

15 January 2019

## The Gym Group plc Pre-Close Trading Update

The Gym Group plc ("the Company" or "TGG"), the fast growing, no contract, 24/7, nationwide operator of 15<sup>d</sup> low cost gyms, announces its pre-close trading update for the year ended 31 December 2018.

### Financial

- Total year-end membership numbers ahead by 19.3% to 724,000 (Dec 2017: 607,000); Average Members of 693,000 (Dec 2017: 528,000) up 31.2%<sup>2</sup>.
- Total revenue growth of 35.6% to £123.9m for the year.
- Year-end net debt of £46.0m (2017: £37.5m) following the easyGym acquisition and investment in 17 new site openings.

### Operational

- Site numbers expanded by 23% to 158 at year end (2017: 128) with 17 organic openings and 13 sites acquired from easyGym. With growth from organic openings and two acquisitions in consecutive years, our estate has more than doubled over the last three years. We estimate our share of the low-cost gym market has increased to 24.2% (2017: 22.4%).
- The new openings programme has been more weighted towards the end of the year than originally planned and this has resulted in fewer trading weeks than expected in the second half. The growth profile of our 2018 sites, once opened, has been encouraging, and our 2017 sites are exceeding expectations, demonstrating that we are continuing to find good sites for new gyms.
- Following the decision earlier in the year to convert the remaining sites acquired from Lifestyle Fitness to The Gym brand, all 18 acquired sites have now been converted. This will enable these gyms to benefit in 2019 from our brand marketing, systems and model, although it resulted in more weeks of site closures than initially expected in 2018.
- Following a successful trial, LIVE IT - our premium pricing product - was rolled out nationally by the end of May. The uptake has been encouraging with 11.7% of members subscribing to LIVE IT memberships by the end of 2018, contributing to an average revenue per member per month increase of 3.3% to £14.89 (2017: £14.41).
- The pipeline of new sites continues to be strong and we expect to open 15 to 20 new gyms in 2019.

### easyGym acquisition

- Following the announcement of the acquisition of 13 sites from easyGym in June 2018, we have now completed the conversion of 10 sites to The Gym branding, with good feedback from members. Of the three remaining sites, one will be converted in H1 2019 with two sites continuing to trade under the easyGym brand pending lease extension discussions.

### New Gym Team ("NGT") Operating Model

- The trial of the new operating model (NGT) for Personal Trainers ("PTs") has continued to be rolled out as planned during the second half with 24 sites operating under the new model at the year end. We believe the new model will give TGG a competitive advantage in the recruitment of the best PTs, enabling the delivery of an even better member experience in our gyms. The initial results from the trial gyms have been encouraging, with member satisfaction levels higher than our company average.
- We plan to roll out NGT to the rest of the gym estate in 2019, starting in April after the busy beginning of the year. As part of the evolution of the NGT model following the trial, we are reducing the rent PTs pay to TGG each month. We believe this will enable TGG to offer the most compelling and sustainable PT model for both our PTs and our members. This change will result in an incremental annual cost to TGG of £1 million in 2019 and thereafter.

### Full Year Results Outlook

As a result of the performance outlined above, and taking into account the later second half weighted 2018 openings programme and one-off impact associated with the Lifestyle conversions, we expect full year Group Adjusted EBITDA for 2018 to be approximately £37m. The Company will announce its preliminary results on Tuesday 19th March 2019.

Richard Darwin, CEO of The Gym Group, commented:

"The Gym Group continues to deliver strong, profitable growth whilst also establishing the platform for a bigger business in the future. The pace of expansion was significant in 2018: we opened 17 new gyms, converted the acquired Lifestyle sites, acquired easyGym and over the last 30 months have doubled the number of gyms in our estate. We have recently reached the milestone of 750,000 members, demonstrating the ongoing appeal of our business model.

Looking forward we have a good pipeline of new sites and expect to open a further 15-20 gyms in 2019. We are well placed to continue to generate high levels of growth whilst maintaining strong returns on capital. We are confident that in 2019 we will continue to develop and build the business to deliver another year of profitable growth for shareholders."

**Investor and analyst conference call**

A conference call for analysts and investors will be held at 8.00am (GMT) today. To join, please dial: UK dial-in number: 0800 376 7922, International dial-in number: +44 (0) 207 1 92 8000 Conference ID: 7068798

A recording of the call will be available on the Company's website later today.

<sup>1</sup> 158 as of 31 Dec 2018 plus 1 new site opened in January 2019

<sup>2</sup> Average Members excludes sites not open at the period end

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