

Sell-Side Investment Memo: The Gym Group plc

1. Executive Summary

The Gym Group plc is a UK-based operator of low-cost, no-contract fitness clubs with over 951,000 members and 230 gyms nationwide. Headquartered in Croydon and listed on the London Stock Exchange (LSE: GYM), the company generated £226 million in revenue and £87 million in adjusted EBITDA (pre-rent) in 2024.

With strong cash flow, a lean cost structure, and attractive unit economics, The Gym Group presents a compelling acquisition opportunity. This memo outlines the company's updated financials, key assumptions from the LBO model, investment highlights, valuation outputs, and buyer suitability.

2. Company Snapshot

- Name: The Gym Group plc
- Headquarters: Croydon, UK
- Founded: 2007
- Business Model: Low-cost gym memberships (monthly, no contract)
- 2024 Revenue: £226.3M
- 2024 Adjusted EBITDA (pre-rent): £87.3M
- No. of Gyms: 230 across the UK
- Employees: 1,837
- Clients: 951,000 members
- Stock Exchange: London Stock Exchange (LSE: GYM)

3. Financial Overview

Financial Summary Table (Historic & Forecast)

Year	Revenue (£M)	YoY Growth	Adj. EBITDA (£M)	EBITDA Margin
2021	106.0	+32%	6.0	5.4%
2022	172.9	+63%	38.0	22.0%
2023	204.0	+18%	39.0	19.0%
2024	226.3	+11%	87.3	38.6%

Valuation Multiples:

- EV/EBITDA (entry and exit): 9.0x
- Enterprise Value (EV) = 9.0x × £87.3M = £783M

- Net Debt: £61.3M (as of Dec 2024)
 - Equity Value = £783M – £61.3M = £721.7M
- Final Valuation Range: Based on a 9.0x multiple, equity investors would expect ~£722M in value.

4. Investment Highlights

- >90% revenue from recurring memberships
- Highly scalable model with lean staffing and 24/7 access
- Maintenance CapEx only 5% of revenue
- 25% ROIC from mature gyms with strong returns on capital
- Room for pricing growth, digital fitness monetisation

5. Market Positioning

The Gym Group is positioned as the second-largest player in the UK's low-cost gym segment, behind PureGym. It benefits from:

- Consistent demand for budget fitness
- Favourable demographic trends (Gen Z uptake, cost of living impact)
- Flexible, no-contract structure

Strategically, the business is well-placed for a buy-and-build strategy or strategic integration.

6. Buyer Suitability

Strategic Buyers:

- PureGym (consolidation of budget segment)
- JD Gyms (expansion strategy)
- Basic-Fit (European entry into UK)

Private Equity Buyers:

- Bridgepoint (ex-owner of PureGym)
- CVC, EQT, or BC Partners (multi-site and consumer fitness expertise)

7. Exit Strategy & Next Steps

Management remains in place and is supportive of a potential transaction. The strong cash flow profile enables value creation via deleveraging and organic growth.

Next Steps:

- Teaser & NDA distribution
- First round bids by 15 August 2025
- Management presentations late August

- Final round by 15 September
- Deal close targeted for Q4 2025

Appendix: LBO Summary

Key Assumptions

Item	Value	Note
LTM EBITDA	£87.3M	FY2024 pre-rent adjusted EBITDA
Entry/Exit Multiple	9.0x	Based on peer benchmark and IR expectations
Enterprise Value	£783M	9.0x × £87.3M
Net Debt	£61.3M	From FY2024 financials
Equity Value	£721.7M	EV – Net Debt
Fees & Expenses	£20M	2.5% of EV
CapEx	£12.2M	Maintenance + enhancement only (5% of revenue)
D&A	£60M	Per statutory report
NWC Movement	£8.7M	Per FY2024 cash flow statement
Revenue Growth	8.0%	From base case projection
Margin Expansion	1.0%	Based on cost leverage and marketing efficiency
Tax Rate	21.0%	UK effective corporate tax rate
IRR (base case)	34.8%	From sponsor equity return model

Sources & Uses (at Entry)

Sources	Amount (£M)	xEBITDA	% Capital
Bank Debt	349	4.0x	44.6%
Senior Notes	174	2.0x	22.2%
Sponsor Equity	240	2.7x	30.6%

Uses	Amount (£M)	xEBITDA	% Capital
Debt Retirement	61.3	0.7x	7.8%
Purchase Price	701.7	8.0x	89.6%
Fees & Expenses	20.0	0.2x	2.6%