

11 September 2024

The Gym Group plc
('The Gym Group', 'the Group' or 'the Company')
2024 Interim Results

Strong first half performance; well set for the full year

Leading low cost gym operator, The Gym Group, announces its interim results for the six month period ended 30 June 2024.

Key financial metrics¹

	Six months ended 30 June 2024	Six months ended 30 June 2023	Movement
Revenue (£m)	112.1	99.8	+12%
Group Adjusted EBITDA (£m)	41.7	35.1	+19%
Group Adjusted EBITDA Less Normalised Rent (£m)	22.1	17.2	+28%
Adjusted profit/(loss) before tax (£m)	0.5	(5.2)	+\$5.7m
Statutory profit/(loss) before tax (£m)	0.2	(6.1)	+\$6.3m
Statutory profit/(loss) after tax (£m)	0.2	(6.1)	+\$6.3m
Adjusted Basic and Diluted profit/(loss) per share (p)	0.3	(2.9)	+3.2p
Statutory Basic and Diluted profit/(loss) per share (p)	0.1	(3.4)	+3.5p
Free cash flow (£m)	24.5	14.2	+73%
Non-Property Net Debt (£m) (as at period end)	(54.6)	(69.7)	Down by 22%

¹ For a summary of KPI definitions used in the table see the 'Definition of non-statutory measures' section.

Financial highlights

- Revenue for the period increased by 12%, with average members up 3% and average revenue per member per month ('ARPM') up 9%; like-for-like² revenue grew 9%
- Group Adjusted EBITDA Less Normalised Rent at £22.1m was 28% ahead of the prior year period driven by strong revenue growth, outpacing cost inflation
- Strong free cash flow generated in H1, up 73% to £24.5m, funding four new sites opened in the period, enhancements to existing sites and continued technology investment; Non-Property Net Debt was down by £11.8m in the period (Dec 2023: £66.4m), resulting in reduced leverage³ of 1.26x
- New £90m three-year combined bank facility signed in June 2024, made up of a £45m Term Loan and £45m Revolving Credit Facility, with improved terms

² Like-for-like revenue vs 2023 includes all sites open as at 31 December 2021.

³ Leverage calculated as Non-Property Net Debt divided by Group Adjusted EBITDA Less Normalised Rent.

Business and operational highlights

- Next Chapter growth plan, announced in March 2024, starting to deliver progress in driving up returns in mature gym estate, through higher yield, reduced promotion and better targeted customer acquisition
- The Gym Group app refreshed with additional features, as part of a detailed programme to improve member retention
- High levels of member engagement and satisfaction levels sustained throughout the period
- Seven new sites opened year to date (four in H1); enhancements made in around 150 sites; on track to open 10-12 new sites in 2024 as guided
- Strong pipeline of high quality sites to accelerate new openings in 2025, in line with our plan to open circa 50 sites over three years, funded from free cashflow

Current trading and outlook

- Trading momentum continued in July and August; we now expect to deliver 5-6% like-for-like revenue growth in 2024
- After a strong first half performance, and continued encouraging trading throughout the summer, we now expect to deliver full year results at the top end of recently revised market expectations⁴.

⁴ Current Company-compiled analyst forecast range for EBITDA Less Normalised Rent is £42.4m-£44m.

Will Orr, CEO of The Gym Group, commented:

"Further positive trading momentum during the first half reflects the continued early benefit of executing on our Next Chapter strategy, set out in March. We have increased membership, revenue and profit and our market-leading proposition is more resonant than ever, in a growing market. We are also well on track to deliver our target of opening circa 50 new high quality gyms over the next three years, funded from free cash flow. We have detailed plans in place for the key autumn trading period and are well set to deliver full year results at the top end of recently revised market expectations⁵."

⁵ Current Company-compiled analyst forecast range for EBITDA Less Normalised Rent is £42.4m-£44m.

Alive audio webcast of the analyst presentation will be available at 9:00 a.m. today via the following link: https://storm-virtual-uk.zoom.us/webinar/register/WN_3bshTPicTRYtUvT6z2mA

A copy of the presentation and recording of the webcast will be published on the Company's website.

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via Instinctif Partners

Forward-looking statements

This announcement includes statements that are, or may be deemed to be, 'forward-looking statements'. By their nature, such statements involve risk and uncertainty since they relate to future events and circumstances. Actual results may and often do, differ materially from any forward-looking statements. Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules of the UK Listing Authority, the Company undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect subsequent events or circumstances following the date of this announcement.

Notes for editors

The Gym Group was a pioneer of the low cost gym model, and now operates 240 high quality sites across the UK. These gyms offer 24/7 opening and flexible, no contract membership. As at 30 June 2024, there were 905,000 members nationwide. Our gyms have over 60 million visits per annum, score highly on member satisfaction and are consistently rated 'excellent' on Trustpilot. The Gym Group is the UK's first carbon neutral chain of gyms (SBTi).

Sites opened in 2024 to date are: Orpington, London Euston Road, Manchester Oxford Road, Welwyn Garden City, London Plaistow, Dudley and London East Ham.

CEO Review

At our preliminary results presentation in March 2024, I outlined our Next Chapter growth plan. Our investment case is to deliver sustained growth from free cash flow and the Next Chapter growth plan is focused on how we will deliver this, within the highly resilient and growing market that is health and fitness.

This strategic plan aims firstly to "Strengthen the core" of our existing business, increasing returns from the existing estate. The primary elements of this are pricing and revenue management; member acquisition and conversion; and improving member retention. This activity will support like-for-like sales growth which in turn will generate increasing cash flows to invest in the second part of the plan - 'Accelerate rollout of quality sites'. To deliver this, we will open around 50 high quality, high returning sites over the next three years. In turn, successful execution of these two priorities will provide the cashflow to develop further options to 'Broaden our growth' over the longer term.

A winning proposition

Underpinning our growth is our focused, scalable proposition which continues to deliver for our members. We now have over 900,000 members, up 6% since last year end, and 4% year on year. Average members, at 914,000 are 3% up on the comparative period of 2023. Visits have grown by 5% compared with the prior year and the proportion of members visiting 4x per month has increased by 1.3ppts; this remains a key target as more members visiting more frequently stay with us for longer, which drives revenue growth and the Social Value we create.

We have invested £2.2m in our mature gyms in the first half, upgrading facilities and equipment in around 150 sites with more comprehensive enhancement projects in five of those sites. We have also rolled out the popular HYROX training concept to more locations, and this programme will be available in at least 50 of our gyms by the year end.

Customer satisfaction metrics show continuing strength, with OSAT scores improving by 2.4ppts in H1 compared with the same period last year. According to Google reviews, we have a significantly higher percentage of 4/5 and 5/5 satisfaction scores compared with our closest low cost competitors. We are also proud to have been named as one of the Best Places to Work in the UK in this year's Sunday Times survey. Our employee engagement score in the latest survey carried out in June increased to 8.7/10 (8.5/10 last time). Our highly engaged and high performing teams are critical to delivering a positive member experience, driving frequency of visit and supporting our growth plan.

Strengthen the core

The focus in the first six months of this financial year has been on strengthening the core in mature sites, with active yield and revenue management delivering a strong improvement in like-for-like revenue and good growth in site EBITDA, marking progress in our target to improve mature site ROIC to 25%.

Yield improvement from reducing the gap with competitors

We have targeted reducing the pricing gap with our key low cost competitors and have made good progress in the period. Our average headline rate in June 2024 was £23.94, up 9% year on year. Like-for-like revenue growth of 9% reflects a combination of higher headline rates for new members; selective re-pricing of the existing member base; and reduced promotional activity - particularly in the key January/February recruitment period.

Encouragingly we have achieved this whilst maintaining our strong customer satisfaction scores and without seeing an increase in the rate of churn in the membership base. The like-for-like volume of members has remained broadly flat. Our strategy has been to optimise the pricing opportunity, whilst using our data management tools to minimise volume attrition. The introduction of off-peak pricing to offer a more accessible product and provide members with three membership options has, as hoped, attracted new types of members; strengthened our marketing proposition; and provided a "safety net" to hold on to existing members who otherwise might have churned out. We have further refined off-peak pricing at site level to minimise cannibalisation and drive incremental volume. The proportion of members opting for our Ultimate membership remains extremely robust, standing at 31.3% (30.7% at 30 June 2023 and 31.7% at 31 December 2023).

We have shifted the mix towards less costly promotions and improved the effectiveness of promotions when deployed. For example, new customers acquired via a "50% off" promotion have a higher propensity to churn when the promotion ends than those acquired via "no joining fee", as a result of "bill shock" when the next payment is made at the full rate. We aim to minimise "bill shock", and early signs from the measures we are taking to support this are encouraging.

Using data and technology to support customer acquisition and retention

Shifting our brand focus from national to local as part of our digital marketing strategy is starting to deliver positive brand metric results around our gyms. For example, we have seen an 8% improvement in the perception of Gym Group value for money - notwithstanding headline rate increases - and a 5% improvement in intention to join one of our gyms. Real time ad-tech is allowing us to tailor advertising to relevant geography and demographics, helping to support our trading performance.

For members joining via the website, our new A/B testing programme is delivering a steady stream of incremental improvements to conversion rates. We have increased testing to improve our understanding of customer acquisition costs vs member lifetime value. This will ensure that any increase in marketing investment will deliver the right returns.

As we stated in March, increasing member retention has the potential to drive significant upside, and a core part of our focus on retention is centred around 'early life' engagement with our members. The highest rate of churn is in the first 45 days of membership, before a habit has formed. We are already seeing positive results from our 'early life' programme, for example applying behavioural science to increase initial email engagement with a new member and achieving a higher uptake of inductions.

As part of the retention programme, in July, we relaunched our app. This is already highly rated and well-used by our members, with average active users increasing by 11% year on year in the period. New developments include an onboarding questionnaire, allowing members to set their goals and preferences; tailored workout programmes and "how-to" guides; and fitness tracking. Further features and enhancements will be introduced in H2.

Accelerate rollout of quality sites

Our Next Chapter growth plan targets an accelerating rollout of high quality sites delivering 30% ROIC and funded from free cashflow.

We opened four new gyms in the period: London Euston; Welwyn Garden City; Orpington; and Manchester Oxford Road. Three further sites have opened since the half year end, and we have secured the locations to deliver 10-12 new sites in 2024 as planned. There is a strong pipeline building - helped by our new national partnership with leading property agents,

Savills - that is expected to deliver 15-20 new gyms in 2025, in line with our three year target of c.50 gyms, delivering an average ROIC of 30%. We remain committed to our ROIC target, which will continue to take precedence over delivering a specific number of site openings in any given year.

We have also refined our approach to launching our new gyms, which has resulted in a more rapid ramping up of member volumes. Enhanced tailoring to local markets has seen the four sites opened in H1 (two in Greater London and two in Urban Residential locations) open very strongly compared to previous cohorts.

We continue to drive cost efficiency projects that will enhance new site returns as well as improve mature site performance, including refining the operating model, optimising energy usage and innovating in-build cost management.

Preliminary work on the steps we might take to broaden our growth into new channels, adjacencies and/or markets continues, and we will provide an update on our plans in due course.

Management changes

Alison Sagar, Chief Commercial Officer, stepped down from the Executive Committee and left the business in July. Tina Koehler joins on 30 September in the same role. Tina joins from Deliveroo, where she was Chief Marketing Officer, having previously served in senior commercial and marketing roles at Procter & Gamble, Amazon and Audi.

Summary and Outlook

Our near-term priority remains reducing the pricing gap with key competitors while this opportunity sustains, whilst aiming to maintain volume. The first half benefited from both the repricing action taken in the second half of last year and higher headline rates applied in the key January/February recruitment period, as well as more efficient promotions. As we anniversary these actions the benefit to yield in the second half of the current year is likely to be at a lower rate than in the first half. We have raised our full year like-for-like revenue guidance from 4-5% growth to 5-6%. Further details of full year guidance can be found in the Financial Review on page 10.

Trading momentum has continued strongly ahead of the key student recruitment period, and we are well prepared for autumn trading. We continue to execute our strategy across yield and revenue management, member acquisition and retention, with encouraging early results. The second half of the year will see us step up our openings and also deliver a further raft of improvements in over 100 sites.

We are well-set for the balance of the year and expect to deliver full year results at the top end of recently revised market expectations⁶.

⁶ Current Company-compiled analyst forecast range for EBITDA Less Normalised Rent is £42.4m-£44m.

Financial Review

Presentation of results

This Financial Review uses a combination of statutory and non-statutory measures to discuss performance in the period. The definitions of the non-statutory key performance indicators can be found in the 'Definition of non-statutory measures' section.

To assist stakeholders in understanding the financial performance of the Group, aid comparability between periods and provide a clearer link between the Financial Review and the consolidated financial statements, we have also adopted a three-column format for presenting the Group income statement in which we separately disclose underlying trading and non-underlying items.

Non-underlying items are income or expenses that are material by their size and/or nature and are not considered to be incurred in the normal course of business. They are classified as non-underlying items on the face of the Group income statement within their relevant category. Non-underlying items include costs of major strategic projects and investments, restructuring and reorganisation costs (including site closure costs), impairment of assets, amortisation and impairment of business combination intangibles, remeasurement gains or losses on borrowings, and refinancing costs. Further details on non-underlying items are provided later in this report.

Summary

	Six months ended 30 June 2024	Six months ended 30 June 2023	Movement
Total number of gyms at period end	237	230	+3%
Total number of members at period end ('000)	905	867	+4%
Revenue (£m)	112.1	99.8	+12%
Group Adjusted EBITDA (£m)	41.7	35.1	+19%
Group Adjusted EBITDA Less Normalised Rent (£m)	22.1	17.2	+28%
Adjusted profit/(loss) before tax (£m)	0.5	(5.2)	±£5.7m
Statutory profit/(loss) before tax (£m)	0.2	(6.1)	±£6.3m
Statutory profit/(loss) after tax (£m)	0.2	(6.1)	±£6.3m
Net cash inflow from operating activities (£m)	52.0	42.0	+24%
Free cash flow (£m)	24.5	14.2	+73%
Non-Property Net Debt (£m) (as at period end)	(54.6)	(69.7)	Down by 22%

Results for the period

	Six months ended 30 June 2024			Six months ended 30 June 2023		
	Underlying result	Non-underlying items	Total	Underlying result	Non-underlying items	Total
	£m	£m	£m	£m	£m	£m
Revenue	112.1	-	112.1	99.8	-	99.8
Cost of sales	(1.5)	-	(1.5)	(1.4)	-	(1.4)
Gross profit	110.6	-	110.6	98.4	-	98.4
Operating expenses (before depreciation, amortisation and impairment)	(69.9)	-	(69.9)	(64.7)	(0.5)	(65.2)
Depreciation, amortisation and impairment	(29.7)	(0.1)	(29.8)	(28.5)	(0.1)	(28.6)
Operating profit	11.0	(0.1)	10.9	5.2	(0.6)	4.6
Finance costs	(10.7)	(0.2)	(10.9)	(10.4)	(0.3)	(10.7)
Finance income	0.2	-	0.2	-	-	-
Profit/(loss) before tax	0.5	(0.3)	0.2	(5.2)	(0.9)	(6.1)
Tax (charge)/credit	-	-	-	-	-	-
Profit/(loss) for the period attributable to shareholders	0.5	(0.3)	0.2	(5.2)	(0.9)	(6.1)
Earnings/(loss) per share						
Basic and diluted (p)	0.3		0.1	(2.9)		(3.4)

Revenue

Trading in the first half of 2024 has been strong, with good growth in both membership and yield. Revenue increased by 12% to £112.1m (H1 23: £99.8m), reflecting 3% higher average membership numbers throughout the period and a 9% increase in yield.

The average membership number in the period was 914,000 compared with 884,000 in the six months ended 30 June 2023; we closed the period with 905,000 members which was up 6% on 31 December 2023.

The average headline price of a Standard membership increased to £23.94 in June 2024 compared with £22.02 in June 2023 and £23.16 in December 2023, largely as a result of higher joining fees and price increases for new members, as well as some selective repricing of the base membership. The proportion of members taking our premium membership was 31.3% in June 2024 compared with 30.7% and 31.7% in June 2023 and December 2023 respectively. As a result, Average Revenue Per Member Per Month ('ARPM') in the first half of 2024 was up 9% to £20.44 compared with £18.81 in the first half of 2023.

Like-for-like revenue (based on all sites open as at 31 December 2021) increased by 9% year on year.

Cost of sales

Cost of sales, which includes the costs associated with the generation of ancillary income as well as call centre costs and payment processing costs, were £1.5m (H1 23: £1.4m) with the increase year on year mirroring the revenue and membership growth.

Underlying operating expenses (before depreciation, amortisation and impairment)

Underlying operating expenses (before depreciation, amortisation and impairment) are made up as follows:

	Six months ended 30 June 2024	Six months ended 30 June 2023
	£m	£m
Site costs	56.4	53.3
Site Normalised Rent	19.4	17.7
Site costs including Normalised Rent	75.8	71.0
Central Support Office costs	12.5	10.0
Central Support Office Normalised Rent	0.2	0.2
Central Support Office costs including Normalised Rent	12.7	10.2
Share based payments	1.0	1.4
	89.5	82.6
Less: Normalised Rent	(19.6)	(17.9)
Underlying operating expenses (before depreciation, amortisation and impairment)	69.9	64.7

Site costs

In the first half of 2024, site costs increased by 6% to £56.4m (H1 23: £53.3m). Excluding the impact of new sites opened in FY23 and FY24, site costs increased by 3%.

The fixed costs associated with running the sites (predominantly building rates and service charges) were broadly flat year on year as the impact of the increased estate size and inflationary increases in building rates costs (new three year assessment period starting April 2023) were offset by rebates received as a result of successful rateable value appeals.

Controllable site costs increased by £3.2m, reflecting the increased estate size and inflationary pay and cost increases. Utilities rates moderated slightly in the period as expected.

Site Normalised Rent, which is defined as the contractual rent payable, recognised in the monthly period to which it relates, increased by £1.7m in the period, again reflecting the larger estate size, with rent free periods on sites opened in the second half of FY22 and FY23 coming to an end.

Central Support Office costs

Central Support Office costs in the period increased to £12.5m (H1 23: £10.0m), reflecting the investment made to date to deliver the Next Chapter strategy, as well as inflationary pay increases and increased accruals for discretionary pay awards linked to financial performance. Normalised Rent in relation to the Group's head office remained flat at £0.2m.

Share based payments

Share based payments in the period amounted to £1.0m (H1 23: £1.4m). The lower first half charge largely reflects delays in granting awards under the 2024 schemes until changes to the Group's remuneration policy were approved by shareholders at the AGM in May.

In January 2024, the Group established an Employee Benefit Trust ('EBT') which is being used to purchase shares in order to minimise dilution associated with the share based payments. During the period, the EBT purchased 1,399,973 shares, which have been classified as Treasury shares in the Consolidated Statement of Financial Position. Subsequent to 30 June 2024, the EBT purchased a further 1,434,955 shares.

Underlying depreciation and amortisation

Underlying depreciation and amortisation charges in the period amounted to £29.7m (H1 23: £28.5m). The increase year on year reflects the increased estate size and continuing investment in technology.

Group Adjusted EBITDA Less Normalised Rent

The Group's key profit metric is Group Adjusted EBITDA Less Normalised Rent as the Directors believe that this measure best reflects the underlying profitability of the business. Group Adjusted EBITDA Less Normalised Rent is reconciled to Operating profit/(loss) as follows:

	Six months ended 30 June 2024	Six months ended 30 June 2023
	£m	£m
Operating profit	10.9	4.6
Non-underlying operating items (see below)	0.1	0.6
Share based payments	1.0	1.4
Underlying depreciation and amortisation	29.7	28.5
Group Adjusted EBITDA	41.7	35.1
Normalised Rent ⁷	(19.6)	(17.9)
Group Adjusted EBITDA Less Normalised Rent	22.1	17.2

⁷ Normalised Rent is the contractual rent payable, recognised in the monthly period to which it relates. Property lease payments differ to Normalised Rent by £0.1m (H1 23: £0.1m) due to timing differences.

Group Adjusted EBITDA Less Normalised Rent at £22.1m was 28% ahead of the prior year period (H1 23: £17.2m), as the increased revenue was only partially offset by increased site operating costs and the growth in support office costs.

Underlying finance costs

Underlying finance costs increased in the period by £0.3m to £10.7m (H1 23: £10.4m). The finance costs associated with our bank borrowings (comprising interest payable and fee amortisation less capitalised interest) increased by

£0.4m to £3.0m (H1 23: £2.6m) as the benefit from reduced borrowings was more than offset by the increases in SONIA rates throughout 2023. The average interest rate paid in the period on drawn funds was 8.5% (H1 23: 7.6%).

The implied interest relating to the lease liabilities was £7.7m (H1 23: £7.8m).

Non-underlying items

Non-underlying items are costs or income which the Directors believe, due to their size or nature, are not the result of normal operating performance. They are therefore separately disclosed on the face of the income statement to allow a more comparable view of underlying trading performance.

	Six months ended 30 June 2024	Six months ended 30 June 2023
	£m	£m
Affecting operating expenses (before depreciation, amortisation and impairment)		
Costs of major strategic projects and investments	-	0.1
Restructuring and reorganisation costs (including site closures)	-	0.4
	-	0.5
Affecting depreciation, amortisation and impairment		
Amortisation of business combination intangible assets	0.1	0.1
	0.1	0.1
Affecting finance costs		
Remeasurement of borrowings	-	0.1
Refinancing costs	0.2	0.2
	0.2	0.3
Total all non-underlying items before tax	0.3	0.9
Tax on non-underlying items	-	-
Total non-underlying charge in income statement	0.3	0.9

Non-underlying costs affecting depreciation, amortisation and impairment in the period relates to the amortisation of business combination intangibles acquired as part of the Lifestyle, easyGym and Fitness First acquisitions. Non-underlying items affecting finance costs amounted to £0.2m (H1 23: £0.3m) and relates to advisory and legal costs incurred in agreeing the Group's new banking facilities.

Taxation

The tax charge for the period was £nil (H1 23: £nil) and the effective tax rate on the statutory profit before tax for the period ended 30 June 2024 was therefore 0% (H1 23: 0%).

The net deferred tax asset recognised at 30 June 2024 was £16.3m (31 December 2023: £16.3m; 30 June 2023 £16.3m). This comprised deferred tax assets in respect of tax losses and other temporary differences where the Directors believe it is probable that these will be recovered within a reasonable period. Short term timing differences are generally recognised ahead of losses on the basis that they are likely to reverse more quickly.

The financial forecast used in the Going Concern assessment was also used to assess the deferred tax recoverability at 30 June 2024, and the Directors believe that this forecast provides convincing evidence to support the continued recognition of the deferred tax assets that were recognised at 31 December 2023. However, given the ongoing macroeconomic and geopolitical uncertainty, the Directors do not believe it is appropriate to recognise additional deferred tax assets at 30 June 2024.

Earnings

As a result of the factors discussed above, the statutory profit before tax in the period was £0.2m (H1 23: loss of £6.1m) and the statutory profit after tax was £0.2m (H1 23: loss of £6.1m).

Adjusted profit before tax is calculated by taking the statutory profit before tax and adding back the non-underlying items. Adjusted profit before tax was £0.5m (H1 23: loss of £5.2m). Adjusted profit after tax was £0.5m (H1 23: loss of £5.2m).

The basic and diluted earnings per share was 0.1p (H1 23: loss of 3.4p), and the basic and diluted adjusted profit per share was 0.3p (H1 23: loss of 2.9p).

Dividend

We are a growth company, in a growth market, with a clear capital allocation policy. Whilst dividends and other returns of capital to shareholders will be considered by the Directors in the future, we are not proposing an interim dividend for the current year as we continue to see significant opportunities, with attractive returns, to invest our free cash flow in growing the business.

Cash flow

	Six months ended 30 June 2024	Six months ended 30 June 2023
	£m	£m
Group Adjusted EBITDA Less Normalised Rent	22.1	17.2
Movement in working capital	10.7	7.5
Maintenance capital expenditure	(4.3)	(7.0)
Free cash flow before non-underlying items, interest and tax	28.5	17.7
Non-underlying items	(0.5)	(0.6)
Net interest paid	(3.5)	(2.9)
Free cash flow⁸	24.5	14.2
Expansionary capital expenditure	(11.2)	(7.6)
Purchase of own shares	(1.5)	-
Refinancing fees	-	(0.2)
Cash flow before movement in debt	11.8	6.4
Net (decrease)/increase in non-property lease indebtedness	(2.9)	0.3
Net repayment of borrowings	(3.0)	(7.0)
Net cash flow	5.9	(0.3)

⁸ A reconciliation of Net cash inflow from operating activities to Free cash flow has been included in Note 11 to the Interim Financial Statements.

Free cash flow generated in the period was £24.5m (H1 23: £14.2m). The increase year on year reflects the improved trading profits as well as higher working capital inflows, driven partly by short-term timing differences on payments and receipts. The cash outflow in respect of maintenance capital expenditure in the period of £4.3m was lower year on year (H1 23: £7.0m) as a result of settling a higher than normal level of creditors brought forward from 2022 in HY23.

Expansionary capital expenditure in the period amounted to £11.2m (H1 23: £7.6m) and relates predominantly to the fit-out of the four new gyms we opened in the period and spend on technology projects.

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As noted earlier, in January 2024, the Group established an Employee Benefit Trust ('EBT') which is being used to purchase shares in order to minimise dilution associated with the share based payments and during the period, the EBT purchased 1,399,973 shares at a cost of £1.5m.

Balance sheet and net debt

	At 30 June 2024	At 30 June 2023	At 31 December 2023
	£m	£m	£m
Non-current assets	555.5	567.2	558.5
Current assets	15.4	10.8	13.0
Current liabilities	(77.4)	(63.2)	(72.3)
Non-current liabilities	(365.9)	(385.6)	(371.2)
Net assets	127.6	129.2	128.0
Net debt	(54.6)	(69.7)	(66.4)

Non-current assets decreased in the period by £3.0m to £555.5m as right of use assets acquired (in relation to new leases) was more than offset by the depreciation and amortisation charged in the period.

Net current liabilities increased by £2.7m, largely as a result of short term timing differences in working capital balances.

Non-current liabilities decreased by £5.3m as a £3m reduction in drawings under the Group's RCF and payments made in relation to existing leases more than offset the recognition of lease liabilities on new sites.

As at 30 June 2024, the Group had Non-Property Net Debt of £54.6m (31 December 2023: £66.4m; 30 June 2023: £69.7m) comprising drawn facilities of £56.0m and non-property leases of £6.0m, less cash of £7.4m. The Directors believe that this measure of net debt best reflects the financial health of the business. In addition, it is a key constituent of the Adjusted Leverage covenant included in the Group's banking agreement. At 30 June 2024, Adjusted Leverage was 1.26 times (December 2023: 1.72 times), significantly below the banking covenant threshold of 3.0 times; and Fixed Charge Cover was 1.81 times (December 2023: 1.73 times).

New banking facilities agreement

On 28 June 2024, the Group agreed a new facilities agreement with the same banking syndicate, which came into effect on 1 July 2024. Under the new agreement, the Group has in place a combined £90m facility, consisting of £45m of Term Loan and £45m of RCF. The new facility is due to mature in June 2027.

Funds borrowed under the new facility agreement will bear interest at a minimum annual rate of 2.75% (was 2.85%) above the Sterling Overnight Index Average ('SONIA'); and undrawn funds under the RCF will bear interest at a minimum annual rate of 1.1% (was 1.14%).

The new facilities agreement will continue to be subject to quarterly financial covenant tests on Adjusted Leverage and Fixed Charge Cover (both terms defined on page 12). Adjusted Leverage must not exceed 3.0 times and the Fixed Charge Cover must be greater than 1.5 times.

Terms permit the distribution of surplus cashflow to shareholders in line with our capital allocation policy, which prioritises organic growth.

Going concern

The Board has reviewed the financial forecast and downside scenarios of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 31 December 2025. As a result, the Directors continue to adopt the going concern basis in preparing the Interim Financial Statements. In making this assessment, consideration has been given to the current and future expected trading performance; the Group's current and forecast liquidity position; and the mitigating actions that can be deployed in the event of reasonable downside scenarios. Further detail is provided in Note 2 to the Interim Financial Statements.

Current trading and outlook

Trading in July and August shows continued positive momentum. So, after a strong first half, and continued encouraging trading throughout the summer, we expect to deliver full year results at the top end of recently revised market expectations⁹, with like-for-like revenue in 2024 now expected to increase by 5-6% overall.

We continue to expect like-for-like site cost growth of 2-3%, with utility rates continuing to moderate further in the second half. We expect Central Support Office costs in the second half to be at a similar level to what we have seen in the first half as we invest to deliver the Next Chapter growth plan.

We reiterate our plan to open 10-12 sites in 2024, with all new sites continuing to be financed from free cash flow and we expect Adjusted Leverage to be at the lower end of the range of 1.5 to 2.0 times. The Next Chapter growth plan aims to deliver c.50 site openings over three years with an average ROIC of 30%, funded from free cashflow.

⁹ Current Company-compiled analyst forecast range for EBITDA Less Normalised Rent is £42.4m-£44m.

Principal risks and uncertainties

The Directors take very seriously their responsibility for operating a robust risk management and internal controls process, and for reviewing their effectiveness at least annually. The risk management framework is designed to effectively identify, assess and mitigate risks, whilst enabling the Group to deliver its strategic and operational objectives.

During the period, there has been a continued focus on risk management. Key risk indicators are monitored quarterly, and functional risk registers have been updated during the period. We also continue to monitor the ongoing macroeconomic and geopolitical environment and assess the impact this could have on the Group's principal risks.

The principal risks and uncertainties that the Group expects to be exposed to in the second half of the year are the same as those described in the 'Principal risks and uncertainties' section of the Group's Annual Report and Accounts 2023 (pages 54-61), a summary of which is provided below.

- Operational gearing
- Member experience
- Trading environment
- Our people
- IT dependency
- Cyber and data security
- Reputation, brand and trust
- Reliance on key suppliers

Climate change and Artificial intelligence continue to be considered as emerging risks for the Group.

Update on 2024 Annual General Meeting voting

An update as regards the voting outcome for resolutions 3, 4 and 11 at the Company's 2024 AGM has been published in the corporate governance section, within investors, of the Company's website - <https://www.tggplc.com/investors/corporate-governance/statements>.

Responsibility statement

The Directors confirm that, to the best of their knowledge:

- the condensed consolidated financial statements ('Interim Financial Statements') have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the United Kingdom and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group for the period ended 30 June 2024 as required by the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority ('DTR') 4.2.4R.
- the half year results announcement includes a fair review of the significant events during the first six months of the financial year and a description of principal risks and uncertainties for the remaining six months of the financial year as required by DTR 4.2.7R.
- the notes to the condensed consolidated financial statements include a fair review of related party transactions and changes thereto as required by DTR 4.2.8R.

The Directors of the Company are listed on pages 72 and 73 of the Group's Annual Report and Accounts 2023. A list of the current Directors is maintained on the Group's website at www.tggplc.com.

On behalf of the Board

Luke Tait
Chief Financial Officer
11 September 2024

Definition of non-statutory measures

- Group Adjusted EBITDA* - operating profit before depreciation, amortisation, share based payments and non-underlying items.
- Normalised Rent* - the contractual rent payable, recognised in the monthly period to which it relates. Property lease payments differ to Normalised Rent by £0.1m (H1 23: £0.1m) due to timing differences.
- Group Adjusted EBITDA Less Normalised Rent* - Group Adjusted EBITDA after deducting Normalised Rent. A reconciliation of Operating profit/(loss) to Group Adjusted EBITDA Less Normalised Rent is included below the Consolidated statement of comprehensive income in the Interim Financial Statements.
- Adjusted Profit/Loss before tax* - profit/loss before tax before non-underlying items.
- Adjusted Earnings* - profit/loss for the period before non-underlying items and the related tax.
- Basic Adjusted EPS* - Adjusted Earnings divided by the basic weighted average number of shares.
- Free cash flow* - Group Adjusted EBITDA Less Normalised Rent and movement in working capital, less maintenance capital expenditure, cash non-underlying items, bank and non-property lease interest and tax. A reconciliation of Net cash inflow from operating activities to Free cash flow is included in Note 11 to the Interim Financial Statements.
- Non-Property Net Debt* - bank and non-property lease debt less cash and cash equivalents. See Note 9 to the Interim Financial Statements for the breakdown.
- Maintenance capital expenditure* - costs of replacement gym equipment and premises refurbishment.
- Expansionary capital expenditure* - costs of fit-out of new gyms (both organic and acquired), technology projects and other strategic projects. It is stated net of contributions from landlords.
- Adjusted Leverage* - Non-Property Net Debt divided by Group Adjusted EBITDA Less Normalised Rent.
- Fixed Charge Cover* - Group Adjusted EBITDA divided by Finance costs (excluding interest costs on property leases) less Finance income plus Normalised Rent.

Consolidated Statement of Comprehensive Income For the period ended 30 June 2024

	Note	6 months ended 30 June 2024			6 months ended 30 June 2023		
		Underlying	Unaudited Non-underlying (Note 4)		Underlying	Unaudited Non-underlying (Note 4)	
			£m	£m		£m	£m
Revenue	3	112.1	-	112.1	99.8	-	99.8
Cost of sales		(1.5)	-	(1.5)	(1.4)	-	(1.4)
Gross profit		110.6	-	110.6	98.4	-	98.4
Operating expenses (before depreciation, amortisation and impairment)		(69.9)	-	(69.9)	(64.7)	(0.5)	(65.2)
Depreciation, amortisation and impairment		(29.7)	(0.1)	(29.8)	(28.5)	(0.1)	(28.6)
Operating profit		11.0	(0.1)	10.9	5.2	(0.6)	4.6
Finance costs		(10.7)	(0.2)	(10.9)	(10.4)	(0.3)	(10.7)
Finance income		0.2	-	0.2	-	-	-
Profit/(loss) before tax		0.5	(0.3)	0.2	(5.2)	(0.9)	(6.1)
Tax (charge)/credit	5	-	-	-	-	-	-
Profit/(loss) for the period attributable to equity shareholders		0.5	(0.3)	0.2	(5.2)	(0.9)	(6.1)
Other comprehensive income for the period							
Items that may be reclassified to profit or loss							
Changes in the fair value of derivative financial instruments		-	-	-	-	-	-
Total comprehensive income/(expense) attributable to equity shareholders		0.5	(0.3)	0.2	(5.2)	(0.9)	(6.1)
Earnings/(loss) per share (p)	6						
Basic and diluted		0.3		0.1	(2.9)		(3.4)

Reconciliation of Operating profit to Group Adjusted EBITDA Less Normalised Rent¹

	Note	6 months ended 30 June 2024	6 months ended 30 June 2023
		Unaudited	Unaudited
		£m	£m

Operating profit		10.9	4.6
Add back: Non-underlying operating items	4	0.1	0.6
Share based payments (included in Operating expenses)	13	1.0	1.4
Underlying depreciation and amortisation		29.7	28.5
Group Adjusted EBITDA		41.7	35.1
Less: Normalised Rent ²		(19.6)	(17.9)
Group Adjusted EBITDA Less Normalised Rent¹		22.1	17.2

- 1 Group Adjusted EBITDA Less Normalised Rent is a non-statutory metric used internally by management and externally by investors. It is calculated as operating profit before depreciation, amortisation, share based payments and non-underlying items, and after deducting Normalised Rent.
- 2 Normalised Rent is the contractual rent payable, recognised in the monthly period to which it relates. Property lease payments differ to Normalised Rent by £0.1m (H1 23: £0.1m) due to timing differences.

Consolidated Statement of Financial Position As at 30 June 2024

		30 June 2024	30 June 2023	31 December 2023
		Unaudited	Unaudited	Audited
Note		£m	£m	£m
Non-current assets				
Intangible assets		91.7	91.5	91.4
Property, plant and equipment	7	171.1	171.8	171.7
Right-of-use assets	8	275.4	286.6	278.1
Investments in financial assets		1.0	1.0	1.0
Deferred tax assets	5	16.3	16.3	16.3
Total non-current assets		555.5	567.2	558.5
Current assets				
Inventories		0.6	0.8	0.7
Trade and other receivables		7.4	4.9	10.8
Cash and cash equivalents		7.4	5.1	1.5
Total current assets		15.4	10.8	13.0
Total assets		570.9	578.0	571.5
Current liabilities				
Trade and other payables		49.0	35.3	43.6
Lease liabilities	8	28.4	27.6	28.6
Provisions		-	0.3	0.1
Total current liabilities		77.4	63.2	72.3
Non-current liabilities				
Borrowings	9	56.8	63.3	58.9
Lease liabilities	8	307.4	320.8	310.6
Provisions		1.7	1.5	1.7
Total non-current liabilities		365.9	385.6	371.2
Total liabilities		443.3	448.8	443.5
Net assets		127.6	129.2	128.0
Capital and reserves				
Own shares held		0.1	0.1	0.1
Share premium		189.8	189.8	189.8
Treasury shares	15	(1.4)	-	-
Merger reserve		39.9	39.9	39.9
Retained deficit		(100.8)	(100.6)	(101.8)
Total equity shareholders' funds		127.6	129.2	128.0

Consolidated Statement of Changes in Equity For the period ended 30 June 2024

		Own shares held	Share premium	Treasury shares	Merger reserve	Retained deficit	Total
Note		£m	£m	£m	£m	£m	£m
At 1 January 2024		0.1	189.8	-	39.9	(101.8)	128.0
Profit for the period		-	-	-	-	0.2	0.2
Other comprehensive income for the period		-	-	-	-	-	-
Profit for the period and total comprehensive income		-	-	-	-	0.2	0.2
Purchase of own shares	15	-	-	(1.5)	-	-	(1.5)
Exercise of share options		-	-	0.1	-	(0.1)	-
Share based payments	13	-	-	-	-	0.9	0.9
Deferred tax on share based payments		-	-	-	-	-	-
At 30 June 2024 (Unaudited)		0.1	189.8	(1.4)	39.9	(100.8)	127.6

Consolidated Statement of Changes in Equity For the period ended 30 June 2023

		Own shares held	Share premium	Treasury shares	Merger reserve	Retained deficit	Total
		£m	£m	£m	£m	£m	£m

Note	£m	£m	£m	£m	£m	£m
At 1 January 2023	0.1	189.8	-	39.9	(95.8)	134.0
Loss for the period	-	-	-	-	(6.1)	(6.1)
Other comprehensive income for the period	-	-	-	-	-	-
Loss for the period and total comprehensive expense	-	-	-	-	(6.1)	(6.1)
Share based payments	13	-	-	-	1.3	1.3
Deferred tax on share based payments	-	-	-	-	-	-
At 30 June 2023 (Unaudited)	0.1	189.8	-	39.9	(100.6)	129.2

Consolidated Cash Flow Statement For the period ended 30 June 2024

	Note	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m
Cash flows from operating activities			
Profit/(loss) before tax		0.2	(6.1)
Adjustments for:			
Finance costs		10.9	10.7
Finance income		(0.2)	-
Non-underlying operating items		0.1	0.6
Underlying depreciation of property, plant and equipment	7	12.2	12.0
Underlying depreciation of right-of-use assets	8	14.6	14.0
Underlying amortisation of intangible assets		2.9	2.5
Share based payments	13	1.0	1.4
Loss on disposal of property, plant and equipment		0.1	-
Decrease in inventories		0.1	0.1
Decrease in trade and other receivables		3.5	3.9
Increase in trade and other payables		7.2	3.8
Decrease in provisions		(0.1)	(0.3)
Net cash inflow from operating activities before non-underlying items		52.5	42.6
Non-underlying items		(0.5)	(0.6)
Net cash inflow from operating activities	11	52.0	42.0
Cash flows from investing activities			
Purchase of property, plant and equipment		(12.2)	(7.7)
Purchase of intangible assets		(3.3)	(3.9)
Bank interest received		0.2	0.1
Purchase of own shares		(1.5)	-
Net cash outflow used in investing activities		(16.8)	(11.5)
Cash flows from financing activities			
Repayment of lease liability principal		(15.2)	(13.4)
Lease interest paid		(7.7)	(7.8)
Bank interest paid		(3.4)	(2.4)
Payment of financing fees		-	(0.2)
Repayment of bank loans		(3.0)	(7.0)
Net cash outflow from financing activities		(29.3)	(30.8)
Net increase/(decrease) in cash and cash equivalents		5.9	(0.3)
Cash and cash equivalents at the start of the period		1.5	5.4
Cash and cash equivalents at the end of the period		7.4	5.1

Notes to the Interim Financial Statements

1. General information

The Directors of The Gym Group plc ('the Company') and its subsidiaries ('the Group') present their interim report and unaudited condensed consolidated financial statements ('Interim Financial Statements') for the six months ended 30 June 2024. The Group operates low cost, high quality, 24/7, no contract gyms.

The Company is a public limited company whose shares are publicly traded on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The registered address of the Company is 5th Floor, OneCroydon, 12-16 Addiscombe Road, Croydon, CR0 0XT, United Kingdom.

The Interim Financial Statements were approved by the Board of Directors on 11 September 2024. They have not been audited or formally reviewed by the auditors.

2. Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK, and the Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority (where applicable).

The Interim Financial Statements provide comparative information in respect of the previous period. The financial information shown for the half year periods ended 30 June 2024 and 30 June 2023 does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The information shown for the year ended 31 December 2023 has been extracted from the Group's Annual Report and Accounts 2023 and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The Interim Financial Statements should be read in conjunction with the Group's Annual Report and Accounts 2023. The consolidated financial statements for the year ended 31 December 2023 have been filed with the Registrar of Companies. The independent auditors' report on the Group's Annual Report and Accounts for 2023 was unqualified and did not contain a

The independent auditors' report on the Group's Annual Report and Accounts for 2023 was unqualified and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

The functional currency of each entity in the Group is pound sterling. The Interim Financial Statements are presented in pound sterling and all values are rounded to the nearest one hundred thousand pounds, except where otherwise indicated.

Accounting policies

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those described in the Group's Annual Report and Accounts 2023, except for new standards effective as of 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The table below sets out those new and revised IFRS standards that have been issued and are relevant to the Group and effective for the current reporting period. Adoption of the below has not had a material impact on the Interim Financial Statements.

New pronouncement	Effective date
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7 - Disclosures: Supplier Finance	1 January 2024
Amendments to IAS 21 - Lack of Exchangeability	1 January 2024

2. Basis of preparation (continued)

Going concern

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

In assessing the going concern position of the Group for the period ended 30 June 2024, the Directors have considered the following:

- the Group's trading performance in the first half of 2024 and throughout July and August;
- future expected trading performance to December 2025 (the going concern period), including membership levels and behaviours in light of the continued difficult macroeconomic environment; and
- the Group's financing arrangements and relationship with its lenders and shareholders.

In the first half of 2024, we have seen strong trading, with membership at 30 June 2024 reaching 905,000. Average revenue per member per month ('ARPM') for the period was up 9% to £20.44, and Ultimate, the premium price product, ended the period at 31.3% of total membership. As a result, revenue for the period was £112.1m, up 12% on the prior year; and Group Adjusted EBITDA Less Normalised Rent at £22.1m was 28% higher than in the first half of 2023, as the growth in revenue outpaced cost inflation.

The Group also reported strong cash generation in the period, with free cash flow of £24.5m (see Note 11 to the Consolidated financial information for a reconciliation to Net cash inflow from operating activities) being generated and used to fund four new site openings, as well as significant investment in technology.

On 28 June 2024, the Group agreed a new facilities agreement with its existing banking syndicate, which came into effect on 1 July 2024. Under the new agreement, the Group has in place a combined £90m facility, consisting of £45m of Term Loan and £45m of RCF. The new facility is due to mature in June 2027.

The new facilities agreement will continue to be subject to quarterly financial covenant tests on Adjusted Leverage and Fixed Charge Cover (both terms defined on page 12). Adjusted Leverage must not exceed 3.0 times and the Fixed Charge Cover must be greater than 1.5 times.

As at 30 June 2024, the Group had Non-Property Net Debt of £54.6m (31 December 2023: £66.4m; 30 June 2023: £69.7m) comprising drawn facilities of £56.0m and non-property leases of £6.0m, less cash of £7.4m. The Directors believe that this measure of net debt best reflects the financial health of the business. In addition, it is a key constituent of the Adjusted Leverage covenant included in the Group's banking agreement. At 30 June 2024, Adjusted Leverage was 1.26 times (December 2023: 1.72 times), significantly below the banking covenant threshold of 3.0 times; and Fixed Charge Cover was 1.81 times (December 2023: 1.73 times).

Despite the encouraging trading year to date, the Directors have continued to take a cautious approach to modelling the future expected performance for the period to 31 December 2025. The base case forecast anticipates continued growth in yields across the whole estate as a result of pricing optimisation actions that have already been taken. Modest increases in membership levels are driven largely by the sites opened in 2023 and 2024, and not by growth in the mature estate.

In addition, the Directors have continued to take a measured approach to new site openings throughout the plan period, with all new sites assumed to be self-financed. Under this scenario, the financial covenants are passed with headroom and the Group can operate comfortably within its financing facilities.

The Directors have also considered a severe downside scenario in which membership numbers in the mature estate decline by approximately 5% during the latter part of 2024 and throughout 2025. Yields continue to increase in 2024 as a result of pricing optimisation actions already taken, but no further growth is assumed in 2025. In addition, the number of new site openings is reduced to conserve cash, and discretionary performance-related bonuses and share based payment funding are removed. Under this scenario, the financial covenants continue to be passed and the Group continues to operate within its financing facilities.

Conclusion

The Board has reviewed the financial forecast and downside scenarios of the Group and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 31 December 2025. As a result, the Directors continue to adopt the going concern basis in preparing the Interim Financial Statements. In making this assessment, consideration has been given to the current and future expected trading performance; the Group's current and forecast liquidity position and the support received to date from our lenders and shareholders; and the mitigating actions that can be deployed in the event of reasonable downside scenarios.

3. Revenue

The principal revenue streams for the Group are membership income, rental income from personal trainers and ancillary income. The majority of revenue is derived from contracts with members and all revenue arises in the United Kingdom.

Disaggregation of revenue

In the following table, revenue is disaggregated by major products and service lines and timing of revenue recognition.

	6 months ended 30 June 2024	6 months ended 30 June 2023
	Unaudited	Unaudited
	£m	£m
Major products/service lines		
Membership income	106.4	94.3

Membership income	100.7	97.0
Rental income from personal trainers	4.1	3.9
Ancillary income	1.6	1.6
	112.1	99.8
Timing of revenue recognition		
Products transferred at a point in time	2.0	1.8
Products and services transferred over time	110.1	98.0
	112.1	99.8

Contract liabilities at 30 June 2024 amounted to £13.4m (H1 23: £11.6m).

Contract liabilities relate to membership fees received at the start of a contract, where the Group has the obligation to provide a gym membership over a period of time and are included within trade and other payables. The contract liability balance increases as the Group's membership numbers increase.

The Group operates in a market that experiences a small degree of seasonality. The majority of members join during the first quarter of the year as a result of a post-Christmas drive to improve fitness levels and general health. A second wave of new joiners is experienced in September and October as students return to university, with quieter periods experienced during the school holidays. Marketing expenditure is phased towards peak joining periods, particularly the January/February campaign.

4. Non-underlying items

	6 months ended 30 June 2024 Unaudited £m	6 months ended 30 June 2023 Unaudited £m
Affecting operating expenses (before depreciation, amortisation and impairment)		
Costs of major strategic projects and investments	-	0.1
Restructuring and reorganisation costs/(income) (including site closures)	-	0.4
Total affecting operating expenses (before depreciation, amortisation and impairment)	-	0.5
Affecting depreciation, amortisation and impairment		
Amortisation of business combination intangible assets	0.1	0.1
Total affecting depreciation, amortisation and impairment	0.1	0.1
Total affecting operating expenses	0.1	0.6
Affecting finance costs		
Remeasurement of borrowings	-	0.1
Refinancing costs	0.2	0.2
Total affecting finance costs	0.2	0.3
Total all non-underlying items before tax	0.3	0.9
Tax on non-underlying items	-	-
Total non-underlying charge in income statement	0.3	0.9

The cash flow on non-underlying operating items was £0.5m (H1 2023: £0.6m). The £0.5m paid in the current period related to accruals on the Group balance sheet at 31 December 2023. Depreciation, amortisation and impairment and remeasurement of borrowings are non-cash items.

Non-underlying costs affecting depreciation, amortisation and impairment in the period relates to the amortisation of business combination intangibles acquired as part of the Lifestyle, easyGym and Fitness First acquisitions. Non-underlying items affecting finance costs amounted to £0.2m (H1 23: £0.3m) and relates to advisory and legal costs incurred in agreeing the Group's new banking facilities.

5. Taxation

The tax charge in the Consolidated Statement of Comprehensive Income of £nil (H1 23: £nil) has been calculated based on management's best estimate of the annual income tax rate expected for the full financial year, applied to the profit before tax for the half year ended 30 June 2024. The effective tax rate on the statutory profit before tax for the period ended 30 June 2024 was therefore 0% (H1 23: 0%).

The net deferred tax asset recognised at 30 June 2024 was £16.3m (31 December 2023: £16.3m; 30 June 2023: £16.3m). This comprised deferred tax assets in respect of tax losses and other temporary differences where the Directors believe it is probable that these will be recovered within a reasonable period. Short term timing differences are generally recognised ahead of losses on the basis that they are likely to reverse more quickly.

The financial forecast used in the Going Concern assessment was also used to assess the deferred tax recoverability at 30 June 2024, and the Directors believe that this forecast provides convincing evidence to support the continued recognition of the deferred tax assets that were recognised at 31 December 2023. However, given the ongoing macroeconomic and geopolitical uncertainty, the Directors do not believe it is appropriate to recognise additional deferred tax assets at 30 June 2024.

6. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity shareholders by the weighted average number of Ordinary shares outstanding during the period, excluding unvested shares held pursuant to The Gym Group plc's share based long term incentive schemes.

Diluted earnings/(loss) 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 period ended 30 June 2024, the Group had potentially dilutive shares in the form of share options and unvested shares issued pursuant to The Gym Group plc's share based long term incentive schemes.

	6 months ended 30 June 2024 Unaudited	6 months ended 30 June 2023 Unaudited
Profit/(loss) (£m)		
Profit/(loss) for the period attributable to equity shareholders	0.2	(6.1)
Adjustment for non-underlying items	0.3	0.9
Adjusted profit/(loss) for the period attributable to equity shareholders	0.5	(5.2)
Weighted average number of ordinary shares for basic EPS	179,090,919	178,373,139
Effect of dilution from share options	6,040,073	-

Weighted average number of ordinary shares adjusted for the effect of dilution	185,130,992	178,373,139
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Earnings/(loss) per share (p)

Basic earnings/(loss) per share	0.1	(3.4)
Diluted earnings/(loss) per share	0.1	(3.4)
Adjusted basic earnings/(loss) per share	0.3	(2.9)
Adjusted diluted earnings/(loss) per share	0.3	(2.9)

At 30 June 2023, 9,575,032 share awards were excluded from the diluted weighted average number of Ordinary shares calculation because their effect would be anti-dilutive.

7. Property, plant and equipment

For the period ended 30 June 2024

	Assets under construction	Leasehold improvements	Fixtures, fittings and equipment	Gym and other equipment	Computer equipment	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2024	1.8	251.2	11.9	94.3	6.3	365.5
Additions	3.1	6.2	0.1	1.9	0.5	11.8
Disposals	(0.1)	-	-	-	-	(0.1)
Transfers	(1.9)	1.6	-	0.2	-	(0.1)
At 30 June 2024	2.9	259.0	12.0	96.4	6.8	377.1
Accumulated depreciation						
At 1 January 2024	-	(111.4)	(10.1)	(67.5)	(4.8)	(193.8)
Charge for the period	-	(8.0)	(0.3)	(3.5)	(0.4)	(12.2)
At 30 June 2024	-	(119.4)	(10.4)	(71.0)	(5.2)	(206.0)
Net book value						
At 30 June 2024	2.9	139.6	1.6	25.4	1.6	171.1

For the period ended 30 June 2023

	Assets under construction	Leasehold improvements	Fixtures, fittings and equipment	Gym and other equipment	Computer equipment	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2023	2.3	240.8	11.6	90.0	5.6	350.3
Additions	2.0	1.6	-	1.0	0.2	4.8
Disposals	(0.1)	-	-	-	-	(0.1)
Transfers	(1.2)	0.8	-	(1.5)	-	(1.9)
At 30 June 2023	3.0	243.2	11.6	89.5	5.8	353.1
Accumulated depreciation						
At 1 January 2023	-	(95.2)	(9.6)	(60.5)	(4.0)	(169.3)
Charge for the period	-	(7.9)	(0.3)	(3.4)	(0.4)	(12.0)
At 30 June 2023	-	(103.1)	(9.9)	(63.9)	(4.4)	(181.3)
Net book value						
At 30 June 2023	3.0	140.1	1.7	25.6	1.4	171.8

Included within additions for the period is £3.3m of accrued capital expenditure (H1 23: £2.9m).

The Group had £6.5m of commitments that were contracted but not provided as at 30 June 2024 relating to contracts for the fit-out of new gyms where works have not yet commenced (H1 23: £5.8m).

8. Right-of-use assets and Leases

Amounts recognised in the Consolidated Statement of Financial Position in respect of right-of-use assets are as follows:

For the period ended 30 June 2024

	Property leases	Non-property leases	Total
	£m	£m	£m
Cost			
At 1 January 2024	434.3	18.3	452.6
Additions	12.0	-	12.0
Disposals	(1.9)	-	(1.9)
At 30 June 2024	444.4	18.3	462.7
Accumulated depreciation			
At 1 January 2024	(170.4)	(4.1)	(174.5)
Charge for the period	(13.3)	(1.3)	(14.6)
Disposals	1.8	-	1.8
At 30 June 2024	(181.9)	(5.4)	(187.3)

At 30 June 2024	(181.9)	(3.4)	(185.3)
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Net book value			
At 30 June 2024	262.5	12.9	275.4
For the period ended 30 June 2023			
	Property leases	Non-property leases	Total
	£m	£m	£m
Cost			
At 1 January 2023	420.5	15.3	435.8
Additions	8.2	1.1	9.3
Transfers	-	1.9	1.9
At 30 June 2023	428.7	18.3	447.0
Accumulated depreciation			
At 1 January 2023	(144.6)	(1.8)	(146.4)
Charge for the period	(13.0)	(1.0)	(14.0)
At 30 June 2023	(157.6)	(2.8)	(160.4)
Net book value			
At 30 June 2023	271.1	15.5	286.6

The split of lease liabilities between current and non-current is as follows:

	30 June 2024	30 June 2023	31 December 2023
	Unaudited	Unaudited	Audited
	£m	£m	£m
Current	28.4	27.6	28.6
Non-current	307.4	320.8	310.6
Total Lease liabilities	335.8	348.4	339.2

At 30 June 2024, the Group had in place total facilities of £11.5m in respect of non-property lease arrangements (30 June 2023: £12.8m) which it utilises to finance the fit-out of new gyms. As at 30 June 2024, the amount outstanding on these facilities was £6.0m (H1 23: £11.8m).

9. Borrowings and Non-Property Net Debt

The carrying value of the Group's bank borrowings at 30 June 2024 was £56.8m (31 December 2023: £58.9m; 30 June 2023: £63.3m).

During the period, the Group had in place a combined £80m Revolving Credit Facility ('RCF') (H1 23: £80m) which was syndicated to a three-lender panel of NatWest, HSBC and Barclays. The facility was due to mature in October 2025 and funds borrowed under the facility agreement bore interest at a minimum annual rate of 2.85% (H1 23: 2.85%) above the Sterling Overnight Index Average ('SONIA'). The average interest rate paid in the period on drawn funds was 8.5% (H1 23: 7.6%). Undrawn funds bore interest at a minimum annual rate of 1.14% (H1 23: 1.14%).

The Group's borrowings are held at amortised cost using the effective interest method. Each reporting period, the Group reviews its cash flow forecasts and if these have changed since the previous reporting period (other than as a result of changes in floating interest rates), the borrowings are remeasured using the original effective interest rate. Any remeasurement of borrowings is treated as non-underlying and excluded from Adjusted earnings.

At 30 June 2024, the Group had drawn down £56.0m under the facility agreement (30 June 2023: £63.0m). Adjusted Leverage was 1.26 times (H1 23: 1.82 times) and Fixed Charge Cover was 1.81 times (H1 23: 1.83 times). Both terms are defined on page 12.

Non-Property Net Debt at the period end was made up as follows:

	30 June 2024	30 June 2023	31 December 2023
	Unaudited	Unaudited	Audited
	£m	£m	£m
Bank borrowings	56.0	63.0	59.0
Less: Cash and cash equivalents	(7.4)	(5.1)	(1.5)
Non-Property Net Debt excluding non-property leases	48.6	57.9	57.5
Non-property leases (Note 10)	6.0	11.8	8.9
Non-Property Net Debt	54.6	69.7	66.4

On 28 June 2024, the Group agreed a new facilities agreement with the same banking syndicate which came into effect on 1 July 2024. Under the new agreement, the Group has in place a combined £90m facility, consisting of £45m of Term Loan and £45m of RCF. The new facility is due to mature in June 2027.

Funds borrowed under the new facility agreement will bear interest at a minimum annual rate of 2.75% above the Sterling Overnight Index Average ('SONIA'); and undrawn funds under the RCF will bear interest at a minimum annual rate of 1.1%. The new facilities agreement will continue to be subject to quarterly financial covenant tests on Adjusted Leverage and Fixed Charge Cover (both terms defined on page 12). Adjusted Leverage must not exceed 3.0 times and the Fixed Charge Cover must be greater than 1.5 times.

10. Financial liabilities

The table below sets out the changes in liabilities arising from financing activities.

For the period ended 30 June 2024				
	Borrowings	Non-property lease liabilities	Property lease liabilities	Total lease liabilities
	£m	£m	£m	£m
At 1 January 2024	58.9	8.9	330.3	339.2
Repayments of interest and principal	(6.4)	(3.2)	(19.7)	(22.9)
Interest expense	2.9	0.3	7.4	7.7
New leases and modifications	-	-	12.0	12.0

Lease disposals	-	-	(0.2)	(0.2)
Other	1.4	-	-	-
At 30 June 2024	56.8	6.0	329.8	335.8

For the period ended 30 June 2023

	Borrowings	Non-property lease liabilities	Property lease liabilities	Total lease liabilities
	£m	£m	£m	£m
At 1 January 2023	70.0	11.4	339.0	350.4
Repayments of interest and principal	(9.4)	(3.2)	(18.0)	(21.2)
Interest expense	2.7	0.5	7.3	7.8
New leases and modifications	-	3.1	8.3	11.4
At 30 June 2023	63.3	11.8	336.6	348.4

Included in 'Other' is the effect of changes to amortised cost on borrowings using the effective interest rate method and £1.2m of accrued interest reversal from December 2023.

11. Net cash inflow from operating activities

The Directors believe that Free cash flow is the measure that best reflects the amount of cash available to the Group for investing in new sites and technology, and for enhancing existing sites. A reconciliation of Net cash inflow from operating activities to Free cash flow is included below.

Reconciliation of Net cash inflow from operating activities to Free cash flow

	30 June 2024	30 June 2023
	Unaudited	Unaudited
	£m	£m
Net cash inflow from operating activities	52.0	42.0
Less: Property lease payments made (Note 10)	(12.3)	(10.7)
Less: Maintenance capital expenditure (including funded by lease)	(4.3)	(7.0)
Less: Bank and non-property lease interest paid	(11.1)	(10.2)
Add: Bank interest received	0.2	0.1
Free cash flow	24.5	14.2

12. Issued capital

The total number of shares in issue as at 30 June 2024 was 179,258,422 (30 June 2023: 178,401,999).

13. Share based payments

The Group operates share based compensation arrangements under The Gym Group plc Share Incentive Plan ('SIP'), The Gym Group plc Performance Share Plan ('PSP'), The Gym Group plc Restricted Stock Plan ('RSP'), The Gym Group plc Long Service Award Plan and The Gym Group plc Save as You Earn Plan ('SAYE').

During the period, a total of 64,502 (H1 23: 3,324,866) shares were granted under the Group's share schemes.

Subsequent to 30 June 2024, the Group issued new PSP and RSP awards, which vest over three years and are subject to continued employment. A total of 1,722,051 RSP options were issued. The PSP options are also subject to achievement of certain performance targets. A total of 2,804,981 PSP options were issued.

For the period ended 30 June 2024, the Group recognised a total charge of £1.0m (H1 23: £1.4m) in respect of the Group's share based payment arrangements and related employer's national insurance.

14. Related party transactions

The Group's significant related parties are as disclosed in Note 28 on page 157 of the Group's Annual Report and Accounts 2023. There have been no significant changes to the nature of the Group's related parties during the period.

15. Employee Benefit Trust

In January 2024, the Group established an Employee Benefit Trust ('EBT'). The EBT will be used to purchase shares in order to minimise dilution associated with the share based payments. In the period ended 30 June 2024, the EBT purchased 1,399,973 shares at a cost of £1.5m. These shares have been classified as Treasury shares in the Consolidated Statement of Financial Position.

Subsequent to 30 June 2024, the EBT purchased a further 1,434,955 shares at a cost of £2.0m.

16. Subsequent events

On 1 July 2024, the Group repaid the £56.0m of drawn RCF debt and associated accrued interest of £0.8m and drew down £45.0m of term loan and £11.0m of RCF under the new financing facility (details of which are set out in note 9). The £56.0m liability under the existing facility was classified as non-current in the Group's balance sheet at 30 June 2024.

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