


Q2 2020

*INTERIM REPORT
APRIL – JUNE 2020*

**SONDRE GRAVIR
CECILIE ELDE**

SATSGROUP





Q2 financials heavily affected by COVID-19 and closed clubs – estimated COVID-19 related revenue loss of NOK 520 million and EBITDA effect of NOK 270 million

Net profit in the quarter negative with NOK - 114 million (YTD NOK -212 million)

Member base down 5% compared to Q2 2019 (on a growth trajectory pre-COVID-19), driven by lost sales during club closure

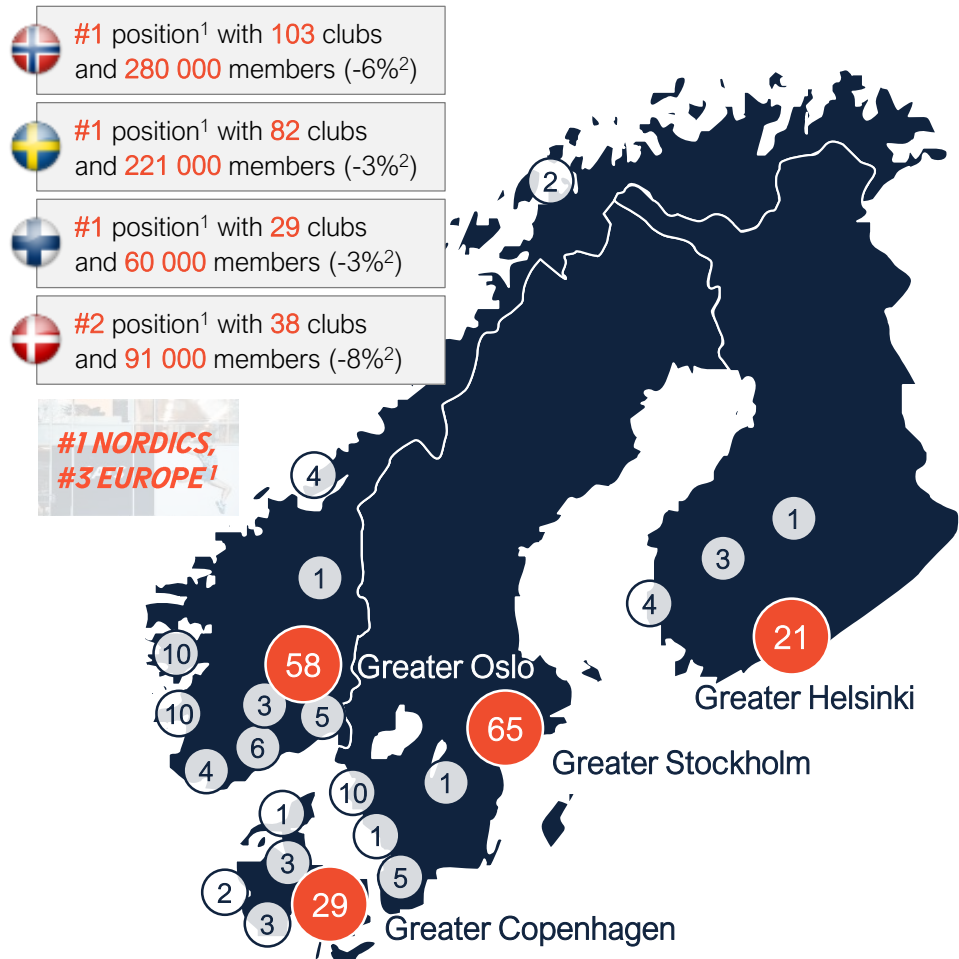
SATS expects to come out of this as an even stronger company, supported by increased focus on training and healthy lifestyle across the Nordic population

Have during the COVID-19 period improved our operational routines and digital product offering significantly

All clubs are open with a safe environment, overall very positive visit development, significantly improved member feedback and strong sales performance

Main focus going forward will be to recover the member base and get back to pre-COVID-19 financial run rate

SIGNIFICANT NEGATIVE FINANCIAL EFFECTS FROM COVID-19 RELATED CLUB CLOSURES



KEY FIGURES	Q2 2020	CHANGE VS Q2 2019
TOTAL REVENUES	774 MNOK	-26%
REPORTED EBITDA (MARGIN)	289 MNOK (39%)	-28%
ADJ. EBITDA BEFORE IFRS 16 (MARGIN)	38 MNOK (5%)	-78%
NET PROFIT (MARGIN)	-114 MNOK (-15%)	-254%
MEMBERS	652 000	-5%
CLUBS	252	+4

(1) Measured by 2019 revenues based on figures from Deloitte EuropeActive EHFMR 2020
 (2) Compared to Q2 2019

***UPDATE ON COVID-19 AND
THE REOPENING OF CLUBS***

SATS**GROUP**

ALL CLUBS ARE NOW REOPENED

- SATS decided on 12 March to temporarily close down all clubs in the Nordics to contribute to limit the contagion of COVID-19, governmental shutdown of the industry followed later in Norway and Denmark
- Close dialogue with the authorities in each country after close down, following their advices on how to act



12 MARCH

Temporarily closed all clubs



26 MARCH

Reopened all clubs in Sweden. Limited measures from the government created a situation differing from the other Nordic countries



24 APRIL

Reopened all clubs in Finland, after the restrictions in the main Helsinki area were lifted



11 JUNE

Reopened all clubs in Denmark, after a governmental imposed lock-down from 17 March to 8 June, with a short reopening notice



15 JUNE

Reopened all clubs in Norway, after a governmental imposed lock-down from 12 March to 15 June

SAFE TRAINING AT SATS

WHAT SHOULD **YOU** DO?



Wash your hands

The best prevention against infection is to wash your hands thoroughly and often.



Wash equipment after use

Always wash equipment after you are finished. You will find spray bottles and paper easily accessible.



Keep a distance

Follow the recommendations from the Directorate of Health regarding safe distance.



Restrict mobile usage

Mobile phones are regarded as potential source of infection and we therefore recommend limited use during workout.



Are you sick?

If you are feeling sick, stay at home. You need a resting day anyway.

WHAT ARE **WE** DOING?



Frequent cleaning

We have frequent cleaning at our centers, especially surfaces and equipment many may be in contact with.



Reduced number of participants in group training

We have reduced the number of participants and follow distance recommendations from the Directorate of Health.



Wardrobes and showers

Wardrobes and showers are available. Keep a distance and show respect. Saunas are closed.



Updated knowledge on infection prevention

We keep updated on new recommendations and follow these.



What if employees are sick?

Our employees follow the same rules as you; if we are feeling sick, we stay at home.

SUCCESSFUL REOPENING, LEARNING FROM BEST PRACTICE ACROSS COUNTRIES



RESEARCH PROJECT CONCLUDES THAT IT IS SAFE TO VISIT FITNESS CLUBS



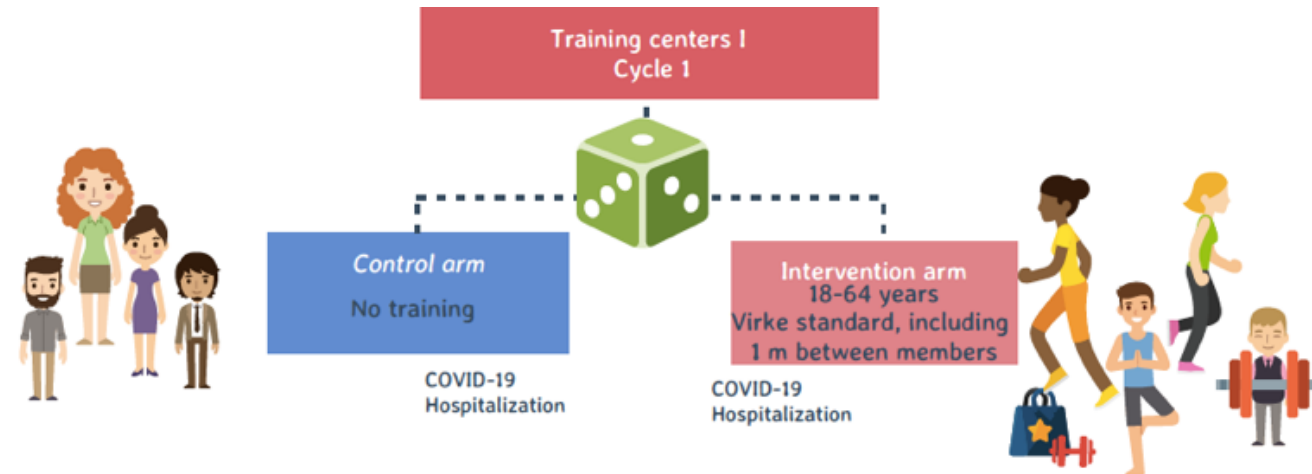
RESEARCH PURPOSE

Investigate whether it is safe to reopen Norwegian training facilities after the COVID-19 pandemic

EXECUTION

Carried out by the Clinical Effectiveness Research team at the University of Oslo, in collaboration with Oslo University Hospital, Virke Trening, SATS, EVO and STOLT

METHOD



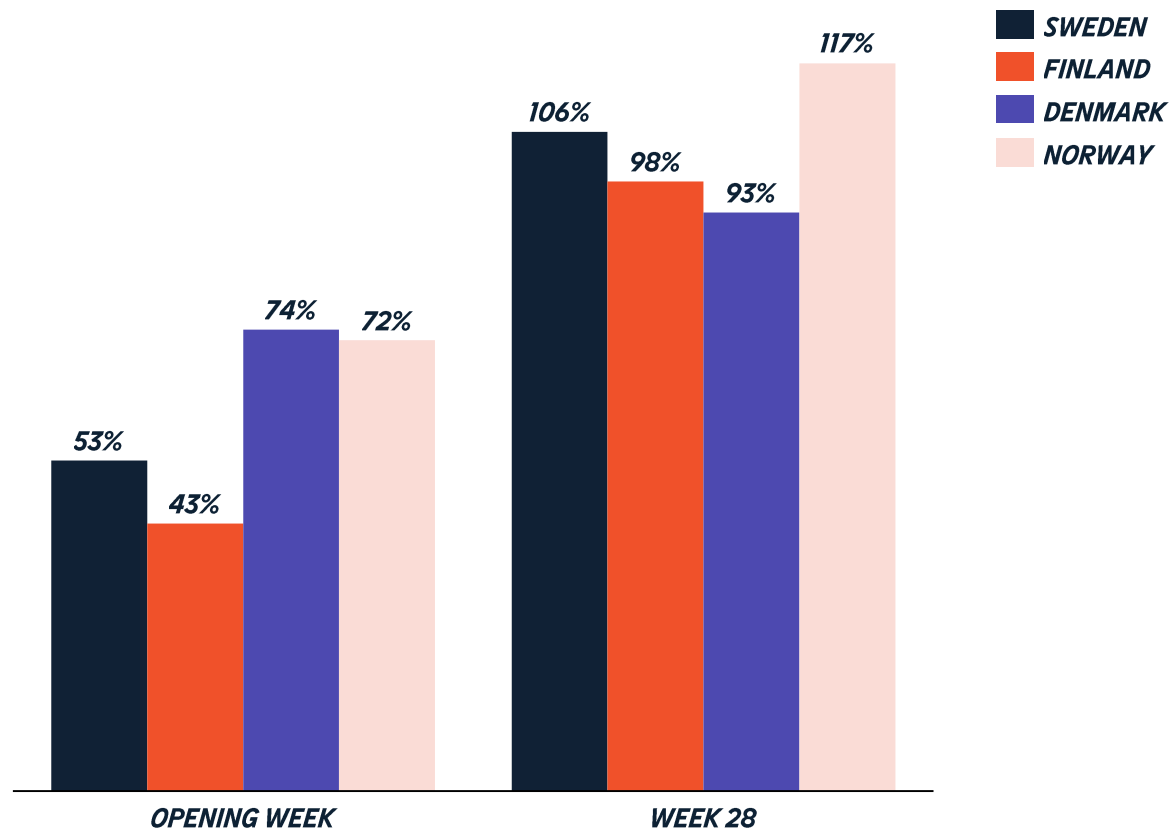
CONCLUSION

PEOPLE WHO WENT TO A GYM NOT MORE LIKELY TO GET INFECTED, OR SICK, THAN PEOPLE WHO DIDN'T

MEMBERS ARE RETURNING TO THE CLUBS

VISITS TO CLUBS RETURNING TO NORMAL;

Weekly visits as share of LY per country

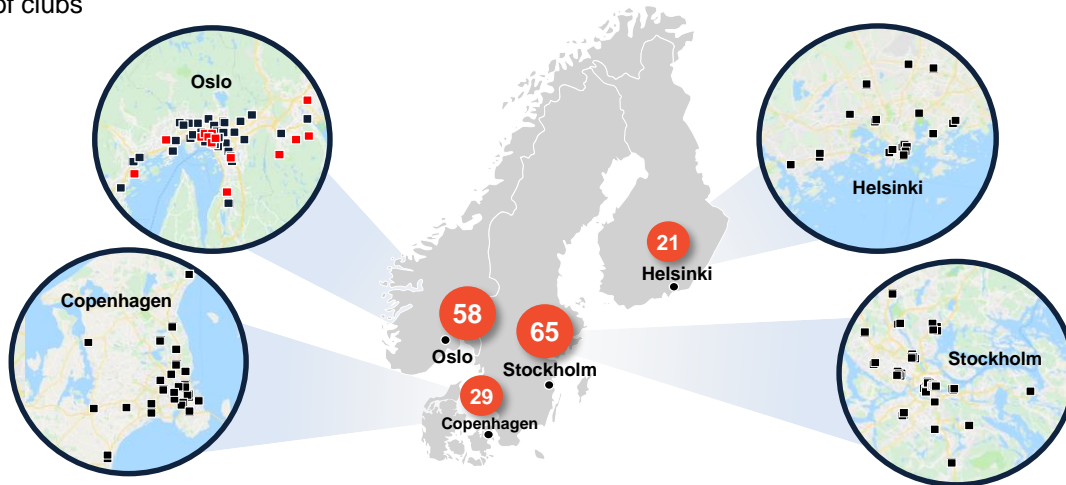


- Club visits have climbed back towards normal sooner than expected
- The last weeks on par with comparable weeks last year, despite:
 1. Fewer group training visits due to lower group training capacity to enable social distancing
 2. Some workouts moved from physical clubs to online

SOCIAL DISTANCING DESPITE HIGH VISIT NUMBERS ENABLED BY... STRONG CLUSTERS

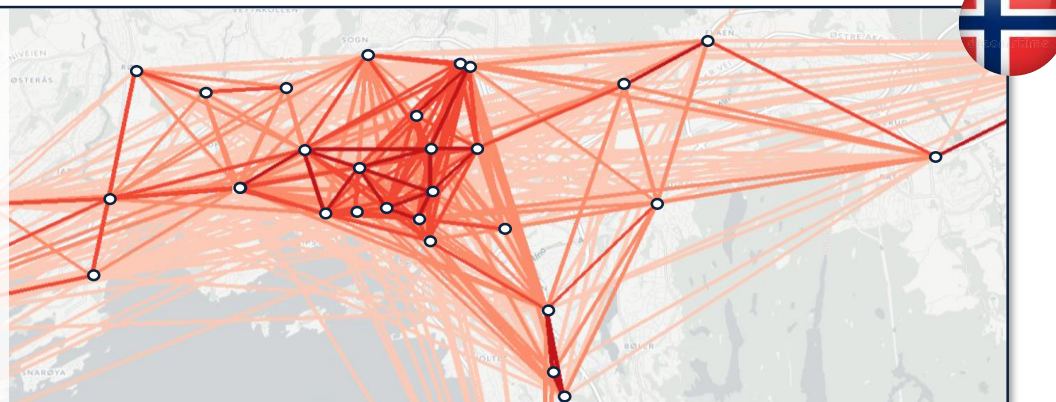
OFFERING A SUPERIOR NETWORK TO MEMBERS ACROSS ALL KEY NORDIC CITIES

x # of clubs



Oslo example:
visitor overlap
between clubs

- SATS Club
- 2 - 5%
- 5 - 10%
- 10 - 20%
- > 20%



CLEAR CLUSTER ADVANTAGES POST-LOCK-DOWN

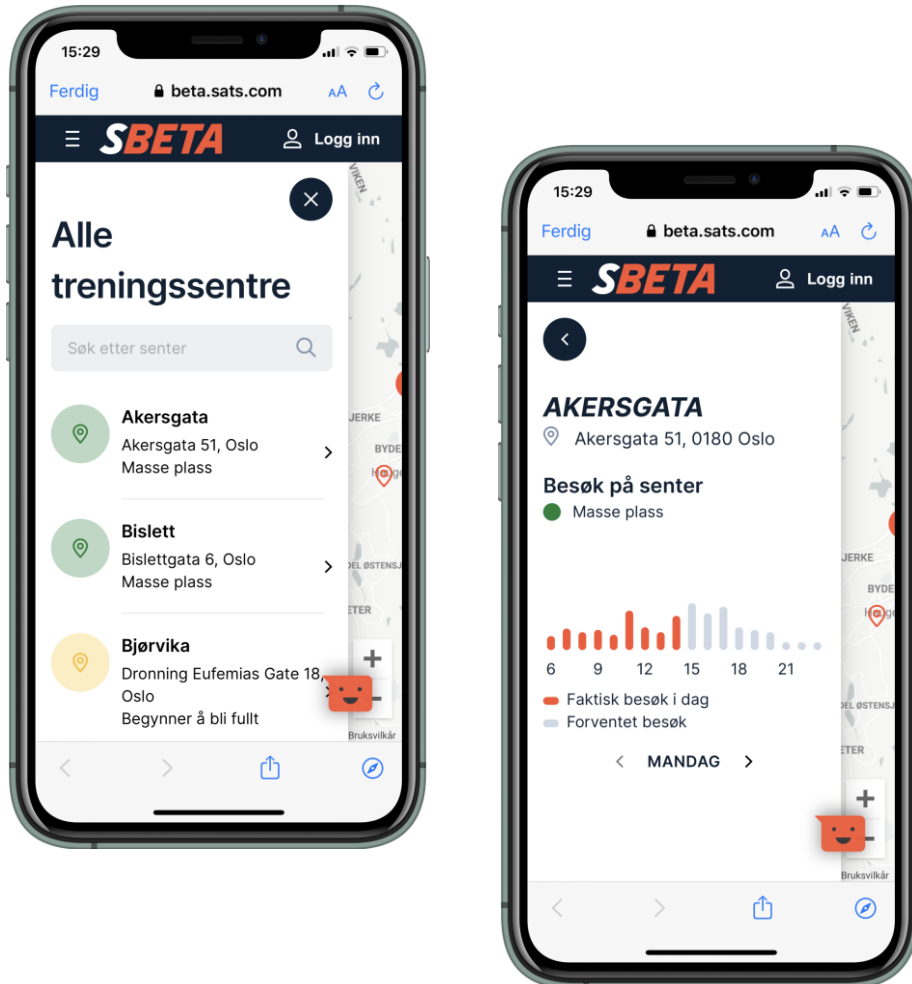
- Offering flexibility for members to work out either close to the office or home
- Visit patterns spread out more evenly through the day, with lunch time training taking some of the pressure from the most popular afternoon slots
- Enabling members to choose less crowded clubs, reinforced by traffic light functionality in the app

VISIT PATTERN SHOWING INCREASED SPREAD BETWEEN CLUBS;

Std.dev. of # of visits per club last two weeks of June



SOCIAL DISTANCING DESPITE HIGH VISIT NUMBERS ENABLED BY... DIGITAL CAPABILITIES

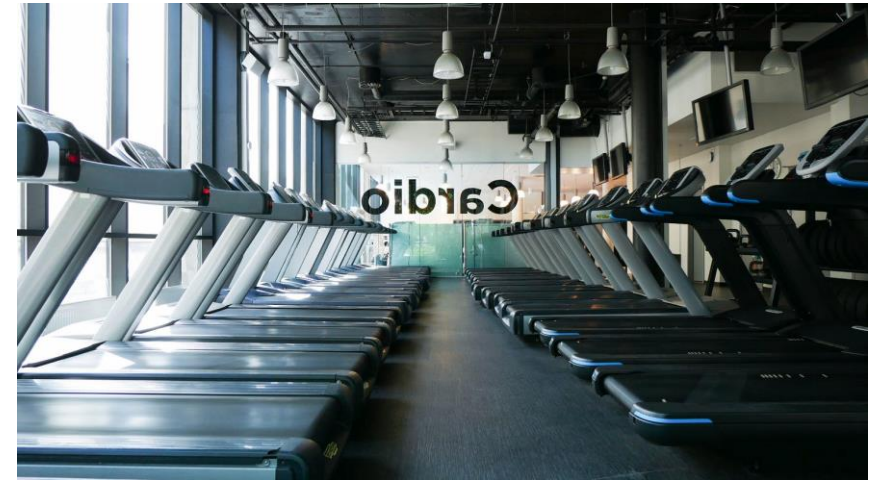
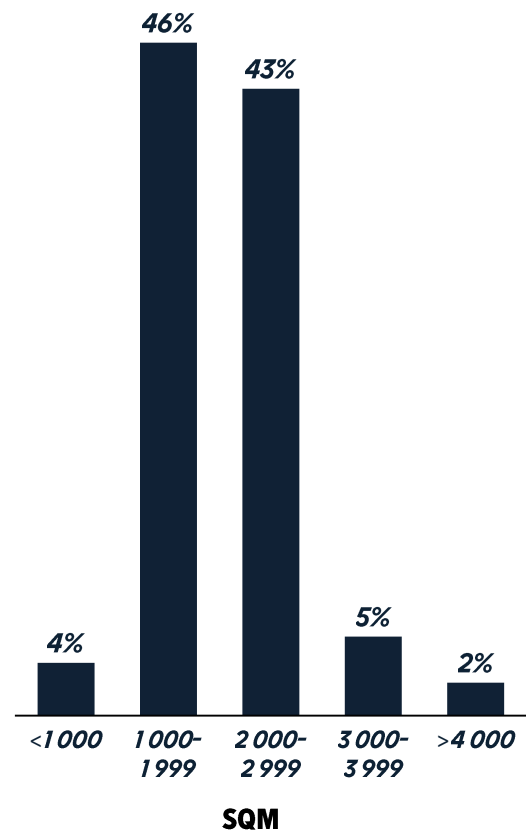


TRAFFIC LIGHT FUNCTIONALITY DEVELOPED DURING LOCK-DOWN

- Important measure in spreading traffic across clubs and during the day
- Creating awareness of differences in capacity between clubs and time slots
- Both instant capacity tracking right before going to club and predictions helping members plan
- Developed by internal digital team

SOCIAL DISTANCING DESPITE HIGH VISIT NUMBERS ENABLED BY... **LARGE CLUBS**

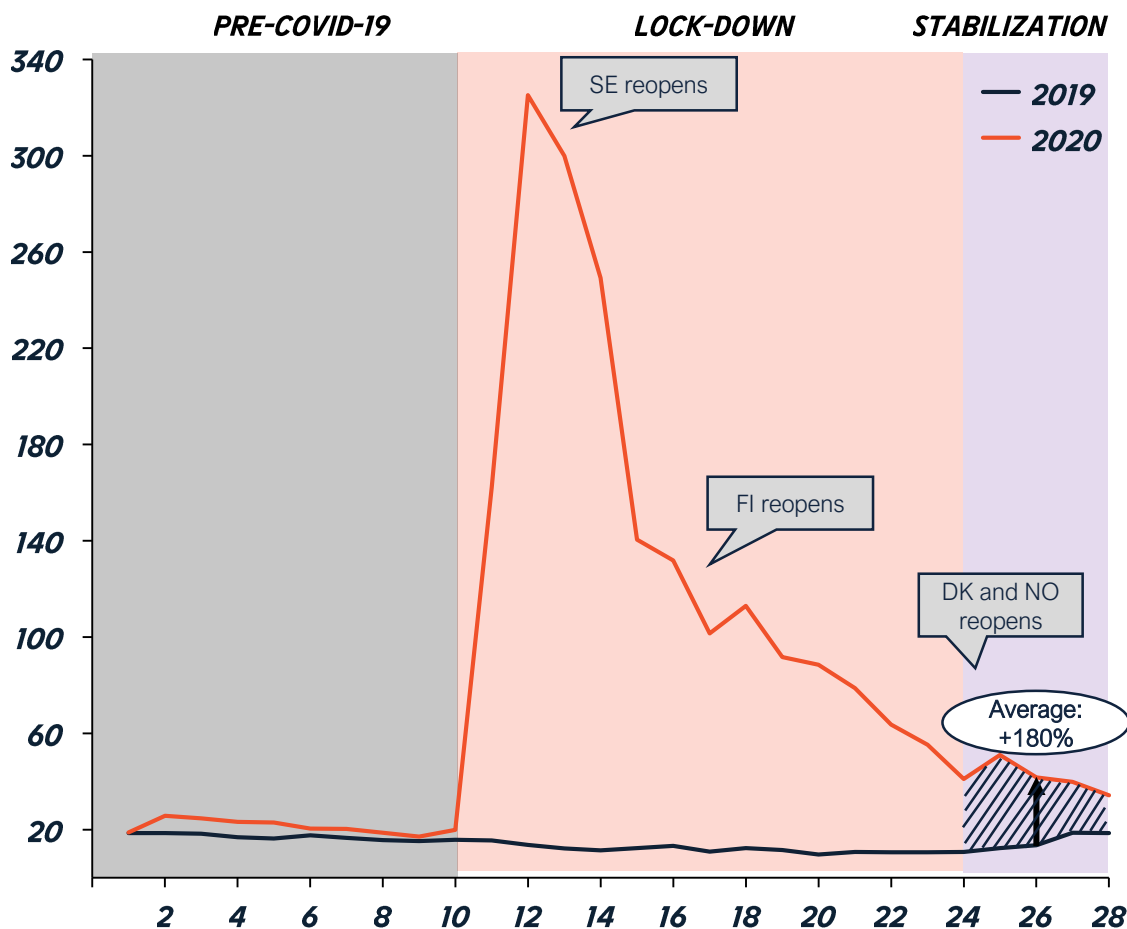
THE MAJORITY OF SATS CLUBS ARE BETWEEN 1 000 AND 3 000 SQM;
Share of SATS clubs by size



SOCIAL DISTANCING DESPITE HIGH VISIT NUMBERS ENABLED BY... ONLINE TRAINING

ONLINE TRAINING USAGE WELL ABOVE LY ALSO AFTER CLUB REOPENINGS
'000 of sessions started per week

ONLINE TRAINING ESTABLISHED AT AS A COMPLIMENT TO THE PHYSICAL CLUB EXPERIENCE



- Main priority during lock-down to provide the members with good alternatives to the physical club experience, hence we significantly improved the digital offering
- Adjusted the memberships to the new offering, with a significantly reduced price point – at the same time giving members the flexibility to easily freeze their membership
- Ongoing dispute with “Forbrukertilsynet” in Norway claiming that this was a new membership requiring an explicit active approval. SATS argues that this was an adjustment of current membership to a new reality, which consumer law and our member contracts open for
- Overall, members appreciated the improved digital offering and flexibility to choose themselves what to do – many froze their memberships and digital usage exploded
- Weekly sessions up to above 300 000, and close to 600 000 unique digital users in the period
- Usage stabilized at a level well above double of last year after club reopenings, compared to +25% pre-COVID-19
- The digital offering gives SATS an enhanced member proposition and improved member flexibility

SOCIAL DISTANCING DESPITE HIGH VISIT NUMBERS ENABLED BY... OUTDOOR TRAINING

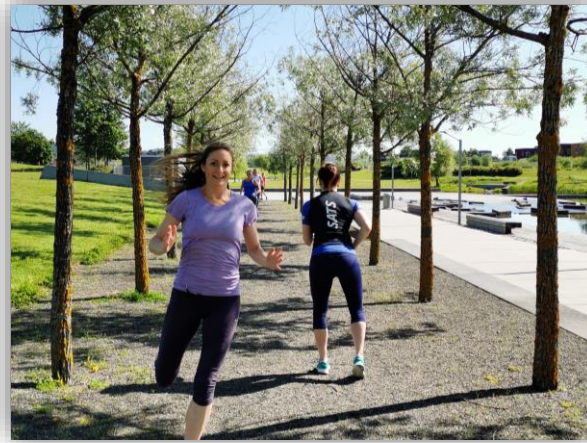
> 400 WEEKLY OUTDOOR CLASSES IN BOTH NORWAY AND SWEDEN

MOST POPULAR CLASSES:

CROSSTRAINING



RUNNING



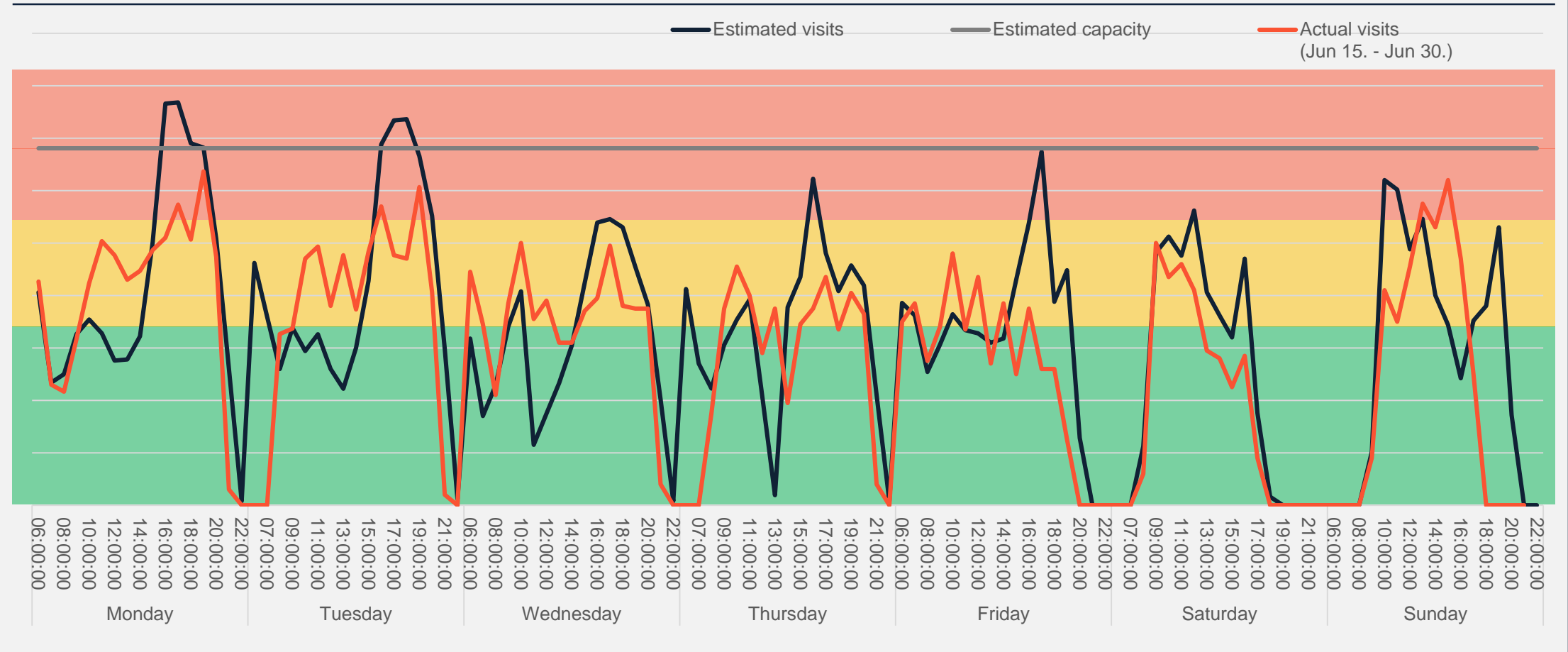
YOGA



CAPACITY CONSTRAINTS APPEAR TO HAVE LIMITED IMPACT ON EVEN THE BUSIER CLUBS

ACTUAL VISITS VERSUS ESTIMATED VISITS AND CAPACITY UNDER DISTANCING MEASURES FOR RINGNES PARK;

Estimate based on 2m radius per member (~14 sqm) and gym floor visits in May 2020

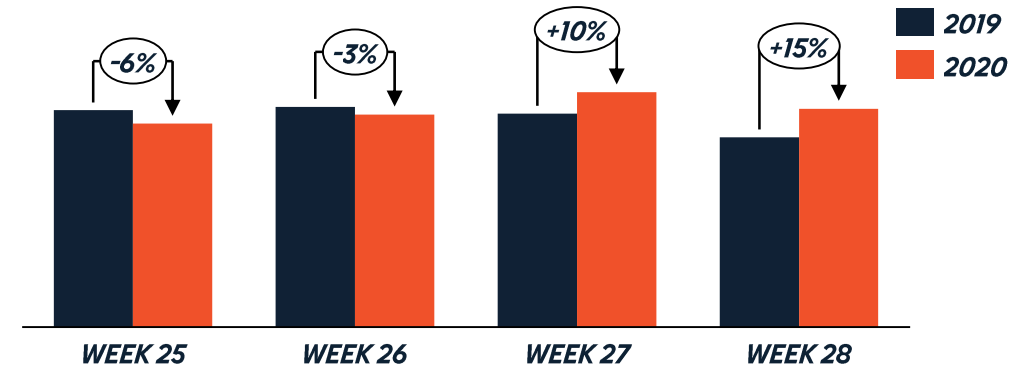


OF WORKOUTS PER MEMBER CLIMBING ABOVE LAST YEAR

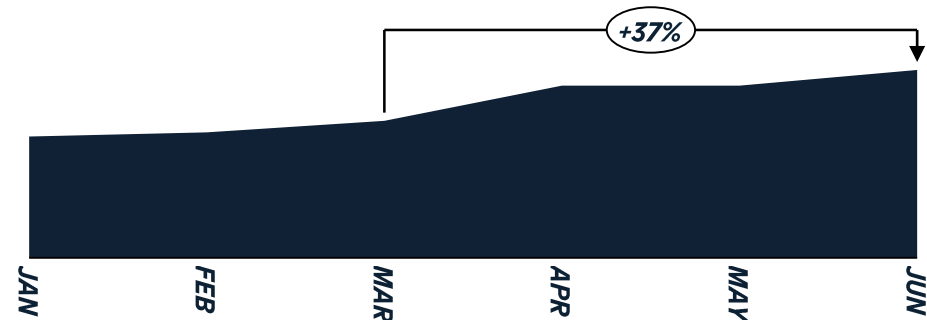


SATS' MEMBERS ARE, DESPITE LOWER CAPACITY AT THE CLUBS, WORKING OUT MORE OFTEN THEN LAST YEAR

OF WORKOUTS PER MEMBER, BOTH AT CLUBS AND ONLINE, AFTER REOPENING OF ALL CLUBS



RECORD HIGH NPS SCORES, DRIVEN BY OPERATIONAL IMPROVEMENTS



CLUB UPDATE

SATS**GROUP**

EIGHT PLANNED CLUB OPENINGS IN 2020

OPENINGS

DIVESTMENTS

H1 2020

- FI TAPIOLA**
 - White spot in the Greater Helsinki area, west of city centre
 - The 2 000 sqm club is located at highly visited AINOA Shopping centre with good public transport connections and opened in January
- SE URSVIK ENTRÉ**
 - White spot in the Greater Stockholm area, north of city centre
 - 2 000 sqm club, including a sports hall, with good parking and public transport connections – opened in January
- SE HAMNEN AND MÖLNVIK**
 - White spots in the Greater Stockholm area, east of city centre
 - Acquired from Body Joy and opened as SATS clubs in February

+4



H2 2020

- **SIGNED GREENFIELDS**
 - FI Iso Omena: Q3 2020
 - SE Kanalvej: Q3 2020
 - SE Häggvik: Q4 2020
 - SE Arninge: Q4 2020
 - NO Skøyen and St. Olav to be relocated in Q3

+4

- DK DIVESTMENT OF NINE CLUBS IN DENMARK**
 - The nine clubs Nyborgvej, Vogterhus, Svendborg, Broen, Strandbytov, Bispensgade, Frisko, Risskov and Viby are all divested to Fitness 1, enabling SATS to continue on the journey of focusing on its strong capital clusters
 - Transaction closed on 1 July 2020

-9

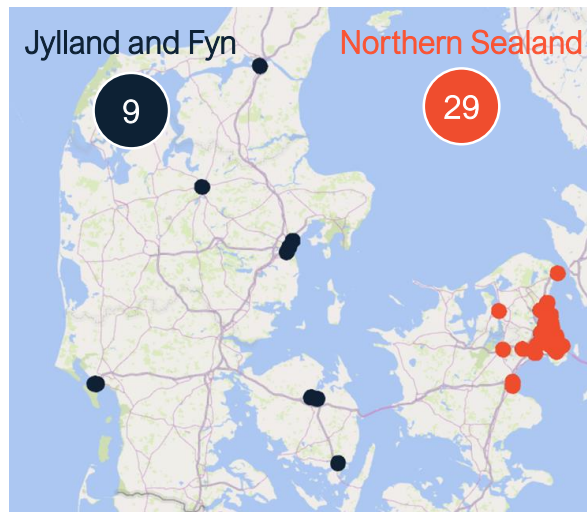


STATUS ON DENMARK

FOCUSING ON THE KEY CLUSTERS, IN LINE WITH THE STRATEGY

OPTIMIZING THE CLUB PORTFOLIO...

- Signed an agreement with Fitness 1 to divest nine clubs in Jylland and Fyn
- A planned strategic move initiated by SATS, in order to make Denmark more efficient and profitable
- Enabling SATS to continue on the journey of focusing on its strong capital clusters
- Copenhagen clubs brought up to the same level as the Oslo and Stockholm clusters the past year, with major upgrades at several clubs
- Further strengthening the cluster through opening of SATS Kanalvej in Q3



...TO MAKE DENMARK MORE EFFICIENT AND PROFITABLE



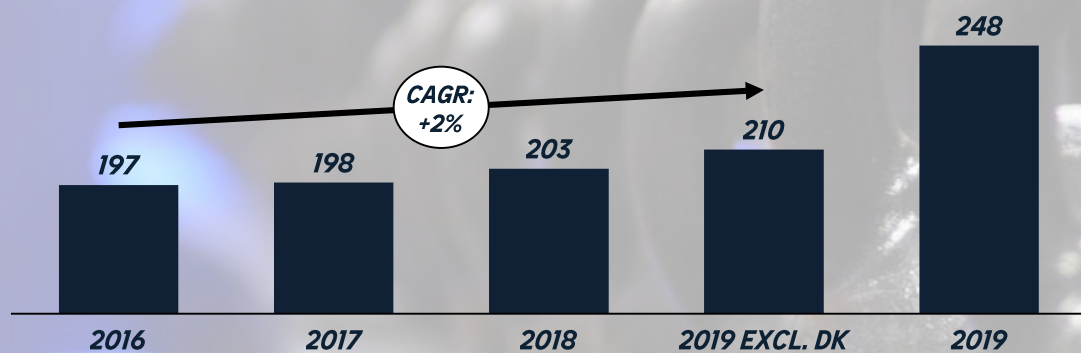
The proforma figures for the remaining club portfolio in Denmark are not representative for the company's expectations for 2020, due to the COVID-19 outbreak and corresponding club closure

Transaction completed on 1 July with a net cash outflow and impairment of related fixed assets, resulting in a total impairment of NOK 62 million

FINANCIAL REVIEW

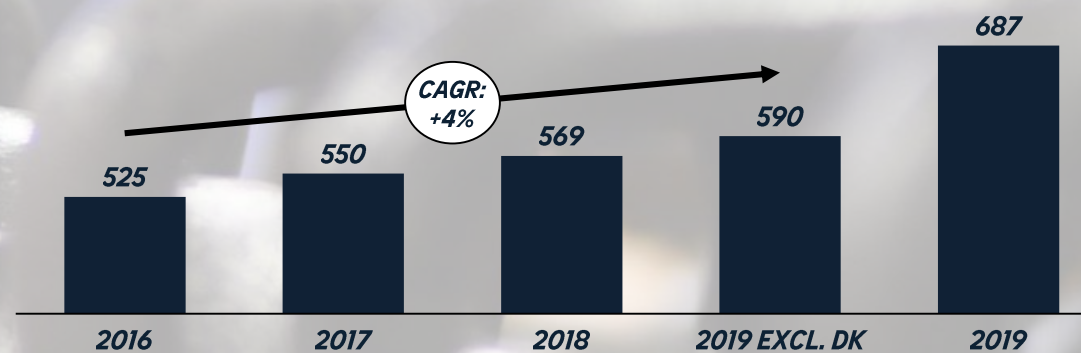
SATS**GROUP**

CLUBS



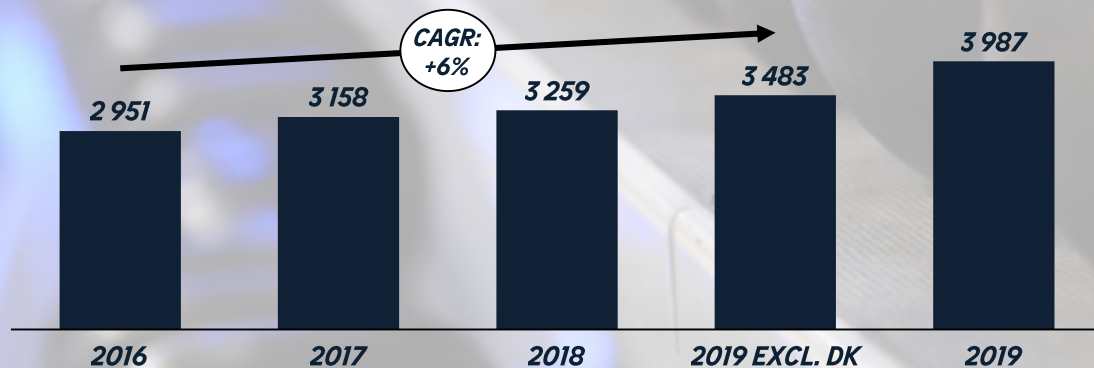
MEMBERS

Thousand



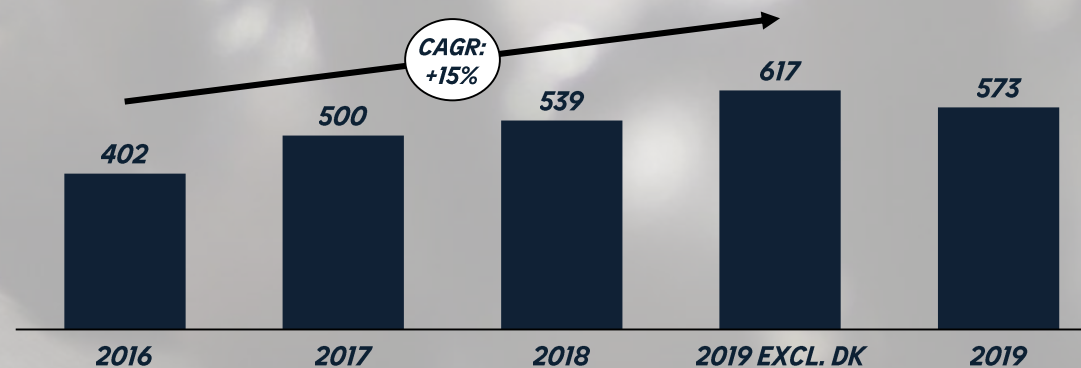
REVENUES

NOK million



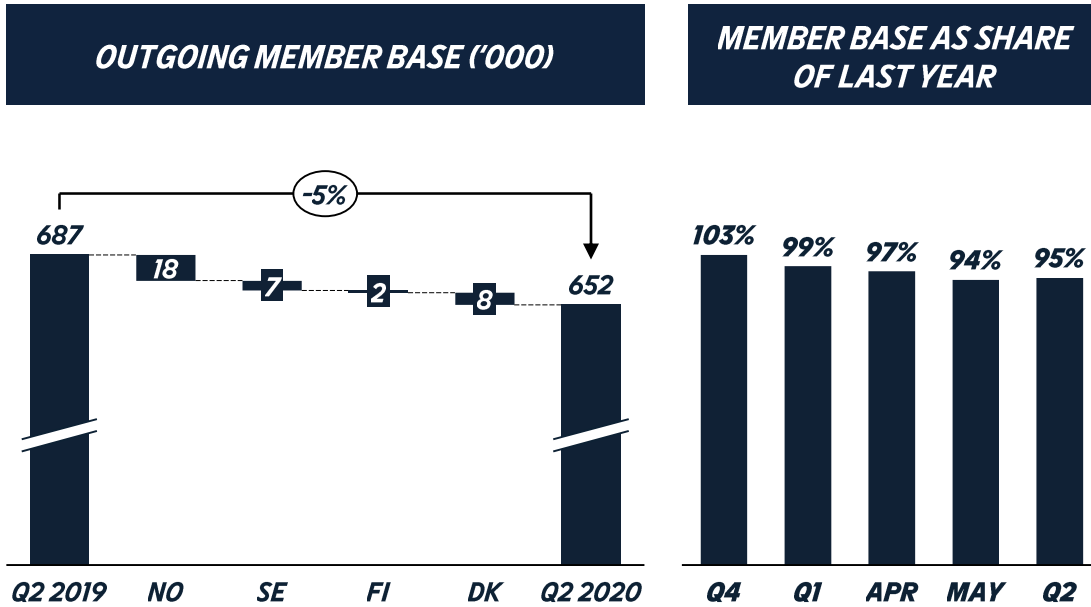
ADJUSTED EBITDA BEFORE IMPACT OF IFRS 16

NOK million



GROUP REVENUES

LOWER DROP-OFFS THAN EXPECTED



- Reduction in member base driven by lower sales during closure period rather than drop-offs
- Drop-offs after reopening in Norway and Denmark lower than expected based on experience from reopening in Sweden and Finland
- The number of drop-offs was in line with last year, proving the loyalty of the member base
- Sales performance better than expected after reopening



GROUP REVENUES

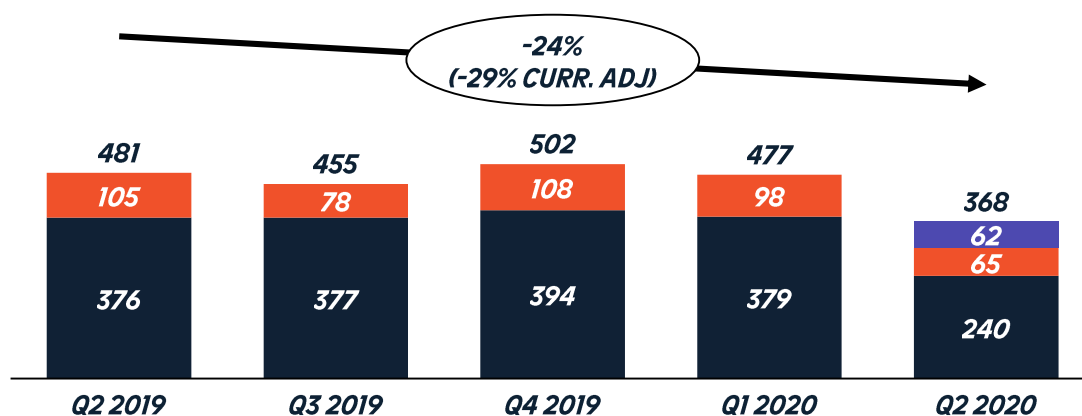
ARPM HIT BY CLUB CLOSURE

ARPM AND YIELD (NOK/MONTH)

■ YIELD

■ OTHER YIELD

■ GOVERNMENTAL SUPPORTING PACKAGES

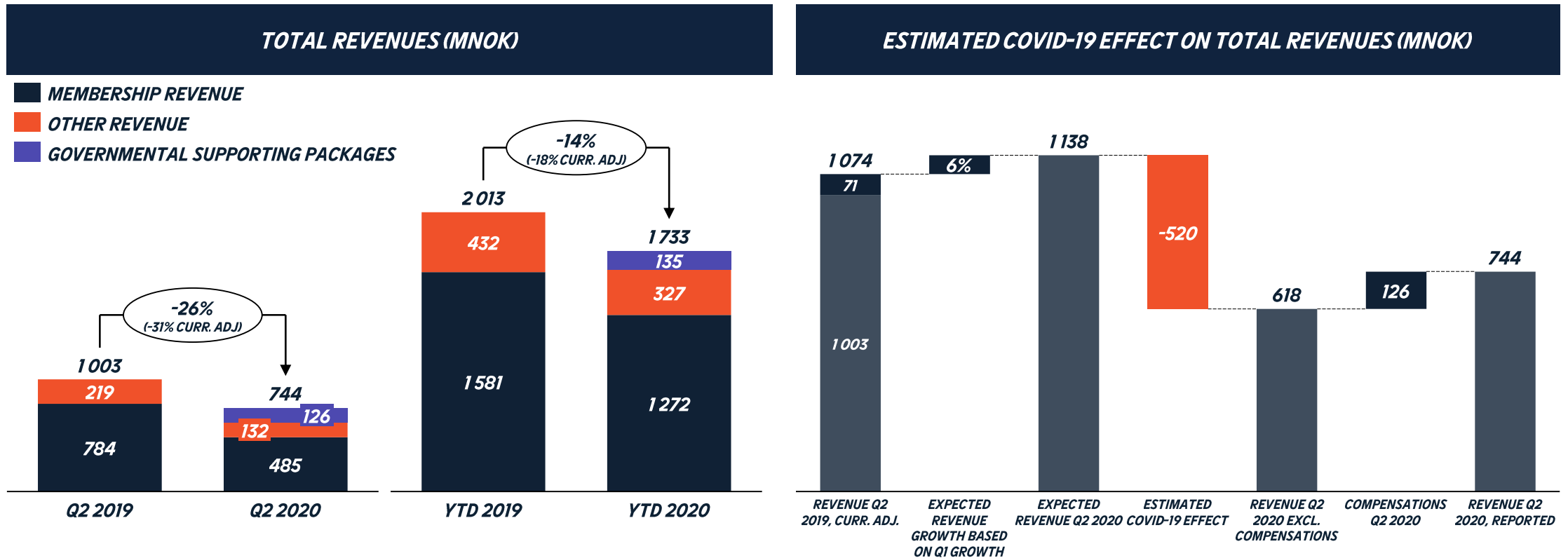


- Revenues partially preserved during club closure
 - Reduced ARPM due to frozen memberships and reduced price for online memberships
- Average price on memberships higher in June 2020 than in June 2019, implying a continued positive development in underlying yield



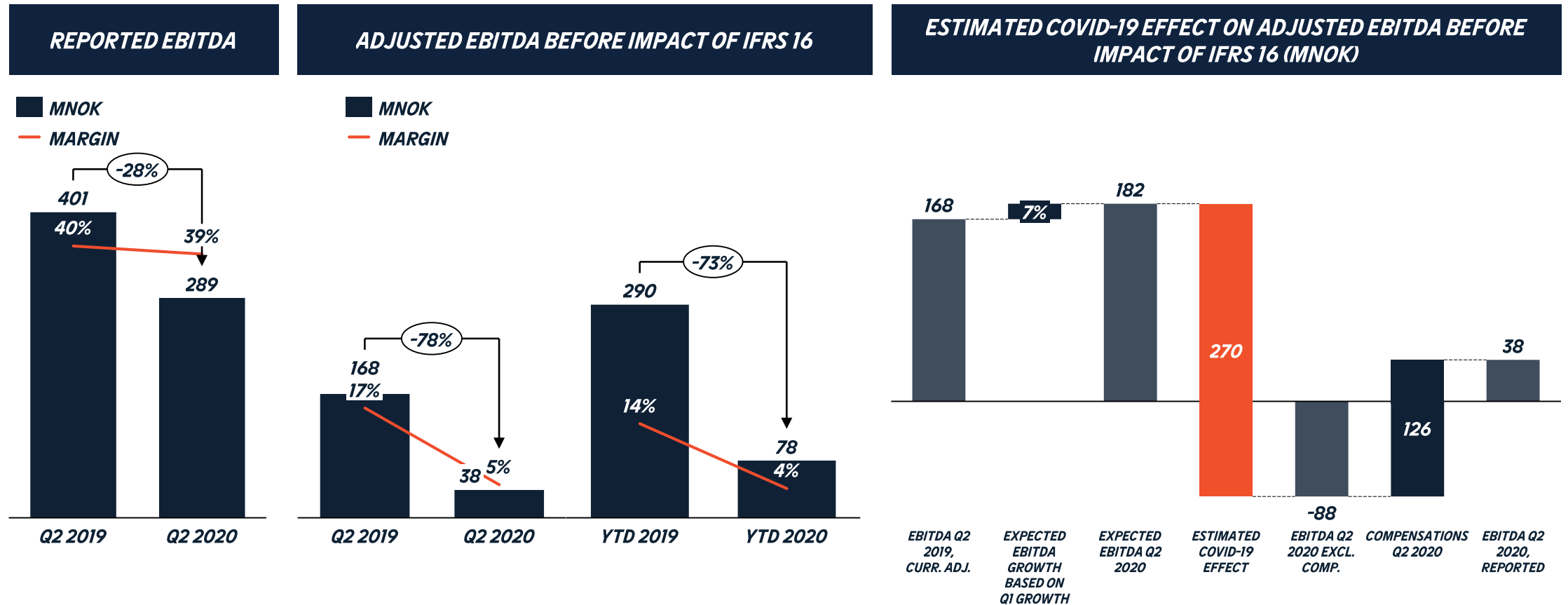
GROUP REVENUES

TEMPORARY REVENUE DECLINE DURING CLUB CLOSURE



- Total revenue decreased by NOK 259 million compared to second quarter last year
- The estimated COVID-19 impact on revenues amounts to NOK 520 million
- Supporting package of NOK 126 million from the Norwegian and Danish governments, covering salaries and parts of the fixed costs, recognized as revenue

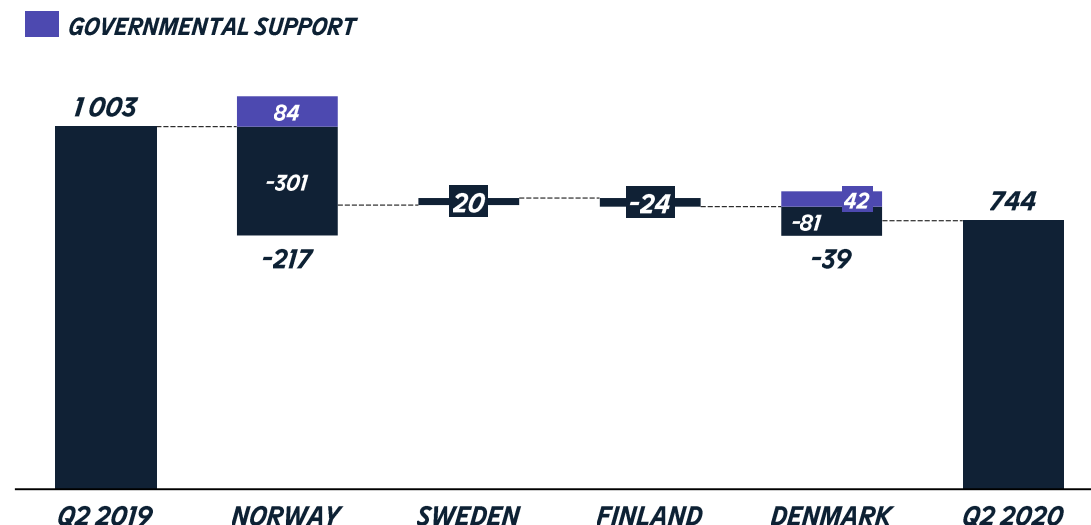
SIGNIFICANT EBITDA DECLINE AS A RESULT OF TEMPORARY CLUB CLOSURES



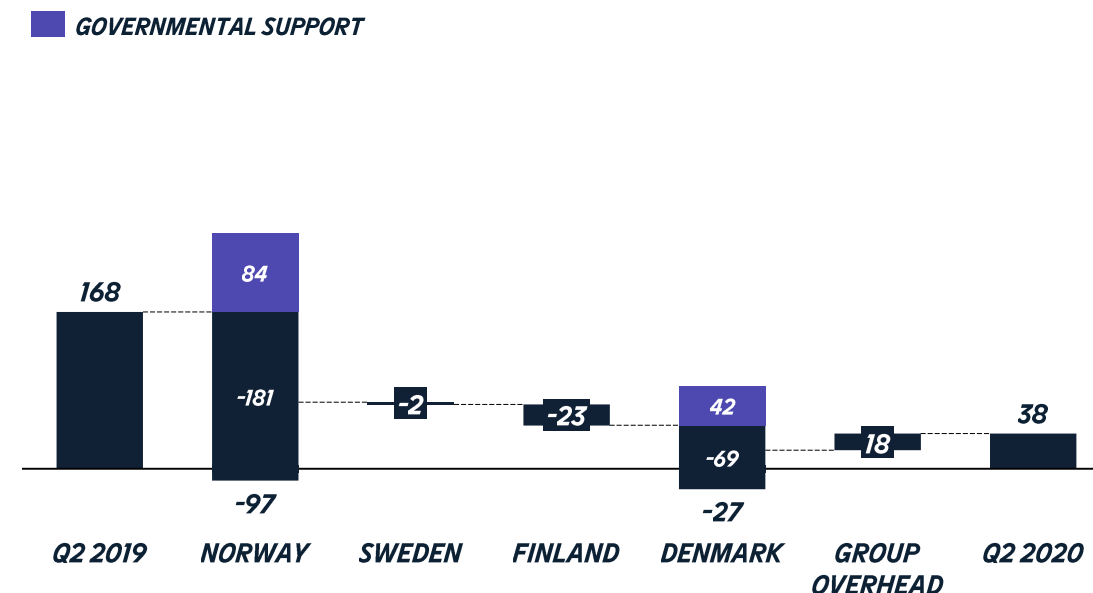
- In total, adjusted EBITDA before impact of IFRS 16 was NOK 131 million lower in the second quarter than in the same period last year
- The estimated COVID-19 impact on EBITDA amounts to NOK 270 million
- Net income before impairment of assets held for sale of NOK -52 million in the second quarter

DIFFERENCES PER COUNTRY MAINLY RELATED TO REOPENING DATES AND GOVERNMENTAL COMPENSATIONS

**BY SEGMENT:
TOTAL REVENUES (MNOK)**



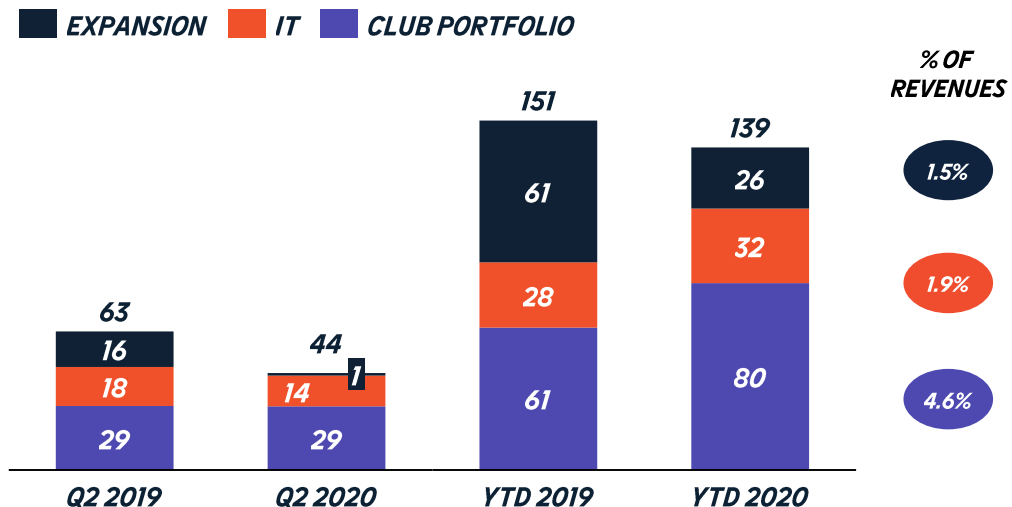
**BY SEGMENT:
ADJUSTED EBITDA BEFORE IMPACT OF IFRS 16**



- Norway affected the most by the closure period despite receiving governmental support, with an underlying loss in revenues of NOK 301 million and negative EBITDA impact of NOK 181 million
- Given the circumstances, Sweden performed well with 6% increase in revenues and EBITDA in line with LY
- The six week closure period in Finland affected the Q2 financials negatively with lower sales and higher freeze impacting revenues, with no governmental support to relieve cost base
- The Danish governmental packages partly cover the fixed cost, but EBITDA is still significantly down compared to LY

CONTINUING TO INVEST FOR THE FUTURE

CAPITAL EXPENDITURE (MNOK)



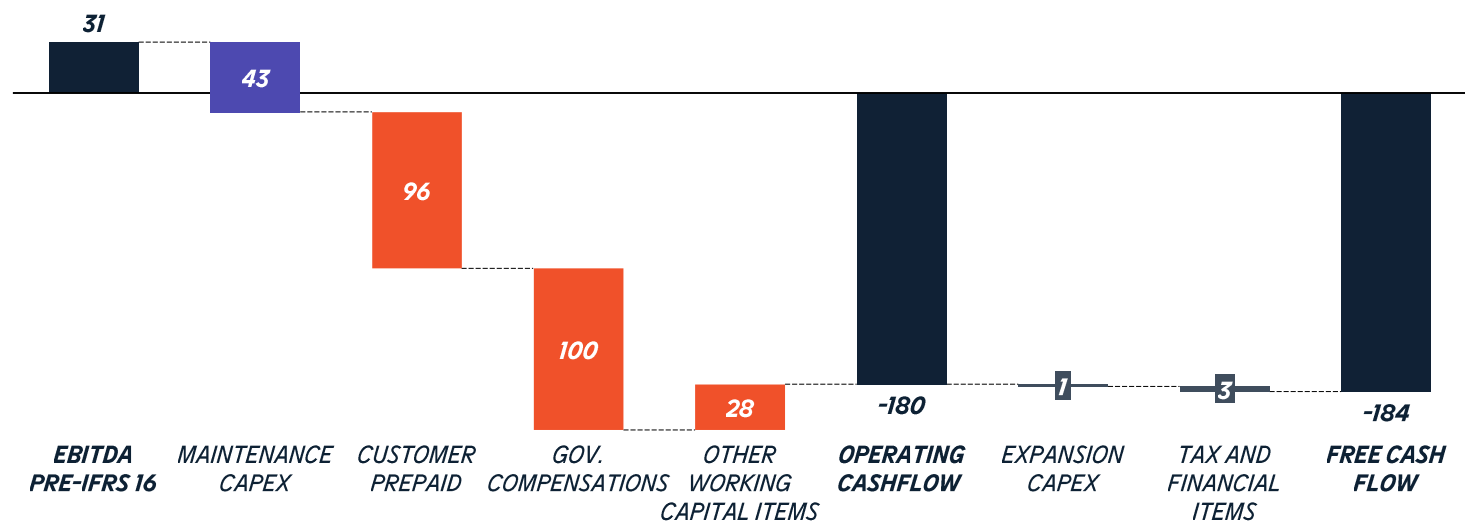
- Back to normal levels for maintenance capex¹ in Q2 after frontloading spend in Q1
- Only marginal expansion capex in the quarter, as planned
- As previously communicated, the company has continued to invest
 - Still consider it wise to keep the majority of the planned maintenance
 - Open for acquisition opportunities arising in the wake of the crisis
 - Signed greenfields, acquisitions and relocations will be opened as planned

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



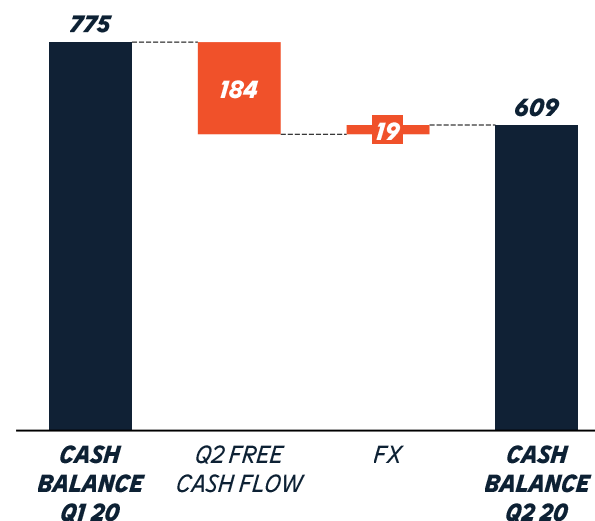
TEMPORARY NEGATIVE WORKING CAPITAL EFFECTS FROM REOPENING OF CLUBS

KEY CASH FLOW ITEMS Q2 2020 (MNOK)



**CHANGE IN WORKING CAPITAL:
NOK -168 MILLION**

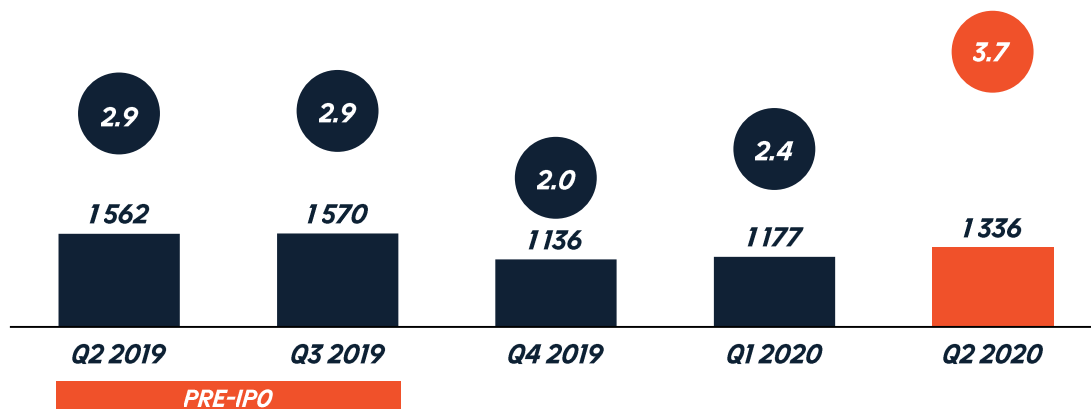
LIQUIDITY POSITION



- Negative effects on working capital reduces operating cashflow
 - Mostly reverted effect from Q1 after clubs reopening
 - Governmental compensation reserved as revenue in Q2 but cash to be received in Q3
- Deferral of VAT and tax payments builds up short term debt with positive working capital effect in Q2

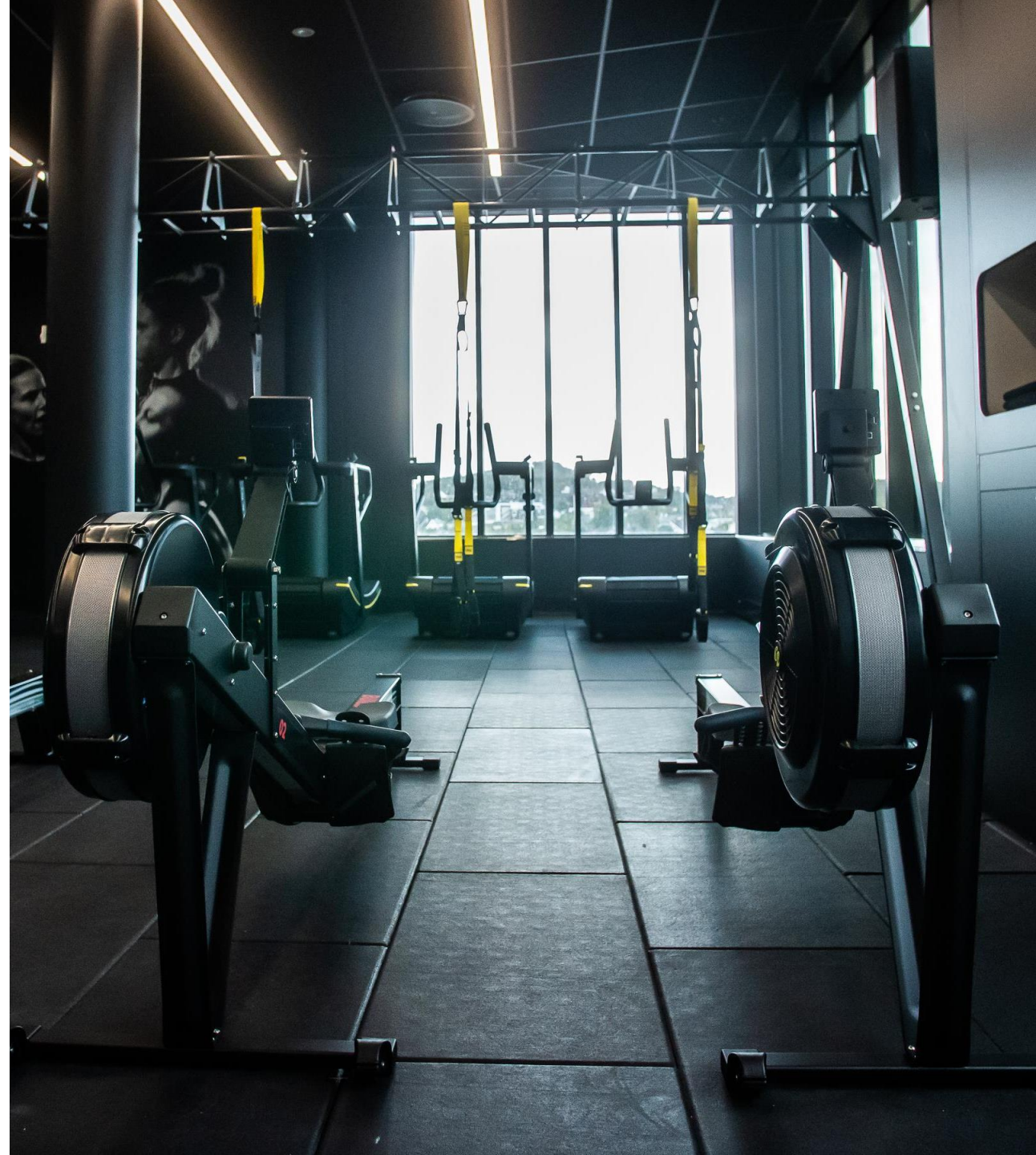
AMENDED RCF AGREEMENT

NET DEBT (MNOK) AND LEVERAGE RATIO¹



- Net debt increased to NOK 1 336 million resulting in leverage ratio above long term target of 2.0x Adjusted EBITDA
- An amendment to the revolving credit facility was signed 2 July, waiving the original financial covenants
 - Original covenant: Leverage <4.25x Adjusted LTM EBITDA until September 2021 and <4.00x thereafter
 - New covenants applicable in the amendment period are minimum levels for LTM EBITDA and maximum levels for CAPEX per quarter
 - Amendment period ending on 30 June 2021, but with flexibility for the company to step back to the original agreement at any time
 - No dividends to be distributed during the amendment period

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



OUTLOOK



- Strengthened megatrend around healthy lifestyle and training, supporting SATS' long term value proposition
- Strong visit development after opening indicates members' willingness to come back



- During autumn, focus on recovering member base and securing financial run-rate into 2021



- Well positioned with strong club clusters and operational routines, large and modern clubs and strengthened digital and outdoor product offering
- Financial strength for active participation in potential industry consolidation following the COVID-19 crisis



Q&A

SATS**GROUP**

DISCLAIMER

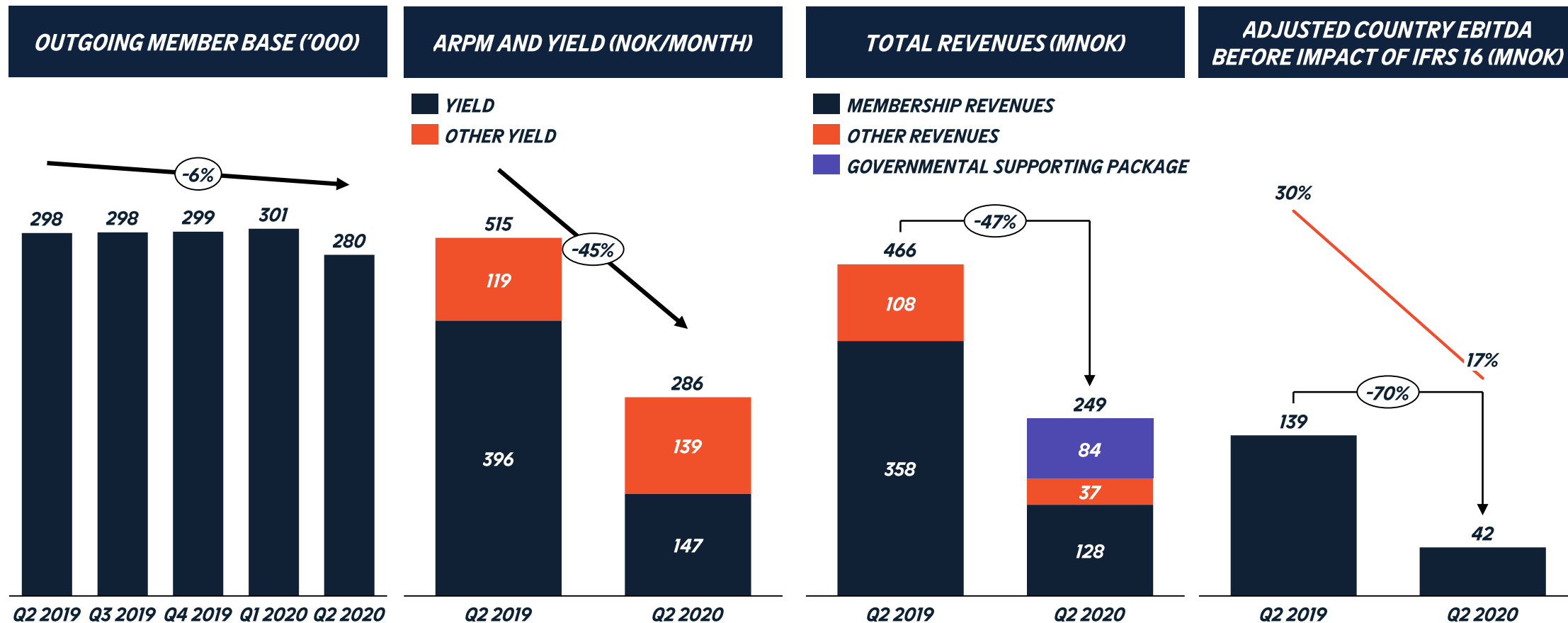
This report includes forward-looking statements which are based on our current expectations and projections about future events. Statements herein, other than statements of historical facts, regarding future events or prospects, are forward-looking statements. All such statements are subject to inherent 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.

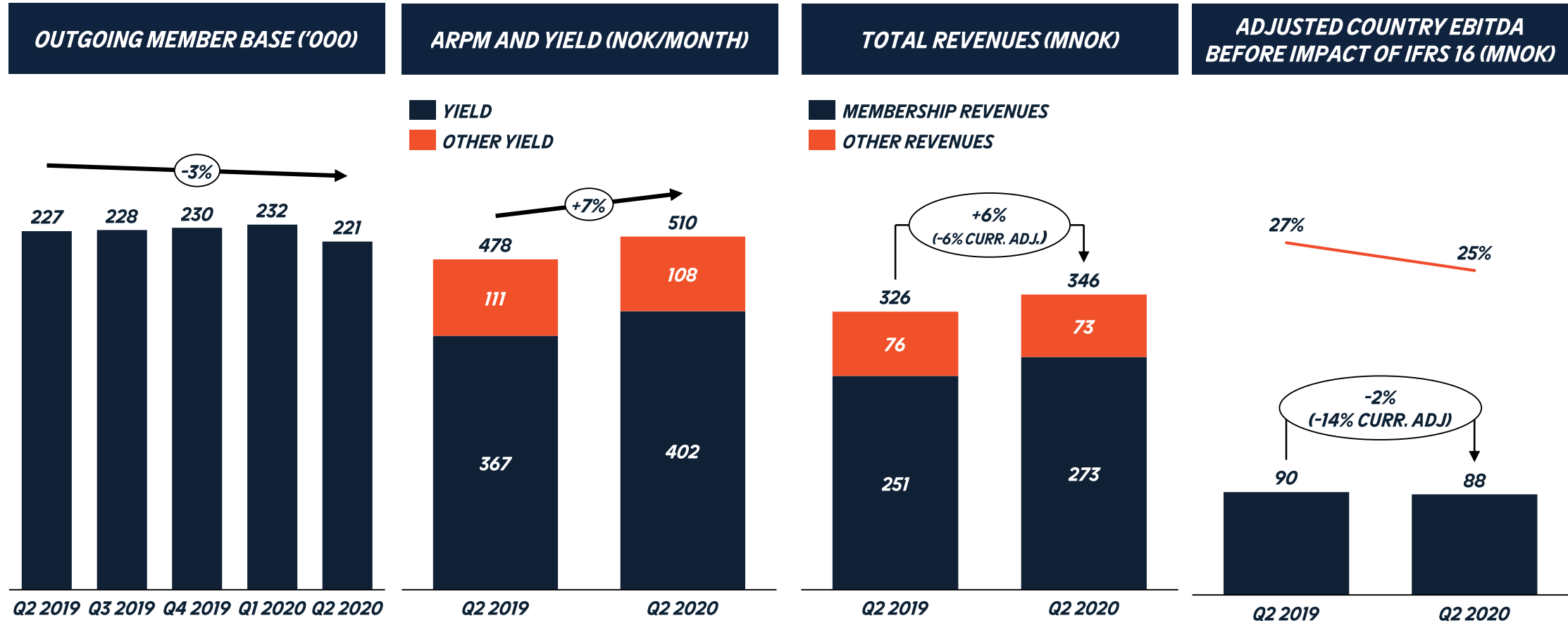
APPENDIX

SATS**GROUP**

NORWAY

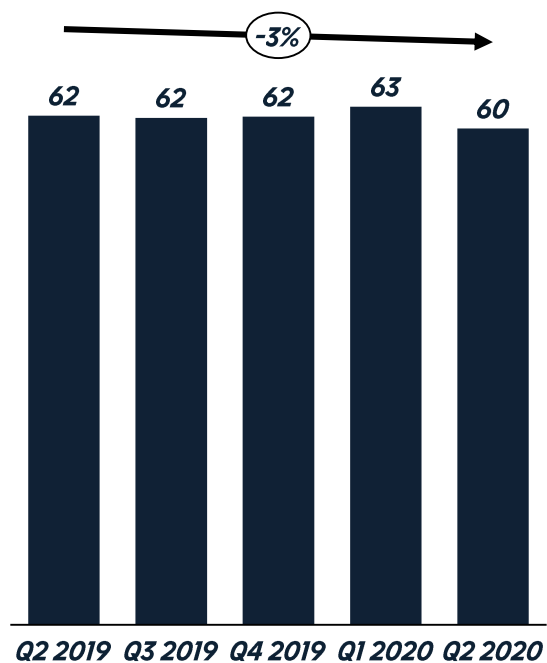


SWEDEN



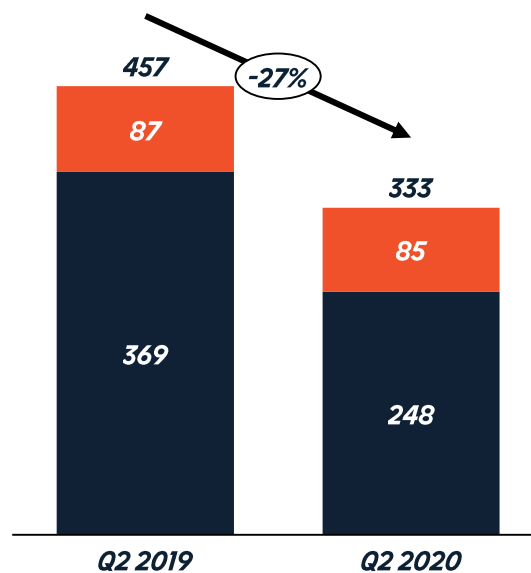
FINLAND

OUTGOING MEMBER BASE ('000)



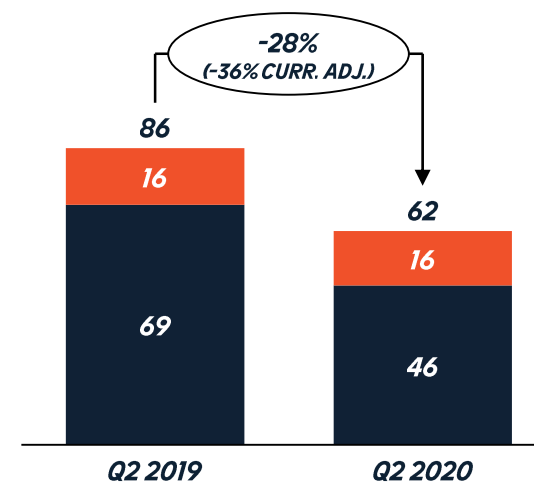
ARPM AND YIELD (NOK/MONTH)

■ YIELD
■ OTHER YIELD

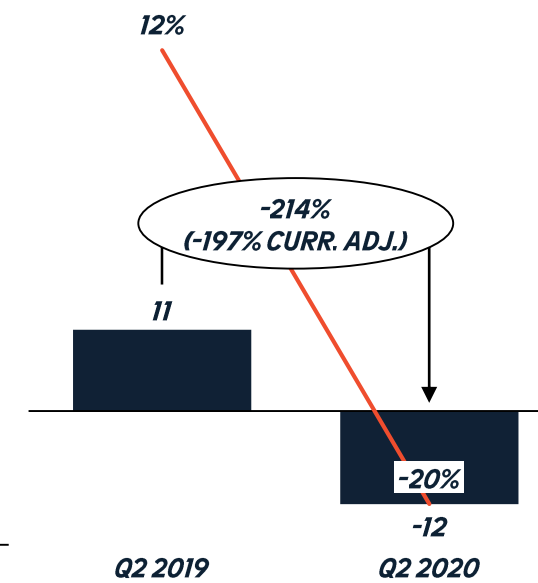


TOTAL REVENUES (MNOK)

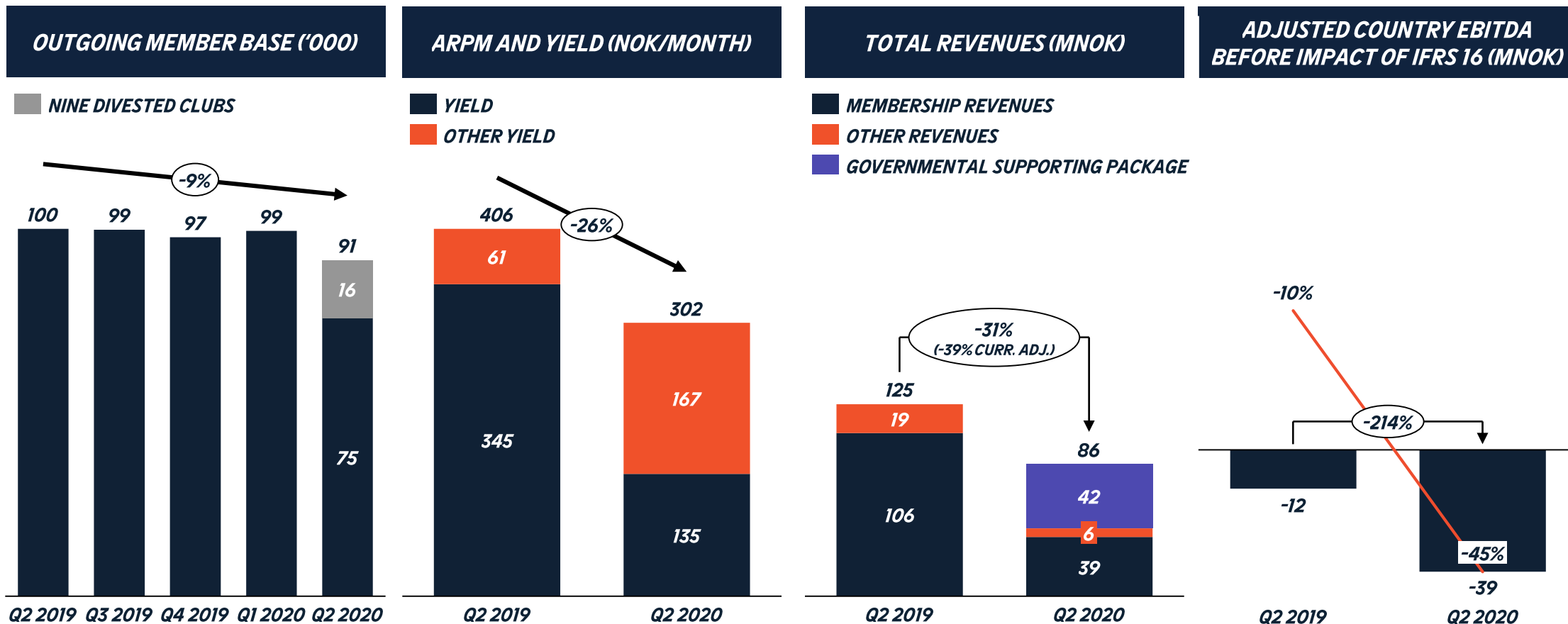
■ MEMBERSHIP REVENUES
■ OTHER REVENUES



ADJUSTED COUNTRY EBITDA BEFORE IMPACT OF IFRS 16 (MNOK)



DENMARK



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
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

<i>Amounts in NOK million</i>	Q2 2020	Q2 2019
Number of clubs, EOP	252	248
Outgoing member base ('000s)	652	687
Average number of members per club	2 588	2 768
ARPM (NOK)	368	481
Yield (NOK)	240	376
Reported EBITDA (MNOK)	289	401
Adjusted EBITDA before impact of IFRS 16 (MNOK)	38	168
Adjusted EBITDA before impact of IFRS 16 margin	5%	17%
Adjusted country EBITDA before impact of IFRS 16 (MNOK)	79	227
Adjusted country EBITDA before impact of IFRS 16 margin	11%	23%
Net debt (MNOK)	1 336	1 562
Total capital expenditures (MNOK)	44	63
Expansion capital expenditures (MNOK)	1	16
Maintenance capital expenditures (MNOK)	43	47
IT capital expenditures (MNOK)	14	18
Club portfolio capital expenditures (MNOK)	29	29
Operating cash flow (MNOK)	(5)	121
Leverage ratio	3.7	2.9
Cash conversion	-14%	72%

REPORTING UNDER IFRS 16

<i>Amounts in NOK million</i>	Reported Q2 2020	Change IFRS 16	Excl. IFRS 16 Q2 2020
Balance sheet items - IFRS 16			
Property, plant and equipment	785	0	785
Right-of use assets	4 268	4 268	0
Deferred tax assets	149	85	64
Prepaid expenses and accrued income	322	-68	390
Total assets	9 089	4 285	4 804
Equity	1 024	-323	1 347
Non-current lease liability	3 862	3 862	0
Current lease liability	799	799	0
Other current liabilities	323	-52	374
Total liabilities	8 066	4 609	3 457
Profit & loss items - IFRS 16			
Revenue	744	0	744
Cost of goods sold	-19	0	-19
Personnell expenses	-262	0	-262
Other operating expenses	-175	257	-432
Depreciation and amortisation	-262	-204	-59
Impairment of assets held for sale	-62	0	-62
Operating profit	-36	54	-90
Net financial items	-72	-49	-22
Profit/loss before tax	-108	4	-112

***SATS*GROUP**