



fitter stronger better

Trading update and
proposed acquisition

JUNE 2018



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Introduction

- Strong trading update to 31 May 2018:
 - Strong member numbers and growth
 - Organic openings and pipeline
 - Lifestyle Fitness conversion programme
 - LIVE IT. Rollout
 - New Personal Trainer model
- Further acquisition opportunity:
 - 13 well-located and well-invested easyGym sites
 - Funding through Placing and incremental debt facilities, and
 - Expected to complete on or before 20 July 2018



TRADING UPDATE

TGG Current Trading

- Current trading for the first five months of the year has met the Board's expectations and we expect to meet market expectations in 2018
- Six new gyms⁽¹⁾ will have opened by the end of the first half increasing the total estate to 134 sites
- Total members at 31 May 2018 of 668,000, up 31.8% versus 31 May 2017: 507,000
- The conversion of the Lifestyle sites is proceeding according to the timeline set out at the time of Prelims and we are seeing strong member uplifts in the sites where the full TGG model has been implemented
 - Currently, 9 sites have been converted to TGG brand with a further 3 sites on site for conversion
 - Plans are in place for the remaining 6 sites to be converted by the end of September 2018
- LIVE IT., our premium pricing initiative, is performing strongly following its rollout across the estate (completed in May 2018)
 - At May 2018, 45,000 members had signed up to LIVE IT. representing 6.7% of the closing membership
 - As expected, LIVE IT. has impacted existing revenue streams (multi-site, twin, joining fee)
- The new personal trainer operating model trial has been extended to 8 sites encompassing both new sites and existing sites and is operating according to our expectations
 - We plan to extend the trial to two further regions in the Summer and then will make the decision to rollout on a phased basis across the entire estate based on the results of all the trials
- The pipeline continues to be strong for the remainder of 2018 and is building according to our expectations for 2019
 - We currently have a further 15 sites exchanged for 2018 and 2019
 - We reiterate our guidance that (in addition to easyGym sites) we expect to open within our expected range of 15 to 20 organic openings for the full year

(1) Sutton expected to open 29th June 2018



ACQUISITION OPPORTUNITY



Transaction Overview

Acquisition



- Acquired portfolio comprises 13 well-located and well-invested sites
 - with 8 located inside the M25
 - 5 outside; Birmingham (2), Liverpool, Southampton and Cardiff
- £4.3m LTM Mar-18 Site EBITDA⁽¹⁾

Valuation

- Total consideration of £24.7m
 - Initial consideration of £20.6m
 - £4.1m is deferred conditional on successful lease extensions for 2 sites
- Acquiring the business on a cash / debt free basis
- 5.7x LTM Mar-18 Site EBITDA
- Acquisition expected to be Earnings enhancing on a standalone basis in 2019 and beyond
- As with Lifestyle acquisition, we are targeting 20%+ return on capital at maturity

Funding

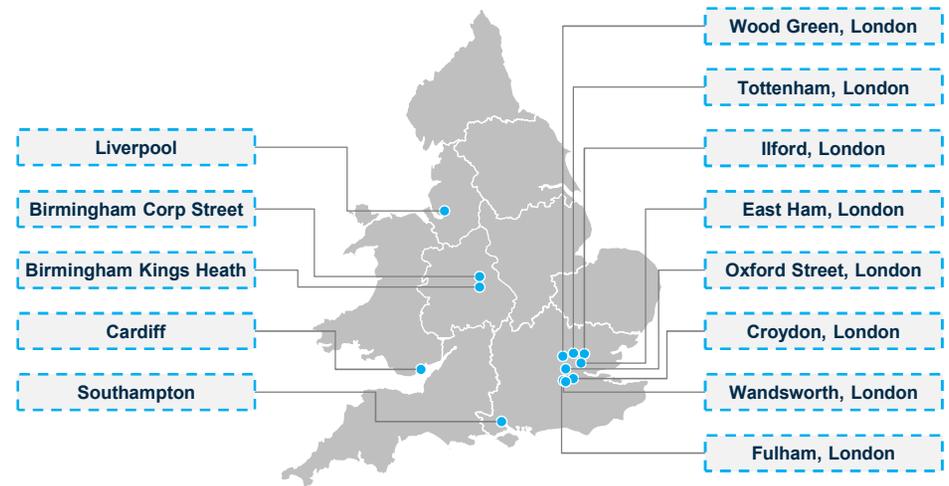
- Equity issue and committed debt financing
 - £24m from a Placing
 - Extended debt facilities by £10m to £60m

(1) Management information for easyGym

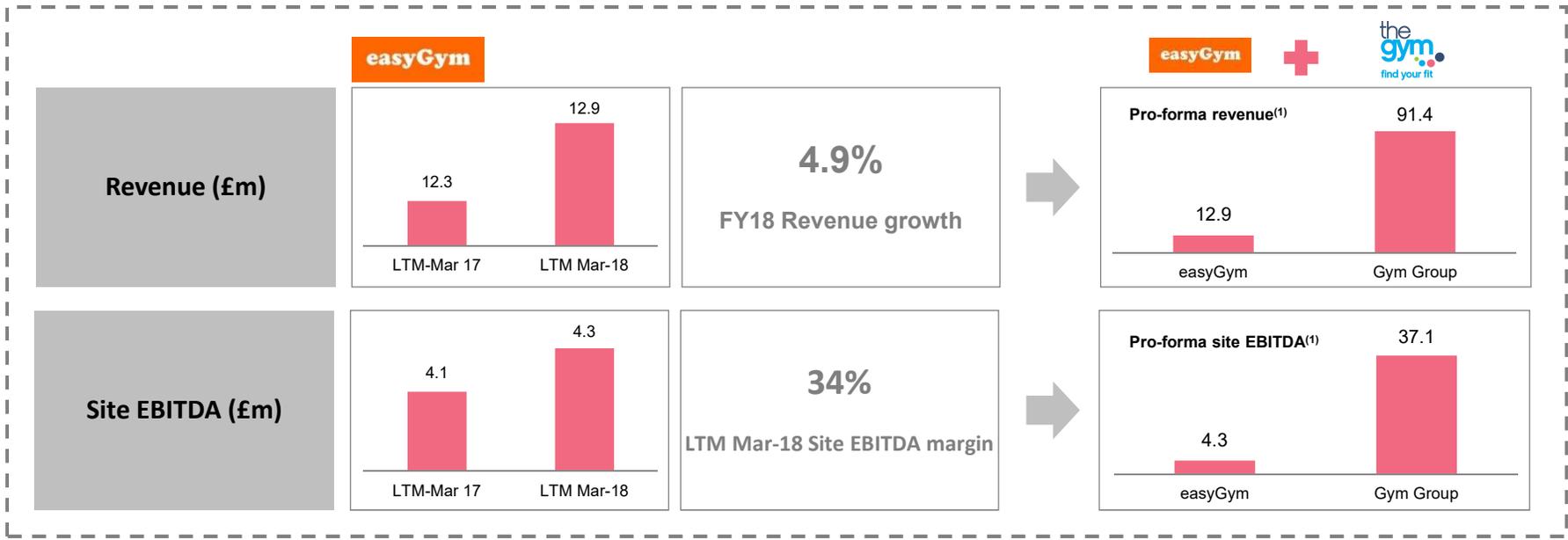
The Opportunity

Acquiring a well-invested portfolio, with core of the estate in London

- Established in 2010 when the EasyGroup announced the launch of its 'no frills' gym chain. Low-cost gym operator, with 16 gyms and c.70k members
- TGG will acquire 13 easyGym prime sites : 8 gyms inside the M25 and 5 gyms across the rest of the UK
 - 63k members acquired generating an LTM site EBITDA of £4.3m to March 2018
 - Acquisition includes core London sites such as Fulham and Oxford Street
- Acquiring a well-invested portfolio – historic average initial site fit-out capex for easyGym of £1.7m
 - TGG expects conversion capex of £0.28m per site
- Vendors will continue to trade the remaining 3 sites that TGG are not purchasing



easyGym Snapshot



KPIs

	easyGym	the gym find your fit
Average gym size (sq. ft.)	c.20,751	c.16,500
Members per gym	c.4,850 (Mar-18)	5,477 ⁽²⁾

Source: Full Year Accounts for GYM; Management information for easyGym

(1) Pro-forma revenue and pro-forma EBITDA include FY17 year end financials for TGG and LTM-March 18 for easyGym

(2) TGG mature gym members. Reported easyGym members at Mar18 are actual member numbers

Deal Rationale

Strategic Highlights

- Current business model similar to TGG in terms of customer proposition
- Geographical mix – enhances TGG’s position inside the M25
- Expected growth from acquisition driven by:
 - Increase in volume in member numbers to TGG mature estate level (av. easyGym 4,850 vs TGG 5,477)
 - penetration of LIVE IT. into easyGym’s members
 - economies of scale from utilising TGG’s existing infrastructure
- Acquisition further underpins TGG’s aim to reach 200 sites by 2020

Financial Highlights

- Well-invested sites requiring minimal investment to rebrand compared to Lifestyle Fitness acquisition
 - £0.28m of conversion capex per site, compared to Lifestyle refurbishment per site of £0.47m
 - 11 sites expected to be converted to TGG brand following assignment of leases. Two sites requiring lease extensions will have the right to continue to use easyGym brand until extension of leases or in the case of Oxford Street for a minimum of two years
- Acquisition multiple of 5.7x LTM Mar-18 Site EBITDA (TGG forward EV/Group EBITDA multiple 9.7x⁽¹⁾)
- Upfront and deferred consideration deal structure ensures that TGG does not overpay for certain assets
- The post-transaction structure will represent opening leverage of 1.2x⁽²⁾ 2017 TGG EBITDA and easyGym LTM Mar-18 combined EBITDA of £32.3m

Source: Full Year Accounts for GYM; Management information for easyGym

(1) Calculation based on TGG’s EV as at 6 June 2018 (£366m) and TGG FY18 forecast Group EBITDA of £37.6m as per Numis Equity Research

(2) Net debt calculated from a combination of TGG’s ending FY17 net debt and the incremental debt that will be drawn down following completion of the acquisition for conversion capex



Expected Transaction Timetable

Announcement Date	Post Market 4:30pm Wednesday 13 June 2018
Structure	Accelerated bookbuild
Bookrunner	Numis Securities
Books Close	Wednesday 13 June 2018
Admission and Settlement	Monday 18 June 2018



Outlook

- Plan to extend the new personal trainer trial to two further regions in the Summer, and will make the decision to rollout on a phased basis across the entire estate based on the results of all the trials
 - CEO succession successfully concluded and Founder Director retained
 - We reiterate our guidance that (in addition to easyGym sites) we expect to open within our expected range of 15 to 20 organic openings for the full year
 - The Board is pleased with underlying business performance and expects that a combination of the strong uptake from LIVE IT. and the acquisition will be materially earnings enhancing in 2019 and beyond.
-