

Q4 2019

INTERIM REPORT

OCTOBER – DECEMBER 2019

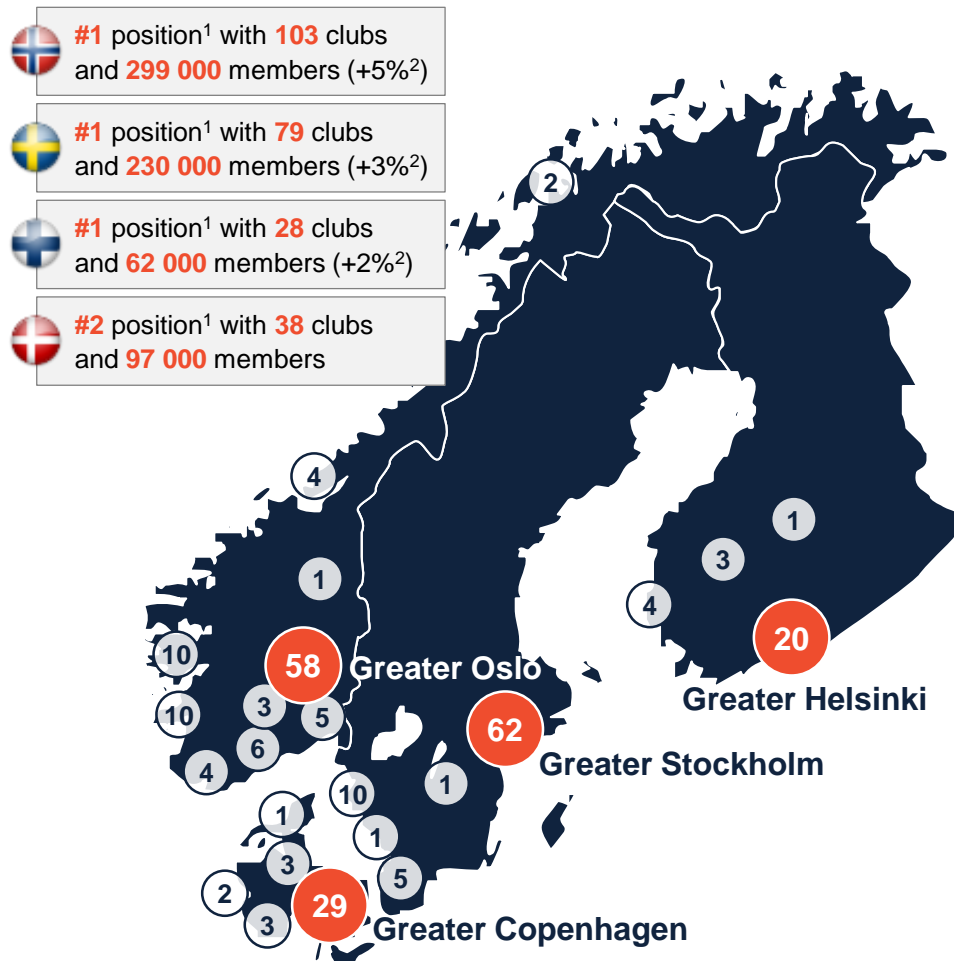
SONDRE GRAVIR
CECILIE ELDE

13 FEBRUARY 2020

SATS**GROUP**



DELIVERED A FINANCIALLY STRONG 2019 AND LAID THE FOUNDATION FOR FURTHER IMPROVEMENTS



KEY FIGURES	GROUP	EXCL. DENMARK
TOTAL REVENUES	1 036M +21% VS Q4 2018	908M +6% VS Q4 2018
ADJ. EBITDA BEFORE IFRS 16	155M +19% VS Q4 2018	166M +28% VS Q4 2018
ADJ. EBITDA BEFORE IFRS 16 MARGIN	15.0% -0.2 PP VS Q4 2018	18.3% +3.1 PP VS Q4 2018

(1) Measured by 2018 revenues including fitness dk based on figures from Deloitte EuropeActive EHFMR 2019
 (2) Compared to Q4 2018

CLUB EXPANSION ON TRACK

Q4 2019

OPENINGS



DANMARKSPASS

- With its 770 sqm the smallest club in the Norwegian portfolio so far
- Testing the concept of smaller clubs without GX room, using our clusters to offer a complementary range of clubs



SCHEELEGATAN

- White spot in attractive location

+2

2020

SIGNED GREENFIELDS:

- Tapiola: Opened
- Ursvik Entré: Opened
- Häggvik: H2 2020
- Arninge: H2 2020
- Iso Omena: H2 2020
- Skøyen and St. Olav to be relocated

SIGNED ACQUISITIONS:

- Hamnen: Q1 2020
- Mölnvik: Q1 2020

+7

DIVESTMENTS



VIBORG

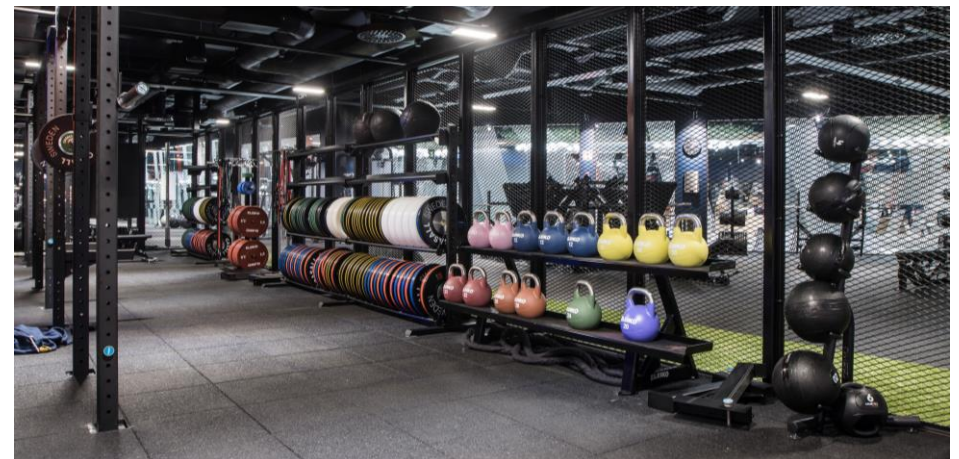
- Divestment of club without cluster connection
- Sold to Fitness1



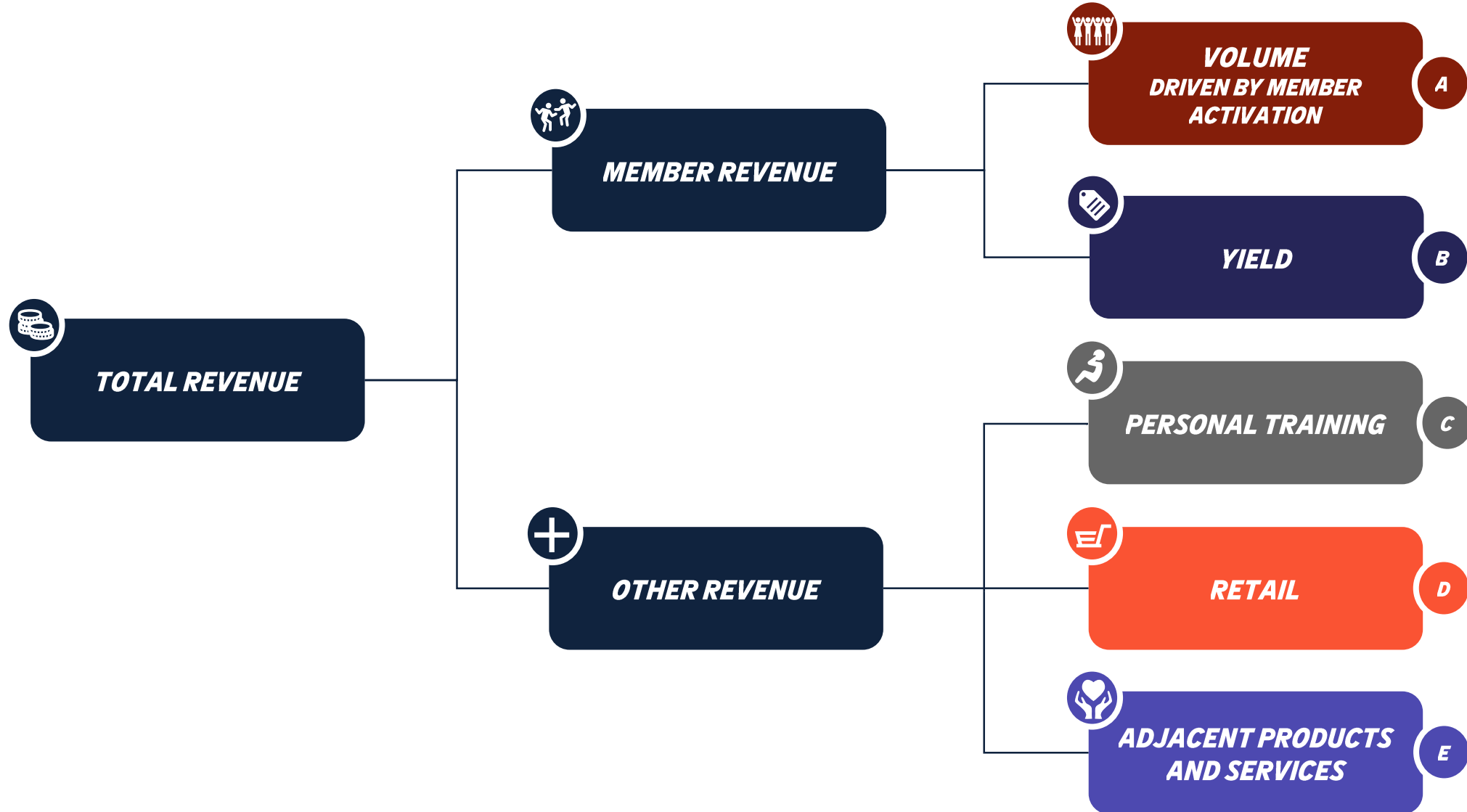
ITAKESKUS

- Closed and merged with ELIXIA Itis, 500m away, as Itis was expanded and renovated

-2



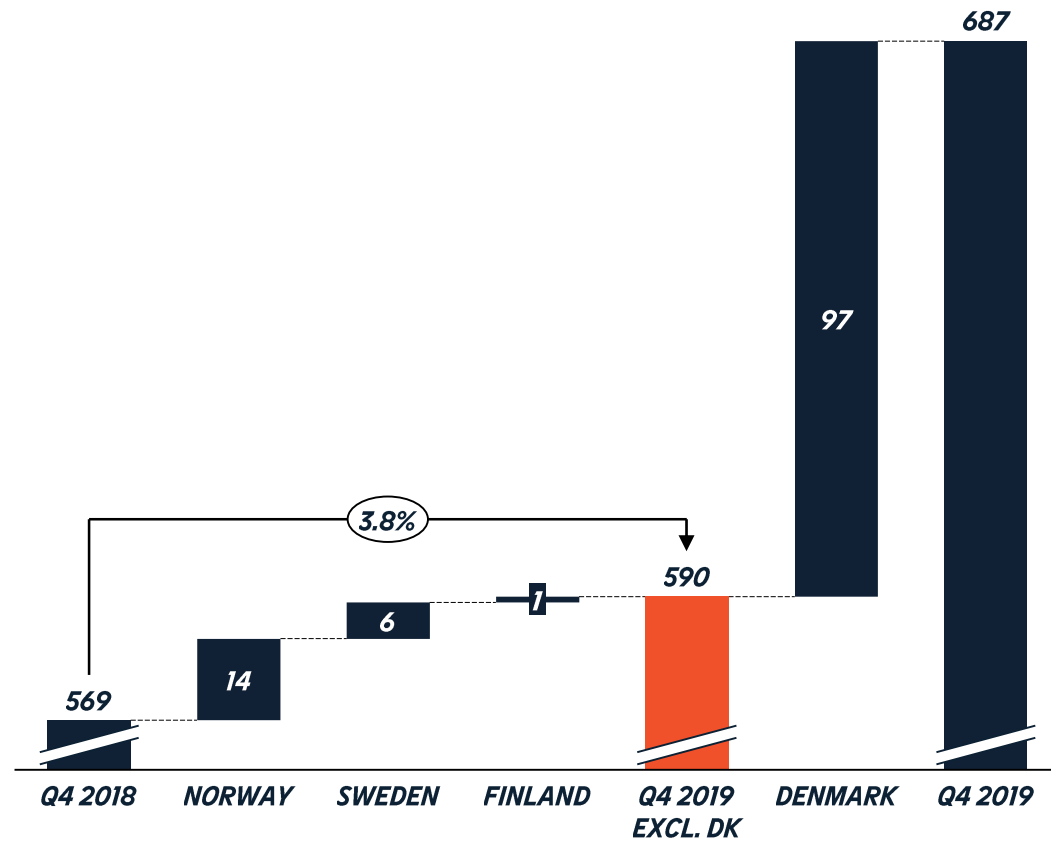
DEEP DIVE INTO THE MAIN REVENUE STREAMS



A | GROUP MEMBERS

21% MEMBER GROWTH IN 2019

OUTGOING MEMBER BASE ('000)



A | MEMBER ACTIVATION

INACTIVITY IS THE MAIN DRIVER OF MEMBER CHURN



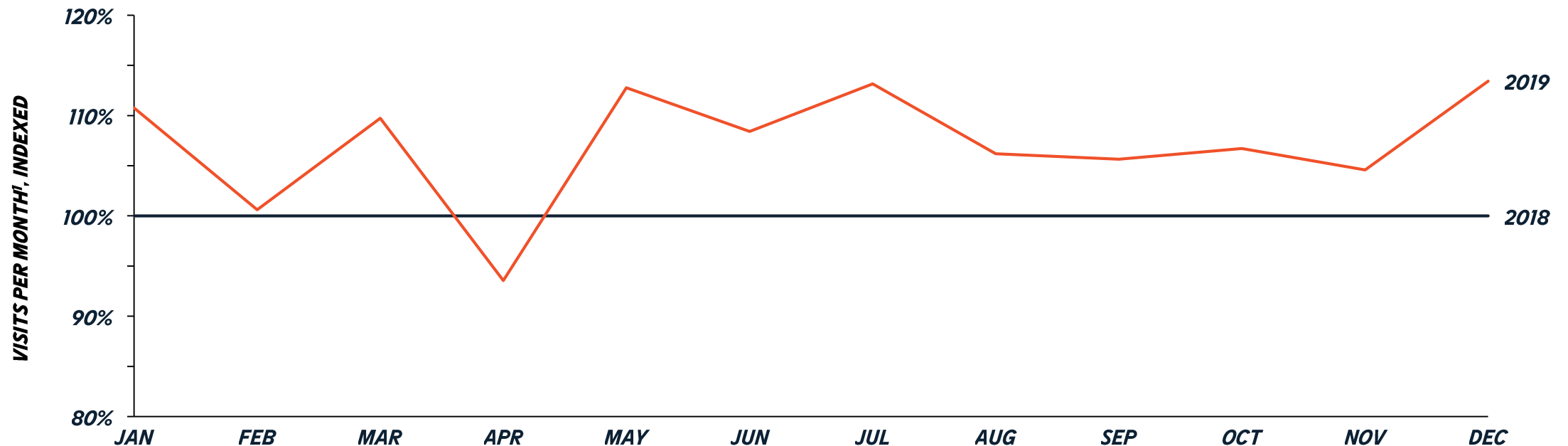
A | MEMBER ACTIVATION

MEMBER ACTIVATION SHOWING RESULTS

VISITS PER MEMBER⁽¹⁾:
+7% from 2018

TOTAL VISITS⁽¹⁾:
+12% from 2018

**TOTAL ONLINE TRAINING
SESSIONS⁽¹⁾:**
+12% from 2018

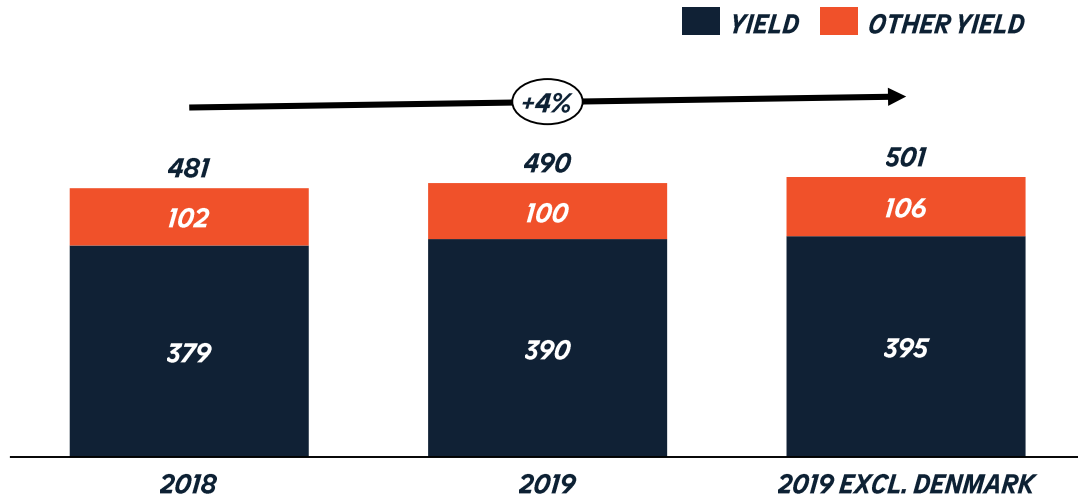


(1) Excl. Denmark

B | YIELD

POSITIVE YIELD MOMENTUM

ARPM AND YIELD (NOK/MONTH)



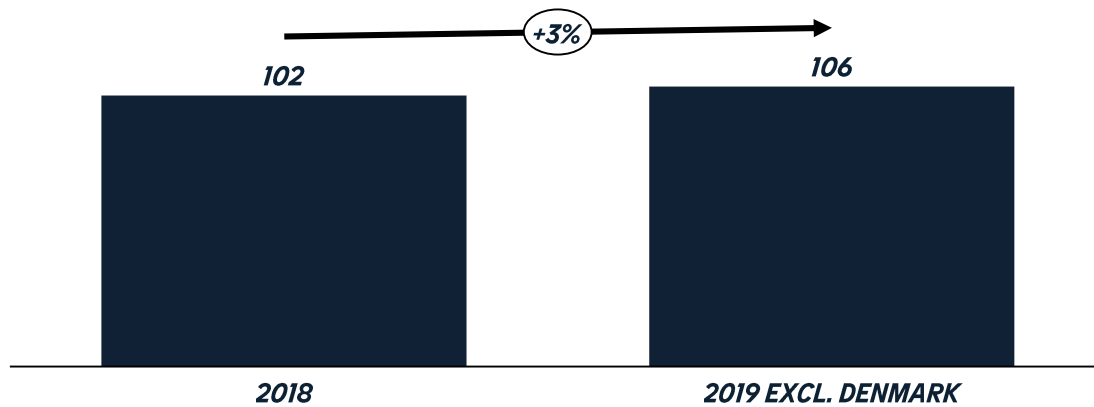
- Flexible “pay for what you need” pricing model introduced in January 2017
- Several yield initiatives implemented throughout 2019
- Now on a positive yield development which we expect to continue



C | OTHER REVENUES

CONTINUED GROWTH IN OTHER REVENUES IN 2019

OTHER REVENUE PER MEMBER¹ (NOK/MONTH)



- Positive development in other revenue in 2019 driven by retail and personal training
- Growth in Q4 slowing down for our personal training business
- Several actions to increase number of SATS PTs as the slowdown is driven by supply

(1) Calculated as other revenue in the period, divided by the average member base



D | RETAIL

WE ALSO EXPECT OUR RETAIL BUSINESS TO GROW GOING FORWARD



SATS CLOTHES COLLECTION

Basic training clothes range, with good quality at an affordable price point

Sustainable materials and collaboration with Etisk Handel to secure value chain

Planned launch in Q3



OWN BRANDED NUTRITION RANGE

Comprehensive sports nutrition range incl. sports drinks, protein shakes, bars, protein powders and oatmeal

Wide range of vegan options

Planned launch in Q2



E-COMMERCE / AFFILIATE MODEL

Launched the “Sats shop” partner site in January, as a first step towards online retailing

Gathering selected brands to provide good offerings to our members



FRESH FOOD ROLLOUT

Fresh food successfully implemented at 15+ clubs in Sweden

Next step is to find supplier in other countries

Planned launch in all countries during 2020

E | ADJACENT PRODUCTS AND SERVICES

ROLLOUT OF TREATMENTS SERVICES IN CLUB



BUSINESS MODEL

- Treatment rooms integrated in clubs
- 1-2 therapists per treatment room when fully up and running
- Full time employee model with salary more or less purely variable based on hours delivered (similar to PT model) – highly attractive model for therapists

STATUS AND AMBITIONS

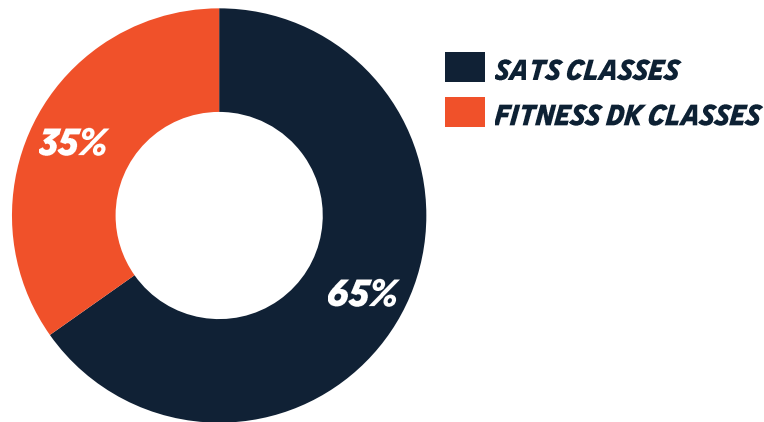
- Long-term experience in Sweden with 17 clubs
- Successful pilot in Norway at 3 clubs
- Ambitious rollout plan, spread across the Nordics



STATUS ON DENMARK

STARTED IMPLEMENTING THE SATS WAY OF WORKING

- Made the first steps towards implementing SATS' product offering and operating model
- Educated ~250 group training instructors during 2019, representing approximately one third of the instructor pool
- Introduced SATS' products, including group training classes



SHARE OF CLASSES IN 2019

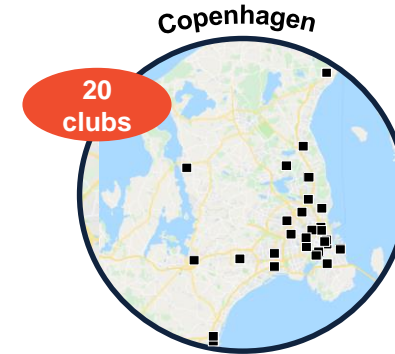




STATUS ON DENMARK

STRENGTHENING THE POSITION THROUGH MAJOR CLUB UPDATES

- Significant club upgrades completed during 2019, with main focus on clubs in the Copenhagen cluster
- The club portfolio in Copenhagen brought up to the same level as the Oslo and Stockholm clusters
- Upgrades consist of size adjustments, change of gym layouts, introduction of SATS concept room and branding



ADELGADE

Major renovation / change of gym layout



FIELD'S

Major renovation / change of gym layout



VALBY

Major renovation / change of gym layout



SYDHAVN

Expansion by 500 m²





STATUS ON DENMARK

OPERATIONAL TURNAROUND CONTINUES IN 2020



Implementing SATS operational routines and best practices in clubs and overhead functions



Focus on making the organization more sales and result oriented



Training program for club staff initiated in Q4 2019, with particular focus on sales



The turnaround takes time, even more than expected, guiding to reach profitability in the mid term remains



Linda-Li Cederroth (Country Manager Sweden & Denmark)
Proven track record as Country Manager for Sweden since 2013

FINANCIAL REVIEW

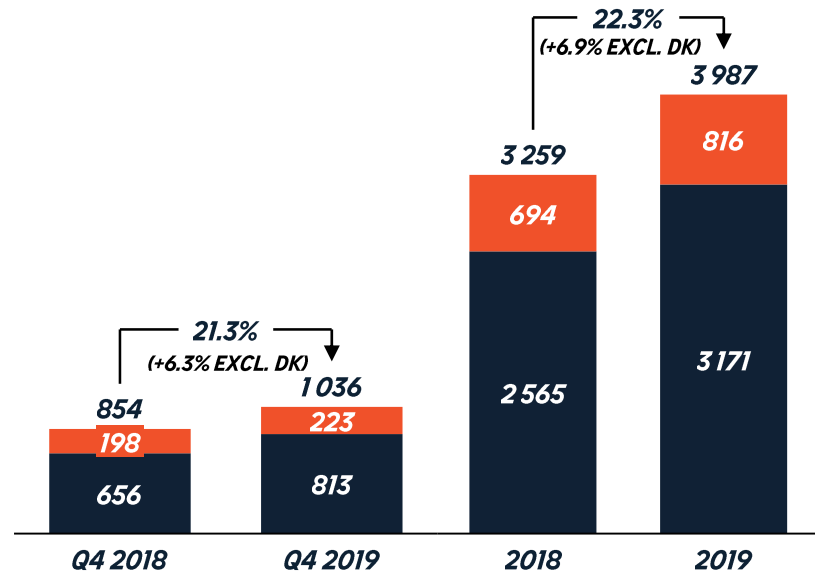
SATS**GROUP**

GROUP REVENUES

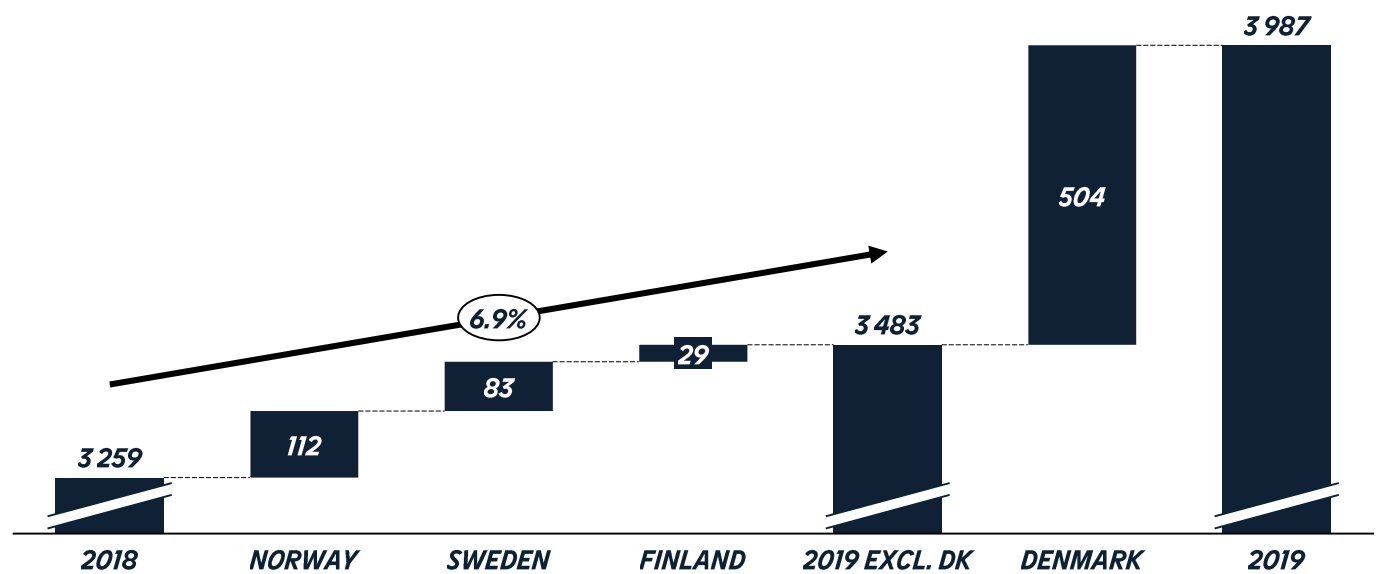
STRONG REVENUE GROWTH OF 7% IN 2019

TOTAL REVENUES (MNOK)

MEMBERSHIP REVENUE
OTHER REVENUE



BY SEGMENT: TOTAL REVENUE DEVELOPMENT 2019

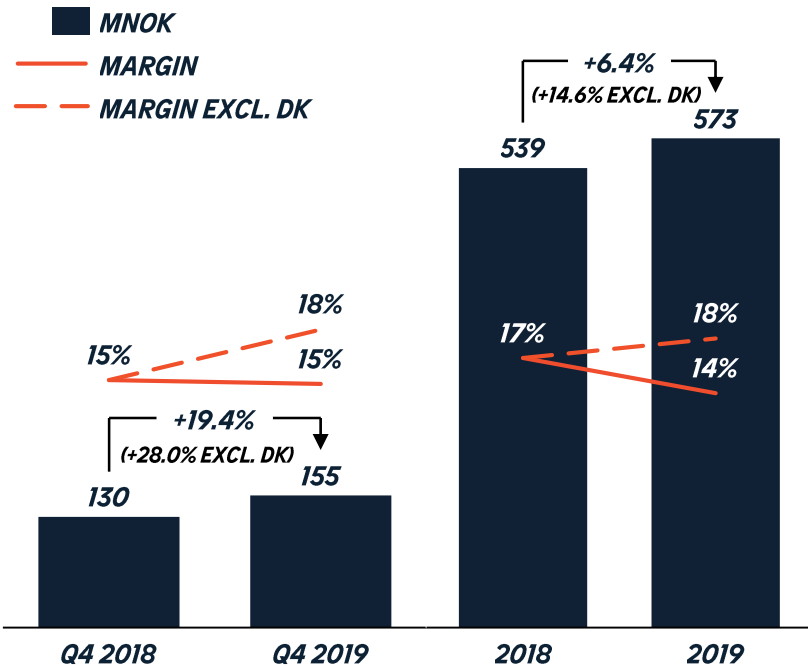


- Solid revenue improvement compared to last year driven by both member growth and improved ARPM
- The underlying growth in other revenue in 2019 is strong, but slightly weaker in Q4 due to challenges recruiting enough qualified personal trainers
- Strong development in retail revenue

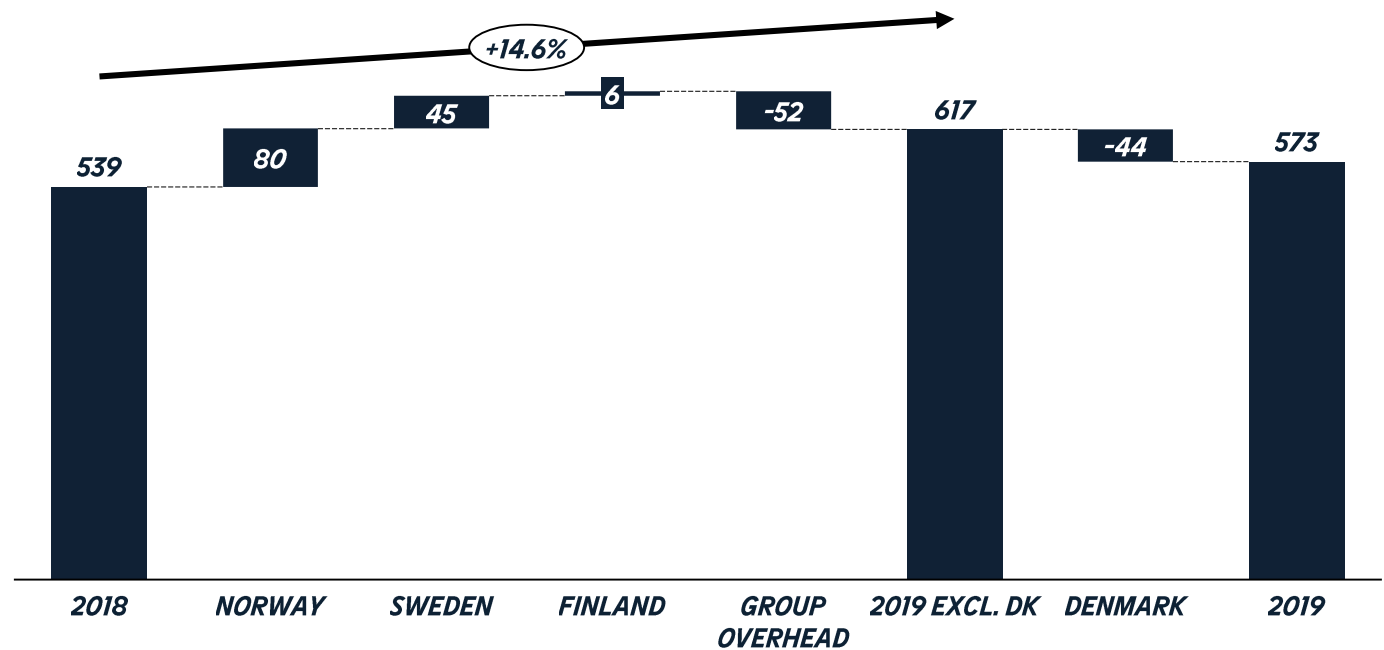
GROUP EBITDA

SIGNIFICANT EBITDA IMPROVEMENTS IN ALL COUNTRIES

ADJUSTED EBITDA BEFORE IMPACT OF IFRS 16



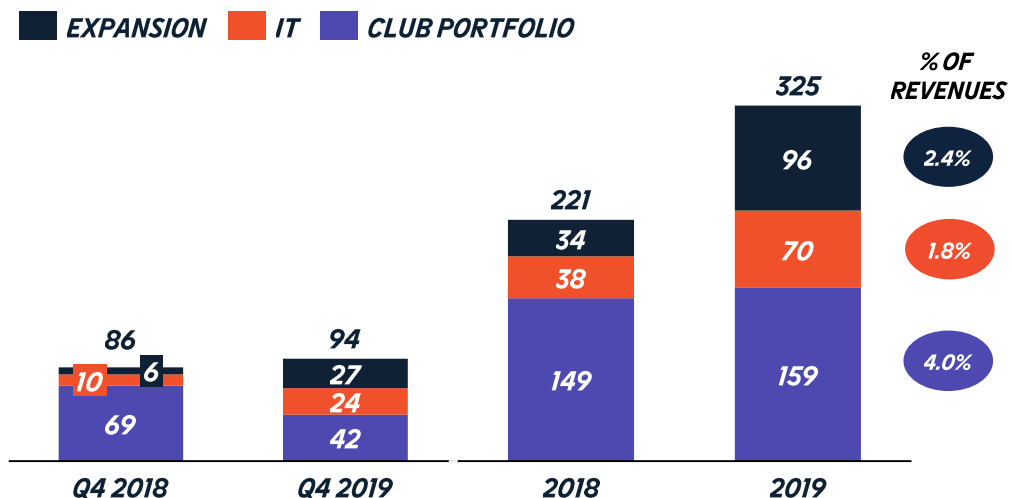
BY SEGMENT: 2019 ADJUSTED EBITDA BEFORE IMPACT OF IFRS 16



- Norway, Sweden and Finland show continued strong margin improvements as a result of operating leverage and the previously communicated reduction in marketing spend in the second half of the year
- Reduced negative contribution from Denmark compared to Q3
- Due to different periodization of operational activities, Q4 has a higher YoY improvement in EBITDA than we expect going forward

INCREASED MAINTENANCE INITIATIVES IN 2019

CAPITAL EXPENDITURE (MNOK)



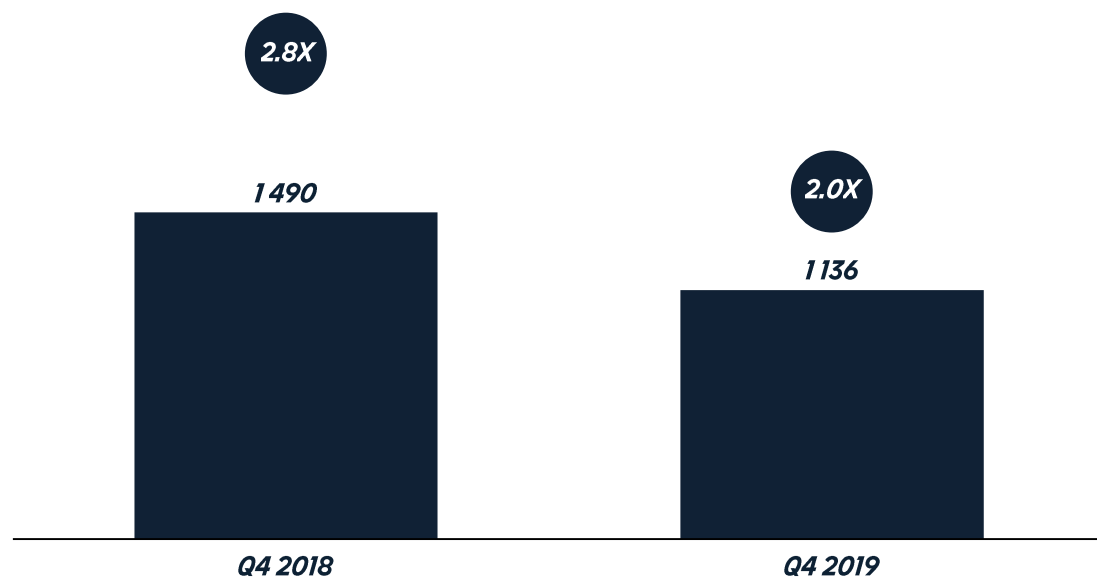
- Maintenance capex¹ 229 MNOK (5.7% of revenues), mainly driven by club upgrades in Denmark and increased IT investments
- Expansion capex of 96 MNOK for the full year, reflecting recent acquisitions and greenfields
- Significant proportion of maintenance CAPEX in Q4 2019 IT related, including app development

(1) Maintenance capex consists of IT capex and club portfolio capex



LEVERAGE RATIO AT LONG TERM TARGET OF 2.0X

NET DEBT (MNOK) AND LEVERAGE RATIO¹



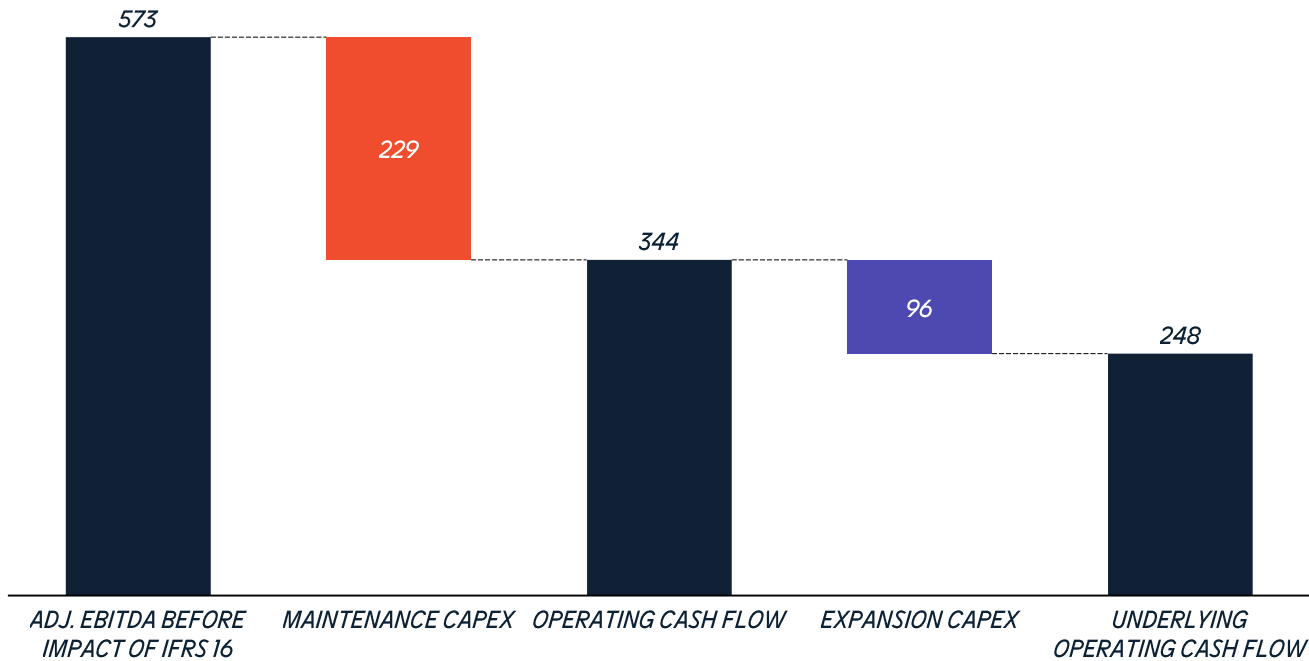
- Refinanced all outstanding bank borrowings under a new revolving credit agreement in Q4 2019
 - Maximum principal amount of 2 500 MNOK, of which 1 300 MNOK was drawn by end-Q4
 - Creating financial flexibility

(1) Net debt divided by last twelve months adjusted EBITDA before impact of IFRS 16

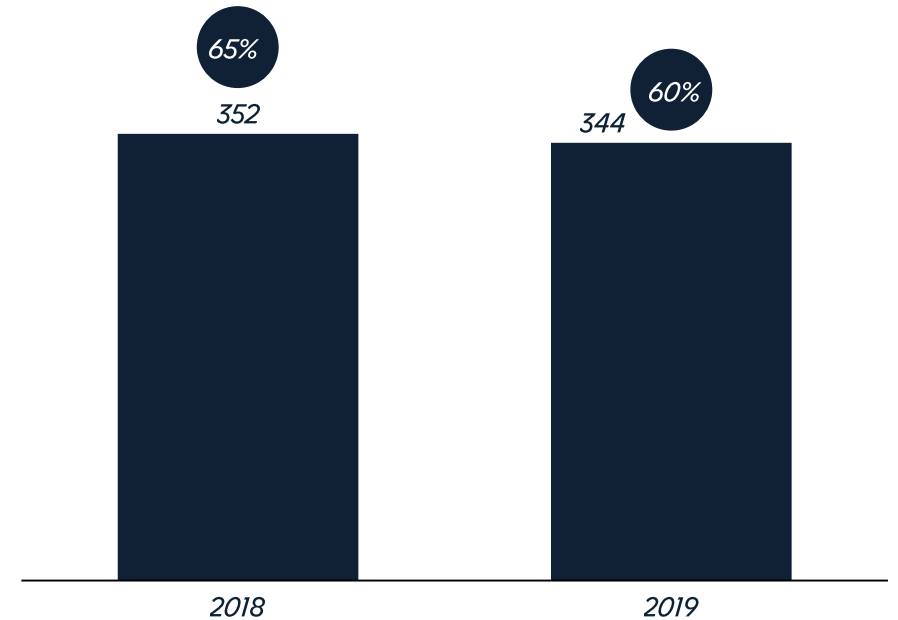


CASH CONVERSION TEMPORARILY REDUCED

KEY CASH FLOW ITEMS 2019 (MNOK)



OPERATING CASH FLOW (MNOK) AND CASH CONVERSION



- Cash conversion at 60%, slightly down from 65% in 2018
- Higher maintenance CAPEX in 2019 related to major upgrades in Denmark and increased IT investments is driving the operating cash flow temporarily down

OUTLOOK



Keep strengthening cluster position through new club openings and M&A



Continued volume growth, yield expansion and growth in other revenues

- Revenue development as expected in the start of the year
- Aim to intensify marketing in 2020, with the same frontloading as in 2019



Increased focus on digital capabilities and product development

- Expect group overhead cost growth above inflation in 2020, as further opportunities within the fields of digital and customer journey are identified



Q&A

SATS**GROUP**

DISCLAIMER

This report includes forward-looking statements which are based on our current expectations and projections about future events. Statements herein, other than statements of historical facts, regarding future events or prospects, are forward-looking statements. All such statements are subject to inherent risks and uncertainties, and many factors can lead to actual profits and developments deviating substantially from what has been expressed or implied in such statements. As a result, you should not place undue reliance on these forward-looking statements.

The Group reports its financial results in accordance with accounting principles IFRS as issued by the IASB and as endorsed by the EU. However, management believes that certain alternative performance measures (APMs) provide management and other users with additional meaningful financial information that should be considered when assessing the Group's ongoing performance. These APMs are non-IFRS financial measures, and should not be viewed as a substitute for any IFRS financial measure. Management, the board of directors and the long term lenders regularly uses supplemental APMs to understand, manage and evaluate the business and its operations. These APMs are among the factors used in planning for and forecasting future periods, including assessment of financial covenants compliance.

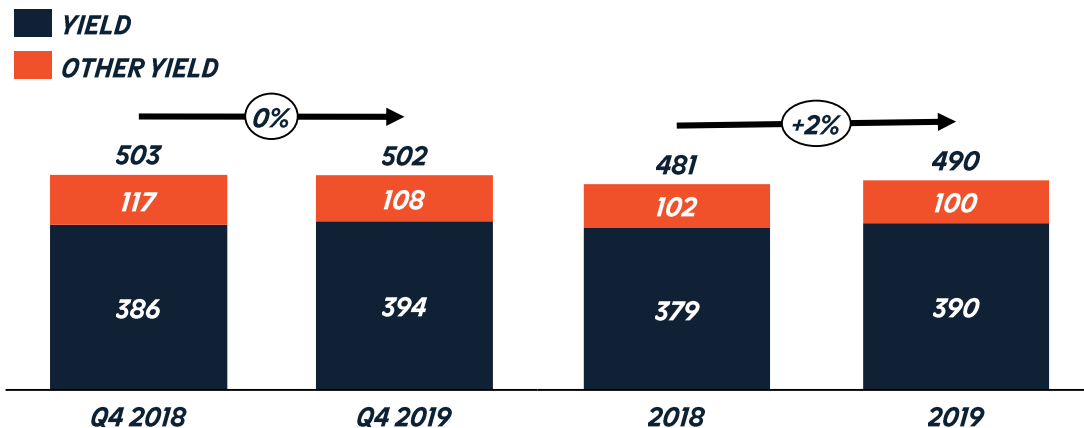
APPENDIX

SATS**GROUP**

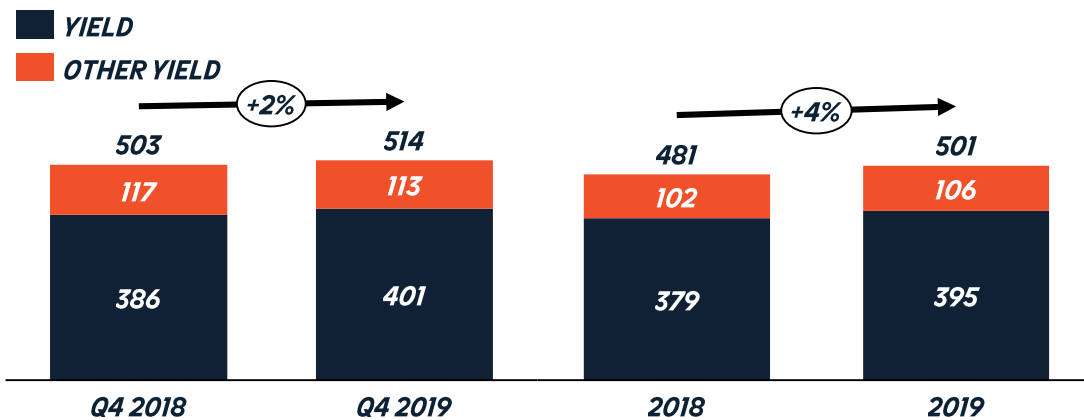
GROUP REVENUES

HISTORICALLY HIGH ARPM IN 2019

ARPM AND YIELD (NOK/MONTH)



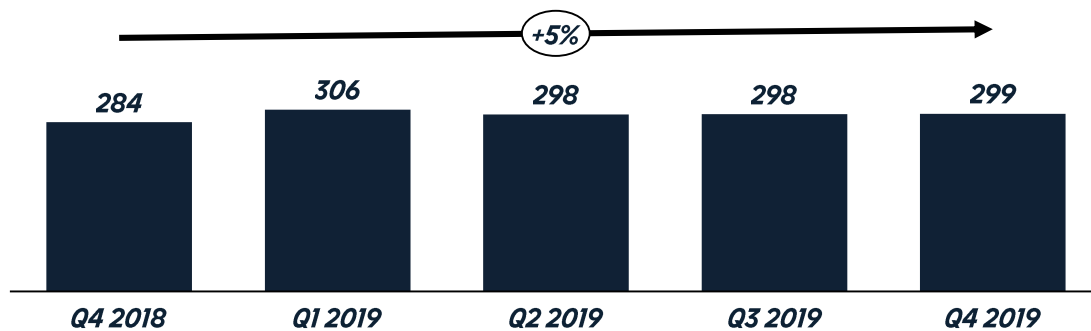
ARPM AND YIELD EXCL. DENMARK (NOK/MONTH)



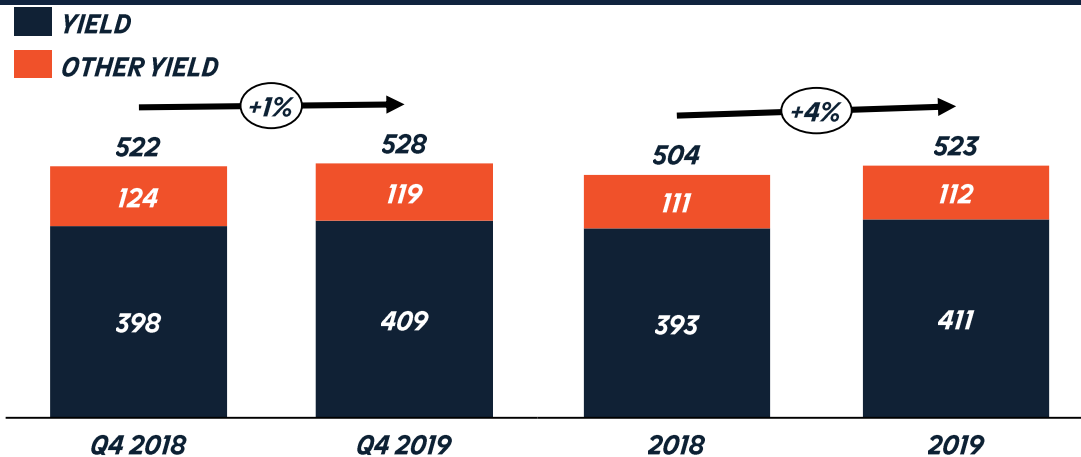
NORWAY

MEMBERS AND ARPM

OUTGOING MEMBER BASE ('000)

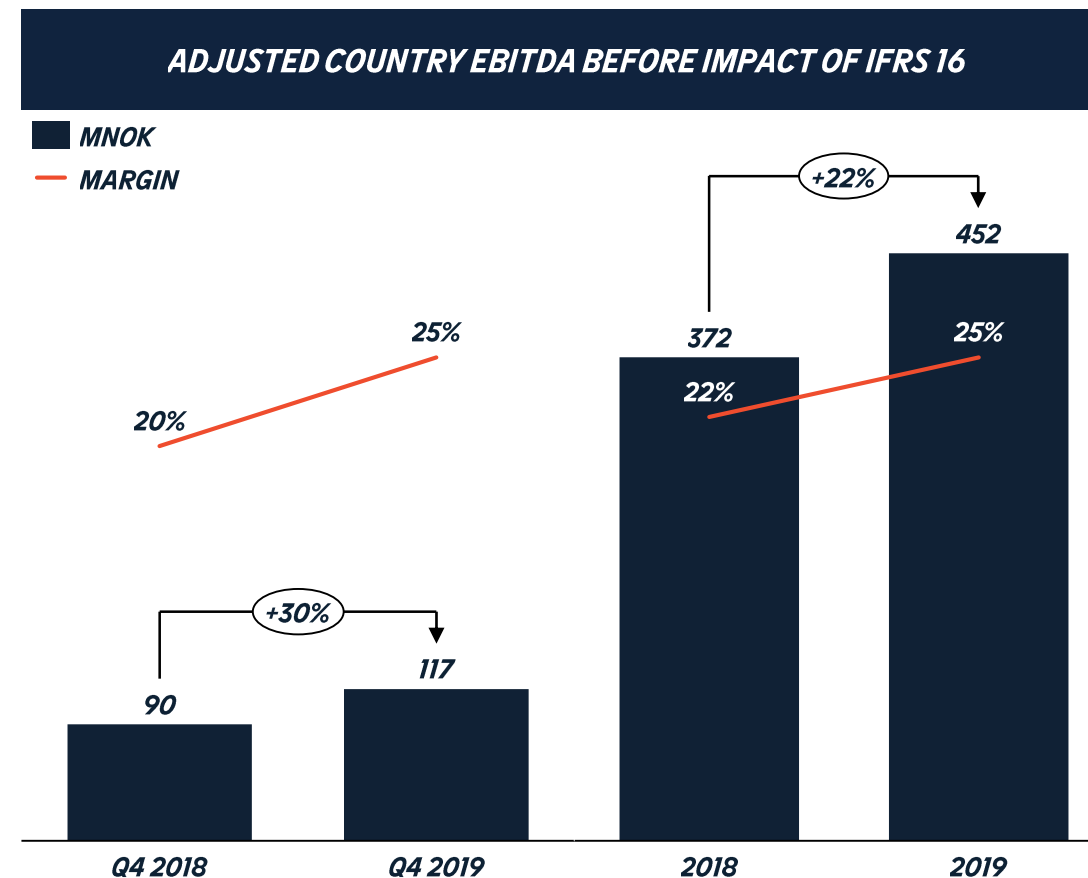
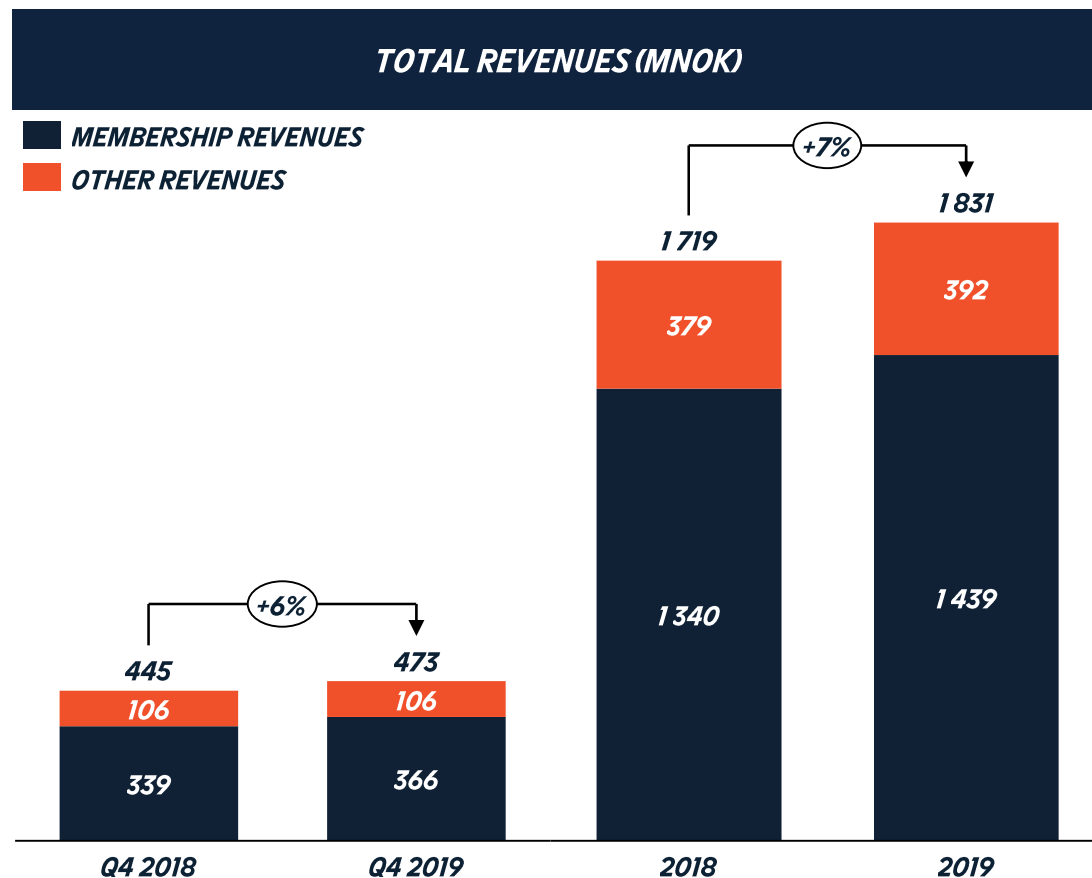


ARPM AND YIELD (NOK/MONTH)



NORWAY

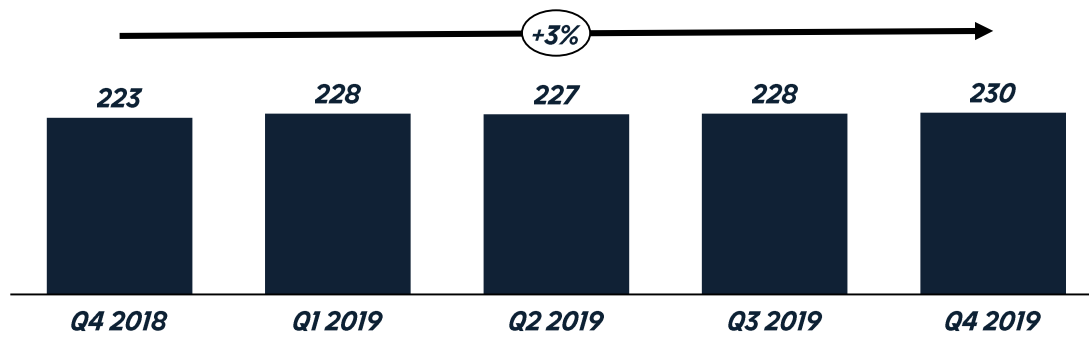
REVENUES AND EBITDA



SWEDEN

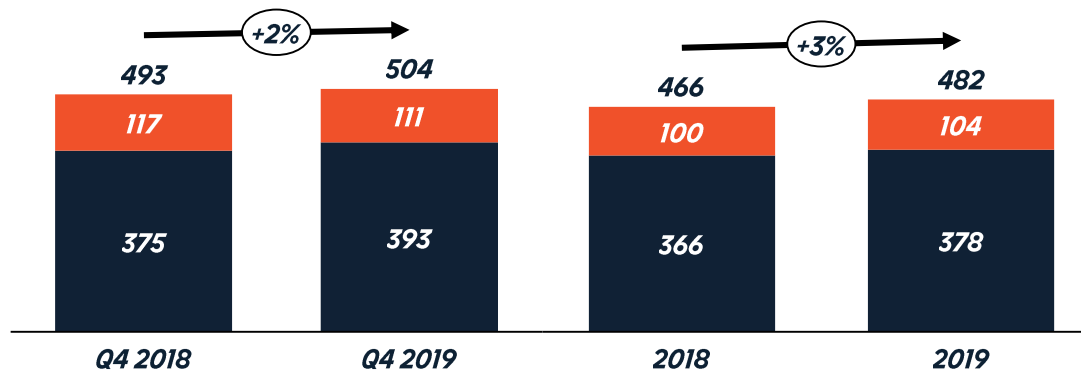
MEMBERS AND ARPM

OUTGOING MEMBER BASE ('000)



ARPM AND YIELD (NOK/MONTH)

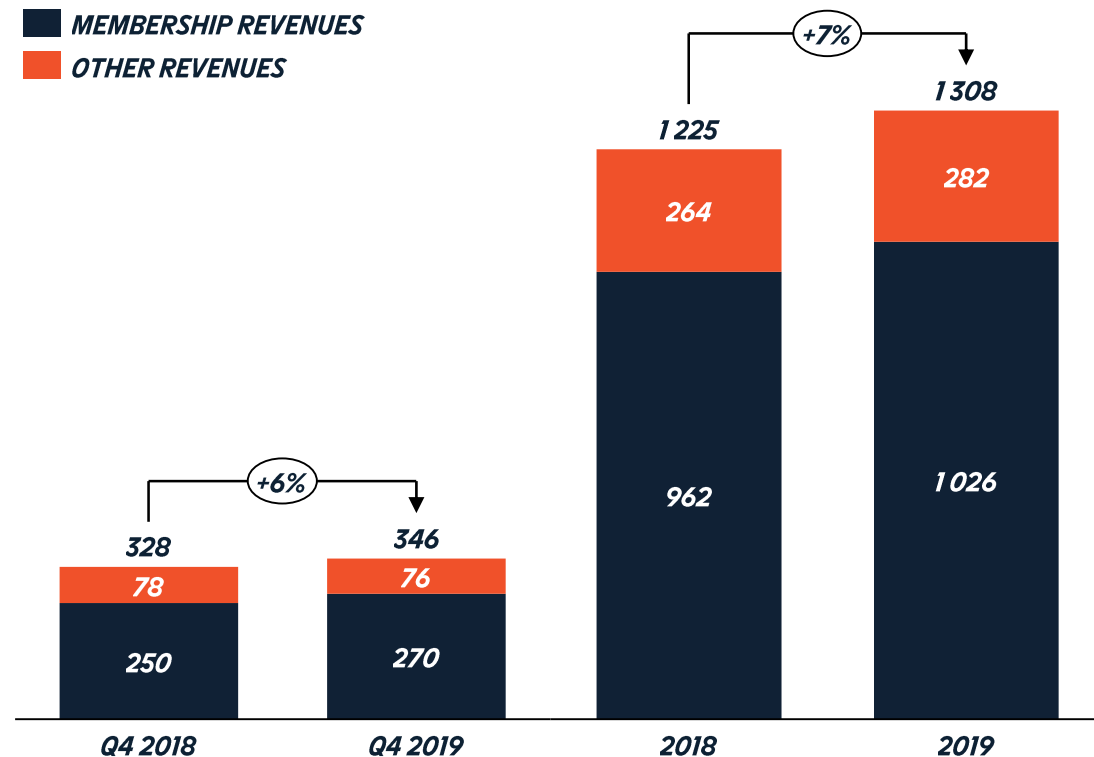
■ YIELD
■ OTHER YIELD



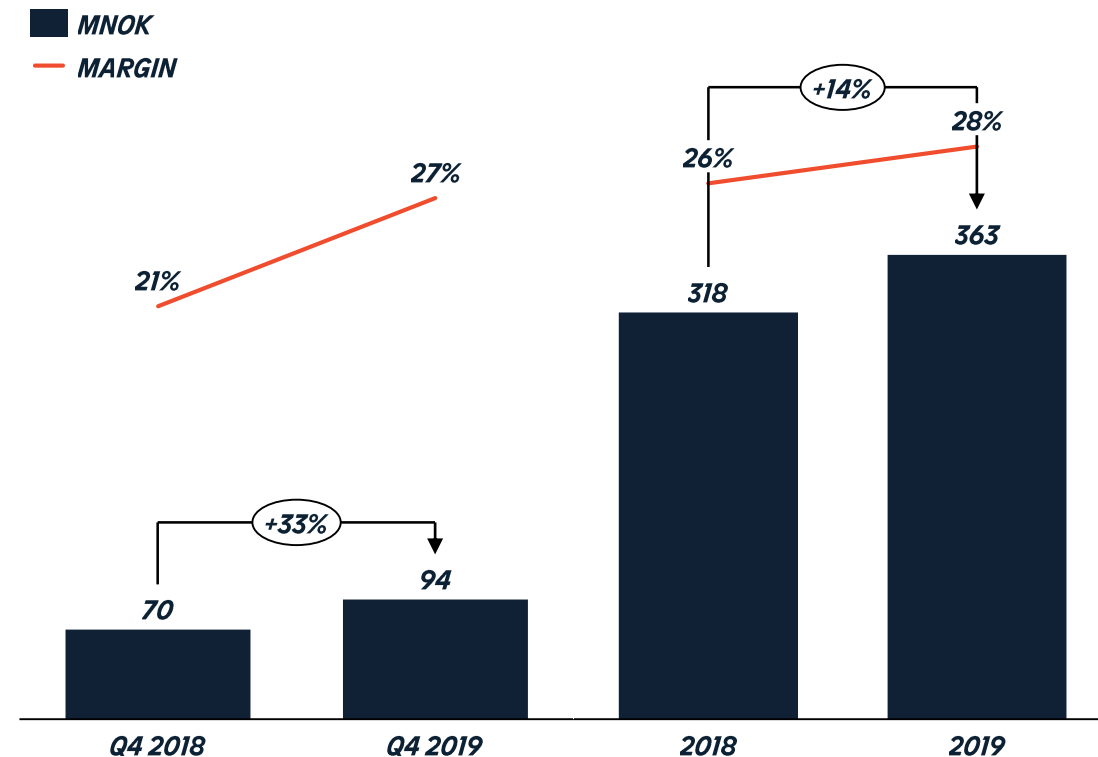
SWEDEN

REVENUES AND EBITDA

TOTAL REVENUES (MNOK)



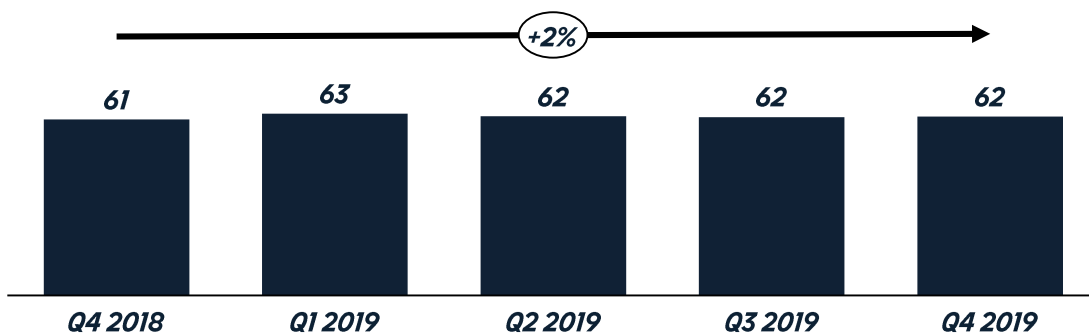
ADJUSTED COUNTRY EBITDA BEFORE IMPACT OF IFRS 16



FINLAND

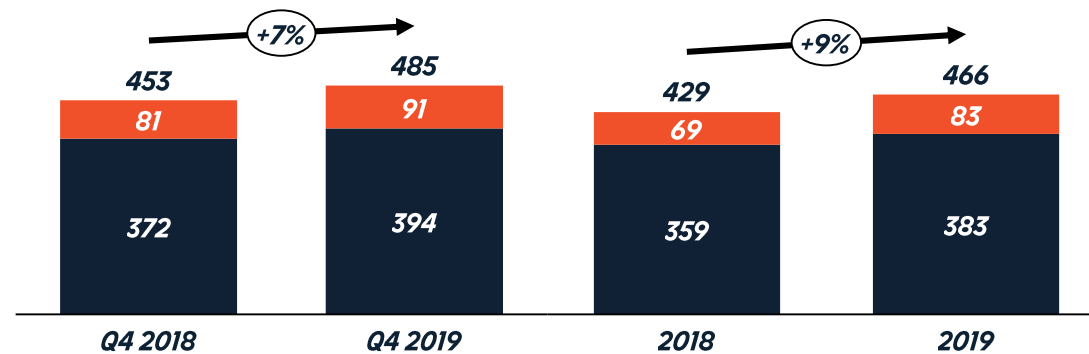
MEMBERS AND ARPM

OUTGOING MEMBER BASE ('000)



ARPM AND YIELD (NOK/MONTH)

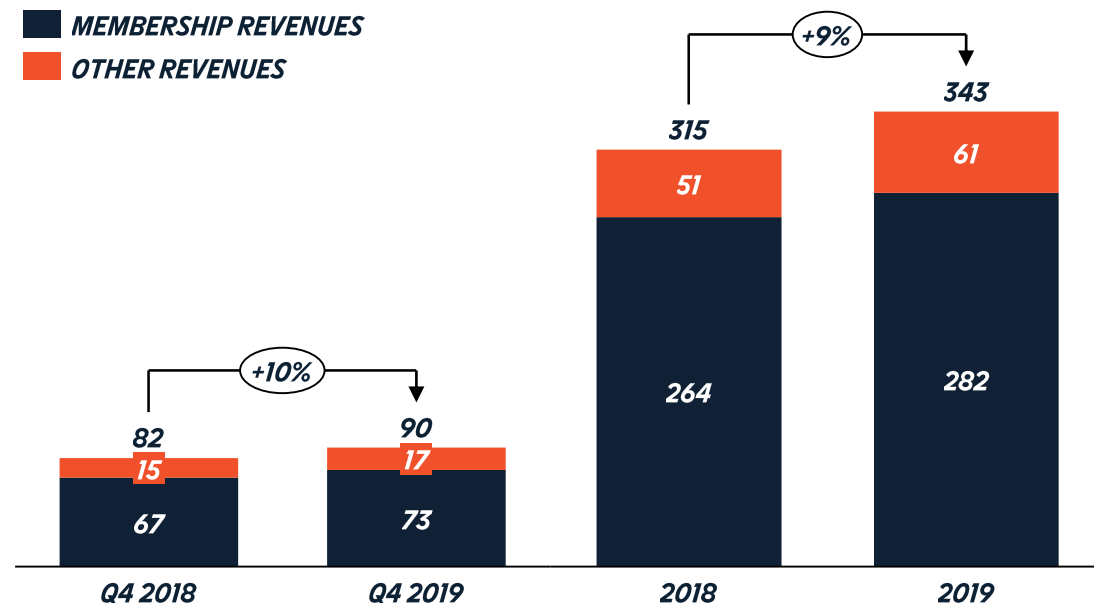
■ YIELD
■ OTHER YIELD



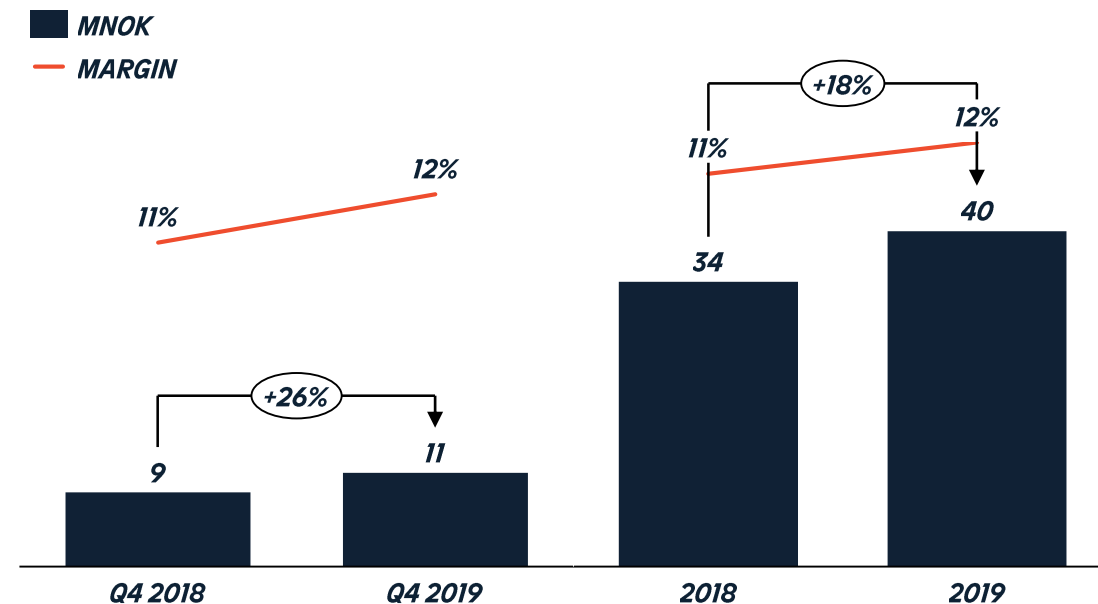
FINLAND

REVENUES AND EBITDA

TOTAL REVENUES (MNOK)



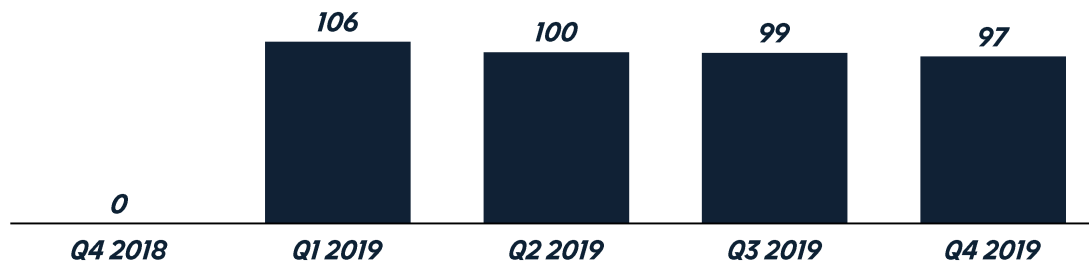
ADJUSTED COUNTRY EBITDA BEFORE IMPACT OF IFRS 16



DENMARK

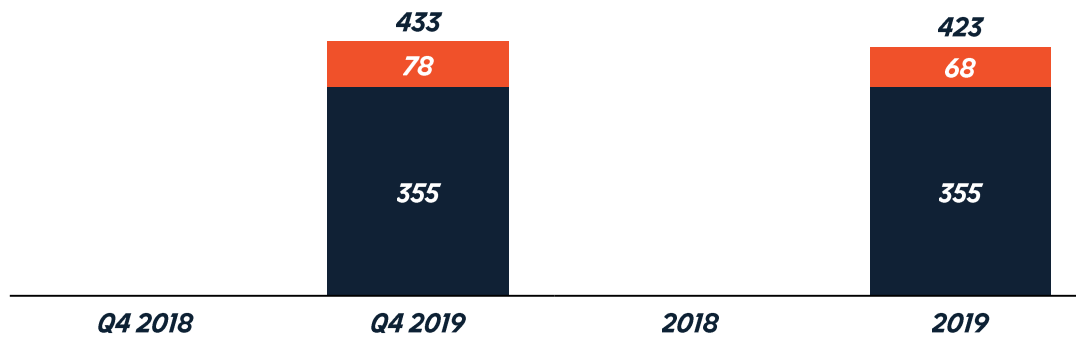
MEMBERS AND ARPM

OUTGOING MEMBER BASE ('000)



ARPM AND YIELD (NOK/MONTH)

■ YIELD
■ OTHER YIELD

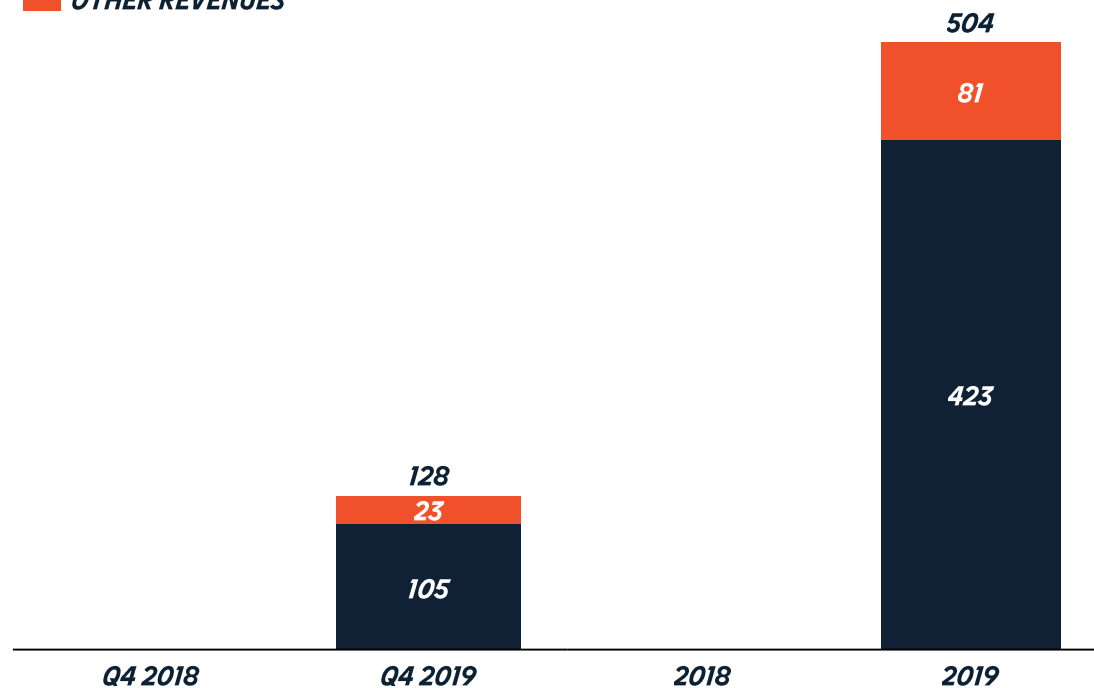


DENMARK

REVENUES AND EBITDA

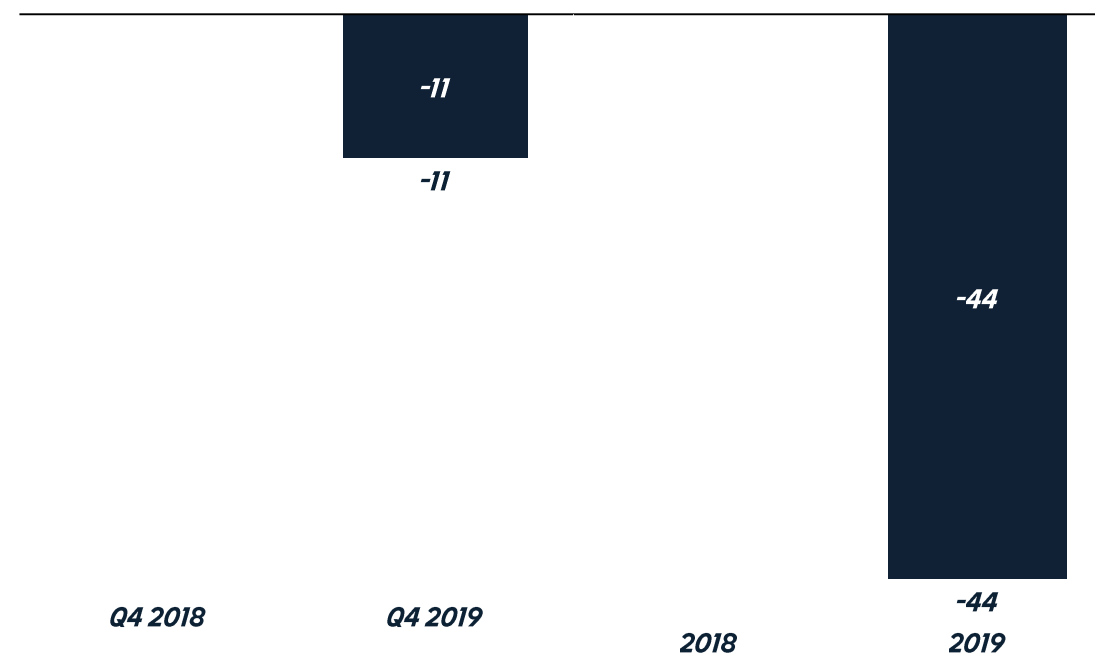
TOTAL REVENUES (MNOK)

MEMBERSHIP REVENUES
OTHER REVENUES



ADJUSTED COUNTRY EBITDA BEFORE IMPACT OF IFRS 16

MNOK



GLOSSARY

TERM	DEFINITION
Adjusted country EBITDA before impact of IFRS 16	Adjusted EBITDA before impact of IFRS 16 less allocation of Group overhead and cost allocations
Adjusted country EBITDA before impact of IFRS 16 margin	Adjusted country EBITDA before impact of IFRS 16 divided by total revenue
Adjusted EBITDA before impact of IFRS 16	EBITDA adjusted for (i) closed clubs; (ii) certain comparability items; and (iii) the impact of implementation of the IFRS 16 lease standard
Adjusted EBITDA before impact of IFRS 16 margin	Adjusted EBITDA before impact of IFRS 16 divided by total revenue
Average number of members per club	Number of clubs by the end of the period divided by the average member base
Average revenue per member (ARPM)	Average revenue per member per month, calculated as total revenue divided by the average member base
Capex: Club portfolio capital expenditures	Maintenance capital expenditures less IT capital expenditures
Capex: Expansion capital expenditures	The sum of investments related to acquisitions and greenfields, as well as CAPEX related to the perfect club initiative
Capex: IT capital expenditures	Capital expenditures associated with developing software programs
Capex: Maintenance capital expenditures	Total capital expenditures less expansion capital expenditures
Capex: Total capital expenditures	The sum of all capital expenditures
Cash conversion	Operating cash flow divided by adjusted EBITDA before impact of IFRS 16
Club	Number of clubs open and trading under the brands 'SATS', 'ELIXIA', 'Fresh Fitness' and 'HiYoga' as of the end of the period

TERM	DEFINITION
EBITDA	Profit/(loss) before net financial items, income tax expense, depreciation and amortization
EBITDA before impact of IFRS 16	EBITDA adjusted for lease expenses applying IAS 17 Leases
EBITDA before impact of IFRS 16 margin	EBITDA before impact of IFRS 16 divided by total revenue
Group overhead	Consists of group services such as e.g. commercial functions, IT, finance and administration
Leverage ratio	Net debt divided by last twelve months adjusted EBITDA before impact of IFRS 16
Member base, average	Average number of members at the beginning and in the end of the period, including frozen memberships, excluding free memberships
Member base, outgoing	Number of members as of the end of the period, including frozen memberships, excluding free memberships
Net debt	Current and non-current borrowings less cash and cash equivalents
Operating cash flow	Adjusted EBITDA before impact of IFRS 16 less maintenance capital expenditures
Operating profit excluding impairment	Operating profit adjusted for any recognised impairment
Other yield	Calculated as other revenue in the period, divided by the average member base
Underlying operating cash flow	Operating cash flow less expansion capital expenditures
Yield	Calculated as member revenue in the period, divided by the average member base

SUMMARY TABLE

KEY KPIS				
	Q4 2019	Q4 2018	2019	2018
Number of clubs, EOP	248	203	248	203
Outgoing member base ('000s)	687	569	687	569
Members per club	2 772	2 801	2 772	2 801
ARPM (NOK)	502	503	490	481
Yield (NOK)	394	386	390	379
Reported EBITDA (MNOK)	180	157	717	645
Adjusted EBITDA before impact of IFRS 16 (MNOK)	155	130	573	539
Adjusted EBITDA before impact of IFRS 16 margin	15%	15%	14%	17%
Adjusted Country EBITDA before impact of IFRS 16 (MNOK)	210	169	811	724
Net debt (MNOK)	1 136	1 490	1 136	1 490
Total capital expenditures (MNOK)	94	86	325	221
Expansion capital expenditures (MNOK)	27	6	96	34
Maintenance capital expenditures (MNOK)	67	79	229	187
IT capital expenditures (MNOK)	24	10	70	38
Club portfolio capital expenditures (MNOK)	42	69	159	149
Operating cash flow (MNOK)	89	51	344	352
Leverage ratio	2.0	2.8	2.0	2.8
Cash conversion	57%	39%	60%	65%

REPORTING UNDER IFRS 16

<i>Amounts in NOK million</i>	Reported FY 2019	Change IFRS 16	Excl. IFRS 16 FY 2019	Reported Q4 2019	Change IFRS 16	Excl. IFRS 16 Q4 2019
Balance sheet items - IFRS 16						
Property, plant and equipment	739	-5	744	739	-5	744
Right-of use asset	3 912	3 912	0	3 912	3 912	0
Deferred tax assets	192	82	110	192	82	110
Prepaid expenses and accrued income	222	-62	283	222	-62	283
Total assets	7 988	3 927	4 061	7 988	3 927	4 061
Equity						
Non-current lease liability	3 521	3 518	3	3 521	3 518	3
Current lease liability	767	765	2	767	765	2
Other current liabilities	322	-50	371	322	-50	371
Total equity and liabilities	7 988	3 927	4 061	7 988	3 927	4 061
Profit & loss items - IFRS 16						
Revenue	3 987	0	3 987	1 036	0	1 036
Cost of goods sold	115	0	115	32	0	32
Personnel expenses	1 463	0	1 463	411	0	411
Other operating expenses	925	933	1 858	212	242	454
Depreciation and amortisation	972	-761	211	249	-192	57
Operating profit	512	172	340	132	50	82
Net financial items	-265	-187	-78	-96	-47	-49
Income tax expense	-60	10	-70	-17	6	-23
Profit/(loss) for the period	187	-5	193	19	9	10
Other comprehensive income	10	1	10	25	0	25
Total comprehensive income	197	-5	202	45	9	35

***SATS*GROUP**