

Q4 2022

INTERIM REPORT

OCTOBER-DECEMBER 2022

**CEO SONDRÉ GRAVIR
CFO CECILIE ELDE**

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Q4 2022 CHARACTERIZED BY STRONG OPERATIONAL DEVELOPMENT DESPITE MACROECONOMIC CHALLENGES



NOT HIT BY WEAKENED CONSUMER SENTIMENT, WITH STRONG SALES, AND CHURN OVERALL IN LINE WITH HISTORICAL LEVELS



PROMISING DEVELOPMENT IN ALL MAIN OPERATIONAL KPIS, BRINGING CONFIDENCE THAT THE FINANCIAL RESULTS WILL FOLLOW

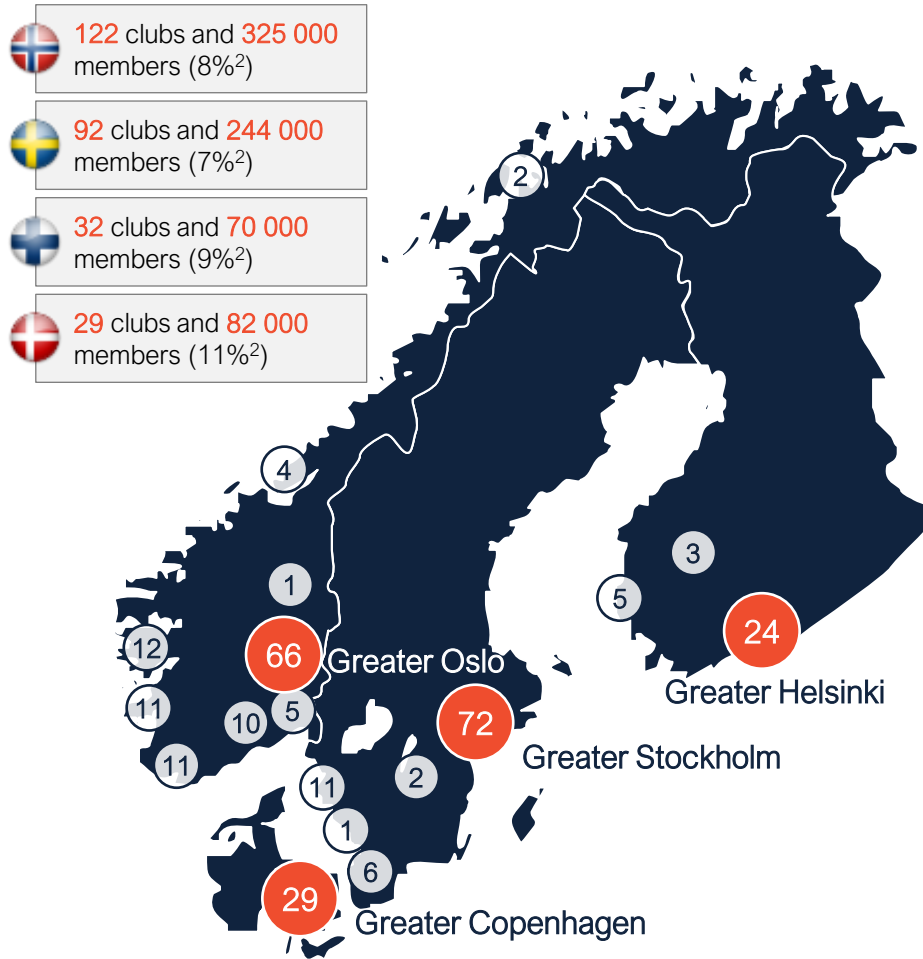


COST BASE ADDRESSED THROUGH A GROUP-WIDE PROFITABILITY PROGRAM EXPECTED TO YIELD RETURNS THROUGHOUT 2023. ALL RELATED EXTRAORDINARY EFFECTS ARE BOOKED IN Q4 2022



DEVELOPMENT IN LINE WITH THE CAPITAL MARKETS DAY PROJECTIONS

Q4 2022 SUMMARY

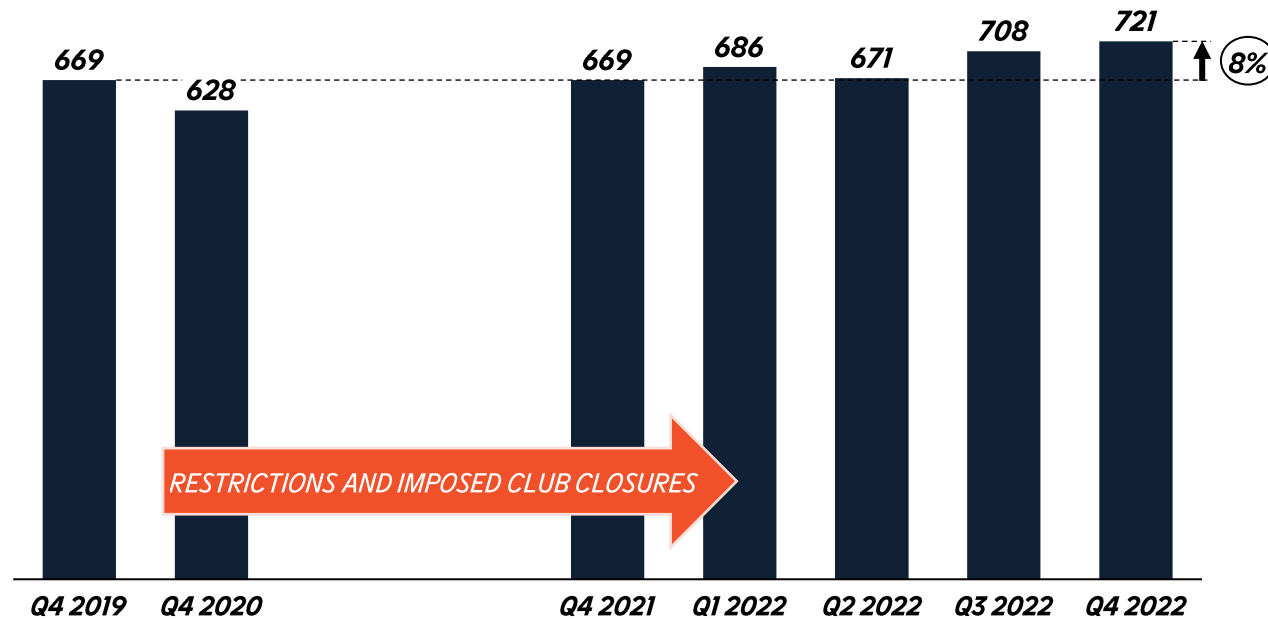


KEY FIGURES	Q4 2022	CHANGE VS Q4 2021
TOTAL REVENUES	1 082 MNOK	8%
ADJ. EBITDA BEFORE IFRS 16	12 MNOK	-54%
ADJ. EBITDA BEFORE IFRS 16 MARGIN	1%	-1 P.P.

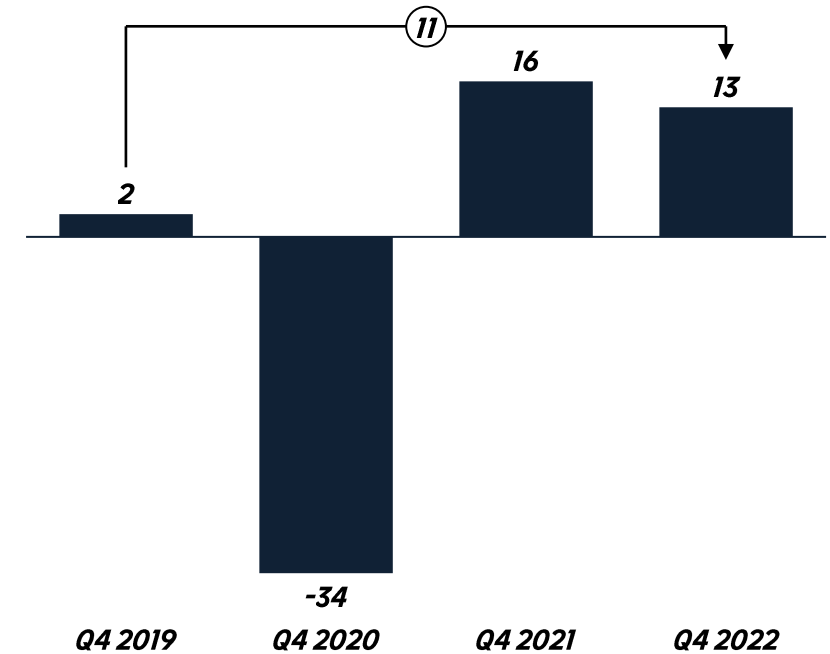
1) Measured by 2021 revenues based on figures from Deloitte EuropeActive EHFMR 2022
 2) Compared to Q4 2021

MEMBER GROWTH CONTINUING

OUTGOING MEMBER BASE ('000)¹



NET GROWTH ('000)¹

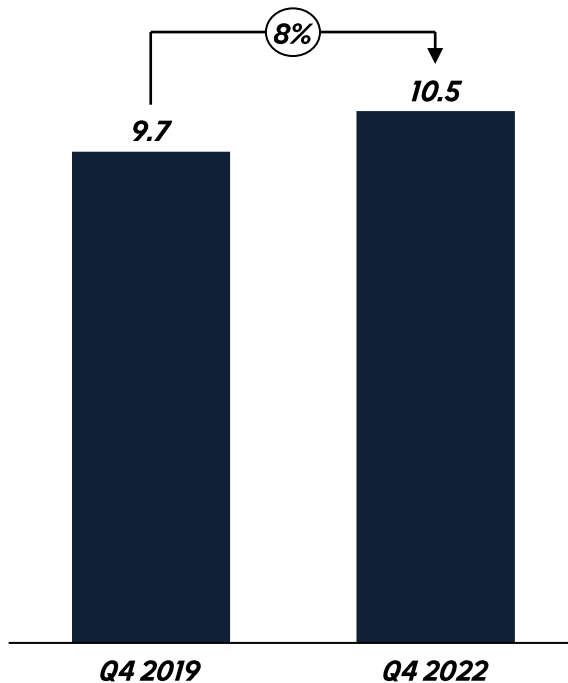


- Significantly higher member growth than a typical flat fourth quarter
- Drop-off roughly in line with historical levels, but sales have continued at the high pace from the third quarter

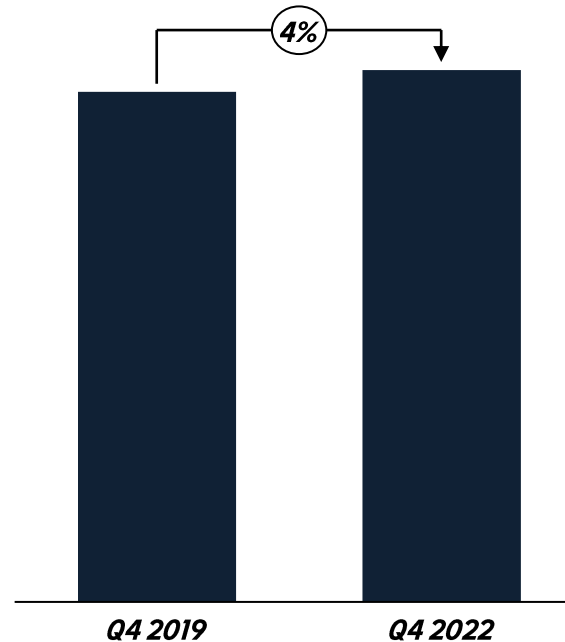
1) Excl. clubs in the Jylland/Fyn cluster sold in Q2 2020

WE MAKE PEOPLE HEALTHIER AND HAPPIER

TOTAL NUMBER OF WORKOUTS (MILL)



WORKOUTS PER PAYING MEMBER



- Active members are loyal members, and # of workouts is thus an important KPI both financially and in terms of public health
- SATS works every day to make people healthier and happier
- Contributing to the UN sustainability goal #3: Good Health and Well-being
- When only taking into account the members who have reached the WHO guidelines for physical activity at SATS alone, SATS members have, in the past 12 months, contributed to:
 - ~ **13 000** quality-adjusted life years (QALYS)
 - ~ NOK **18.5 billion** in socioeconomic welfare gain

POSITIVE MOMENTUM IN MEMBERSHIP KPIS

STRONG MEMBER DEVELOPMENT

- Another quarter of high membership sales
- No significant increase in churn level

MEMBER SALES:

+11 000

VS Q4 2019

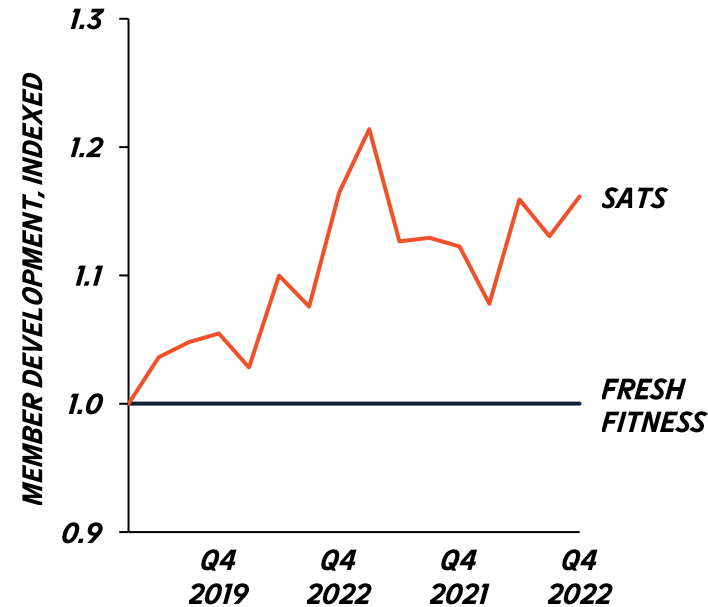
MEMBER CHURN:

+0.4 P.P.

VS Q4 2019

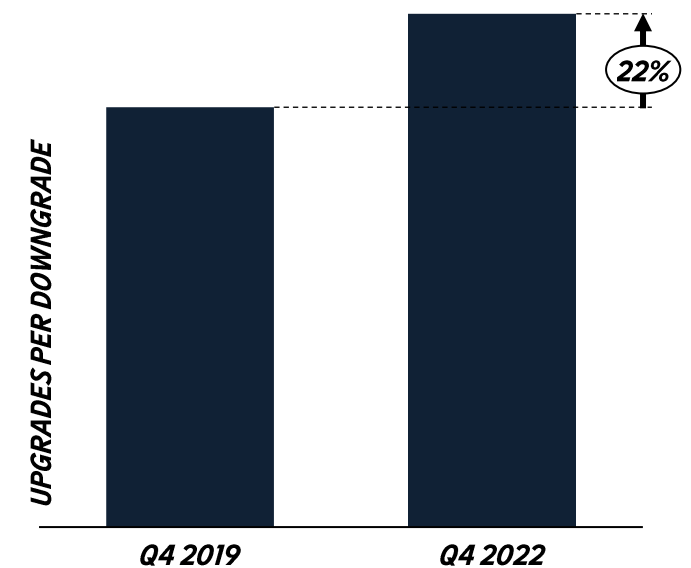
NO MIGRATION TO LOW-COST ALTERNATIVES

- Members per club increased by 3 p.p. more in SATS than in Fresh Fitness during Q4 2022



MORE UPGRADES PER DOWNGRADE

- Improved development in the membership mix, driven by demand for extended geographical access



CONTINUOUSLY TUNING THE PORTFOLIO TO OPTIMIZE PROFITABILITY – INCREASED FOCUS ON RELOCATION OPPORTUNITIES

1 FILLING ATTRACTIVE WHITE SPOTS THROUGH GREENFIELDS OR M&A

2 CLUB OPENINGS Q4 (VS 6 IN Q4 2021)

- 🇳🇴 SATS Oasen
- 🇫🇮 ELIXIA Fabianinkatu

10 CLUB OPENINGS PLANNED FOR THE NEXT 2 YEARS

- 🇸🇪 SATS Hyllie (Q1 2023)
- 🇳🇴 SATS Skedsmokorset (Q1 2023)
- 🇸🇪 SATS Hyllie Corner (Q2 2023)
- 🇸🇪 SATS DN Skrapan (Q2 2023)
- 🇸🇪 SATS Karlaplan (Q3 2023)
- 🇳🇩 SATS Sluseholmen (Q2/Q3 2023)
- 🇸🇪 SATS Triaden (Q4 2023)
- 🇫🇮 ELIXIA Ratina (Q4 2023)
- 🇸🇪 SATS Mölndal (2024)

FOCUS GOING FORWARD

- Limit further growth to filling the most important white spots in our key clusters

2 CLOSE CLUBS WITH UNSATISFYING CASH GENERATION AND NO RELOCATION ALTERNATIVES

2 CLUB CLOSURES (VS 0 IN Q4 2021)

- 🇸🇪 SATS Vasagatan
- 🇳🇴 SATS Hønefoss

5 CLUB CLOSURES IN THE PIPELINE

- 🇳🇴 SATS Hana (closed in Q1 2023)
- 🇳🇴 SATS Dikeveien (closed in Q1 2023)
- 🇳🇴 SATS Spektrum
- 🇸🇪 SATS Mölnvik

FOCUS GOING FORWARD

- Tougher in negotiations with landlords
- Exit clubs with unsatisfying cash generation when landlords are not contributing to rent reductions or investment grants
- Move members of exited clubs to SATS clubs nearby

3 RELOCATION OF CLUBS TO ACHIEVE BETTER TERMS, INVESTMENT GRANTS AND/OR IMPROVED MICRO LOCATION

1 RELOCATION Q4 2022

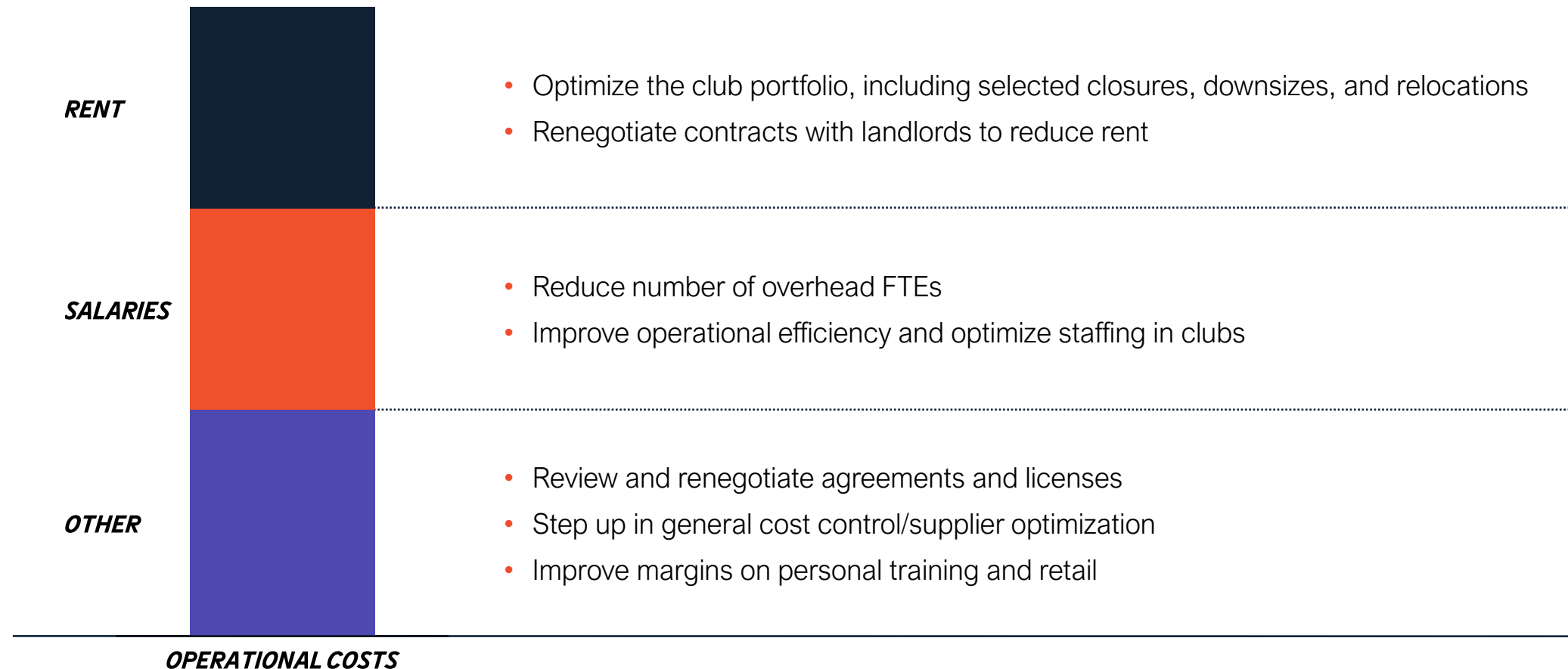
- 🇫🇮 ELIXIA Ruoholahti

FOCUS GOING FORWARD




- Execute on the current pipeline of relocation opportunities
- Increase targeted search for relocation opportunities for clubs nearing the end of the contract period

INITIATED FORCEFUL STEPS TO IMPROVE PROFITABILITY THROUGH COST-REDUCTION MEASURES

BREAK DOWN OF COST BASE AND RELATED INITIATIVES FOR IMPROVING PROFITABILITY



KEY RISKS ADDRESSED AND SIGNIFICANTLY REDUCED

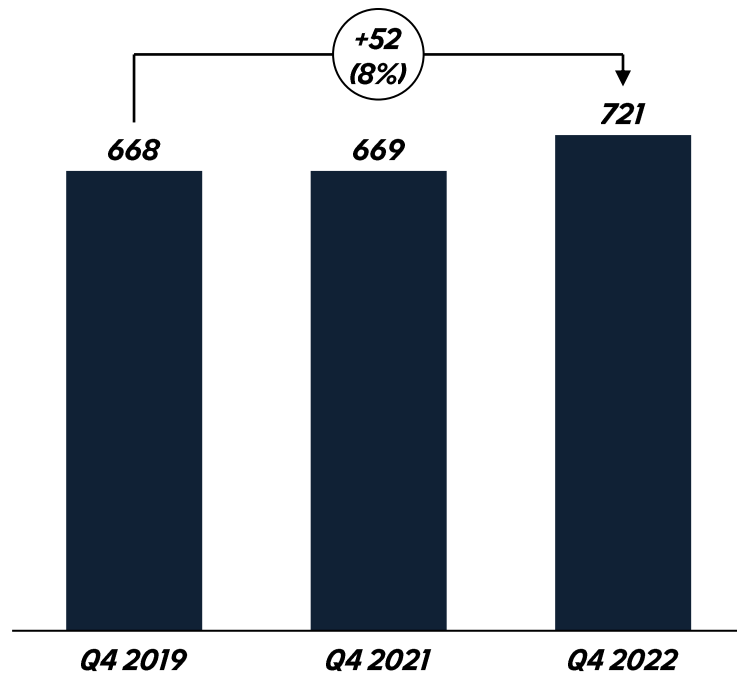
	<i>KEY RISKS</i>	<i>STATUS FEBRUARY 2023</i>
1	The weakening consumer sentiment will affect the fitness center industry and slow down membership sales	People seem to continue prioritizing their health, as proven by strong January sales and visits 
2	We will not be able to compensate for the cost inflation through price increases, and if doing so, the churn will surge	Price increases made for both new and existing members. Solid membership sales, and incremental churn slightly above levels from 2022 price adjustments. The latter was expected, given repeated adjustments recently 
3	Costs will escalate and electricity prices will skyrocket	Cost base addressed through profitability improvement program and ~60% of the electricity consumption for H1 2023 hedged as a risk mitigation measure 

FINANCIAL REVIEW

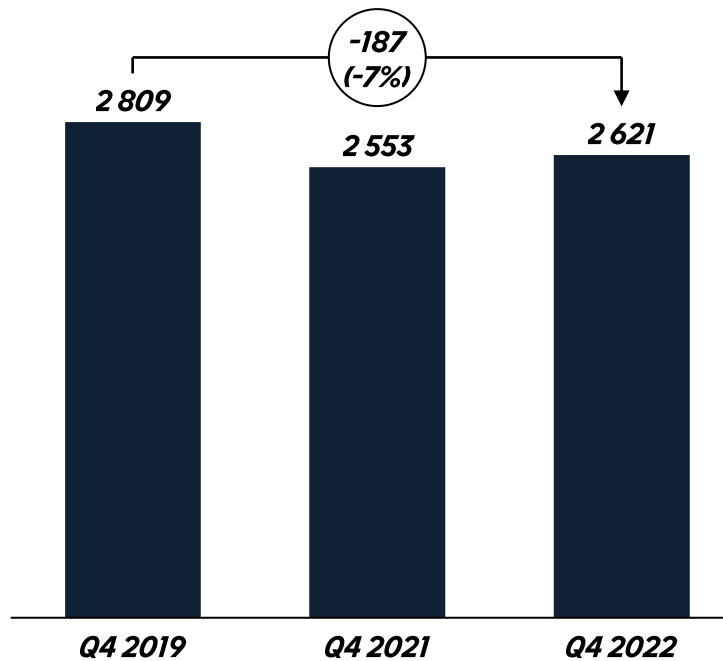
SATS

REASSURING MEMBER RESILIENCE DESPITE THE ECONOMIC CLIMATE AS MEMBER GROWTH CONTINUES IN Q4

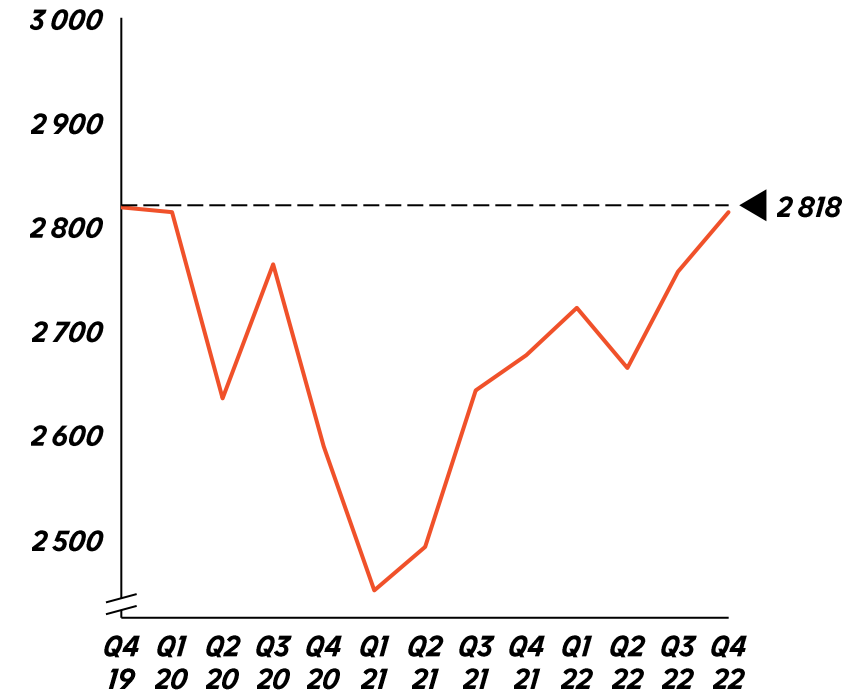
TOTAL MEMBERS ('000)¹



MEMBERS PER CLUB¹



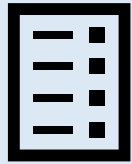
LIKE-FOR-LIKE MEMBERS PER CLUB¹



- Significant member growth the past 12 months as like-for-like clubs have returned to pre-covid levels, and maturing clubs also show healthy development
- Currently no signs of change in member behaviour or willingness to invest in their own health

1) Excl. clubs in the Jylland/Fyn cluster sold in Q2 2020

EXECUTING OUR PRICING STRATEGY TO MITIGATE INFLATION-DRIVEN COST INCREASES OVER THE PAST YEAR



LIST PRICE ADJUSTMENT

- List prices for memberships and personal training adjusted 1 December 2022
- Average increase of 8% across the product portfolio, equivalent to NOK 45 per month



INFLATION ADJUSTMENT

- Inflation adjustment of memberships in accordance with the October 2022 CPIs (7.5-10.9%) will take effect starting January 2023



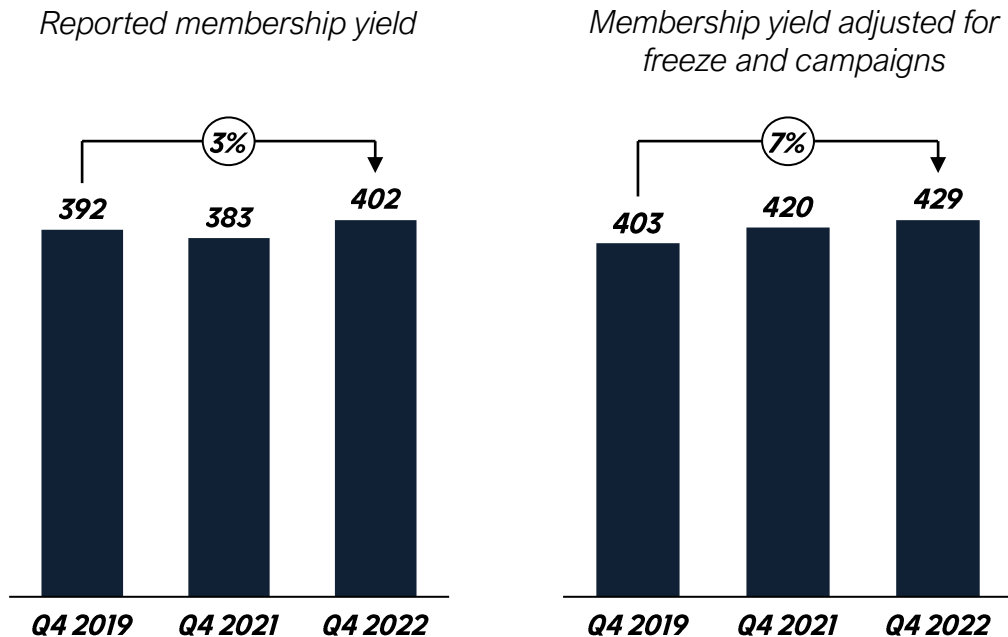
MINIMUM PRICE ADJUSTMENT

- Price increases for members with the highest deviation from the list price with effect as of February 2023

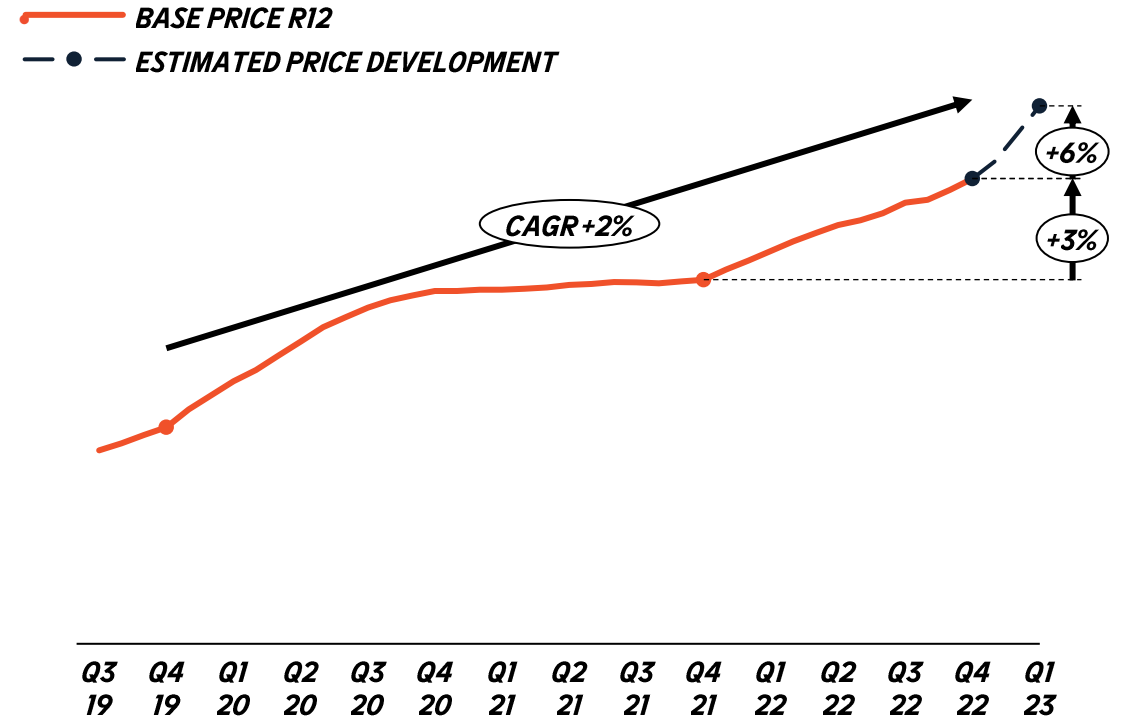
- ~50% of all members adjusted
- Members in binding or with prepaid cash memberships etc. are not adjusted

STEADY DEVELOPMENT IN CONTRACTUAL MEMBERSHIP PRICES OVER THE PAST YEARS, TO BE FURTHER STRENGTHENED IN Q1 2023

MEMBERSHIP YIELD¹



CONTRACTUAL MEMBERSHIP PRICE¹



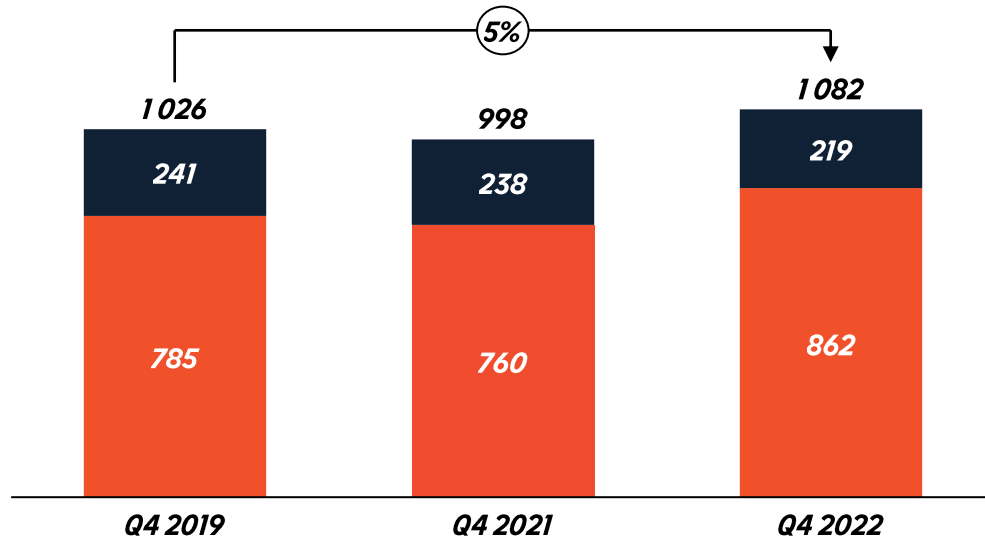
- Investments in marketing and promotional offers to drive membership sales have proven successful for volume, but giving away free months at the beginning of the membership period impacts reported yield temporarily
- Contractual price remains intact, growing by 2% annually since 2019, and significant price expansion is expected after the latest price adjustment (+6 % in Q1 2023), mitigating the inflationary pressure

1) Constant currency

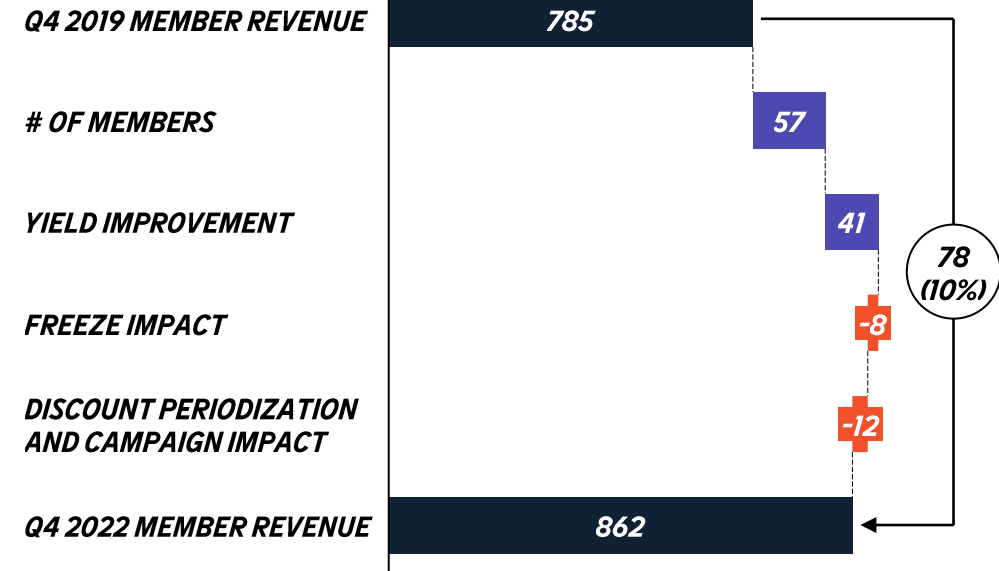
CONTINUED PROGRESSION IN Q4 WITH REVENUES UP COMPARED TO BOTH 2019 AND LAST QUARTER

TOTAL REVENUES (MNOK)^{1,2}

■ OTHER REVENUE
■ MEMBERSHIP REVENUE



MEMBER REVENUE BREAK-DOWN (MNOK)^{1,2}



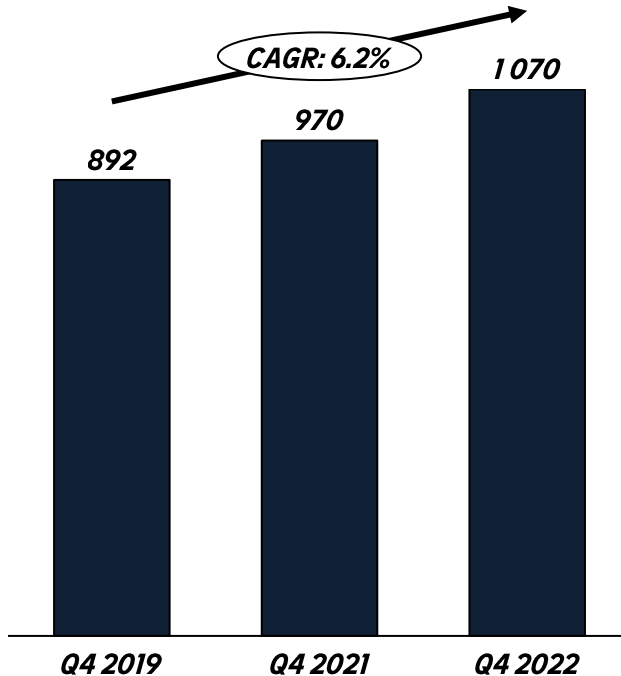
- Continued progression in revenues driven by membership revenue, both from volume and price
- Slower personal training business, mainly driven by fewer personal trainers both in SATS and in the industry overall
- Retail sales in line with Q4 2019, but distributed across more visits

1) Excl. revenues from the Jylland/Fyn cluster sold in Q2 2020
2) Constant currency

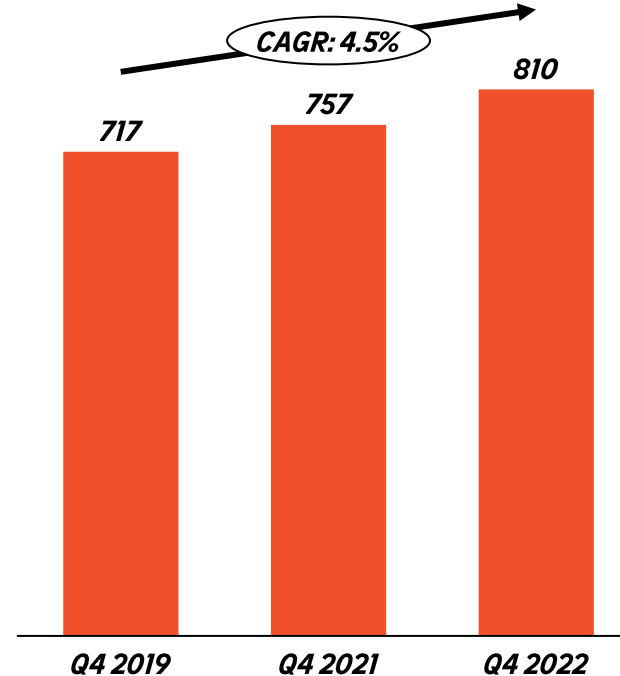
COST DISCIPLINE PARTLY COUNTERACTING INFLATION

OPERATING EXPENSES (MNOK)^{1,2}

Total operating expenses incl.
COGS and overhead



Like-for-like club expenses



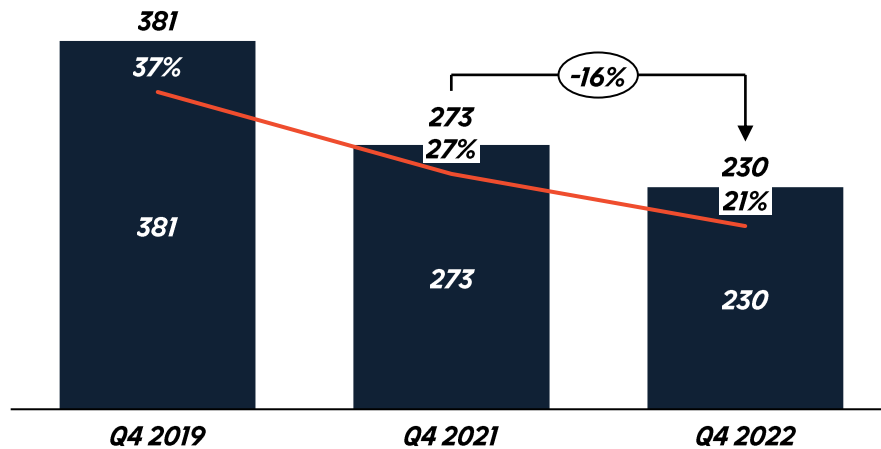
- Historically, OPEX has increased with inflation but has been partially offset by cost-saving efforts
- Adding 27 clubs compared to 2019 is the main driver for the increase in the cost base, as well as an increase in overhead scaled to reflect strong growth ambition for both members and club expansion
- Energy cost continues to be higher than usual, up 41% vs. 2019 to NOK 65 million in the quarter
 - Hedged the electricity price for ~60% of the total estimated consumption in H1 2023 to reduce risk
 - Weighted average price of 1.6 NOK/kWh in Q1 and 1.2 NOK/kWh in Q2
- Cost base addressed through profitability improvement program, gradually coming into effect during 2023

1) Excl. IFRS 16
2) Excl. extraordinary cost

EBITDA TEMPORARILY IMPACTED BY THE IMBALANCE BETWEEN COST AND REVENUE INFLATION IN 2022

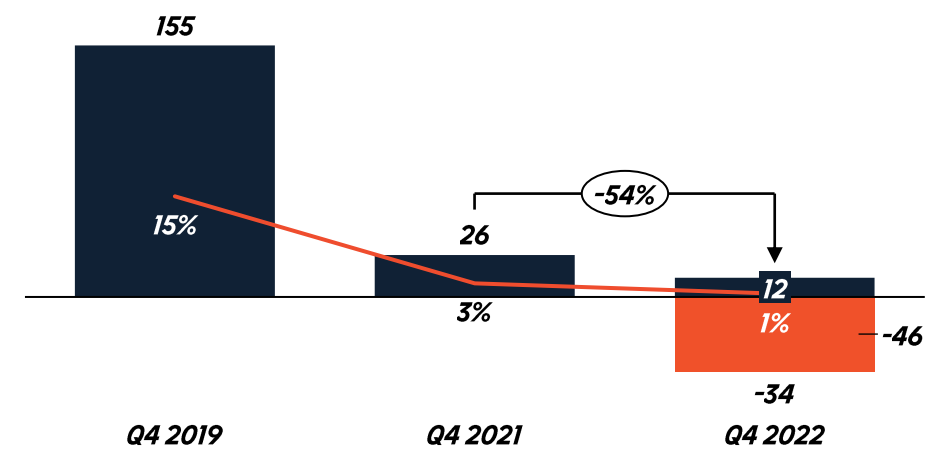
REPORTED EBITDA

■ EBITDA
— EBITDA MARGIN



ADJ. EBITDA BEFORE IFRS 16

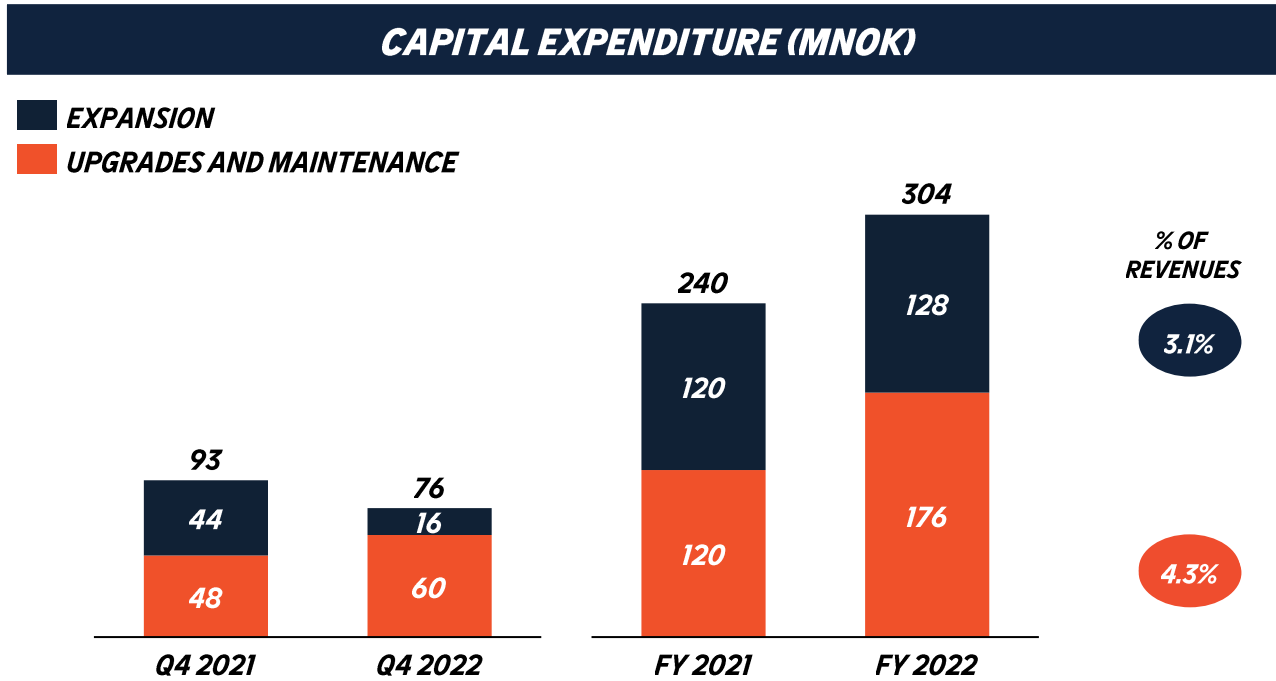
■ ADJ. EBITDA BEFORE IFRS 16
■ EXTRAORDINARY ITEMS
— ADJ. EBITDA BEFORE IFRS 16 MARGIN



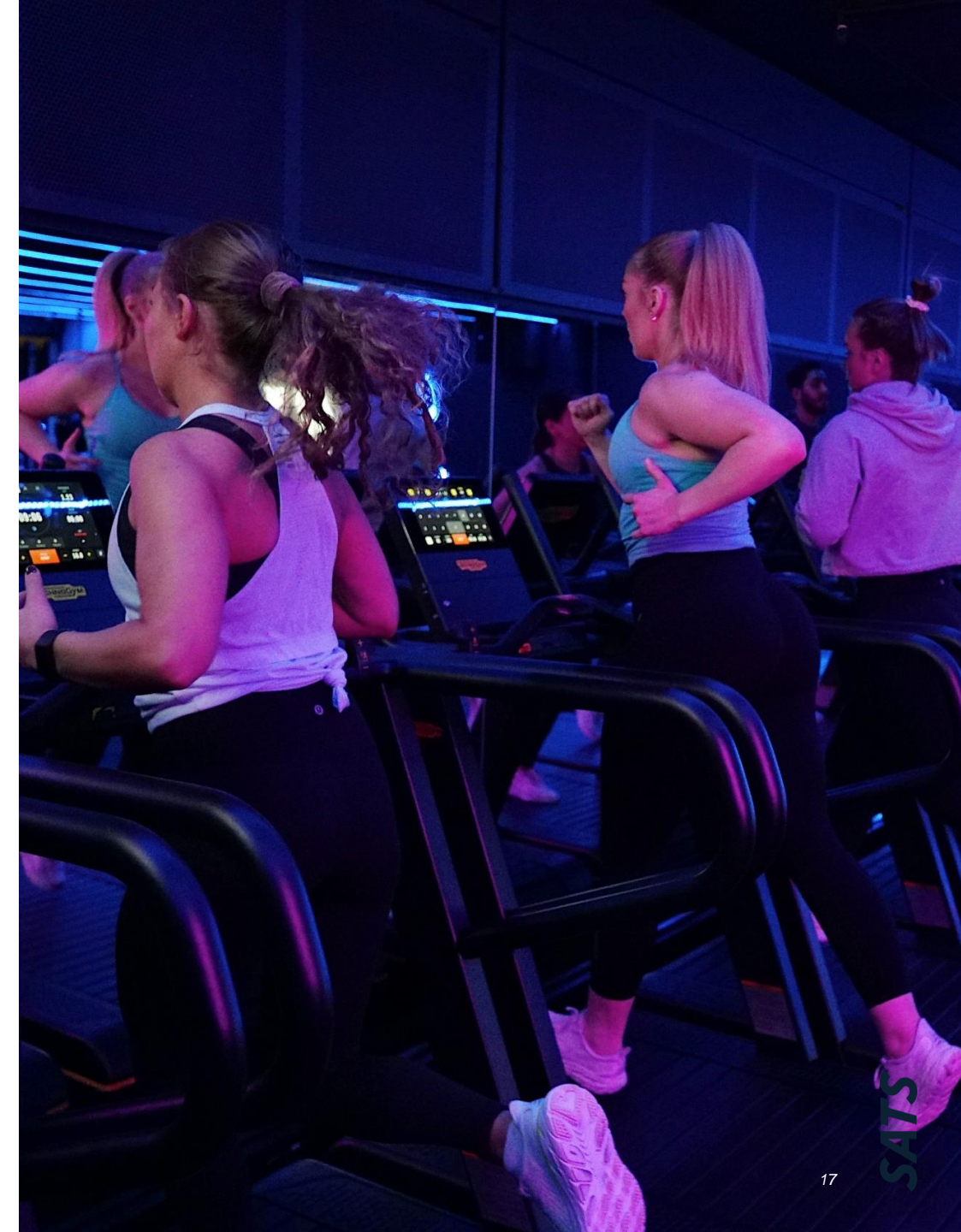
- Adj. EBITDA of NOK 12 million in the quarter was affected by a lag in revenue growth, despite solid member growth, as costs have increased faster than our prices
- Cost base addressed through profitability program, resulting in extraordinary costs in the quarter of NOK 68 million, of which NOK 46 million affects Adj. EBITDA¹:
 1. Severance packages from downscaling of the organization
 2. Write-offs related to Mentra after rebranding to SATS Online
 3. Club closures as part of the portfolio optimization

1) See appendix for detailed break-down

PRIORITIZING INVESTMENTS IN THE EXISTING CLUB PORTFOLIO

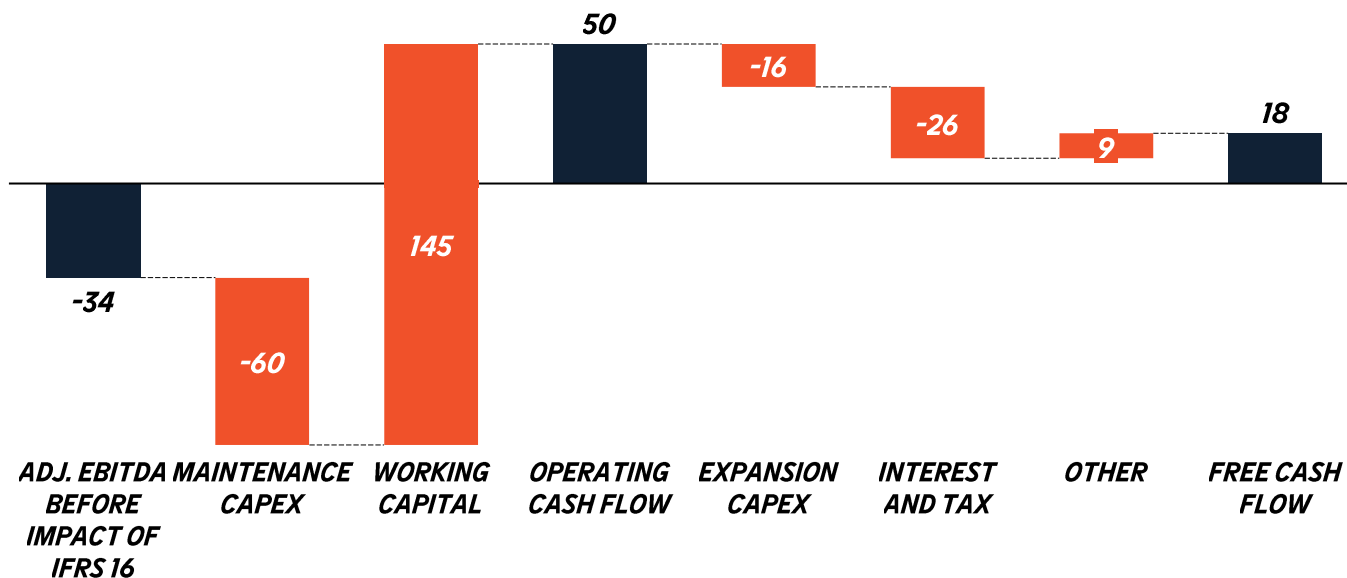


- Maintenance capex was lower than usual during the pandemic due to a focus on cash preservation and less wear and tear on equipment, but will return to historical levels of maintenance capex at approximately 5% of revenue
- Upgrades and maintenance capex in the quarter driven by several major club upgrades
- Strong pipeline of new clubs opening in 2023, but further expansion has been temporarily paused due to the current macroeconomic climate



POSITIVE FREE CASH FLOW IN THE PERIOD

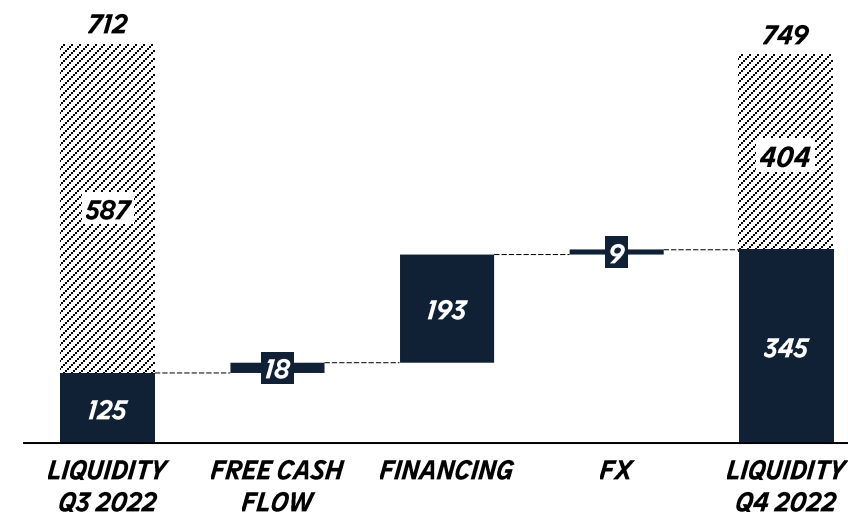
FREE CASH FLOW (MNOK)



- Back to being cash generative with operating cash flow of NOK 50 million in the quarter
- Strong improvement in working capital in the quarter following regular seasonal pattern, except for ~NOK 50 million related to extraordinary costs booked in Q4 2022, with the majority of the cash effect expected in 2023

LIQUIDITY POSITION (MNOK)¹

UNDRAWN RCF CASH BALANCE

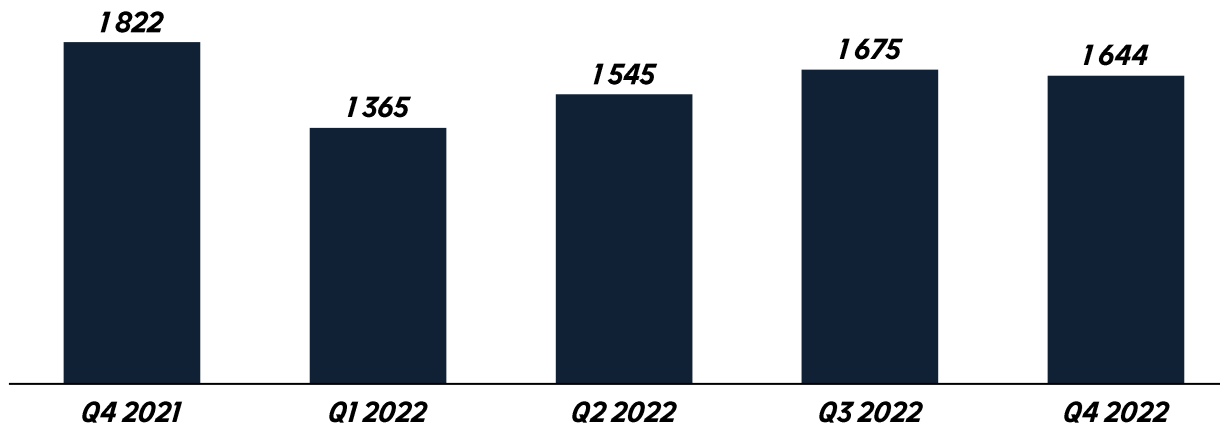


- Satisfactory liquidity position to handle current operations and communicated expansion strategy
- NOK 345 million of cash on the balance sheet and NOK 404 million in available cash from the RCF

1) Liquidity includes cash balance and undrawn revolving credit facility

PRIORITIZING REDUCING DEBT IN THE SHORT TERM

NET DEBT (MNOK)



- Historically, we have shown strong cash generation capabilities and stable cash conversion, resulting in a strong deleveraging profile
- The covid-19 period resulted in significant losses financed by increased debt
- In the short term, investments in club expansion will be limited, prioritizing reducing debt



OUTLOOK

SATS

READY FOR 2023!



Strong start of the year with positive sales momentum in January and the first half of February



Promising early results from price adjustments, in line with expectations given repeated price adjustments recently



As highlighted on the CMD, further additions to the club expansion pipeline are temporarily paused, and club economics optimization is of high priority. The current plan will thus give a modest club growth of four clubs in 2023



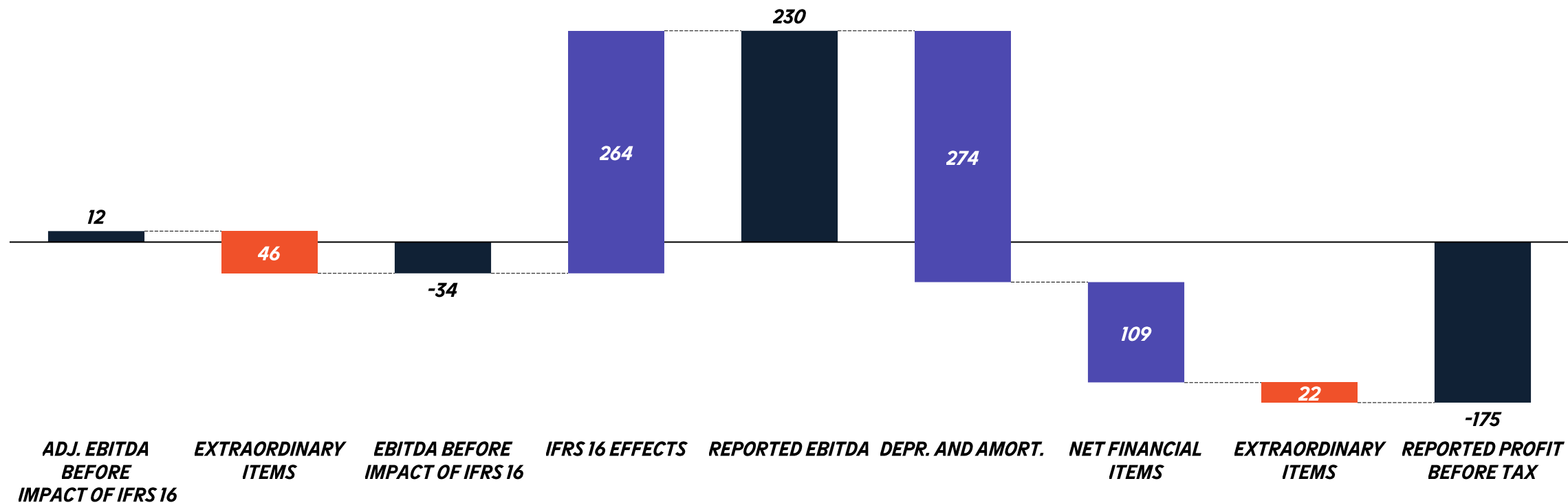
Short-term focus on growing the member base per club, counteracting inflation with increased average revenue per member, cost discipline, and operational leverage



APPENDIX

SATS

RECONCILIATION OF EXTRAORDINARY ITEMS Q4 2022

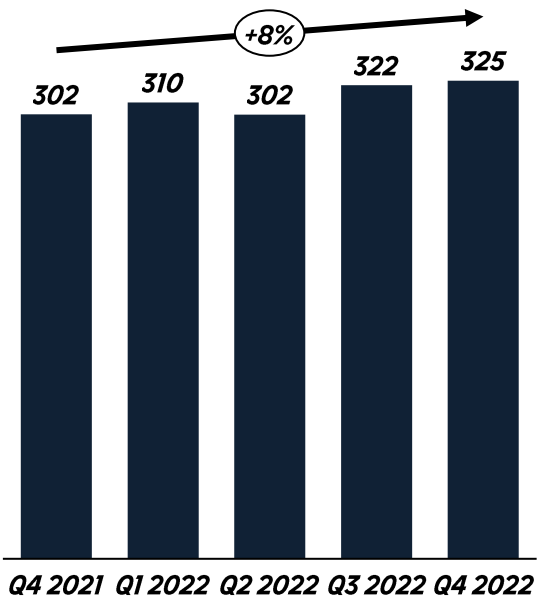


CALCULATION OF PUBLIC HEALTH EFFECT: METHODOLOGY

- Calculated health effect of all SATS members who meet WHO's recommendation of minimum 75-100 minutes of vigorous-intensity aerobic physical activity per week at SATS alone (World Health Organization, 2022)
 - Midpoint of 87.5 minutes applied
 - Assuming an average of 60 minutes per SATS workout
- Members who meet WHO's recommendation through a combination of SATS workouts and other workouts are not factored in
- Applying welfare effects of an average inactive 30-year-old person becoming moderately active of 1.9 QALYs (quality-adjusted life years) for men and 1.1 QALYs for women (Helsedirektoratet, 2008)
- Applying a value per QALY of NOK 1.4 million, not including the value labor force participation (Helsedirektoratet, 2016)

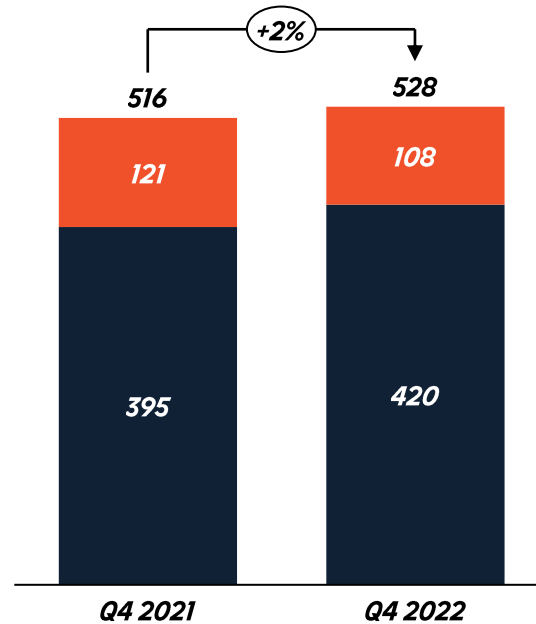
NORWAY

OUTGOING MEMBER BASE ('000)



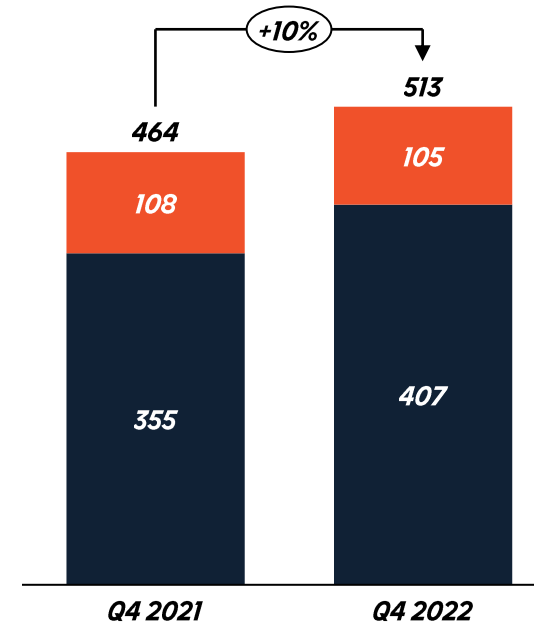
ARPM AND YIELD (NOK/MONTH)

MEMBERSHIP YIELD
OTHER YIELD

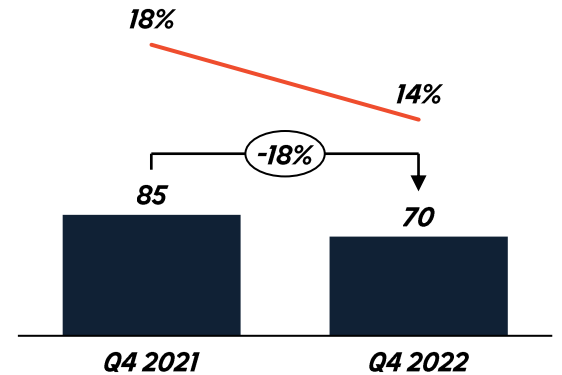


TOTAL REVENUES (MNOK)

MEMBERSHIP REVENUES
OTHER REVENUES

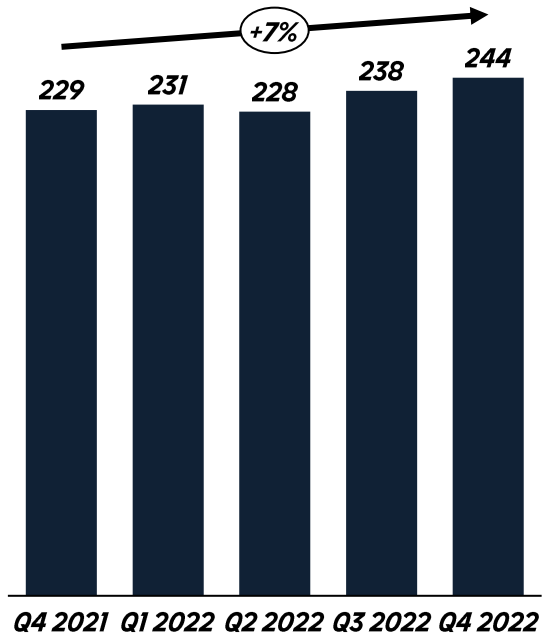


ADJ. COUNTRY EBITDA BEFORE IMPACT OF IFRS 16 (MNOK)

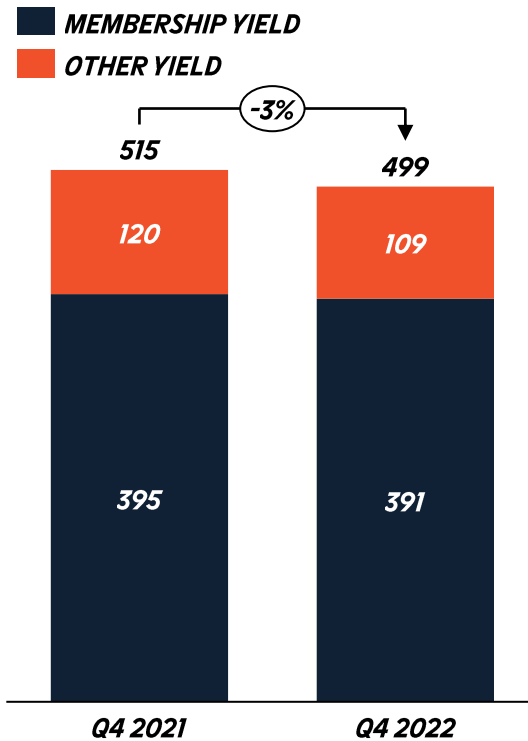


SWEDEN

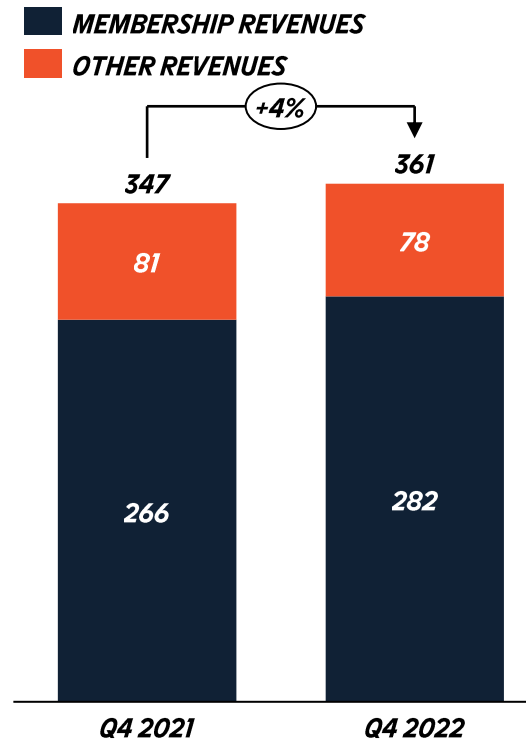
OUTGOING MEMBER BASE ('000)



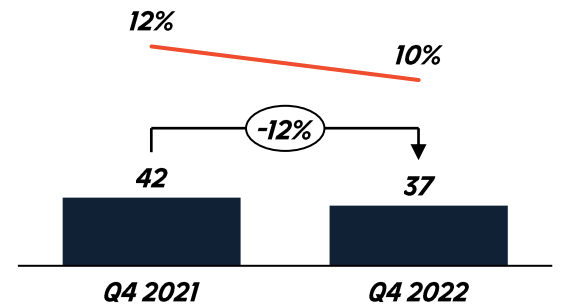
ARPM AND YIELD (NOK/MONTH)



TOTAL REVENUES (MNOK)

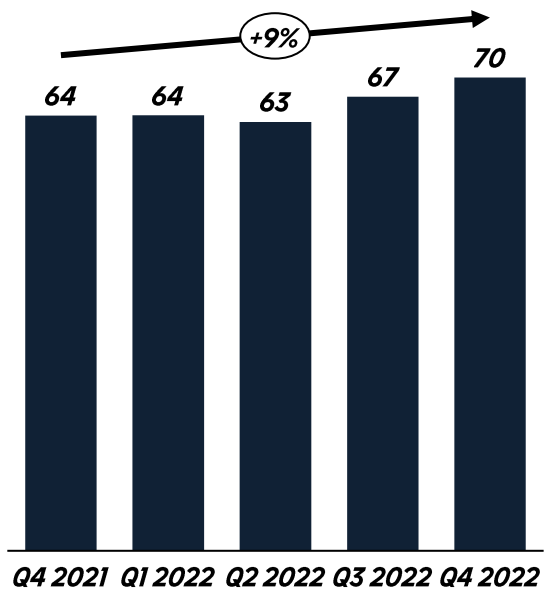


ADJ. COUNTRY EBITDA BEFORE IMPACT OF IFRS 16 (MNOK)



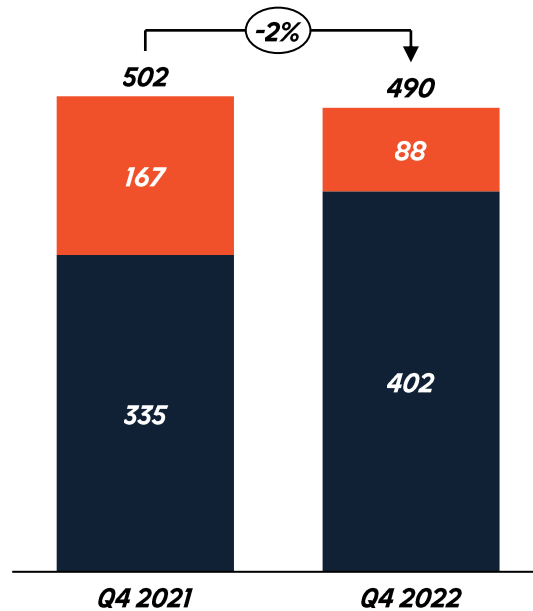
FINLAND

OUTGOING MEMBER BASE ('000)



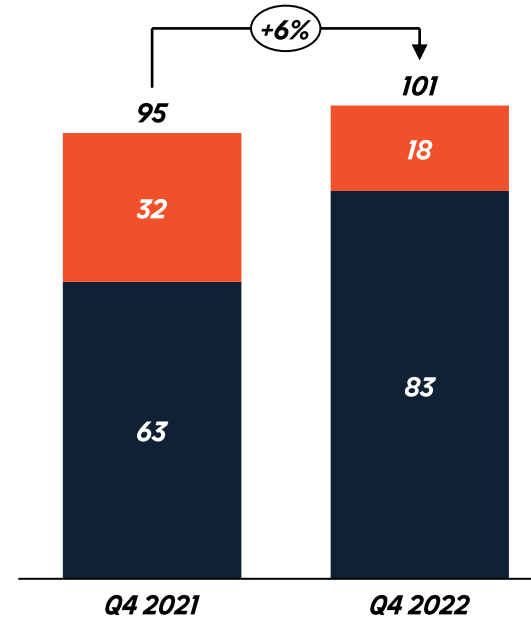
ARPM AND YIELD (NOK/MONTH)

MEMBERSHIP YIELD
OTHER YIELD

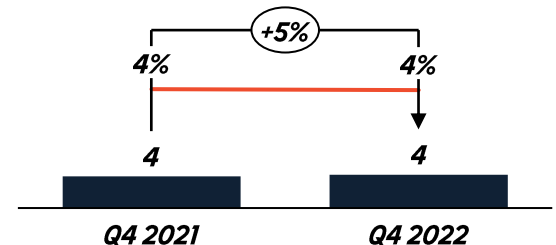


TOTAL REVENUES (MNOK)

MEMBERSHIP REVENUES
OTHER REVENUES

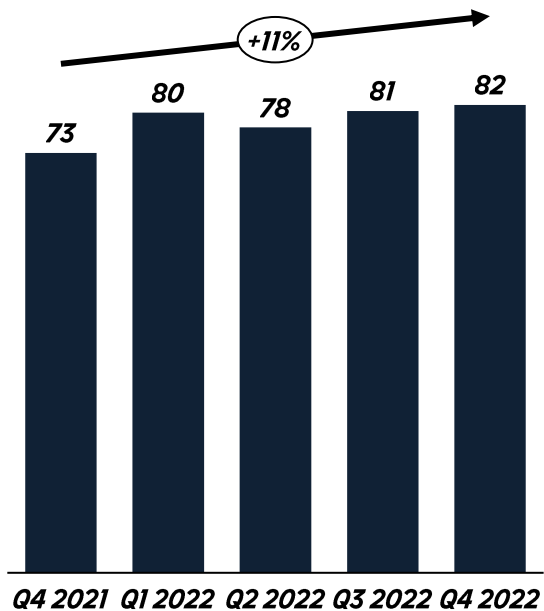


ADJ. COUNTRY EBITDA BEFORE IMPACT OF IFRS 16 (MNOK)



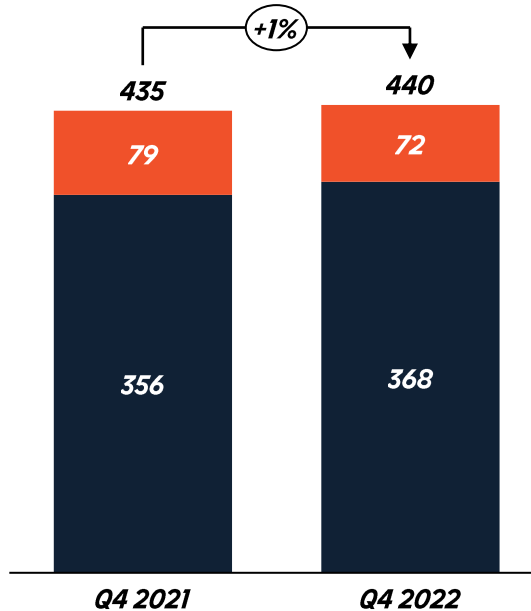
DENMARK

OUTGOING MEMBER BASE ('000)



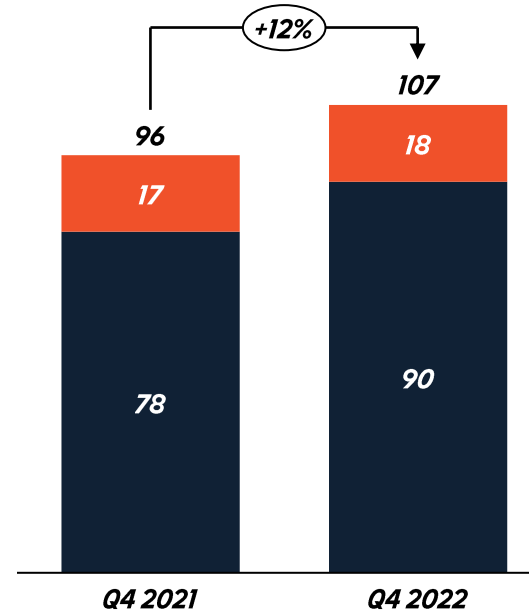
ARPM AND YIELD (NOK/MONTH)

MEMBERSHIP YIELD
OTHER YIELD

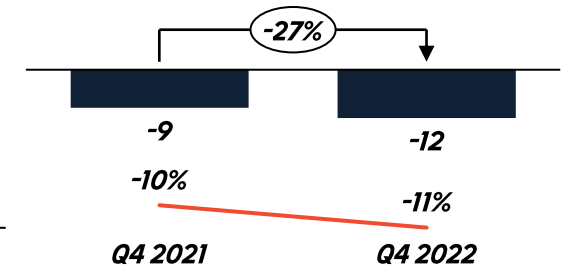


TOTAL REVENUES (MNOK)

MEMBERSHIP REVENUES
OTHER REVENUES



ADJ. COUNTRY EBITDA BEFORE IMPACT OF IFRS 16 (MNOK)



SUMMARY TABLE

<i>Amounts in NOK million</i>	Q4 2022	Q4 2021
Number of clubs, EOP	275	262
Outgoing member base ('000s)	721	669
Average number of members per club	2 621	2 553
ARPM (NOK)	505	505
Yield (NOK)	402	385
Reported EBITDA (MNOK)	230	273
Adjusted EBITDA before impact of IFRS 16 (MNOK)	12	26
Adjusted EBITDA before impact of IFRS 16 margin	1%	3%
Adjusted country EBITDA before impact of IFRS 16 (MNOK)	98	121
Adjusted country EBITDA before impact of IFRS 16 margin	9%	12%
Net debt (MNOK)	1 644	1 822
Total capital expenditures (MNOK)	76	93
Expansion capital expenditures (MNOK)	16	44
Maintenance capital expenditures (MNOK)	60	48
Operating cash flow (MNOK)	96	175
Leverage ratio	8.6	-10.7
Cash conversion	811%	681%

REPORTING UNDER IFRS 16

<i>Amounts in NOK million</i>	Reported Q4 2022	Change IFRS 16	Excl. IFRS 16 Q4 2022
Balance sheet items - IFRS 16			
Property, plant and equipment	723	0	723
Right-of use assets	4 161	4 161	0
Deferred tax assets	239	-75	314
Prepaid expenses and accrued income	287	-79	366
Total assets	8 675	4 007	4 667
Equity	860	-487	1 347
Non-current lease liability	3 666	3 666	0
Current lease liability	869	869	0
Other current liabilities	423	-41	464
Total liabilities	7 815	4 494	3 321
Profit & loss items - IFRS 16			
Revenue	1 082	0	1 082
Cost of goods sold	-47	0	-47
Personnel expenses	-446	0	-446
Other operating expenses	-359	264	-623
Depreciation and amortization	-296	-227	-69
Operating profit	-66	37	-103
Net financial items	-109	-47	-62
Profit/loss before tax	-175	-10	-165

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 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
Average number of members per club	Outgoing member base divided by outgoing number of clubs
Average revenue per member (ARPM)	Calculated as monthly total revenue divided by the average member base
Capex: Expansion capital expenditures	The sum of investments related to acquisitions and greenfields, as well as capex related to the perfect club initiative and digital expansion
Capex: Upgrades and maintenance capital expenditures	Club upgrades and maintenance and IT capital expenditures
Cash conversion	Operating cash flow divided by adjusted EBITDA before impact of IFRS 16
EBITDA	Profit/(loss) before net financial items, income tax expense, depreciation and amortization

TERM	DEFINITION
Group overhead	Consists of group services such as commercial functions, IT, finance and administration
Leverage ratio	Net debt divided by last twelve months adjusted EBITDA before impact of IFRS 16
Member base	Number of members, including frozen memberships, excluding free memberships
Operating cash flow	Adjusted EBITDA before impact of IFRS 16 less upgrades and maintenance capital expenditures and working capital
Other yield	Calculated as other revenue in the period, divided by the average member base
Total overhead	The sum of country overhead and group overhead
Underlying operating cash flow	Operating cash flow less expansion capital expenditures
Yield	Calculated as monthly member revenue in the period, divided by the average member base

SATS