The Gym Group plc

FULL YEAR RESULTS

March 2016

The Gym Group

- Pioneer of low-cost, 24/7 gyms
- Disruptive business model offering members market leading prices
- High quality fit-out
- Use of technology to drive down cost
- Growing the market attracting customers who have ‘never been a member of a gym’
- High quality estate expanding rapidly nationwide

Highlights

Revenue Growth

+32%

£60.0m

(2014: £45.5m)

Group Adjusted EBITDA

+16%

£17.0m

(2014: £14.7m)

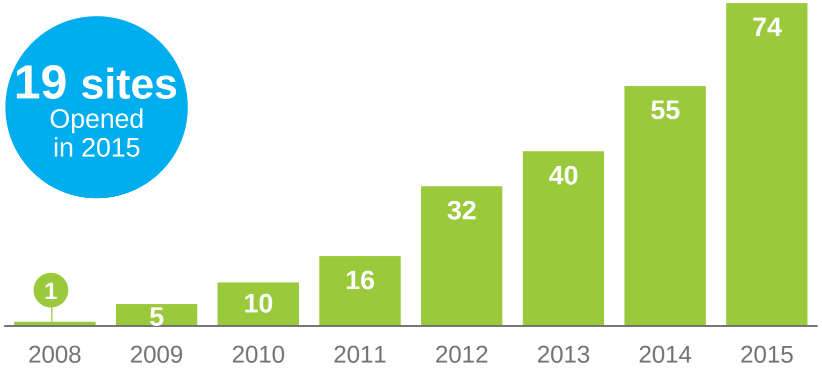
Ave. site capital cost 2015

£1.35m

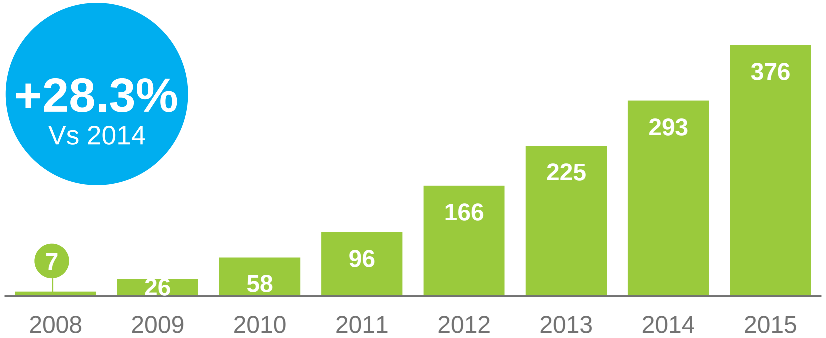
(2008 - 2014: £1.5m)

Pipeline of sites strong with 6 sites expected to open in H1 2016; further 4 locations with contractor on site

Gyms (#)



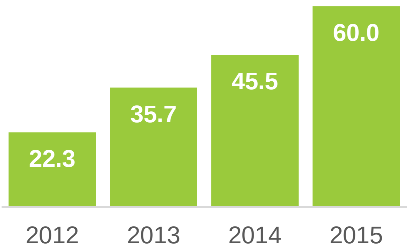
Members (k)



Financial Highlights

Revenue £m

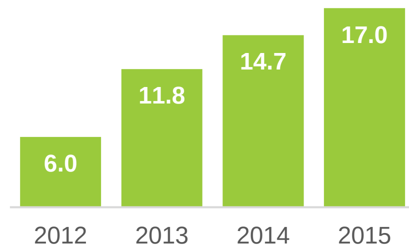
CAGR 39%



Growth principally from maturing of 2013 / 2014/2015 cohorts

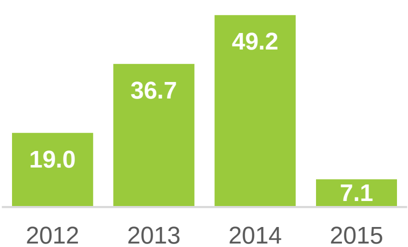
Group Adjusted EBITDA £m

CAGR 42%



Increase in site EBITDA[(2)] to £23.3m + 24.6% (2014: £18.7m)

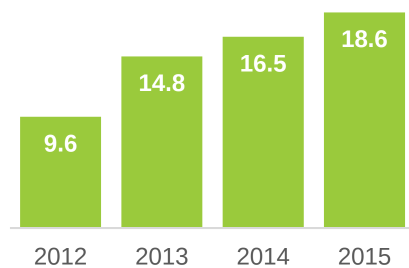
Net Debt £m



Strong Balance Sheet with Net Debt of £7.1m; Net Debt : Group Adjusted EBITDA of 0.42x; facilities in place to fund rollout

Group Operating Cash Flow [(1)] £m

CAGR 25%



Group Operating Cashflow of £18.6m (2014: £16.5m) up 12.7%; Group Adjusted EBITDA converts to cash at >100%

Source: Group's consolidated results.

1. Group Operating Cash Flow. Group Adjusted EBITDA less working capital less maintenance capital expenditures
2. Site EBITDA is Group Adjusted EBITDA before central costs

Group Income Statement

- Gross Profit % increased due to new basis of charging in call centre contract
- £2.7m pre-opening costs for the year (2014: £2.0m)
- Central cost investment supports rollout
- Site EBITDA % reflects immaturity of estate. In 2015: 34 sites (46% of estate) < 2 years (2014: 23 sites (42% of estate))
- Other income from payment for surrender of lease from Landlord
- Finance costs reflect pre-IPO financing structure; proforma impact Dec 2015 finance costs of £0.8m[3]
- Tax credit from loss before tax; IPO exceptionals and part of private equity interest charge disallowable

Year ended 31 December (£m)	2015	2014	% Change
Revenue	**60.0**	**45.5**	***31.9%***
Gross profit	58.9	44.4	
% margin	*98.2%*	*97.7%*	
Site EBITDA[1]	**23.3**	**18.7**	***24.6%***
% margin	*38.9%*	*41.2%*	
Central costs	(6.3)	(4.0)	
Group Adjusted EBITDA	**17.0**	**14.7**	***15.9%***
% margin	*28.4%*	*32.3%*	
Depreciation	(10.9)	(7.6)	
Other income	1.1	-	
Group Adjusted Operating Profit	**7.2**	**7.1**	***1.8%***
Amortisation	(2.3)	(2.1)	
Exceptionals[2]	(7.6)	(2.7)	
Operating (Loss) / Profit	**(2.7)**	**2.3**	
Finance costs	(9.7)	(11.7)	
Loss before Tax	**(12.4)**	**(9.4)**	
Tax on ordinary activities	0.9	0.6	
Loss after Tax	**(11.5)**	**(8.8)**	
Group Adjusted EBITDA pre-PoC	**19.7**	**16.7**	***18.1%***

Source: Group's consolidated results.

1. Site EBITDA post pre-opening cost (PoC).
2. Exceptional IPO costs: £6.7m to P&L with £2.6m to share premium account
3. IPO completed on 12th November 2015

Proforma Adjusted EPS

- Proforma EPS based off number of shares at IPO
- Assumes finance cost from December 2015 in place full year
- Effective tax rate of 26%; 2016 expected rate 25%

Year ended 31 December (£m)	2015
Group Adjusted EBITDA	**17.0**
Depreciation	(10.9)
Proforma Interest	(0.8)
Proforma Adjusted Profit before Tax	**5.3**
Proforma Tax	(1.4)
Proforma Adjusted Earnings	**3.9**
Shares at December 2015	128.1
Proforma Adjusted EPS (pence per share)	**3.07**

Balance Sheet

- Straightforward and strong Balance Sheet
- Non current assets reflect invested capital in sites and the intangible value of the 2013 acquisition of Group by Phoenix
- Net Debt of £7.1m at year end
- Net current liabilities reflects Prepayments, Trade Creditors, IFRS treatment of rent and lease incentives

Year ended 31 December (£m)	2015	2014	% Change
PPE	85.2	67.5	
Intangibles	49.1	50.9	
Deferred tax asset	0.2	-	
Non Current Assets	**134.5**	**118.4**	***13.7%***
Other Net Current Liabilities	(19.8)	(16.7)	
Borrowings	-	(3.6)	
Cash	2.9	5.6	
Net Current Liabilities	**(16.9)**	**(14.7)**	***14.9%***
Borrowings	(9.0)	(71.3)	
Provisions	(0.2)	(0.2)	
Deferred tax liabilities	-	(0.6)	
Net Assets	**108.4**	**31.6**	***243.3%***

Source: Group's consolidated results..

Group Cash Flow

- Strongly cash generative model with Group Operating Cash Conversion of 109.4% (2014: 112.4%)
- Positive cash flow from negative net working capital (IFRS accounting for leases, lease incentives and strong revenue growth)
- Maintenance capex (4.5% revenue) significantly below depreciation (18% revenue)
- Expansionary capex reflecting 19 openings in 2015 and impact of capex creditor
- Expect modest maiden interim dividend to be paid in 2016

Year ended 31 December (£m)	2015	2014	% Change
Group Adjusted EBITDA	**17.0**	**14.7**	***15.9%***
Net working capital movement	4.3	3.4	
Maintenance capex	(2.7)	(1.6)	
Group Operating Cash Flow[1]	**18.6**	**16.5**	***12.7%***
Group operating cash flow conversion %	*109.4%*	*112.4%*	
Expansionary capex	(28.2)	(20.3)	
Cash flow before financing, tax and exceptionals	**(9.6)**	**(3.8)**	

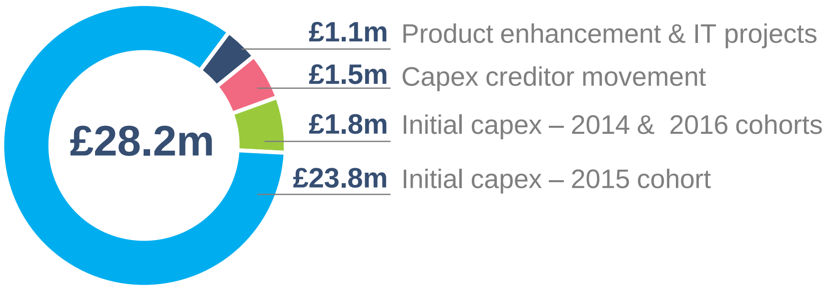
Source: Group's consolidated results.
1. Group Operating Cash Flow is calculated as Group Adjusted EBITDA less working capital and less maintenance capital expenditures.

Capital Expenditure 2015

Capex overview: Expansionary

- Covers initial site investment, central IT projects and product enhancement
- 2015 average site capital cost of £1.35m
- 2008 – 2014 average site capital cost of £1.5m
- Further savings from reducing fit out (fixtures and fittings, fit out cost)

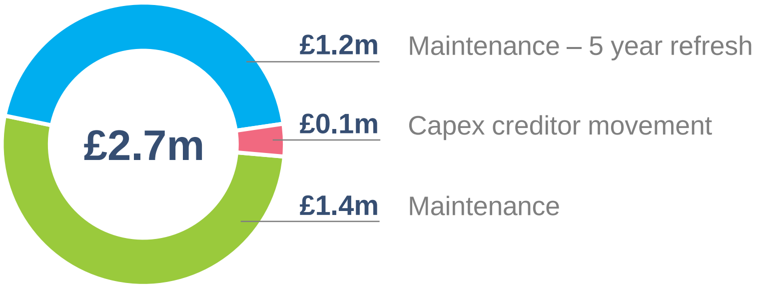
Expansionary capital expenditure 2015



Capex overview: Maintenance

- Covers replacement and maintenance of fitness equipment, fixture and fittings
- Maintenance capex (4.5% revenue) lower than depreciation (18% revenue)

Maintenance capital expenditure 2015



Market Opportunity

A large, fragmented health & fitness market in the UK

£4.3bn[1]
UK gym market value

6,312 gyms[1]
In the UK

Low cost gyms are the fastest growing sub-segment

~60%[2]
Market CAGR

The model is growing the market

>30%
of joiners since inception new to gym membership [3]

Significant opportunity for further growth

- UK market underpenetrated vs. international precedent
- Low-cost successful in a number of other UK sectors

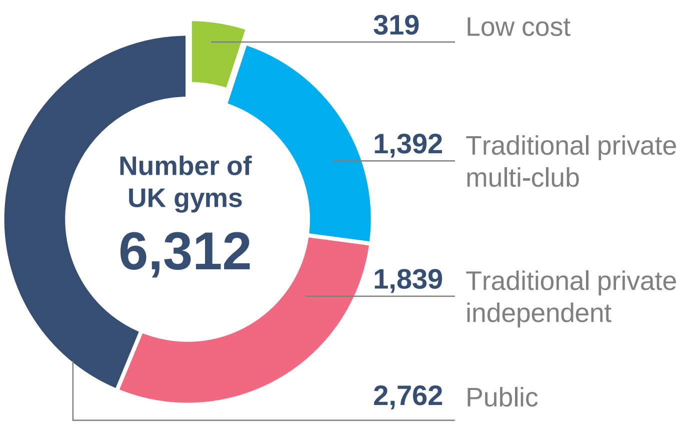
Aldi / Lidl, Travelodge / Premier Inn, easyJet / Ryanair

1. Leisure Database Company (LDC) Report: Data as at 31 March 2015. Total annual membership revenue of all health and fitness clubs in the UK (private and public).
2. Market growth as at 31 March 2015. Source: LDC Report. Figures based on March of 2012-2015.
3. % of joiners new to gyms as disclosed by completed annual surveys up to December 2015. Minimum response rate of ~30%.

Market Opportunity

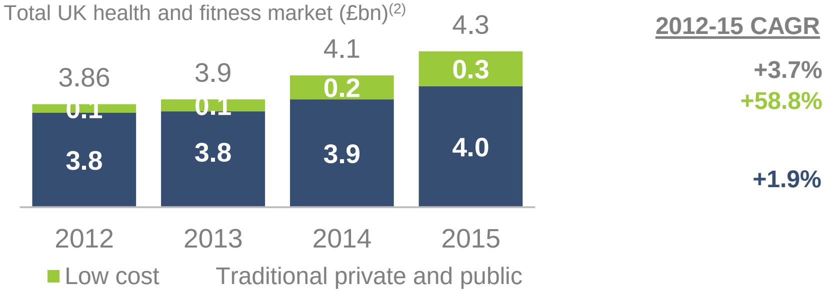
A fragmented market…

UK health and fitness market by number of private and public clubs[1]



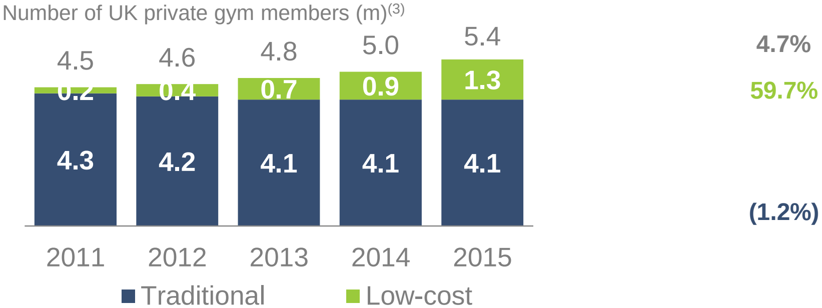
…with low-cost driving market growth

Total UK health and fitness market (£bn)[2]



Low-cost driving increase in members

Number of UK private gym members (m)[3]



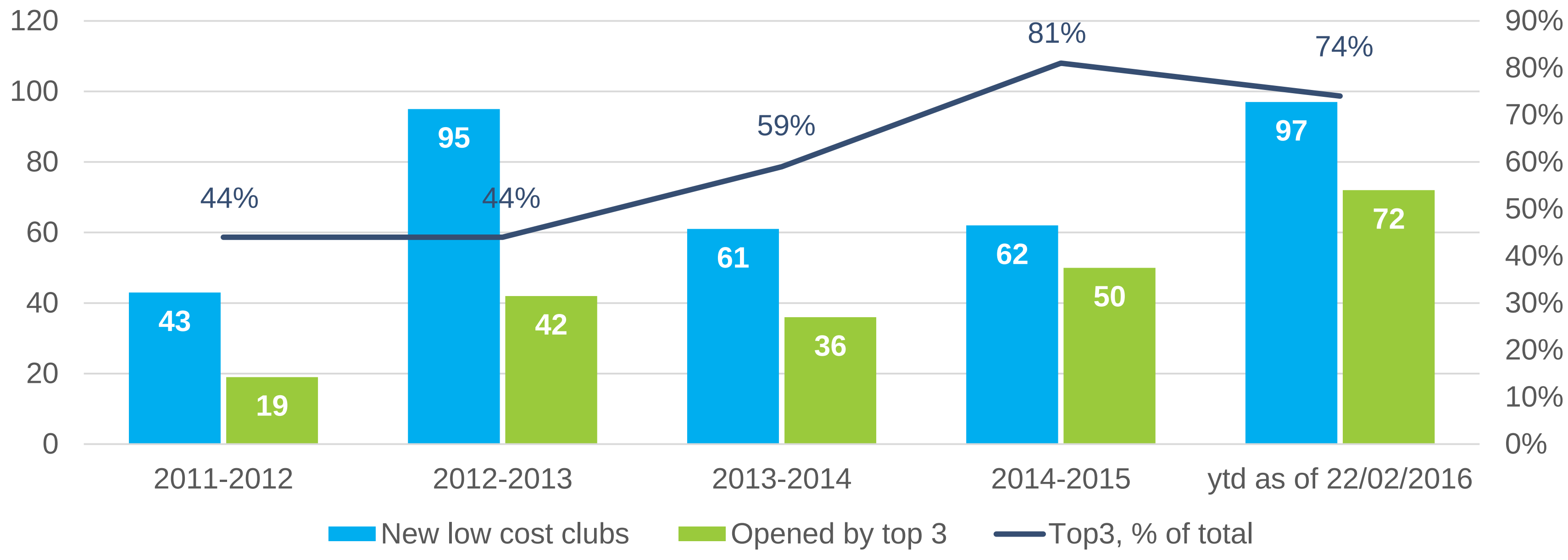
Large (£4.3bn) UK gym market with a growing low-cost segment[2]

1. Source: LDC Report. Number of clubs as at 31 March 2015.
2. Source: LDC Report. Private and public clubs. Private market value of £2.98bn and public market value of £1.32bn. Figures based on March of each year (private and public).
3. Source: LDC Report. Figures based on March of each year.

Market Opportunity

Low-cost gym openings 2011-2016

Top 3 players opening a gap to the rest of the market[1]



Source: Company analysis. Top three players defined as Pure Gym, The Gym and Xercise4Less
1. Estimated at 22nd February 2016 Pure Gym 137 sites, The Gym 74 sites and Xercise4Less 35 sites

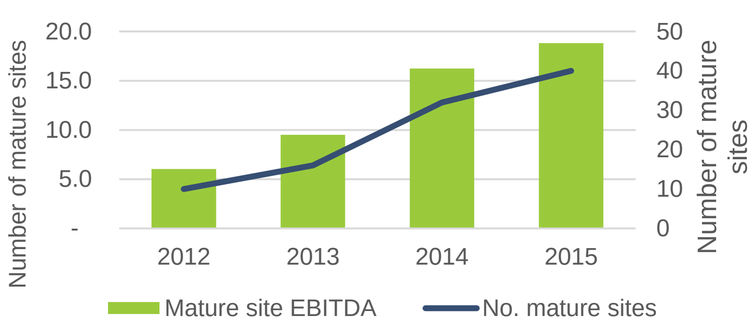
The Gym Group Operational Strategy

- Improve performance of existing gyms
- Efficiencies from low-cost technology-led model
- Strong customer proposition
- Property rollout strategy
- Focus on people and team

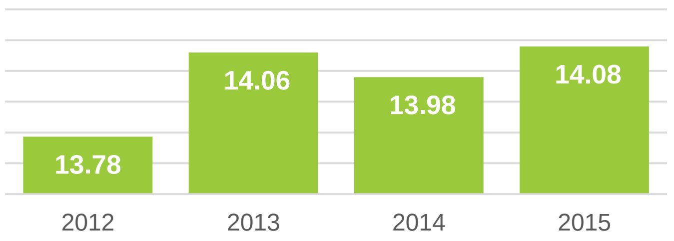
Improve Performance of Existing Gyms

- Mature Site EBITDA [1] up to £18.8m (2014 £16.2m)
- Average members +31% to 355k vs. 2014 (271k); 234k Mature and 121k New
- Average revenue per member £14.08 + 0.7%
- Average headline price remains at £16
- Mature site ROCE of 31% (2014: 33%)
- Average size mature site down 2% (2015: 40 sites 16,600 sq. ft.)
- Number of visits 17.7m up 4.2m, NPS 60%

Mature site EBITDA year on year (£m)



Average Monthly Revenue per Member (£)



Source: Group's consolidated results

1. Mature Site EBITDA defined as site EBITDA from sites open more than 2 years at the year end

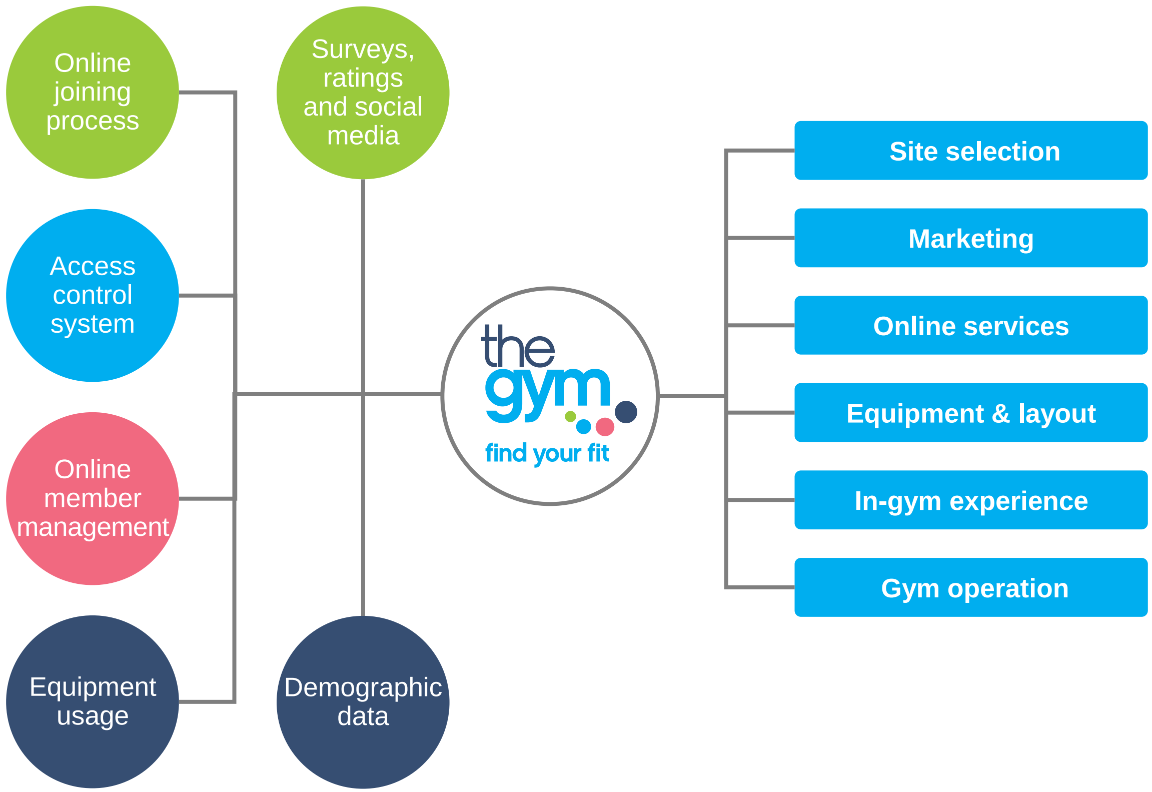
Efficiencies From Low-cost Technology-led Model

Cost Base; annualised savings £1m:

- Call centre contract
- Utilities contracts
- Marketing agencies
- Monitoring
- Maintenance contractor

Systems development:

- Member Management Systems
- eCRM



Strong Customer Proposition

Further developments

- Group Exercise (studios, web booking)
- Free weights and functional zones investment
- Multi-site and twin membership
- Secondary revenues; e-commerce, affiliate revenue under development

	the gym find your fit	Traditional Health Club
24/7 gym opening hours[(1)]	✓	✗
No fixed term contract	✓	✗
Typical £16 monthly cost[(2)]	✓	✗
No premium for extras, e.g. towels	✓	✗
24/7 virtual classes[(3)]	✓	✗
Online members' area	✓	✓
High spec gym equipment	✓	✓
Professional, helpful staff	✓	✓
Eco-friendly equipment	✓	✓
Receptionist / office	✗	✓
Wet facilities (e.g. pool, sauna)	✗	✓
Tennis / squash courts	✗	✓
Health & well-being spa	✗	✓
Café / bar offering	✗	✓

Consumer differentiator: compelling proposition

Low-cost differentiator: disruptive model

1. All gyms open 24/7 excluding 4 gyms as at 31 December 15 due to licensing restrictions.
2. £16 average membership per month across all 74 gyms as at 31 December 2015.
3. Currently available at 4 gyms.

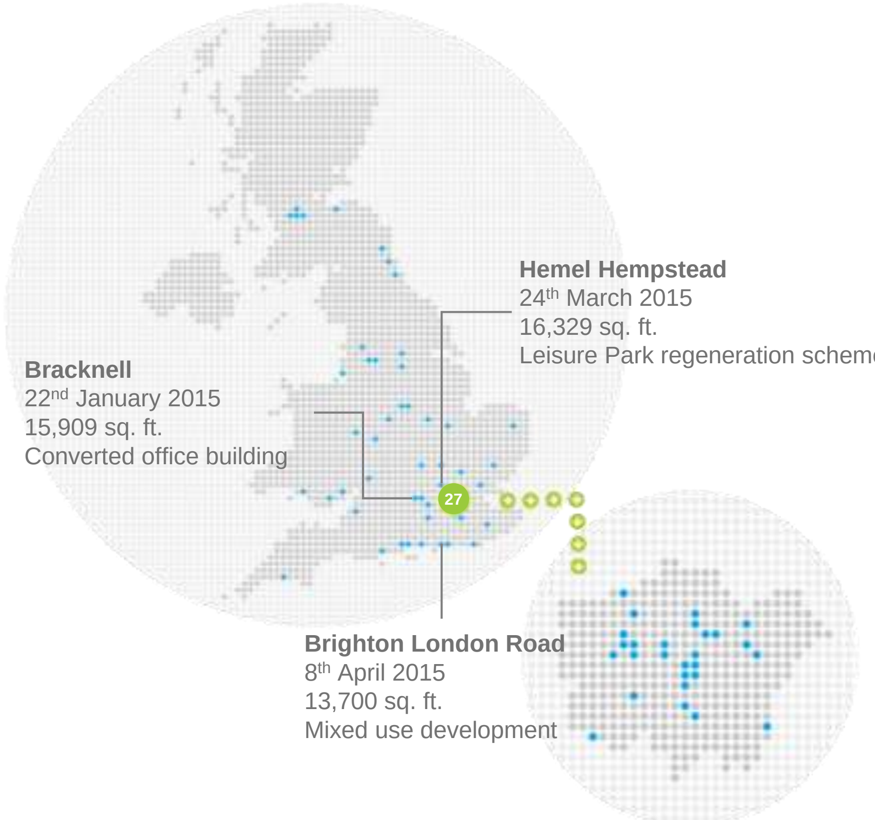
Property Rollout

Keys to success

- Large, experienced property team
- Improved data driving better targeting
- Strong landlord & agent network
- Attractive partner for landlord; strong covenant
- Flexible use of space

2015 Progress

- 19 gyms opened in 2015
- Pipeline strongest in history
- 6 sites expected to be opened in H1; further 4 locations with contractor on site
- Average size estate 16,100 sq. ft.(1)
- Sites open since 2013 15,500 sq.ft.(1)



Target of 15-20 sites p.a. over medium term

1. Excludes Edmonton Green

Focus on Team and People

Building infrastructure to support growth

- Regional operational structure
- Commercial function
- Senior Team
- Empowering local management through incentives

Outcomes

- 2 star 'Outstanding' award in the Best Companies Accreditation
- Investor in People Silver Award
- Staff retention 88%
- Share incentive schemes (Performance Share Plan, Share Incentive Plan)

Current Trading and Outlook

- 2015 ended in line with expectations
- Strong membership growth Jan / Feb to 418,000 +11% in line with the Board's expectations
- Opening programme on track; expect 6 open by end of H1 16; further 4 with contractor on site
- Targeting further improvement on fit-out cost

the gym
find your fit

Appendix

Operational Costs

- Average number sites: 64 in 2015 (46 in 2014)
- Cost increases/decreases:
  - Rent 18.6% of revenue due to mix of new and existing sites and charge to pre-opening period
  - Average staff and marketing costs per site consistent year on year
  - Other operating expenses - benefits from contract renegotiation

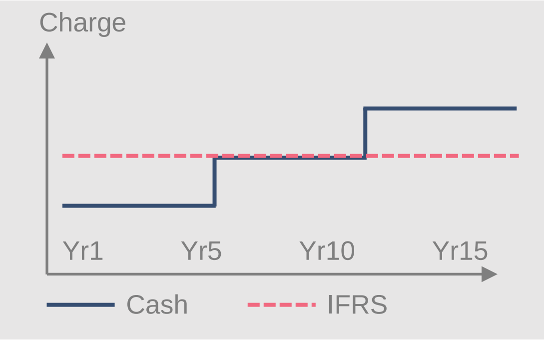
Year ended 31 December (£m)	2015	2014	% Change
Staff costs	(4.2)	(2.9)	*42.3%*
Marketing	(3.1)	(2.3)	*33.1%*
Other operating expenses	(10.9)	(8.2)	*33.1%*
Rent	(11.2)	(7.8)	*43.8%*
Other property costs	(6.2)	(4.5)	*39.6%*
Site operating costs excluding exceptionals	**(35.6)**	**(25.7)**	***38.3%***

Average site operating costs excluding exceptionals and pre-opening costs per average number of gyms			
Staff costs	(0.06)	(0.06)	
Marketing	(0.04)	(0.04)	
Other operating expenses	(0.16)	(0.17)	
Rent	(0.16)	(0.16)	
Other property costs	(0.09)	(0.09)	
Total site operating costs	**(0.51)**	**(0.52)**	***-0.2%***

Business Model: Financial Dynamics

Property rent costs

- Leasehold with fixed step-up every 5 years[(1)]
- Under IFRS, the 5 year fixed uplift charge smoothed over life lease
- Higher P&L charge than actual cash cost



Depreciation

- Depreciation P&L charge relatively high given upfront cost of investment in sites
- Depreciation charge does not reflect maintenance capex spend
- Maintenance capex spend approximately £630k over a 7 year cycle compared to c.£170k of depreciation per gym in 2015

£m	2015
Revenue	60.0
Depreciation	10.9
Depreciation as a % of revenue	**18%**
Average number of gyms	64
Depreciation per site (£'k)	**170**

Pre-opening costs

- Indicative pre-opening cost c.£140k[(2)] per site
- Costs incurred before revenue benefits; (negative site operating profit in initial year of opening)
- Pre-opening marketing maximises opening membership

Source: Group's consolidated results.
1.Newer leases generally have initial terms of 15 years, with upwards-only rent adjustments every five years, typically either by fixed increases or increases in line with RPI or CPI.
2.Pre-opening costs means the costs associated with new site openings, which primarily consists of staff costs, marketing and rent. On average in the year ended 31 December 2015.

Yield Management

Two stage process:

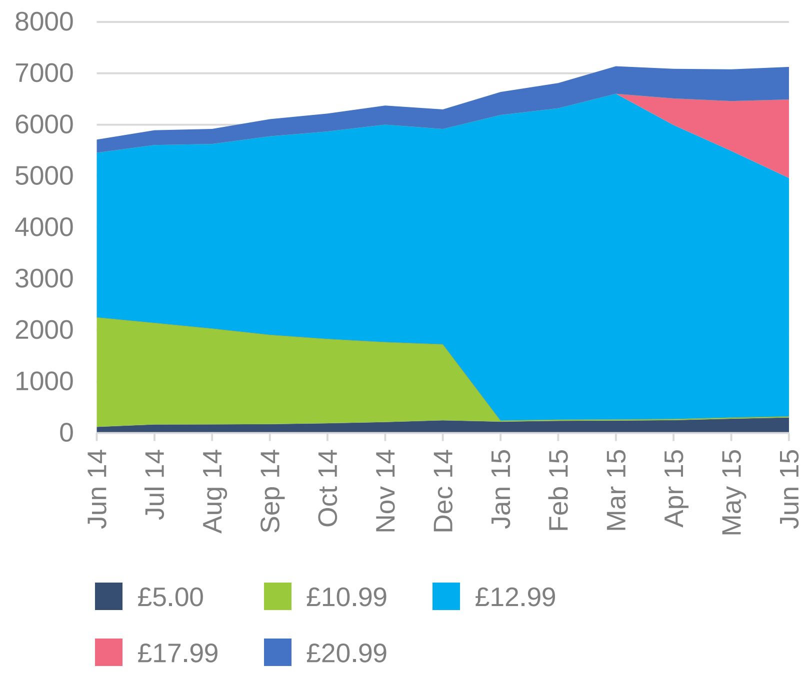
1. Drive membership up to maturity

- Price range £10.99-£24.99 per month[1]
- Typically £20.00 joining fee charged
- Price point regularly reviewed
- Price decision data inputs:
  - Gross demand and net membership build
  - Penetration into local catchment
  - Competition
  - Capacity utilisation and usage patterns

2. At maturity manage yield

- Price to maximise sustainable profit
- Yield from multi-site upgrades
- Attrition drives natural yield maturation

Illustrative Site Yield Maturation



1. Multi-site is £26.99

Financial Model

Technology led operating model with high margins and returns

- Low operating costs
- Leases[1] typically fixed rental uplifts
- Fit-out reducing with scale

Maturity: Members

- Average 6,000 members after 2 years[2]
- Strong pre-opening process: open with 3,000 members

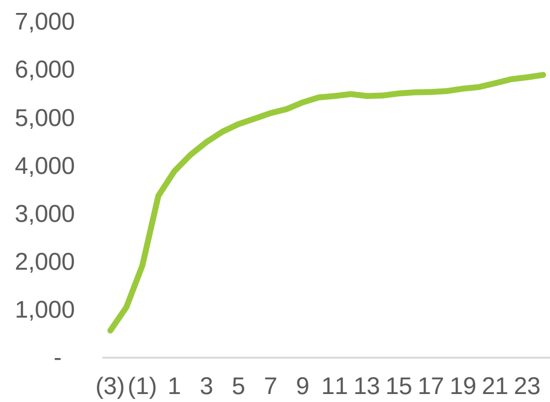
Maturity: Site EBITDA

- Site EBITDA lags number growth
- Initial losses from pre-opening costs

Illustrative returns on Mature Gym Site metrics[3]:

	2015
Revenue	**£1.02m**
Gross profit	98%
Fixed property costs[4]	26%
Other opex[5]	26%
EBITDA	**£0.47m**
EBITDA margin	**46%**
Capital cost 2008-14 Actual	£1.5m
Capital cost 2015 Actual	£1.35m
ROCE 2008-14 Actual	31%
ROCE 2015 Cost (Illustrative)	34%

Average Mature Gym Site Members (#)



Average Estate

Source: Group's consolidated results.

1. Newer leases generally have initial terms of 15 years, with upwards-only rent adjustments every five years, typically either by fixed increases or increases in line with RPI or CPI.
2. 3 small sites average @10,700 sq.ft. open in 2012/13. Smaller sites have less members.
3. Actual Mature Gym site metrics in 2015 based off 40 Mature sites open to 31 Dec 2013.
4. Fixed property costs include Rent, Rates, Service Charge and Landlord Insurance,.
5. Other Opex includes all other costs below Gross Profit, the principal costs are Marketing, Staff, Utilities, Cleaning, Repairs and Maintenance and Administration costs such as travel

KPIs

Year ended 31 December (£m)	2015	2014	2013	2012	14-15 % Change
Financial Data					
Revenue (£m)	60.0	45.5	35.7	22.2	*31.9%*
Group Adjusted EBITDA (£m)	17.0	14.7	11.8	6.0	*15.9%*
Group Adjusted EBITDA pre Pre-Opening Costs	19.7	16.7	12.9	7.6	*18.1%*
Group Operating Cash Flow (£m)	18.6	16.5	14.8	9.6	*12.7%*
Group Operating Cash Flow Conversion (%)	109%	112%	125%	160%	*-2.7%*
Expansionary Capital Expenditure(1)	28.2	20.3	14.1	21.6	*38.9%*
Net Debt (£m)	7.1	49.2	36.7	19.0	*-85.6%*
Net Debt to Group Adjusted EBITDA	0.42x	3.35x	3.11x	3.16x	
Operational KPIS					
Total gyms in operation(2)	74	55	40	32	*34.5%*
Total number of members ('000s)	376	293	225	166	*28.3%*
Average Revenue per Member per Month (£)	14.08	13.98	14.06	13.78	*0.7%*
Total Mature Gyms in operation	40	32	16	10	*25.0%*
Mature Gym Site EBITDA (£m)	18.8	16.2	9.5	6.0	*15.9%*

Source: Group's consolidated results.
1. Expansionary capital expenditure relates to the Group's investment in the fit-out of new gyms and central IT projects.
2. Average number of gyms in 2015 and 2014 is 64 and 46, respectively.