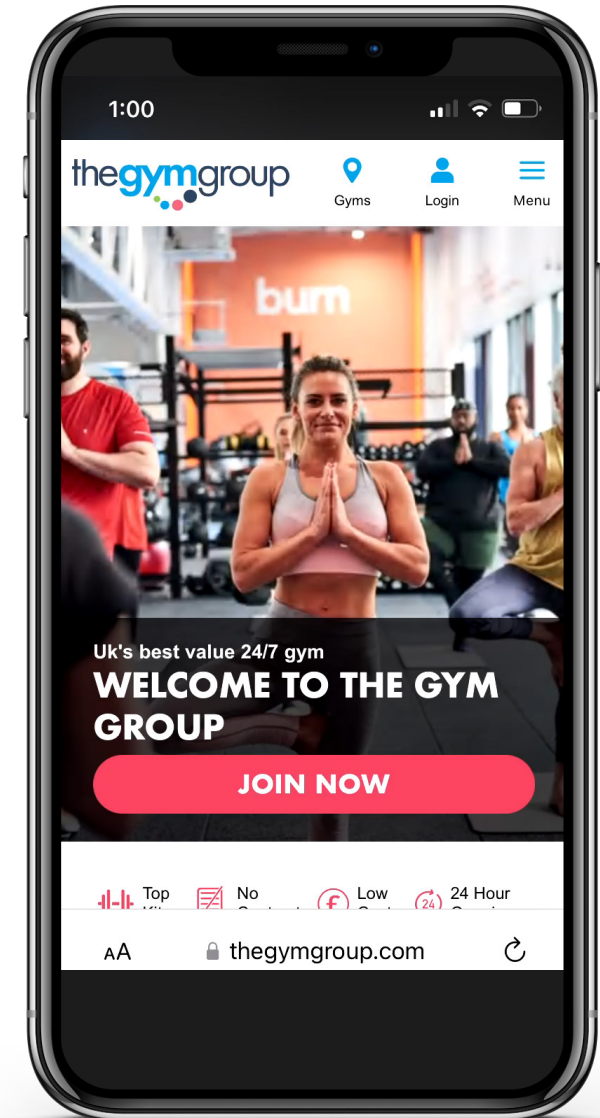
A new ecommerce platform build for acquisition and growth

A platform for acquisition

- Mobile first
- Search optimised
- “Welcome” experience
- Digital content

A platform for growth

- Latest technology
- New content tools
- Data & analytics
- Security



The platform launched in April drives marketing, engagement & product

Driving marketing

- Increased search visibility
- Improved speed and stability
- Stronger merchandising
- Quicker online joining

Driving engagement

- Improved mobile experience
- More engaging content
- Improved testing tools

Driving product

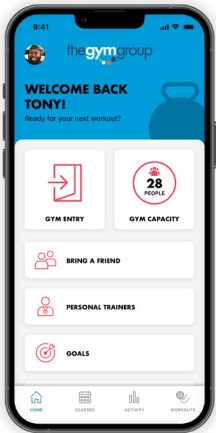
- Data driven product design
- Faster time to market



**Improving website conversion
by 50bps could deliver
an additional £8m in
annualised revenue**

* Based on Jan/Feb conversion data

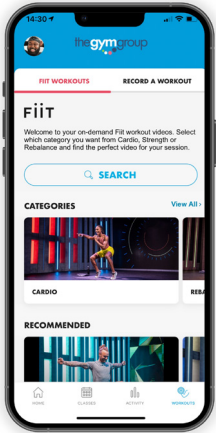
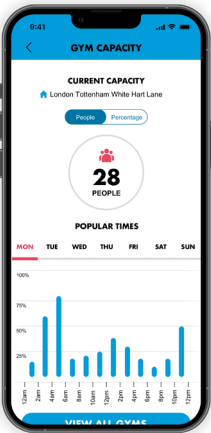
Our app experience has been significantly improved



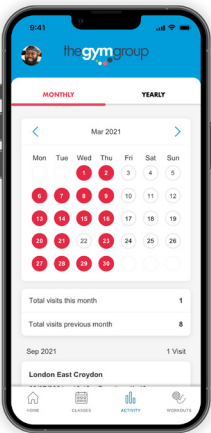
Contactless entry



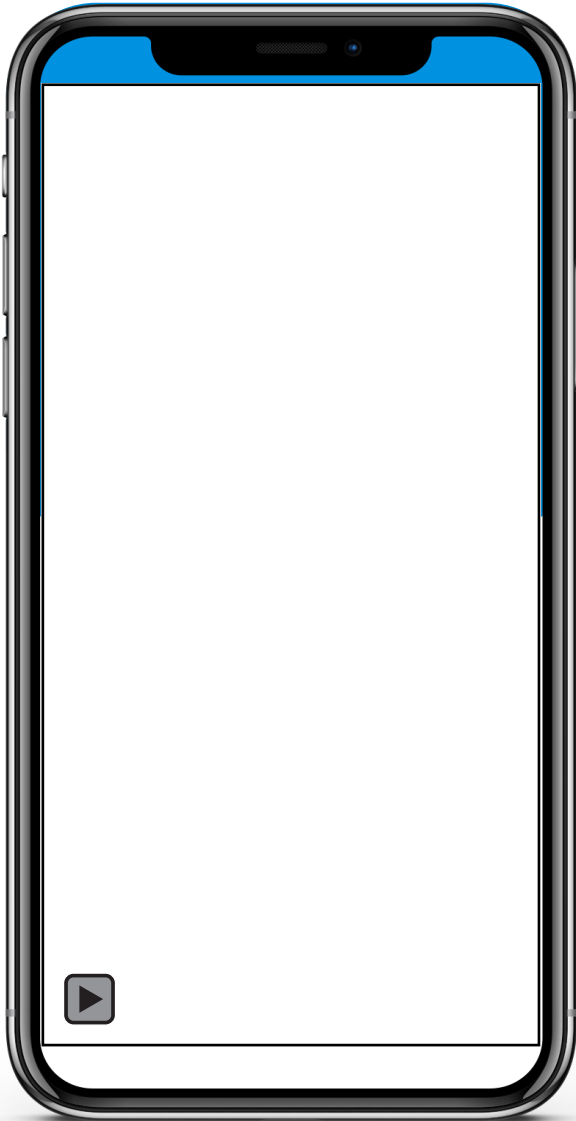
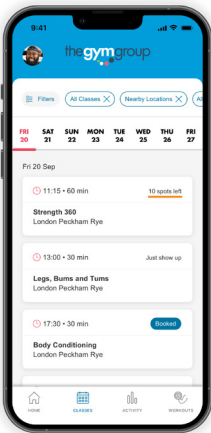
Live gym busyness



Classes & activities



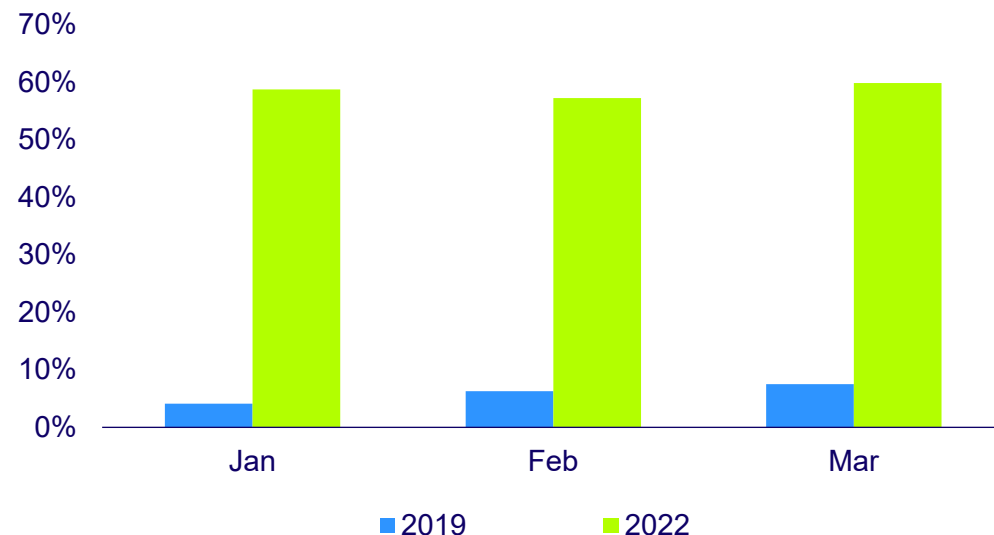
Digital classes



Our app is market leading and delivers very high user engagement

App usage has increased significantly:

Monthly Active App Users as % of Closing Membership 2022 vs 2019



Our app ratings are now the best in the industry:

Operator	Apple App Store Rating *	Google Play Store Rating *
The Gym Group	4.7	4.6
PureGym (UK)	4.8	4.1
Virgin Active (UK)	4.7	2.8
Fitness First (UK)	4.1	2.7
Planet Fitness (US)	3.8	3.8
David Lloyd Clubs (UK)	3.1	2.4
Basic-Fit (EU)	2.5	1.7
JD Gyms (UK)	1.6	1.9

* Ratings as at 15-05-22

Our app enriches the gym experience for our members

New data capabilities enable us to optimise price, churn and operational efficiency



Pricing

Subscription,
promotion, demand



KPI impact

Increase
conversion & yield



Churn

Churn propensity,
analysis, feedback



KPI impact

Increase member satisfaction,
reduce churn



Operations

Location,
performance

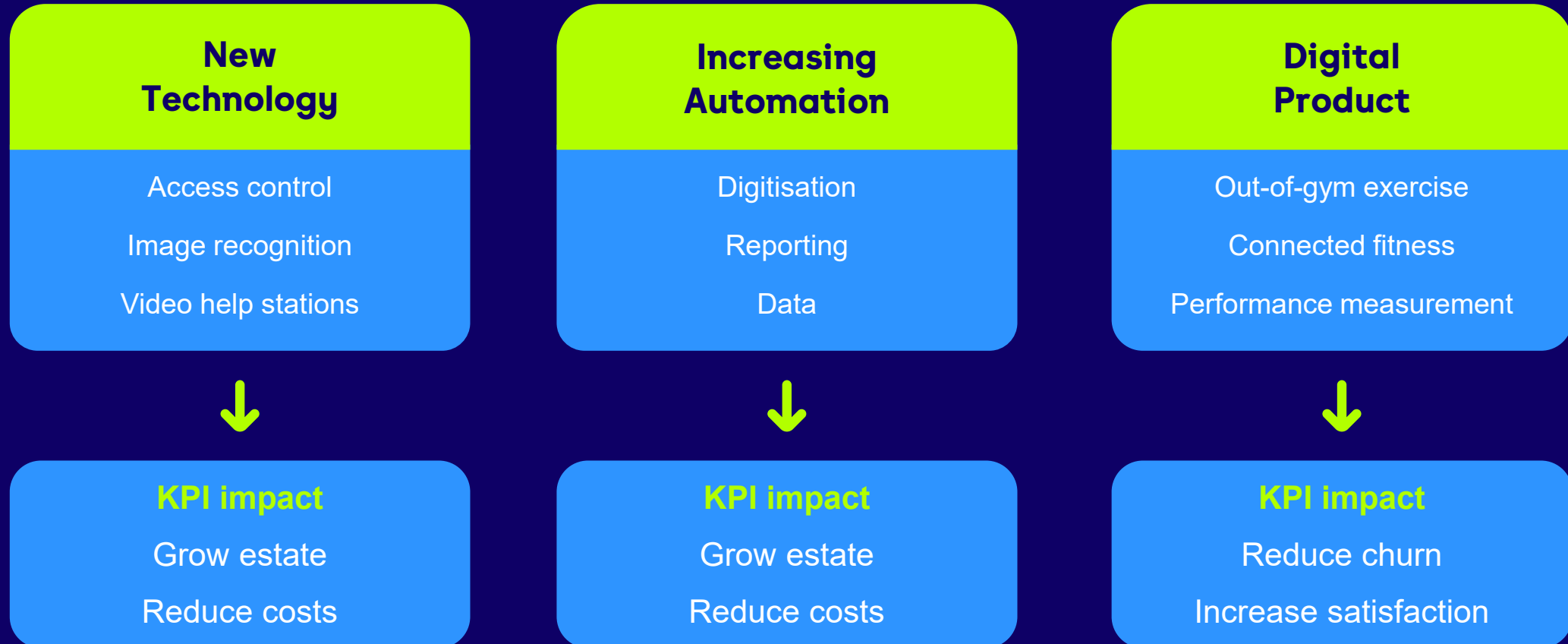


KPI impact

Reduce costs,
increase ROIC

A market-leading analytics capability adds value to every area of the business

We're investing into new technology in several other areas



We are set up for ongoing success

We have a strong team and a best in class platform.
We will continue to invest to realise the opportunity.

01 – Key differentiator

Our scale advantage is a key point of differentiation

02 – Market leading position

Our capability in digital and data is market leading

03 – Further opportunity

We are building further competitive advantage

An experienced senior management team:



CIO in role since 2014.

Rated in the
top 20 UK CIO's in 2021

Ex-Head of Digital Product
& Customer Experience
Debenhams

Ex-Head of Analytics & Intelligence



THOMSON REUTERS

Ex-EMEA Director of Architecture





Revenue optimisation

**Nick Shelmerdine,
Director of Strategy &
Corporate Development**



Our price product architecture today

Core memberships:

LIVE IT

(27% of members)¹

Multi-Gym Access, Bring a Friend, Fitness & Body Tracking, Discounts & Offers

↑ +£5-7

DO IT

(67% of members)¹

Unlimited 24/7 Gym Time, Free Group Classes, 200 Free On-Demand Workouts. Prices currently range from £13.99 to £35.99

Add-ons and additional memberships:

Student
Membership

Yanga Sports
Water

1, 3, 5 Day
Passes

On-Demand
Fitness App -
Fiit

The next stage

Three significant opportunities to drive this forward

01

Price point optimisation

Selectively increasing prices to maximise revenue

02

Three tier architecture

Introducing a third core membership and new features to help us drive volume and yield

03

Commercial sophistication

Leveraging the benefits of scale and investments to unlock new levels of optimisation



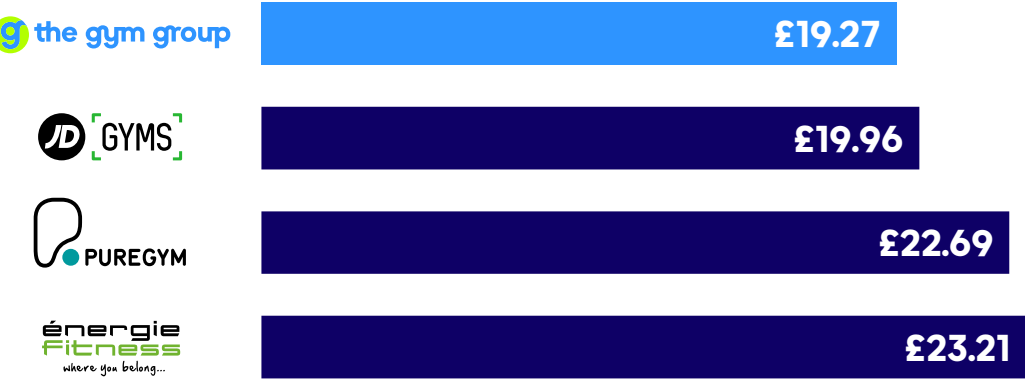
Price point optimisation

In Dec 2021, our competitors were materially more expensive...

Price Position vs Competitors, Dec 2021¹

£ per month

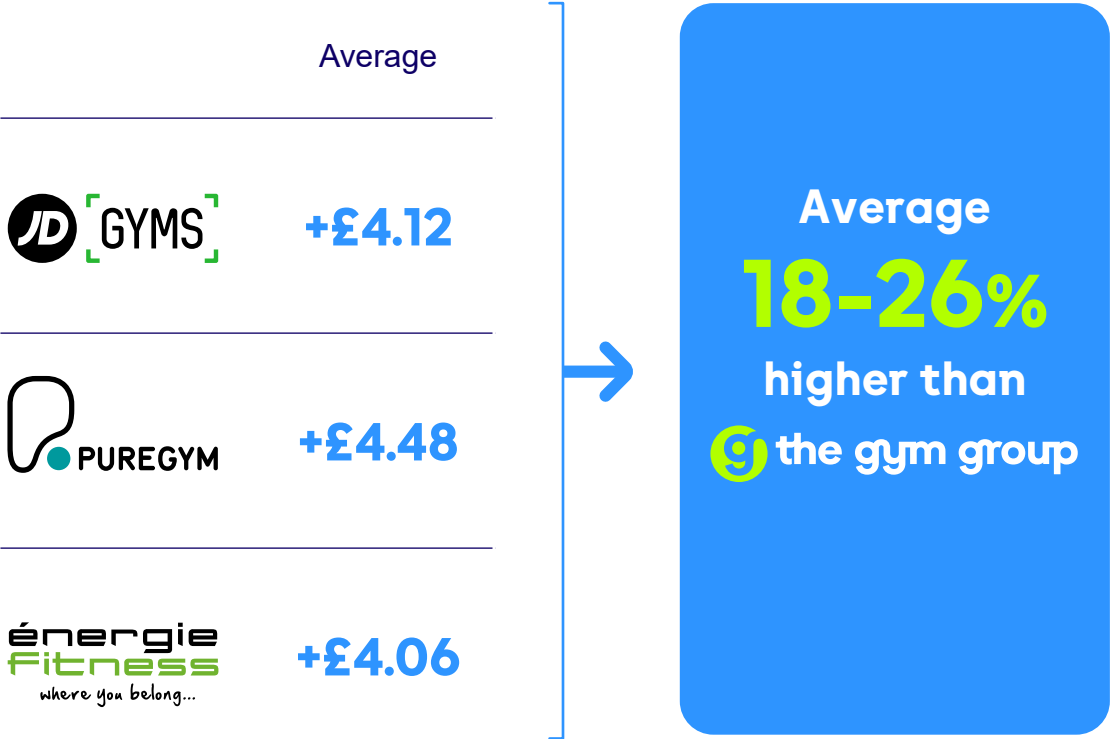
Average across all locations



Other gym sectors



Average difference to The Gym Group in competing locations

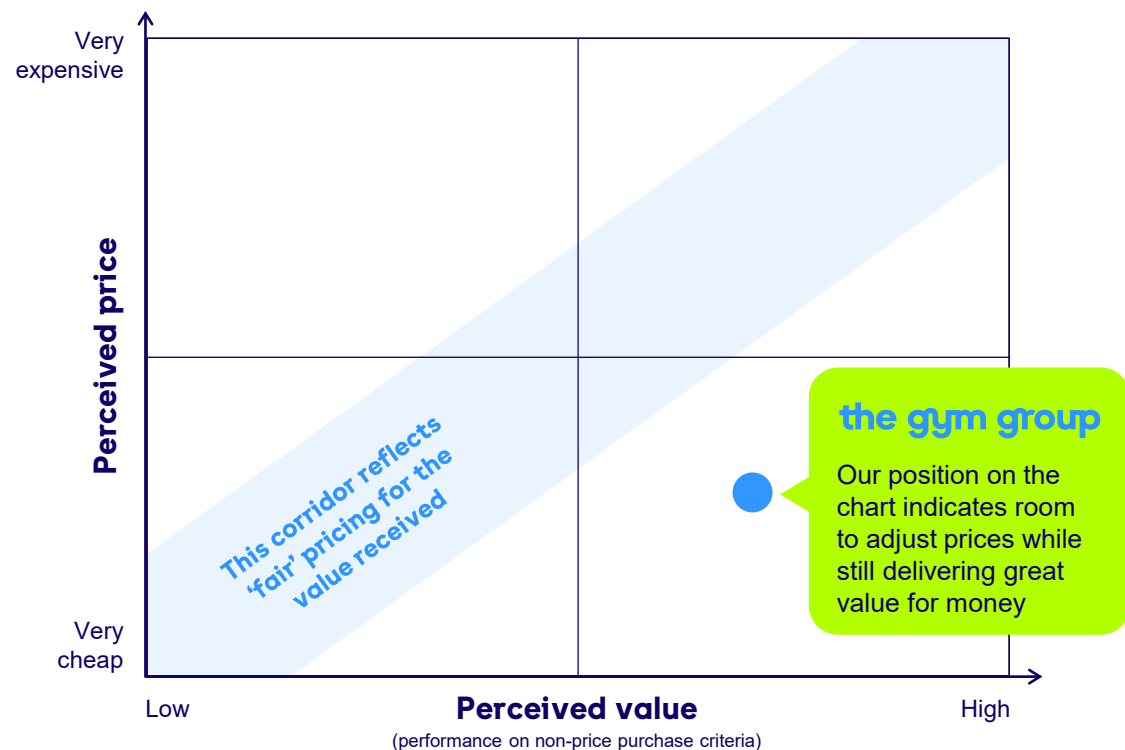


1) Company analysis of average headline rates December 2021 (no contract option if available)

...and research showed an opportunity to narrow the gap

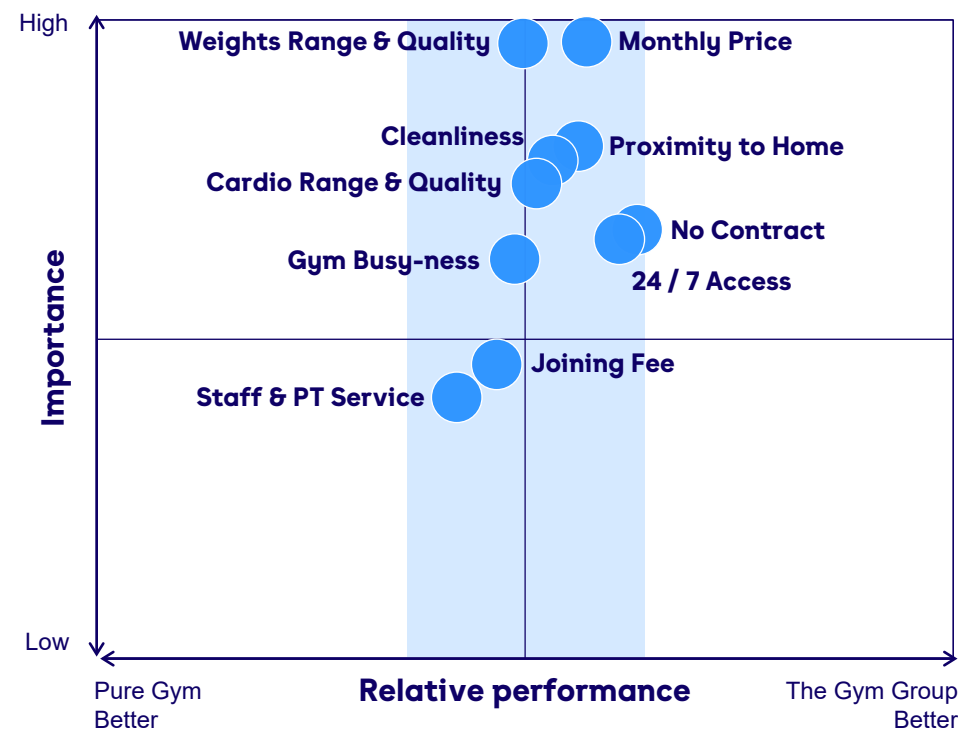
In members' views, the value we deliver outweighs the price we charge...

Value Map – The Gym Group Price vs Value Performance¹



...and they see little difference between The Gym Group and Pure Gym on the top 10 most important criteria

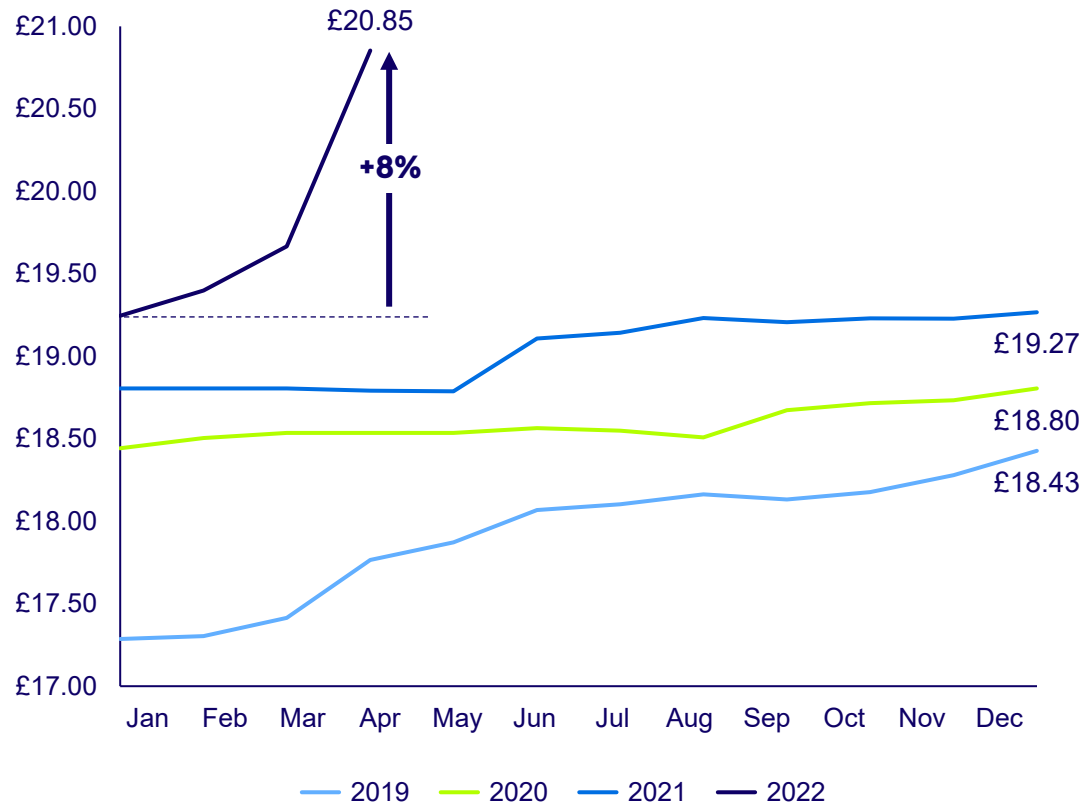
The Gym Group vs Pure Gym – Relative Rating on Top 10 Purchase Criteria¹



1) Consumer survey Nov 2021, Simon Kucher & Partners analysis

We are now accelerating price increases to optimise revenue

Average headline rate, Jan 2019 to Apr 2022¹



1) Headline price includes VAT

New members

- Headline price increased across 178 sites in April
- But The Gym Group remains best value in competing locations...
- ...and well placed to benefit from customers trading down from mid-market / public authority

Existing members

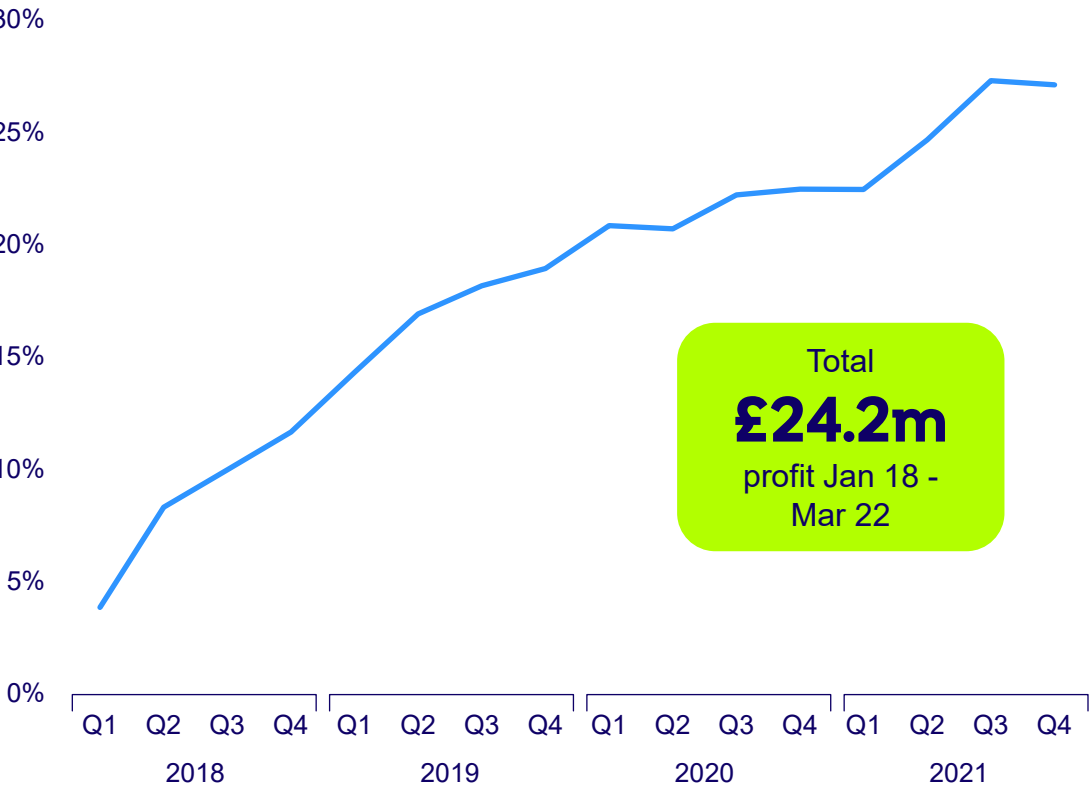
- Rate increases unlock potential to reprice existing members who joined on lower rates
- We are increasing the volume and level of repricing...
- ...but keep this below the full headline rate to reward loyalty and discourage churn

Key implications

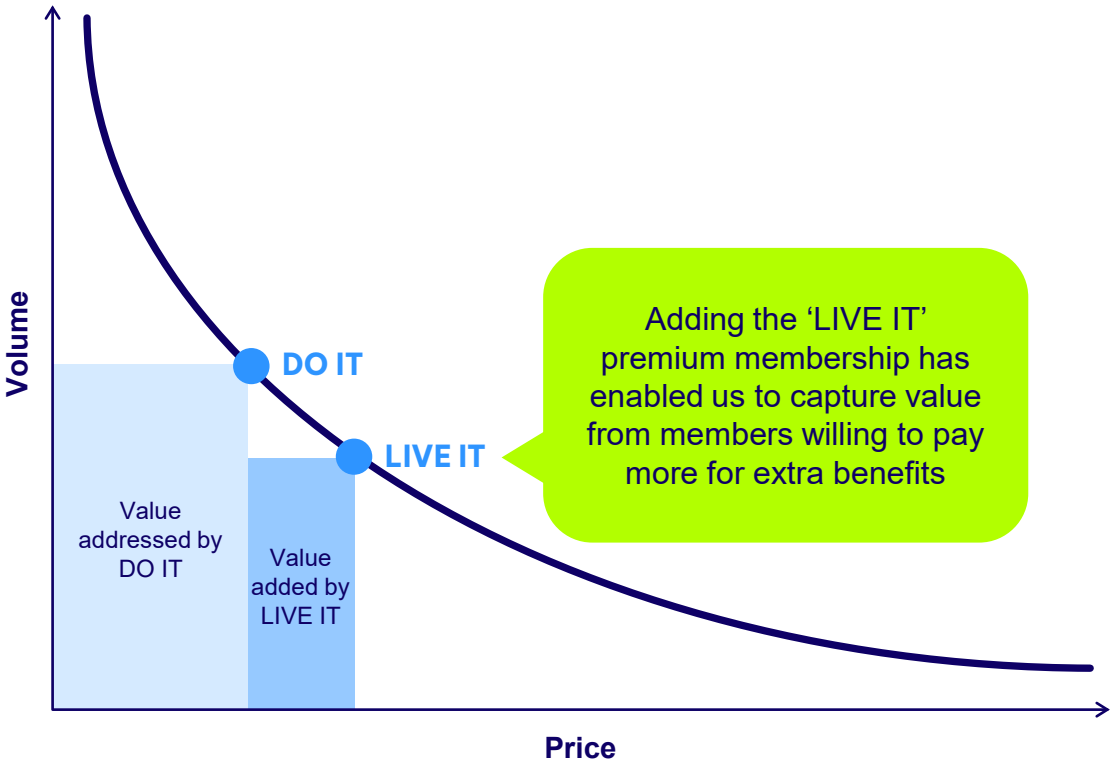
- Reduced price gap to competitors
- Improved member experience in busy gyms
- Trials have shown this creates additional revenue
- This will take time to flow through the member base

LIVE IT's success has generated £24m in profit

LIVE IT penetration
% of total memberships



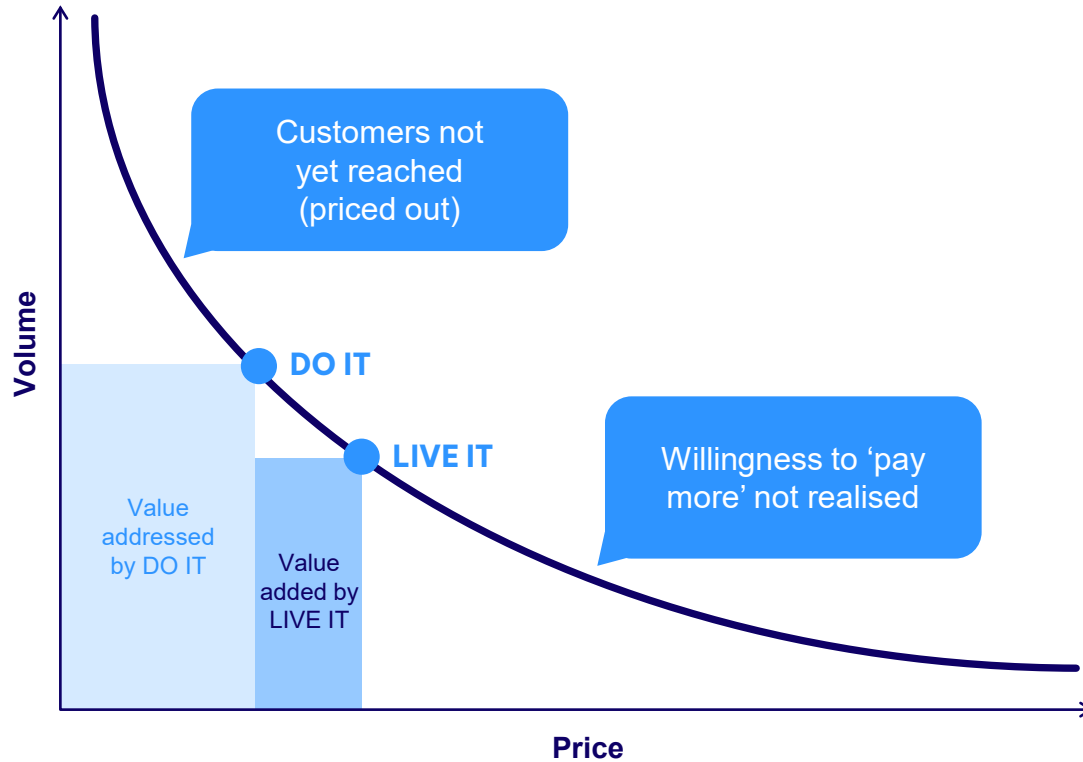
How LIVE IT has added value
(Illustrative)



Now we can make another step-change

Current structure

(Illustrative)



The opportunity

Volume

A lower priced membership package can attract incremental volume (net of cannibalisation) from non-gym goers unwilling to pay for DO IT today

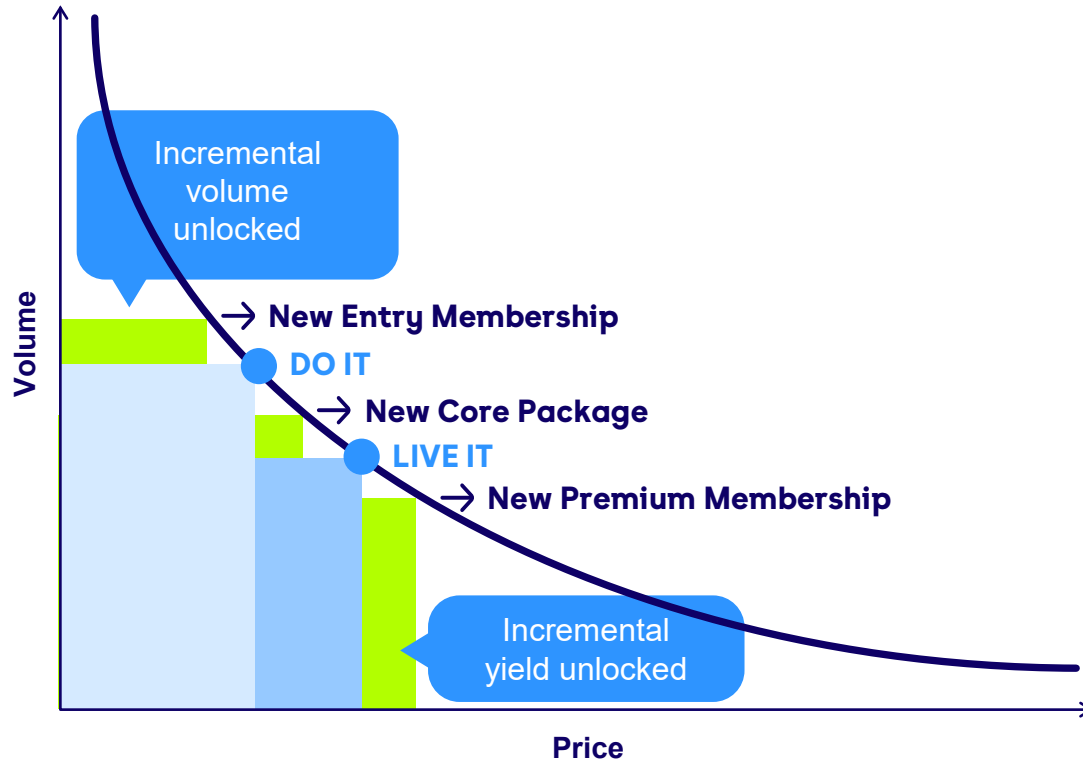
Yield

There is potential to capture more willingness to pay with an enhanced premium package

Adding a third core membership brings transformative benefits

New structure

(Illustrative - relative price points not exact)



Key benefits

- Potential to drive both incremental volume and yield
- Enables us to close the headline rate gap to competitors with fewer downsides
- Lower entry prices to drive awareness and consideration
- More flexible structure for commercial strategies and local market needs
- Better monetisation of new membership benefits and features

Timing

- Opportunity unlocked by new tech platform
- Expecting to begin trials before the end of the year
- Phased introduction of new features and benefits
- Value delivered will build over time

And we will unlock new levels of sophistication

Investments in technology, data & analytics and brand enable us to unlock new ways to optimise our commercial strategy

Site-level tailoring
across more
elements

More sophisticated
strategies for
**new site pricing, member
repricing, tactical
promotions and
retention / re-activation**

**Stronger 'test &
learn' capability**
(volume, pace and
agility of trials)

**Data science
and modelling**
to drive faster and
better decision making

**Behavioural
economics**
to improve the way we
communicate and nudge
member decisions

Improving
**price and
value awareness**
to attract new and
existing gym goers

Q&A





Break





Brand

Emily Kortlang,
Group Brand & Marketing Director





**Why is brand & branding
important to The Gym Group?**

Strong brands deliver a competitive advantage

01

Brands are remembered

Increase consideration

02

People pay more for brands

Reduced price sensitivity

03

Reduce the cost to acquire

Increase conversion, lowering CPA

Increased awareness

Increased traffic

Higher conversion



Improved acquisition

To stay strong, brands need to evolve...So do we!

Brands need to update their identity and meaning to...

Attract new audiences & retain core customers

Develop new revenue streams

Remain competitive

Therefore:

...gaining more customers and market share



2014



2015



2022



1971



1987



1992



Current



1951



1954



1967



2019



1987 - 1998



1998 - 2003



2003 - 2004



2004 - 2007



2007 - 2015



2015 - now



**What is our challenge
in this area?**

We're a great business but the brand isn't strong enough

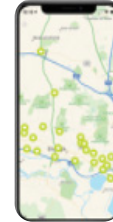


product.

first month
half price and
no joining fee
are you ready?

Join now at thegymgroup.com

price.



place.



people.

to break down the barriers
of fitness for all

purpose.



CarbonNeutral.com

planet.

'The Gym' is generic...

- When we spend to advertise 'The Gym', we advertise the gym and grow the category and our competitors
- When consumers search for 'The Gym' there is considerable leakage to our competitors (who use the term within their website to improve their SEO ranking)
- 'The Gym' lacks distinctiveness and isn't memorable which harms our brand awareness
- Consumers can't buy a brand they aren't aware of (or can't remember)



'The Gym' costs us money

	The Gym	Best in Category
Top of Mind Q: What gyms are you aware of?	7%	28%
Awareness Q: Are you aware of The Gym?	16%	54%

Source: YouGov, Feb 2022

- Brand awareness of 'The Gym', is low for a business of our size and scale
- Awareness is the first phase in the marketing funnel, and without this, consumers are unable to consider and therefore purchase your product
- We need a name, that our consumers can remember and we can give meaning to, to build an emotional connection with



**How can we address
this challenge?**

A strong brand needs a strong identity & an emotional connection



Name

Memorable, with significant
SEO benefits



Identity

Distinctive &
memorable brand assets



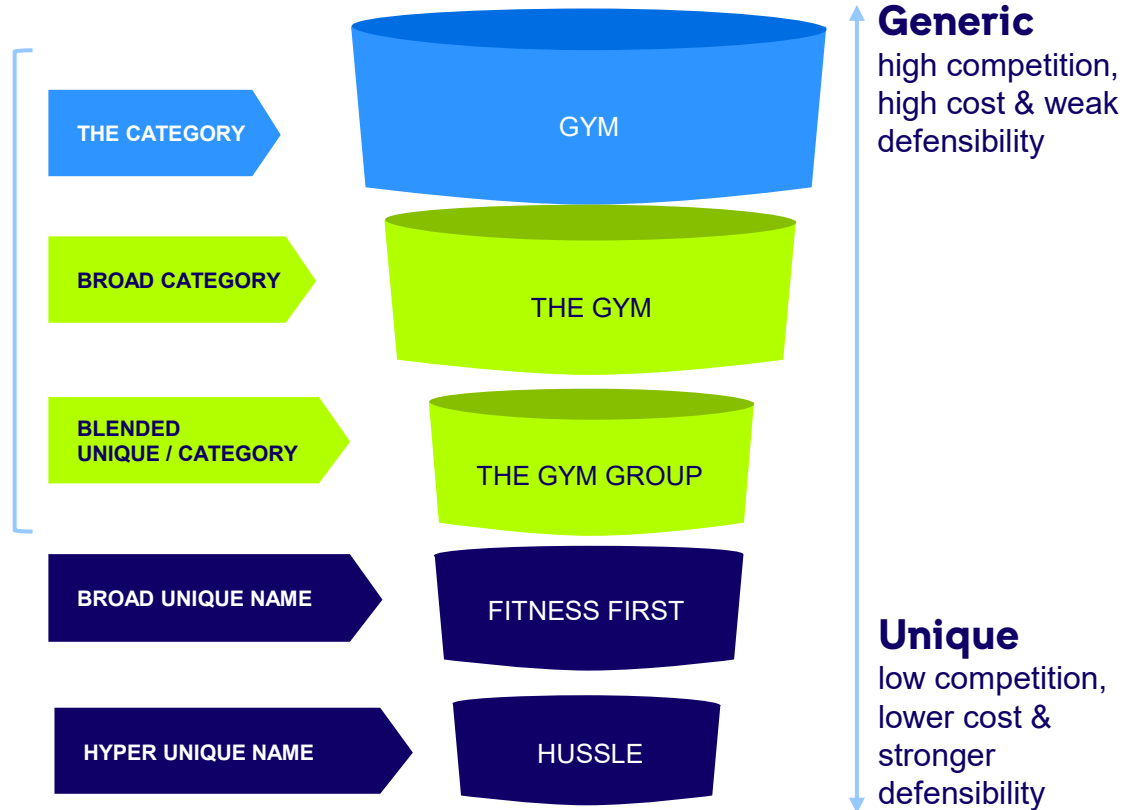
Essence

Meaning & an
emotional connection

We're changing our name,
logo and our visual identity



Moving to The Gym Group has significant commercial upsides



	The Gym	The Gym Group	X Gym
Domain Equity	●	●	●
CPA	●	●	●
Marketing Investment	●	●	●
Memorability	●	●	●
Consumer Research	-	●	●

Moving to The Gym Group allows us to retain play in the category, the broad category but also unlock more brand defensibility by being more unique which is critical as we harvest more brand demand

We're creating a new digital first, visual identity system



Logo



Colour



Typography

**stretch.
lift.
join.**

Iconography



- Created for the digital consumer journey with AA accessibility rating
- Delivery of a digital first toolkit for digital-centric experiences
- Future proof for expansion of digital experiences & touchpoints needed for a Gen-Z audience

**A new visual identity, anchored in cyan with a logo wordmark,
modern colour palette & custom made font**

'The Gym Group' enables us to create powerful connections with key audiences

- 01** Groups bring psychological safety and create a sense of community & belonging
- 02** The gym-intimidated are looking for gyms to be friendly, approachable and inclusive
- 03** Groups are powerful motivators, groups get behind their members and individuals in groups achieve more
- 04** This meaning of the *group* allows our brand to resonate with more people, growing our audience



Our new brand and branding



Name



Identity



Essence

The new brand and branding will launch this year



July

Signage

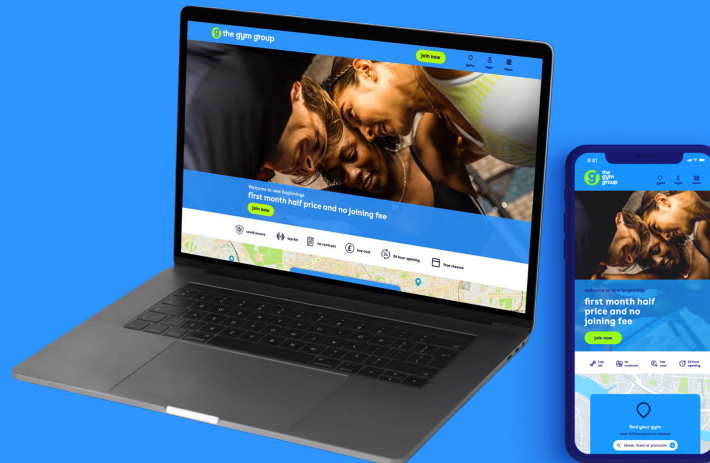
Signage across our 204 sites updated to The Gym Group



August

Web & App

The website and app updated to new visual identity and switched over in August



September

Marketing Campaign

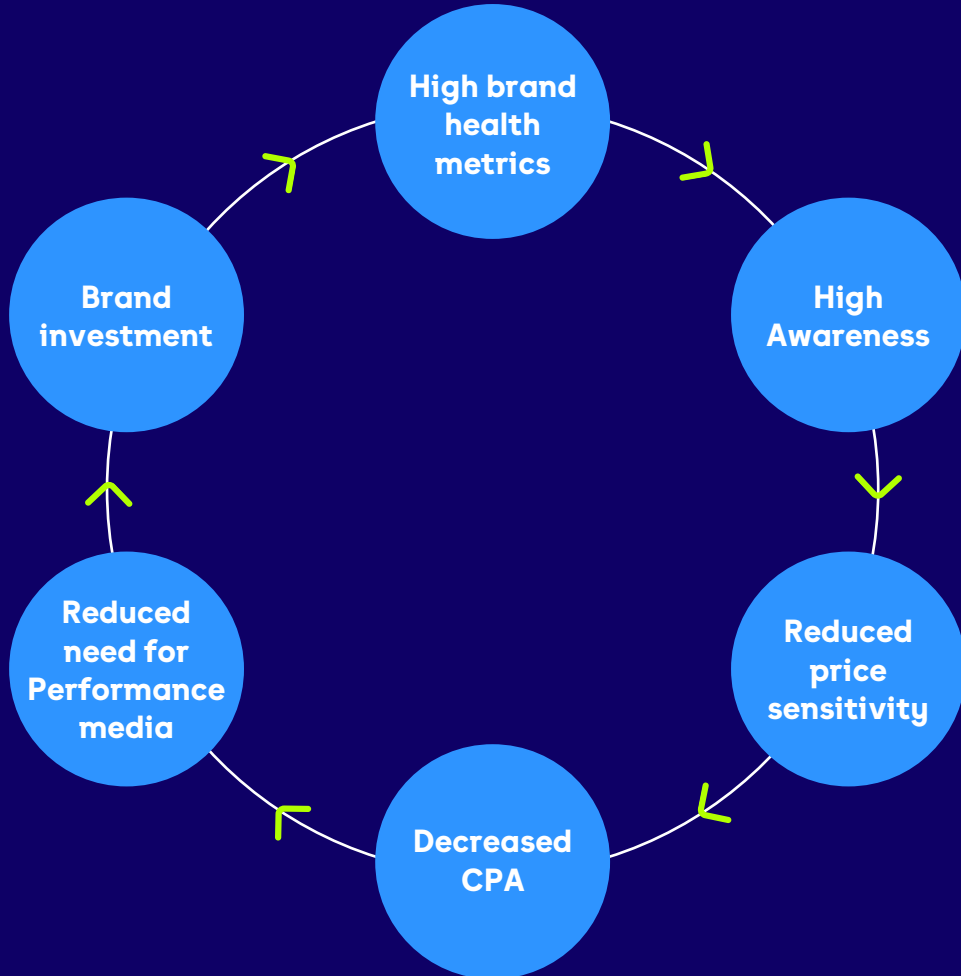
With bought and earned media



We have a new team that can deliver and realise the value

Marketing Team		
<p>Emily Kortlang</p> 	<p>Seanpaul Walsh</p> 	<p>Matt Puddephatt</p> 
<p>Cassie Melrose</p> 	<p>Amy Binns</p> 	<p>Greg Mills</p> 

'The Gym Group' will create new value for the business



Our new brand delivers:

01 More awareness

02 More consideration

03 More members

04 Outstanding financial performance



Financial outlook and capital allocation

Mark George,
Chief Financial Officer

Financial outlook and capital allocation

01 Medium term outlook

02 Capital allocation principles

1) "EBITDA" here refers to EBITDA less Normalised Rent

Proven financial model: strong returns and self-funding growth

High-growth business that delivers consistently strong financial returns

2019 P&L £million

Revenue	153.1
Cost of sale	(1.4)
Gross Profit	151.7
Fixed costs including rent	(40.6)
Controllable Costs	(49.7)
Site EBITDA ¹ less rent	61.4
Site EBITDA ¹ margin %	40.1%
Central costs	(12.9)
Group EBITDA ¹ less rent	48.5
Group EBITDA ¹ margin %	31.7%

Site EBITDA margin includes mix of mature & immature sites

Central costs at 8.4% of revenue

2019 ROIC for mature sites

	Average Site EBITDA ¹ £'000	ROIC
Sites open between 2008 and 2013	457	30%
Sites open between 2014 and 2017	426	31%
Total	437	31%

1) "EBITDA" here refers to EBITDA less Normalised Rent

2) Mature Site Return On Invested Capital (ROIC) calculated as mature site EBITDA less normalised rent divided by initial capital invested to build the site

In 2019 the business opened **20 new sites** (12% growth) funded entirely from operating cash flow

Economic model driven by gyms delivering 30% ROIC² at maturity (from year 3 onwards)

Target mature site economics by gym size £000

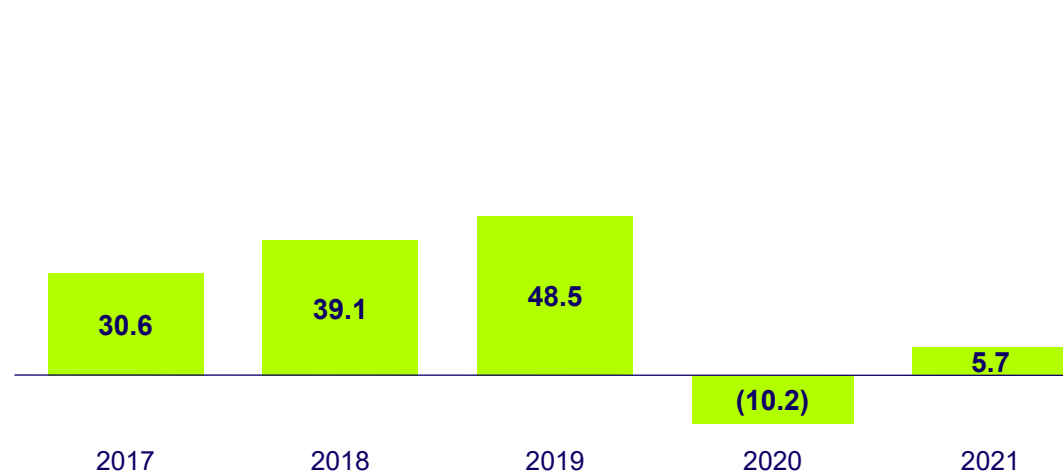
	16,000 sqft	12,000 sqft	8,000 sqft
Revenue	1,100	900	630
Cost of sale	11	9	6
Gross Profit	1,089	891	624
Fixed Costs including rent	300	250	170
Controllable Costs	355	280	200
Site EBITDA¹ less rent	434	361	254
Site EBITDA ¹ margin %	40%	40%	40%
Initial capital invested	1,425	1,200	850
Target ROIC²	30%	30%	30%

2025 targets: 300+ sites and c.£100m EBITDA¹

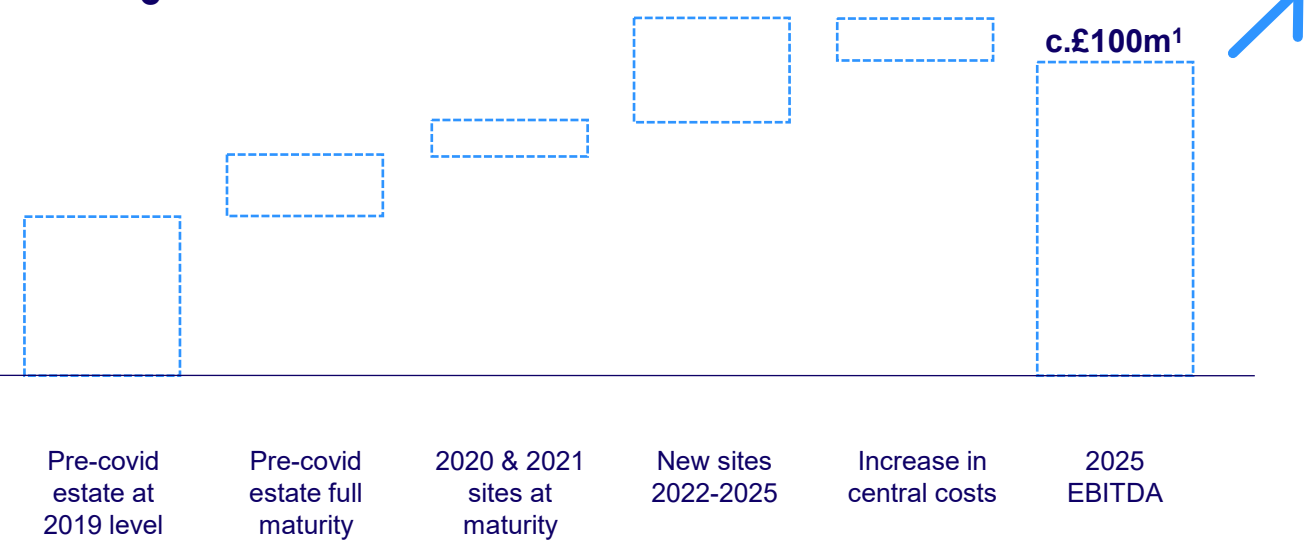
Building blocks to target EBITDA¹

- Recover to pre-Covid levels of profitability per site:
 - 28 new sites in 2022 and 25-30 sites per year 2023, 2024 & 2025
 - Average size & EBITDA¹ of gyms decreases over time
 - 30% mature gym ROIC regardless of size
- Delivers £40-50m PBT²
 - Latent profitability from 2024 and 2025 sites still to mature
 - Targets represent a staging post - further growth to come

EBITDA¹ 2017-2021



Building blocks to 2025 EBITDA¹



1) "EBITDA" here refers to EBITDA less Normalised Rent. "c.£100m" target based on £95-105m range
2) Adjusted Profit Before Tax

Our plan to 2025

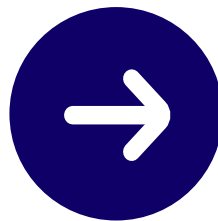


2025 targets

300+
sites

£95-105m
EBITDA

£40-50m
PBT



Financial drivers

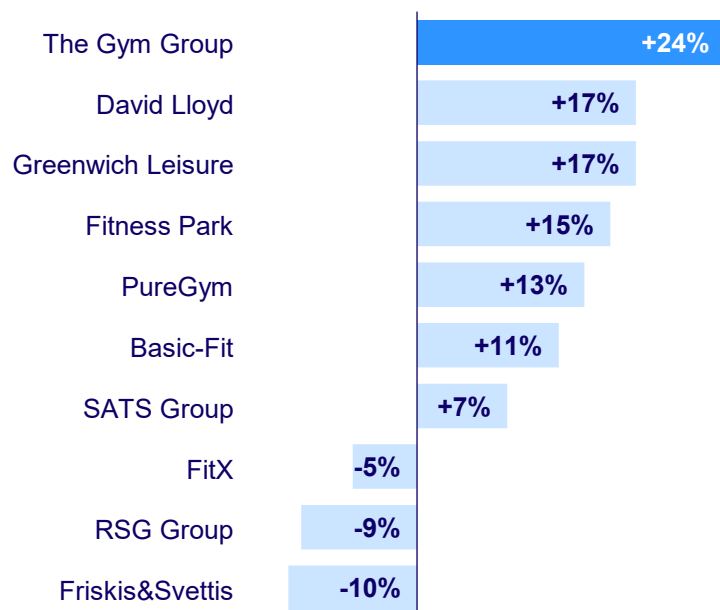
Revenue Recovery
of existing estate

25-30
new sites per year

Recovery well underway with more to come

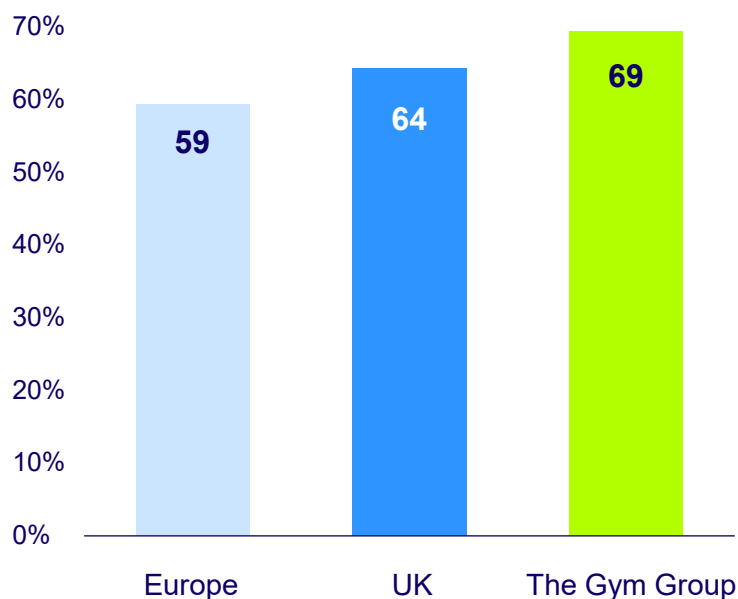
Outperformed Top 10 European operators in membership recovery

Membership change 2020-21(%)¹



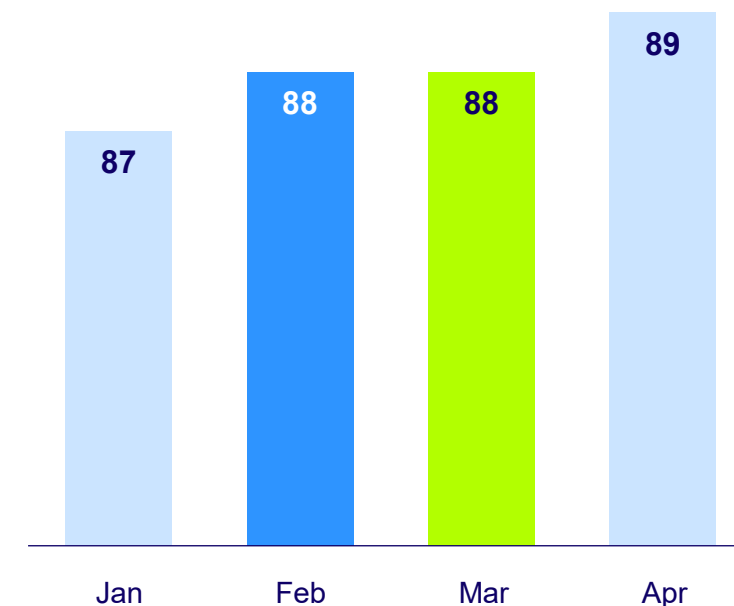
Revenue recovery above industry average across UK and rest of Europe

2021 Industry Revenue % of 2019 Levels²



LFL revenue expected to be at pre-COVID levels by end of 2022

LFL Revenue by Month (2022 as a % of 2019)³

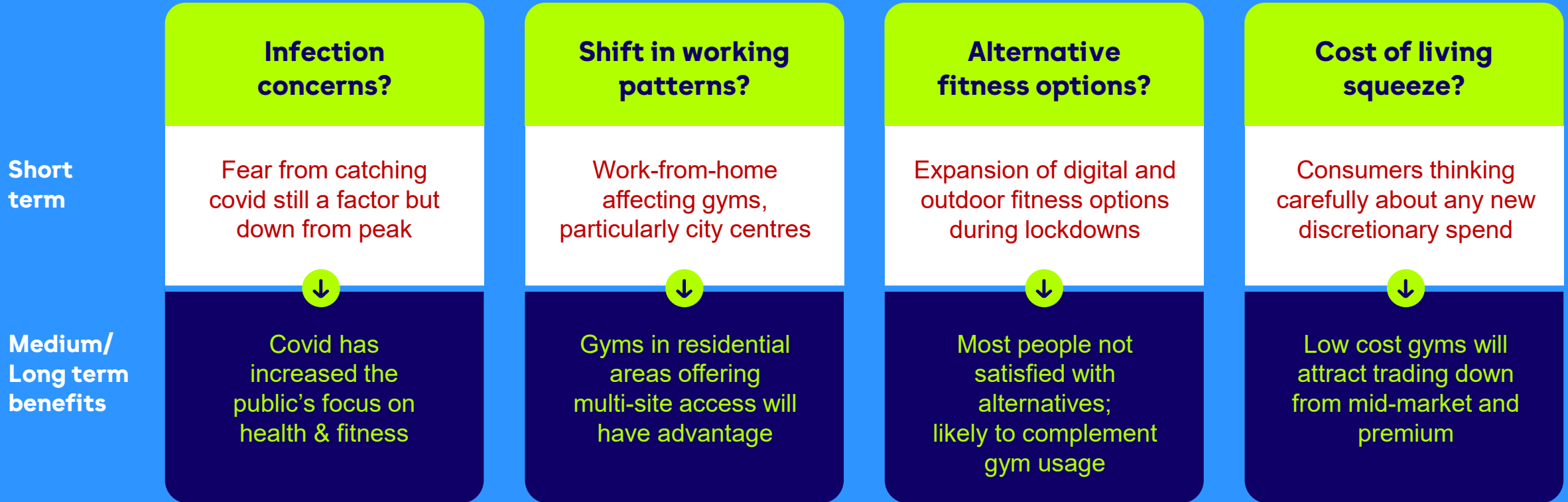


1) Top 10 closing membership #s – ranked by % chg. (2021), Deloitte EHFMR 2022

2) 2021 revenue as a % of 2019 levels, Deloitte EHFMR 2022

3) Comparison of monthly revenue in 2022 with equivalent month in 2019 for sites open as at 31 Dec 2018. Excludes revenue from new Fitness Trainer model that was earned in 2022 but not in 2019

Factors influencing the shape of recovery



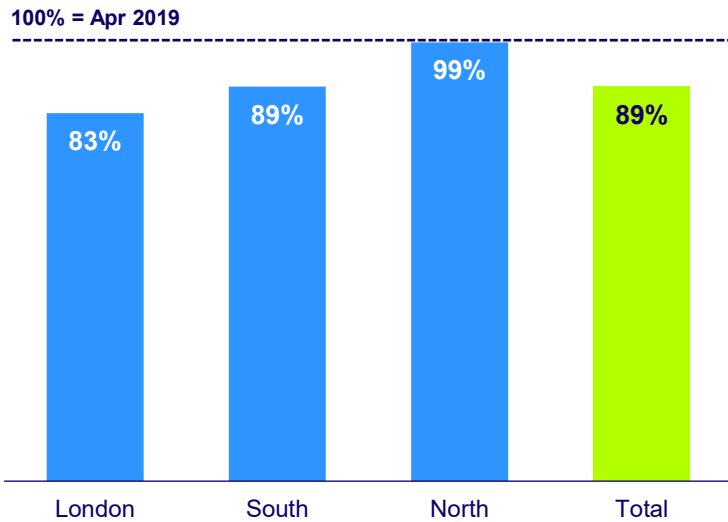
In the short term some of these factors are affecting the speed of recovery;
in the medium-to-long term they will benefit our business

Speed of recovery varies across estate

Disruption of normal routines, particularly working from home, is affecting the speed of return to gyms

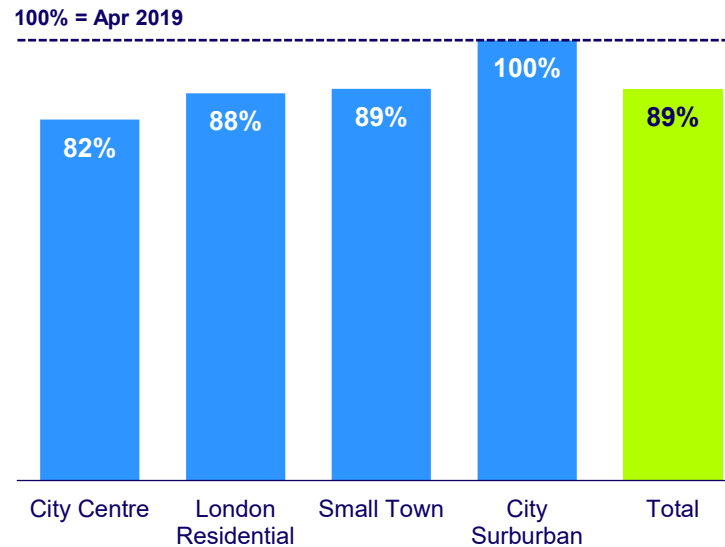
Regions with highest prevalence of WFH clearly more impacted

Apr 22 LFL revenue vs 2019 by region¹



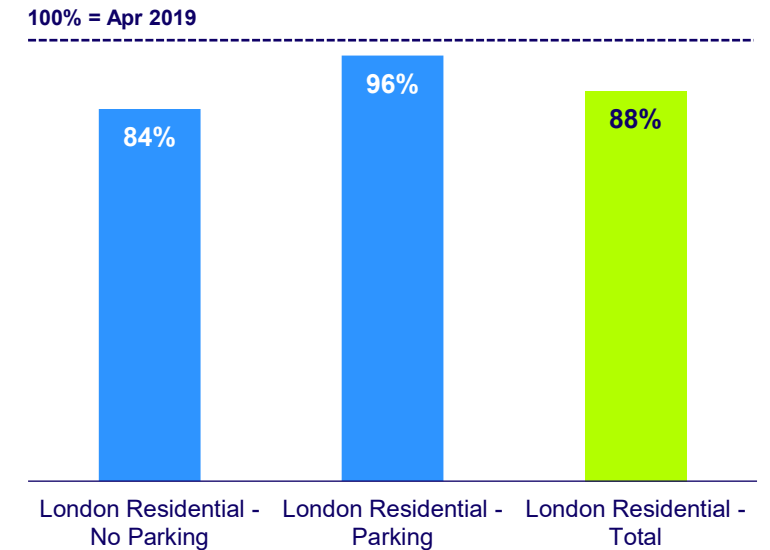
Office-focused city centre gyms slowest to recover so far

Apr 22 LFL revenue vs 2019 by gym type¹



Gyms with parking recovering faster than those reliant on public transport

Apr 22 LFL revenue vs 2019 by parking²



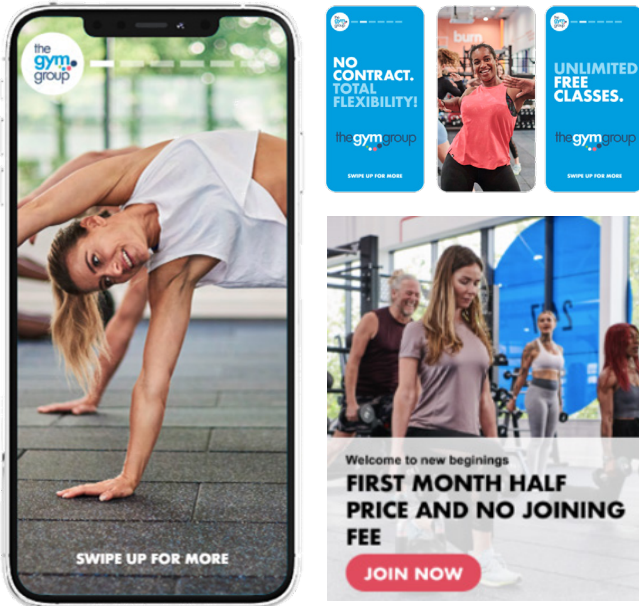
1) For the 155 sites open up to 31st Dec 2018

2) London Residential sites only (No parking – 31 sites, Parking – 18 sites)

Tactical and strategic actions to support recovery and growth

Marketing & promotions

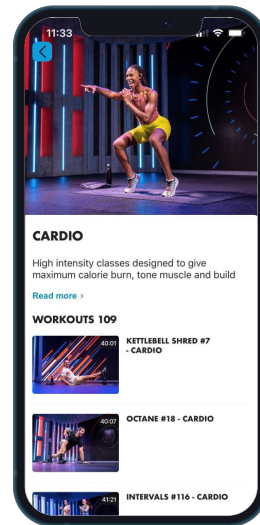
Measured and targeted marketing and promotions to attract re-joiners and new joiners when they're ready



Improving the member experience

In the gym and in the app – taking a great member offer and making it even better

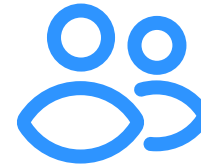
Fiit classes in app launched



Improved class timetable



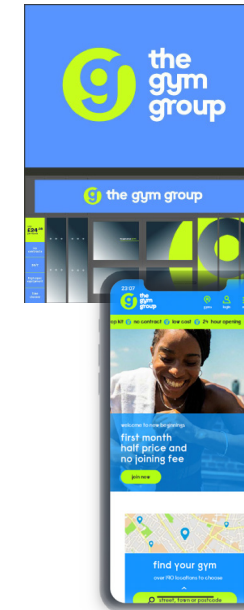
Focus on member service



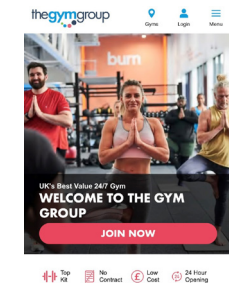
Strategic initiatives

Major projects going live in 2022 that will support membership recovery and drive long-term value

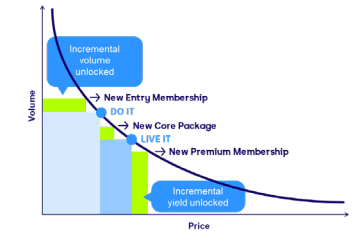
Brand transformation



New technology platform



Yield optimisation

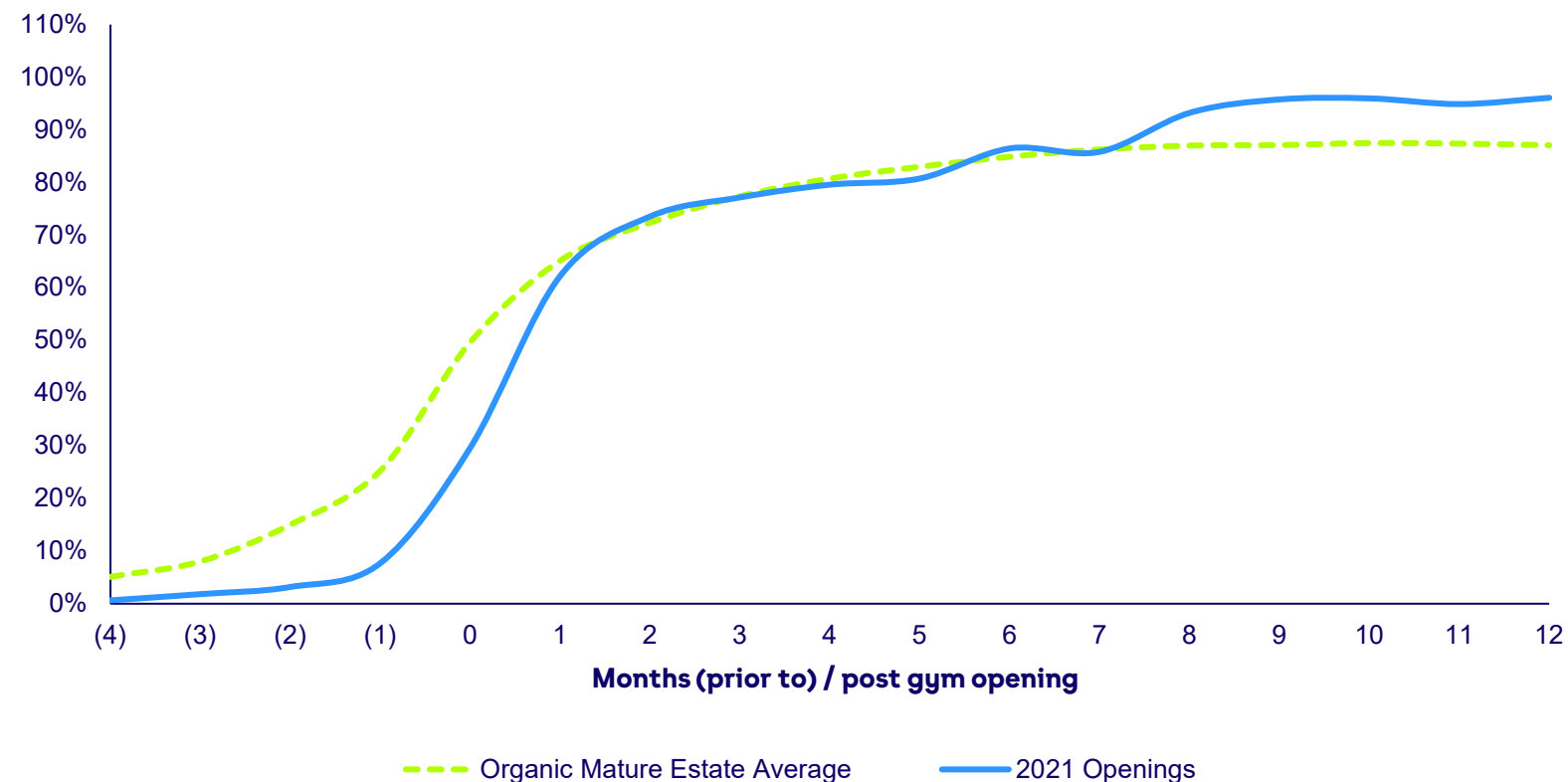


New sites performing well

Sites opened since the end of lockdowns performing in line with historical norms, indicating they will deliver

30% ROIC
once mature

Membership vs mature target by month of opening



Financial outlook and capital allocation

01 Medium term outlook

02 Capital allocation principles

1) "EBITDA" here refers to EBITDA less Normalised Rent

Capital allocation principles

Re-investment

Ongoing investment in physical and digital product to maintain outstanding member experience

Maintenance capex @

6%
of revenue

Tech capex @

3%
of revenue

Growth capex

Investing in high-returning growth opportunities

Invest where we can deliver return on capital² of

30%+

Medium term expectation (not a cap) of

25-30

new sites per year

Leverage and cash

Sensible leverage with excess cash returned to shareholders

Target leverage

1.5X – 2.0X
(net debt³ / EBITDA¹)

Excess cash

returned
to shareholders



1) "EBITDA" here refers to EBITDA less Normalised Rent

2) Mature Site Return On Invested Capital (ROIC) calculated as mature site EBITDA less normalised rent divided by initial capital invested to build the site

3) "Net Debt" here refers to Non-Property Net Debt (i.e. excludes IFRS16 lease indebtedness)

Delivering strong growth and free cash flow

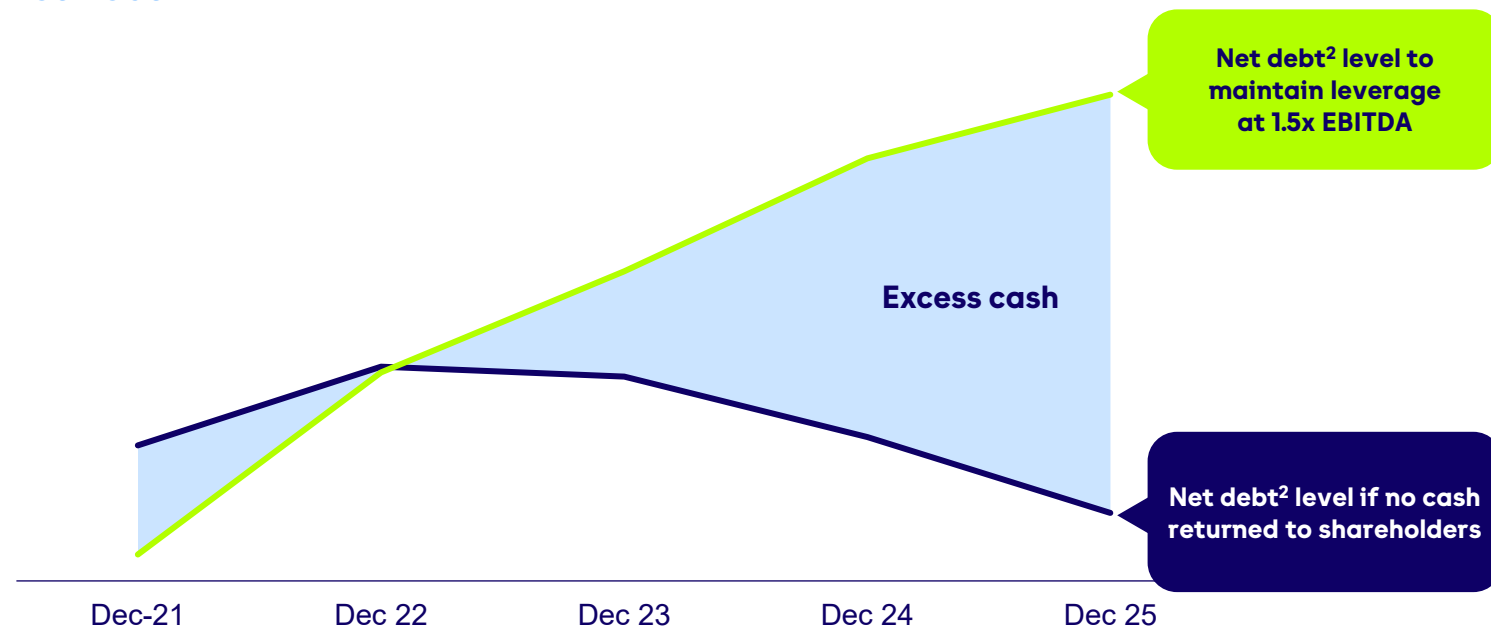
In 2022,

with EBITDA¹ per site recovering to pre-covid levels and with significant growth capex, net cash flow will be negative

In 2023,

the business starts to generate net cash flow, which grows in subsequent years, reducing net debt rapidly

Net Debt² £



Leverage will drop below 1.5x EBITDA in the next 12 months, presenting an opportunity for potential cash returns to shareholders in 2023

1) "EBITDA" here refers to EBITDA less Normalised Rent

2) "Net debt" here refers to Non-Property Net Debt, which excludes the IFRS16 liabilities associated with property leases



Closing remarks

**Richard Darwin,
Chief Executive Officer**



A clear plan to achieve c. £100m EBITDA¹ in 2025

	Complete	Underway	Planned
Membership recovery		✓	
Site pipeline 25-30 p.a.		✓	✓
Flexible formats	✓		
Technology platform	✓		
Pricing changes		✓	
Three price product architecture		✓	✓
Brand transformation		✓	

1) "EBITDA" here refers to EBITDA less Normalised Rent. "c.£100m" target based on £95-105m range

Summary

01

Resilient business
well-positioned in low
cost gym market and
recovering well

02

Maximise site growth
potential from market
opportunity

03

Immediate
opportunity
around yield

04

Brand and tech
are key enablers to
running a successful
low cost business

05

Route to
£40-50m PBT
and £95-105m
EBITDA in 2025

06

Capital allocation
principles clearly
defined with excess
cash returned to
shareholders



Q&A





Capital Markets Day

Thank you

