

BASICALLY FIT TO COMPOUND

November 2021

Basic-Fit (AMS:BFIT)

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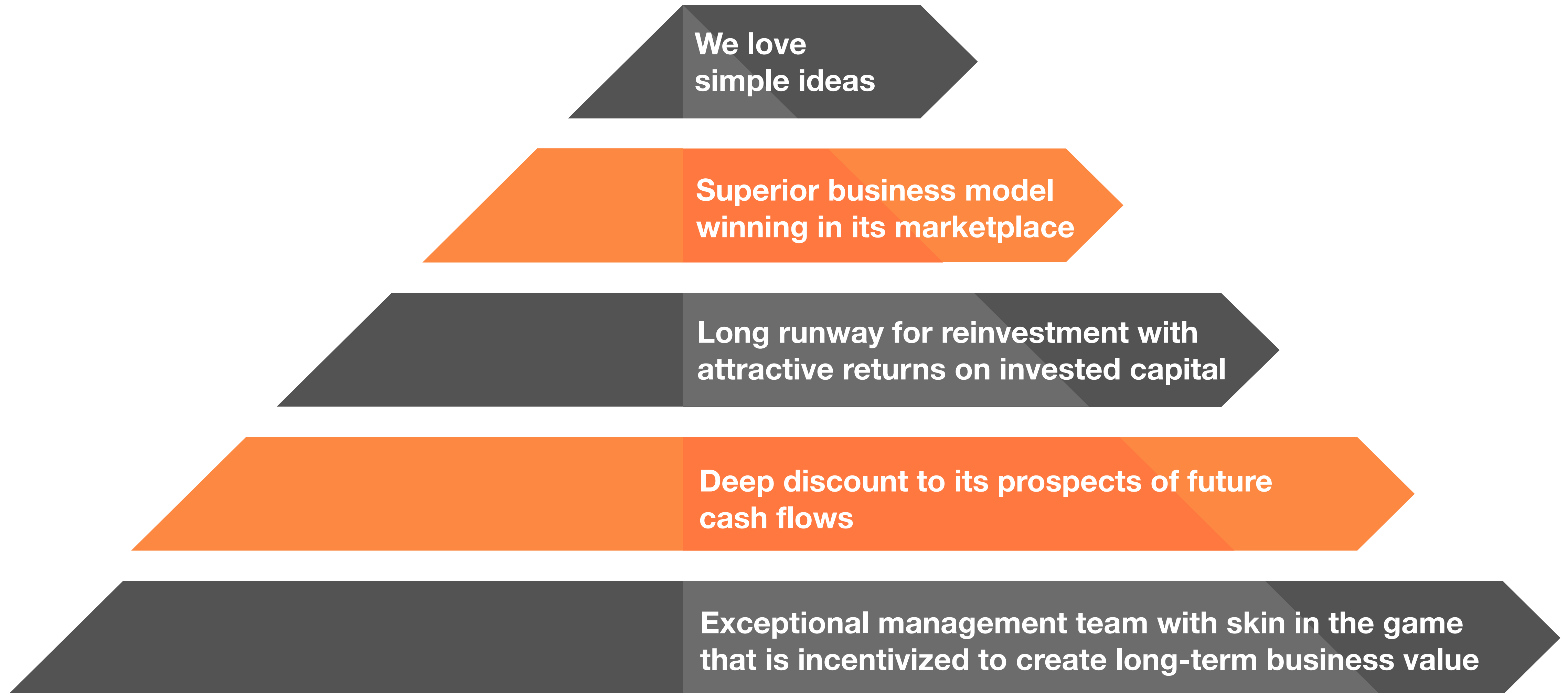
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*Arlen House's mission is to maximize growth of partner capital over a multi-decade period by owning **exceptional companies** operated by **exceptional people***

ARLEN HOUSE – INVESTMENT CRITERIA



BASIC-FIT



ARLEN HOUSE

OVERVIEW

BASIC-FIT

Ticker: AMS:BFIT

Stock Price: €42

Market capitalization: ~€3.0bn

- Basic-Fit (“BFIT”) is the leading (#1 share) and fastest growing low-cost gym operator in Europe
- **~1,000 locations** with over **2.2 million gym members** throughout its network
- Currently operates in **Belgium, France, Luxembourg, Netherlands and Spain**
- **Founder & CEO** (ex-tennis player) **Rene Moos** is the largest shareholder of BFIT with a ~13% ownership stake

WHY DO WE LOVE BASIC-FIT?

We believe BFIT trades at 1.3x its 2031 “mature state” free cash flow, and that its shares should trade €168 by 2026, representing ~4x upside

Extraordinarily high-quality, profitable business

- Dominant scale in European low-cost fitness creates uniquely strong moat
- Fast unit growth comes with >35% returns on capital, and >50% EBITDA margins

A+ quality, incentivized management team

- CEO Rene Moos is a true “founder-owner-operator” and a fiercely ambitious competitor

Very long growth runway fueled by strong secular tailwinds

- European fitness is significantly less penetrated than the US, with far more growth ahead

“No-brainer” valuation for a 20%+ growth business

- Paying a low ~12x current earnings power of €3.5 per share and getting all future growth for free
- We think BFIT can grow sales over 20% and FCF/share over 30% for the next decade!

Extraordinarily high-quality, profitable business

Very long growth runway fueled by strong secular tailwinds

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EXTRAORDINARILY HIGH QUALITY BUSINESS

Basic-Fit exhibits many of the key hallmarks of a wonderful business

Unmatched Value Proposition

Basic-Fit wins on all dimensions of low-cost fitness, offering the best value, convenience, and quality

Exceptional Unit Economics

New units generate >35% returns on capital, and >50% EBITDA margins

Increasing Returns to Scale

Benefits from improving per gym economics as it scales

Very Hard to Compete With

Possesses major cost structure, purchasing power and convenience advantages over competitors

Compounding Competitive Advantages

Scale advantages shared back with customers further compounds Basic-Fit's value proposition — leading to a virtuous cycle of faster growth and improving per gym economics

BASIC-FIT IS DISRUPTING EUROPEAN FITNESS

Using the Costco/Amazon playbook, Basic-Fit provides exceptional value and experience to gym-goers

Basic-Fit wins on all dimensions of low-cost fitness and has an unmatched value proposition

1. Value

- Basic-Fit's standard membership pass is only €19.99, 50% cheaper on average vs. independent operators
- Standard membership includes access to Basic-Fit mobile-app (home workouts, meal prep), live workouts, virtual assistant, planner, etc. Ladies only clubs available

2. Convenience

- Largest network of health clubs in Europe (1,000+ locations) that can be accessed by members across Belgium, France, Luxembourg, Netherlands and Spain
- Members enjoy mobile workouts at no extra cost

3. Quality

- Members enjoy a clean, spacious and intimidation-free gym experience with the highest quality & largest selection of gym equipment (Matrix & Technogym) that is refreshed frequently

WINNING VALUE PROPOSITION

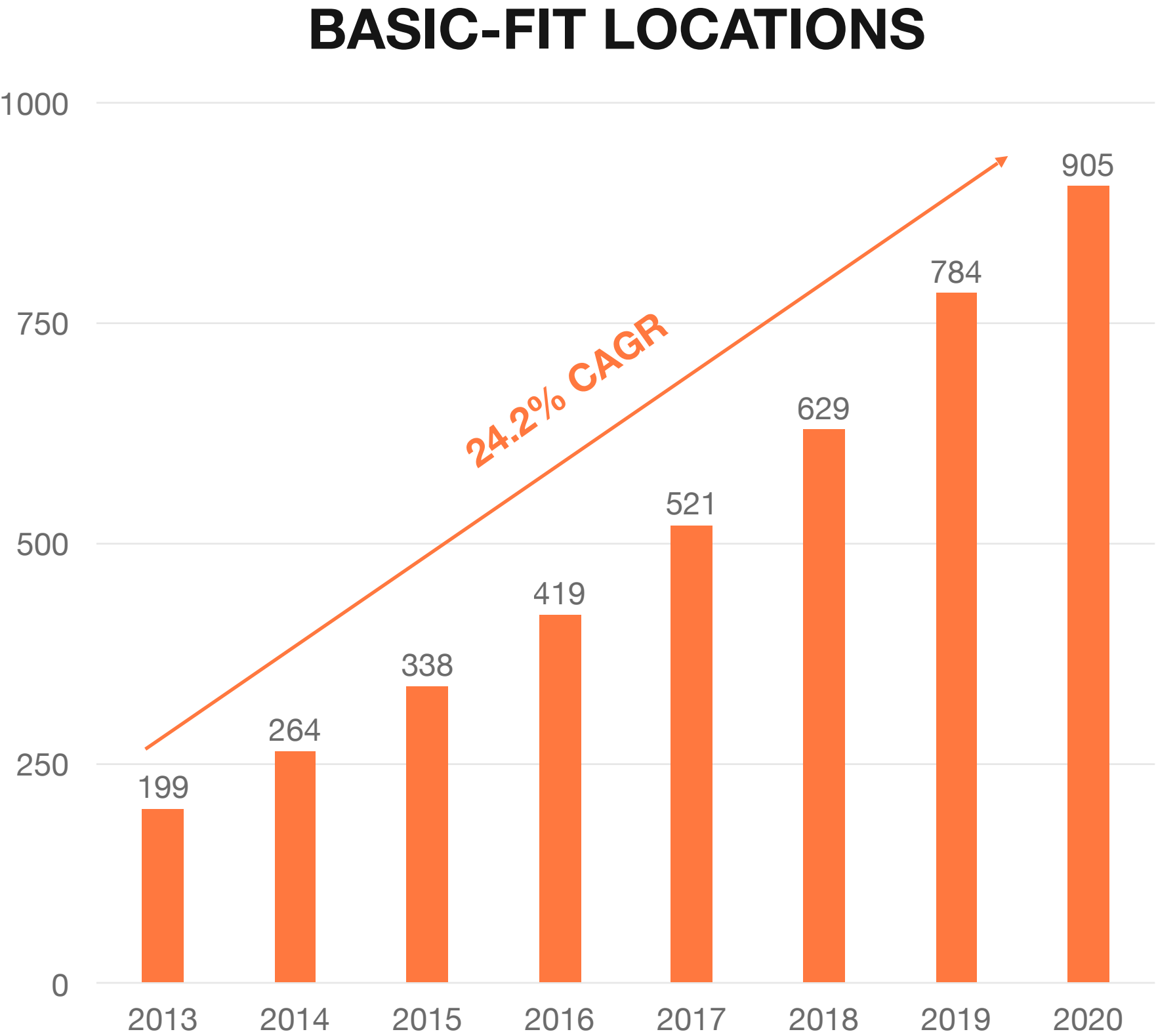
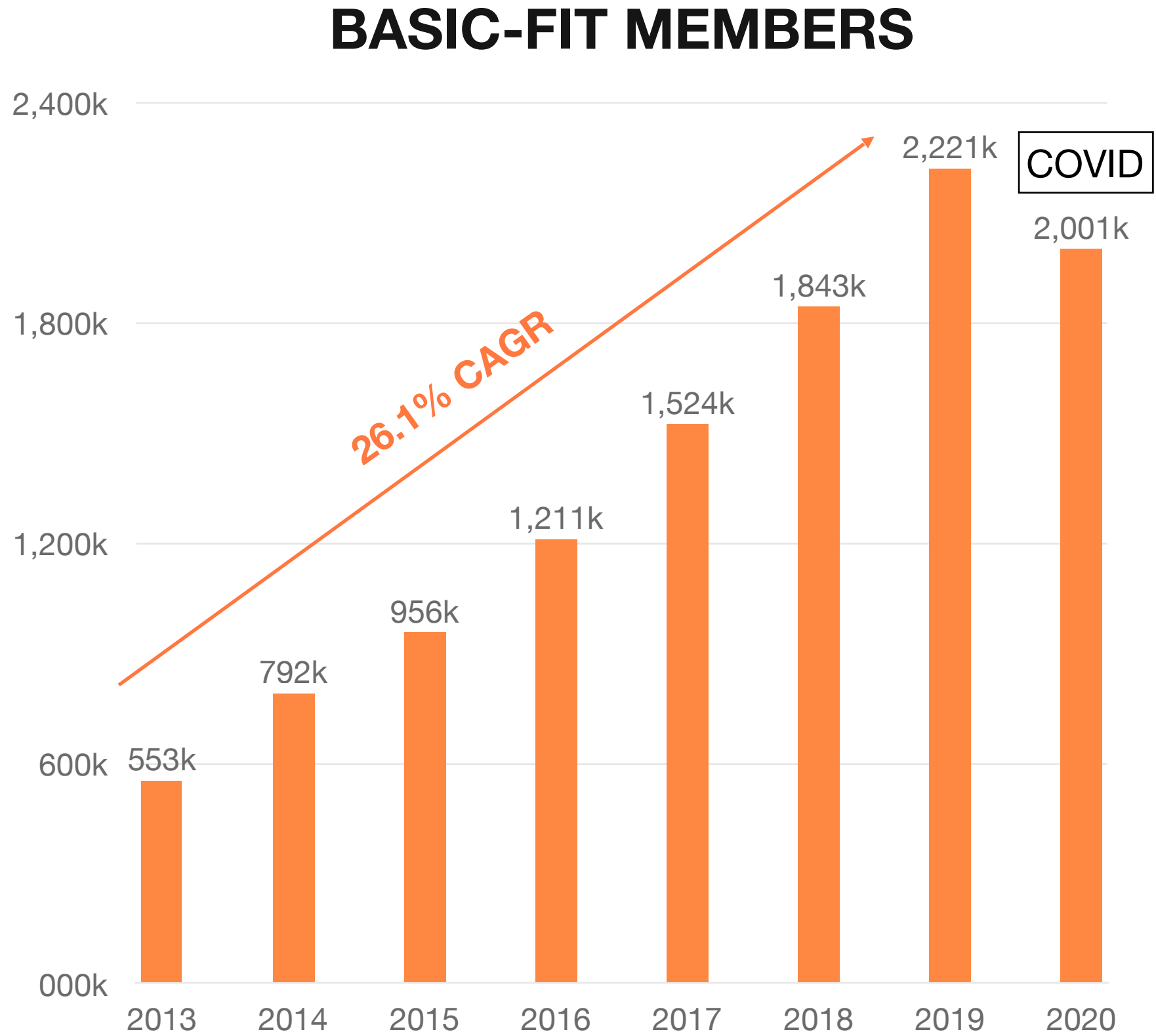
BASIC-FIT

Independent Operator

	BASIC-FIT	Independent Operator
Lowest Price	✓	✗
Multi-Location Access	✓	✗
Mobile Content	✓	✗
Short Equipment Refresh Cycles	✓	✗
Personal Training	✓	✓
Group Training	✓	✓
Large, Unintimidating Units	✓	✗

STRONG HISTORICAL GROWTH

Basic-Fit has compounded its member base by 26.1% annually and location count by 24.1% annually since 2013, while the European fitness industry has only grown at ~3% per annum

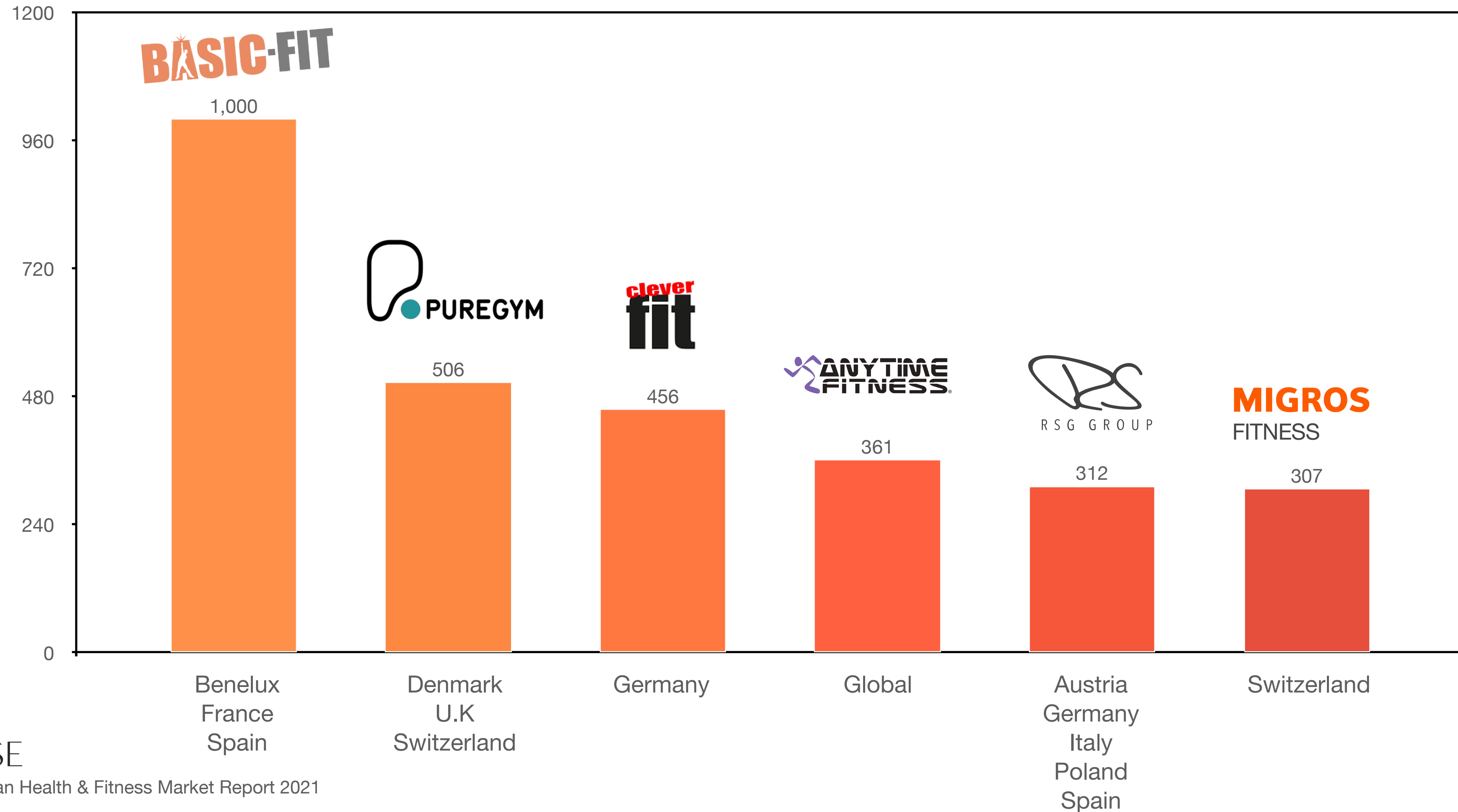


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Source: Basic-Fit

BASIC-FIT IS 2X LARGER THAN THE #2

NUMBER OF GYMS



NEW UNIT ECONOMICS ARE HIGHLY COMPELLING

Fast unit growth comes with >35% returns on capital, and >50% EBITDA margins

New Store Investment			
Store Retrofit		€850,000	
Fitness Equipment		€350,000	
Estimated Total Investment		€1,200,000	
New Store Earnings		Low	High
Estimated Mature Revenue		€850,000	€930,000
Estimated 4-wall Pre-Tax Margin		50%	55%
Pre-Tax ROIC (%)		35.4%	42.6%

BASIC-FIT POSSESSES POWERFUL COMPETITIVE ADVANTAGES

Advantage 01 — Cost Structure

Investments in club technology, centralized marketing & G&A enable Basic-Fit clubs to breakeven at ~€10 in monthly ARPU vs independents at nearly €30 in monthly ARPU

Advantage 02 — Purchasing Power

Basic-Fit's massive scale allows the company to purchase Technogym & Matrix gym equipment at ~35% lower prices than independent operators and refresh that equipment faster on average

Advantage 03 — Convenience

Basic-Fit is the gym tenant of choice, making it possible for the company to build gyms in the most desirable retail locations, which is the #1 consideration for gym-goers

Basic-Fit's members gain access to an increasingly large and convenient network of gyms

ADVANTAGE 1 — COST STRUCTURE

Basic-Fit's low operating cost advantages allow it to massively undercut competition and earn 35%+ returns on new locations

1. Marketing

- Basic-Fit amortizes its advertising expense over a large base of units, allowing the company to fill units with more members and at a lower cost than independents
- Basic-Fit benefits from brand recognition in markets it has not yet entered — enabling lower start-up costs in new markets

3. Rent

- Basic-Fit leverages its scale to negotiate more favourable lease terms

2. Digitized Labor

- Basic-Fit has made significant investments digitizing its in-store labor and can operate clubs with less than 3 FTEs vs independents at 6-8 FTEs

4. Cleaning

- Basic-Fit leverages its scale to negotiate more favourable terms with cleaning service providers

ADVANTAGE 1 – COST STRUCTURE (CONT.)

Independent operators can't compete on price, and they will continue to lose share to Basic-Fit



1,500 sqm

Basic-Fit

Club-Level G&A	€160,000
Rent	€150,000
Cleaning, Software, Marketing	€100,000
Estimated Total Operating Costs	€410,000
Member Count (Fully Ramped)	3,300
Estimated ARPU Breakeven	€10.4

Independent Operator

1,050 sqm

Independent

Club Level G&A (6 FTEs)	€300,000
Rent	€112,500
Cleaning, Software, Marketing	€100,000
Estimated Total Operating Costs	€512,500
Member Count (Fully Ramped)	1,500
Estimated ARPU Breakeven	€28.5

“Mom-and-pops are basically squeezed-out because the boxes of Basic-Fit are nicer, bigger, and they have technology and equipment for €20, whereas the mom-and-pop is smaller, it's a worse location, it's not Technogym equipment, and it's not the latest technology” – Industry Expert

ADVANTAGE 2 — PURCHASING POWER

Scale Economies

- Basic-Fit is the largest purchaser of cardio and strength equipment in Europe
- Scale affords them the ability to purchase only top-tier equipment from Technogym & Matrix
- Purchase volumes allow the company to earn a 30-40% discount on purchases of Matrix and Technogym equipment

... Shared Back

- Basic-Fit shares these cost savings back with its members:
 - 1. Shorter equipment refresh cycles (50% faster than independents)**
 - 2. Larger selection of strength and cardio equipment within the clubs**
 - 3. Best-in-class pricing while earning significantly higher returns on new gyms vs competitors**

“50% [cost advantage] is probably a little bit on the high end. But if you would say anything between 30% and 40%-ish, definitely yes” – Industry Expert

ADVANTAGE 3 — CONVENIENCE

Growing Club Network

- Basic-Fit members benefit from a growing store base across Europe — at no additional monthly cost
- Basic-Fit's experience along with investments in data science allow them to pinpoint the most attractive retail locations — improving overall customer satisfaction and protecting gyms from competition
- Regional clustering of gyms has yielded higher engagement and lower member attrition

Mobile Fitness

- Basic-Fit has reinvested heavily in its mobile strategy to offer an exceptional at-home fitness experience
- The Basic-Fit app offers training classes, podcasts and virtual group lessons, nutritional advice and recipes, a personal trainer finder and more — at no additional cost to members
- Basic-Fit's large (and growing) content library of 100+ virtual classes (yoga, boxing, dancing, weights & more) has over 2m downloads across iOS and Android

ADVANTAGE 3 — CONVENIENCE (CONT.)

Basic-Fit's cluster strategy reminds us of Domino's' fortressing strategy



Just like Dominos, Basic-Fit **builds locations** by **following** a predetermined **order and pace**, creating increasingly **strong networks** of units **in small regions**

Club member benefits:

- No additional cost for access to increasingly larger store base (near office, school, home or out of town)
- Easier to remain an engaged gym-goer (travel time diminishes as Basic-Fit rolls out additional gyms within cluster)

Competitive benefits:

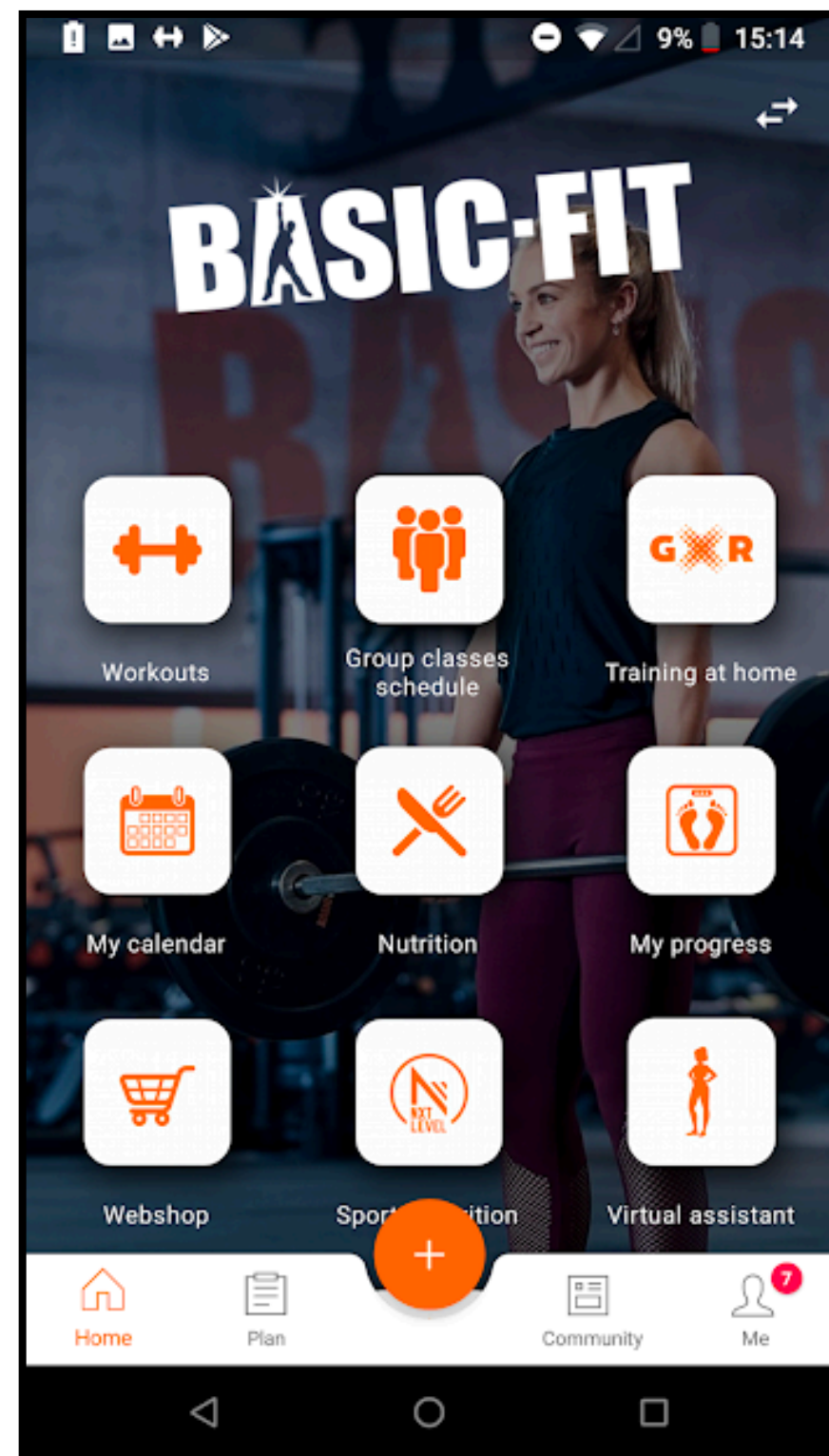
- Grow market penetration by providing exceptional value, convenience and quality
- Powerful network effects to achieve member density in cluster

“Our fortressing strategy really is about getting close to our customers. So that we can provide, I mentioned before, great products, great value, great service. How do you provide great service? You get to them as quickly as you can. How do you do that? You get closer to them” – Former Domino's CFO

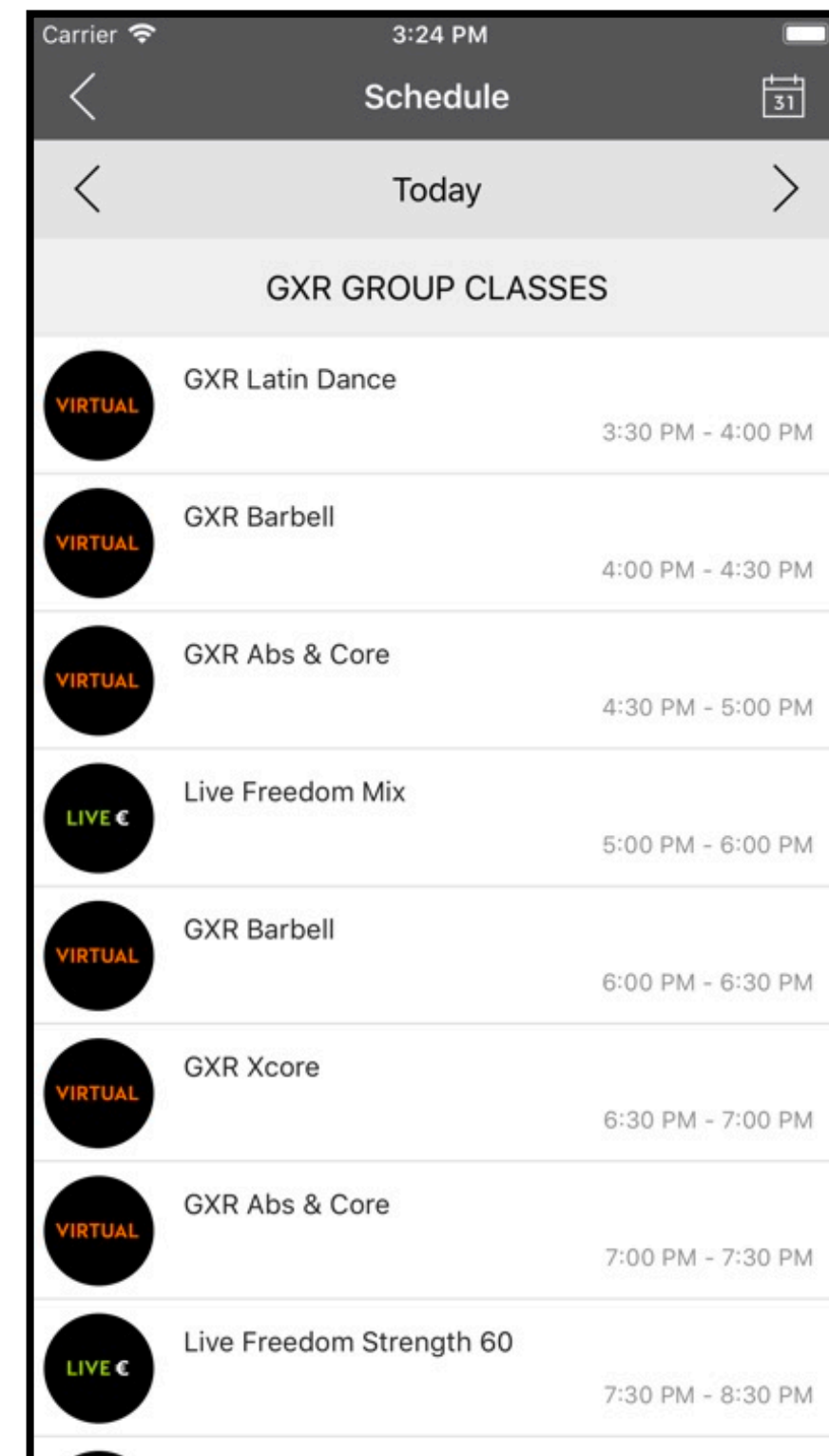
ADVANTAGE 3 — CONVENIENCE (CONT.)

Basic-Fit is the #1 fitness app on iOS & Android in Belgium, France, Luxembourg and the Netherlands

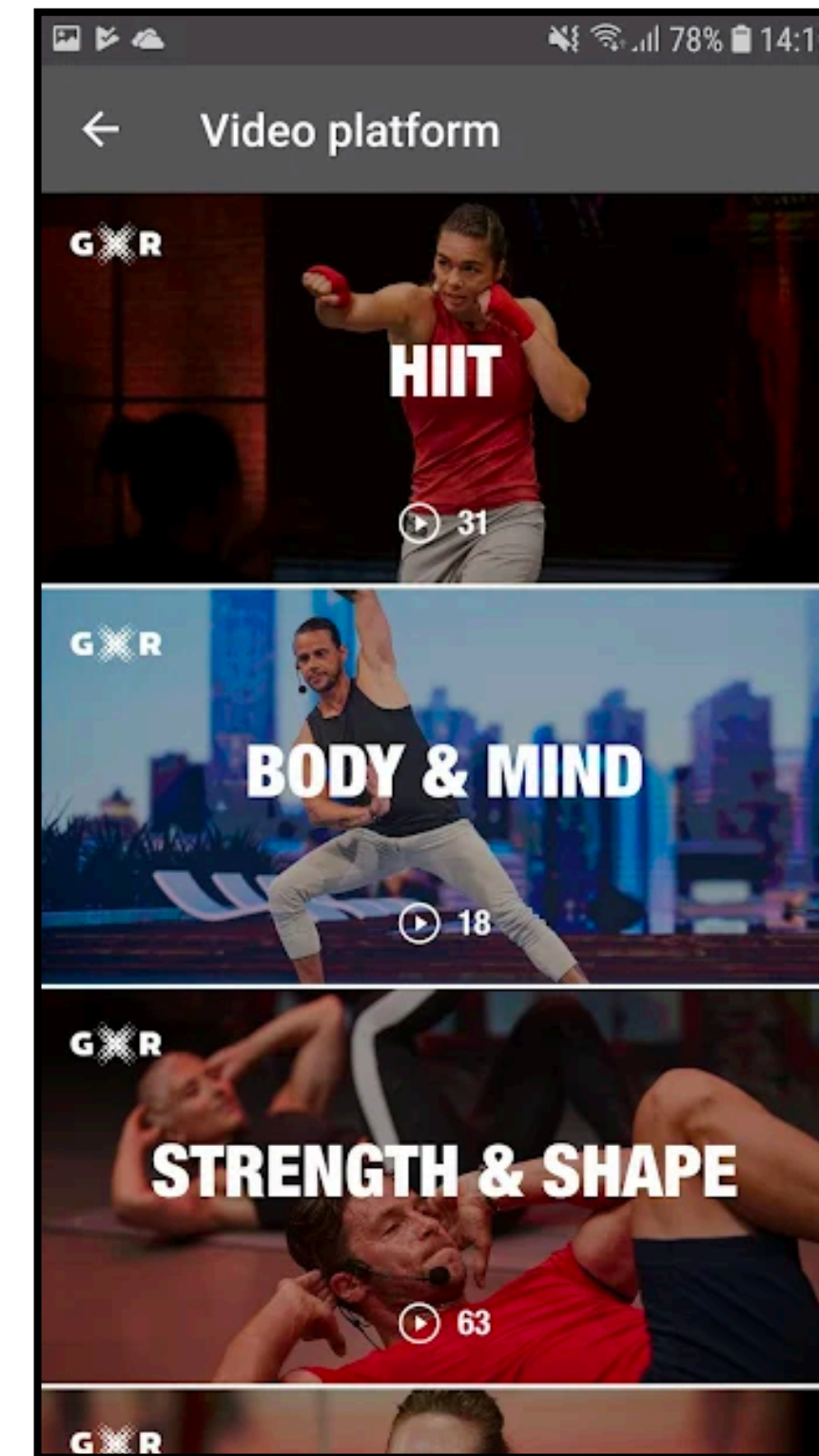
Mobile Fitness



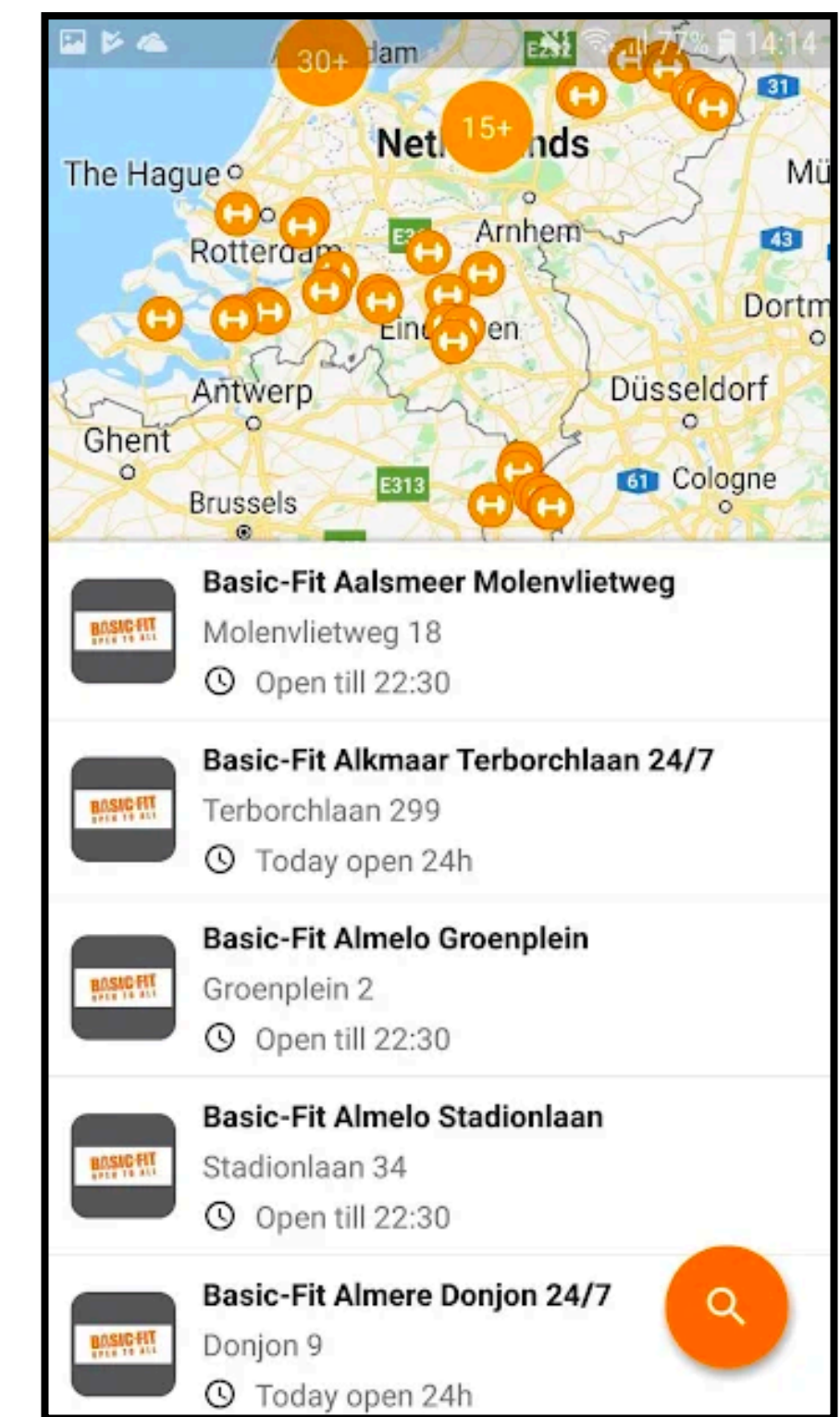
Virtual Live Classes



Recorded Classes



Class Scheduling

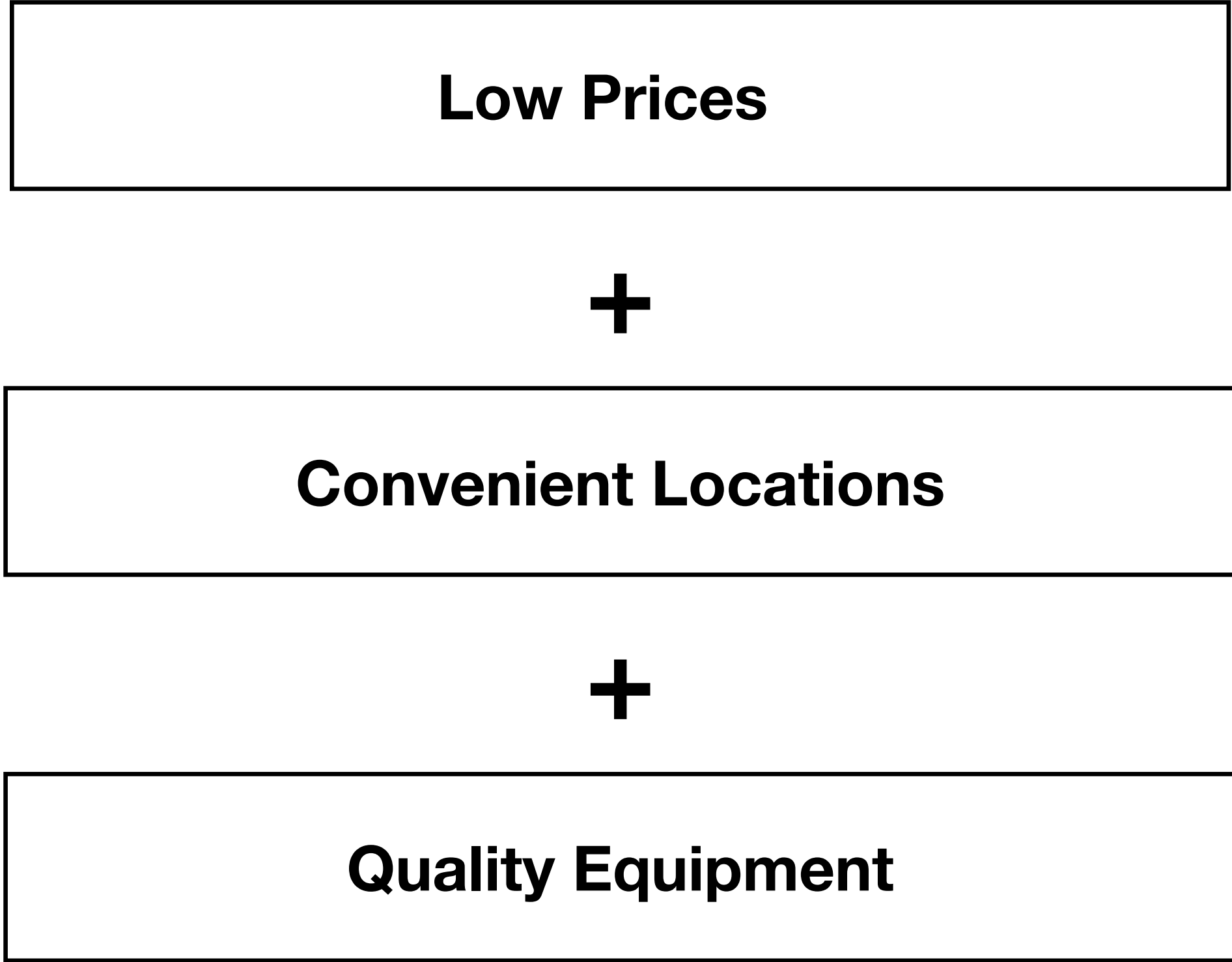


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Source: iOS App Store, Google Play Store

BASIC-FIT'S COMPETITIVE ADVANTAGES ARE COMPOUNDING

Basic-Fit passes its increasing scale advantages on to customers, which further compounds its value proposition and moat, leading to a virtuous cycle of faster growth and higher market share



Extraordinarily high-quality, profitable business

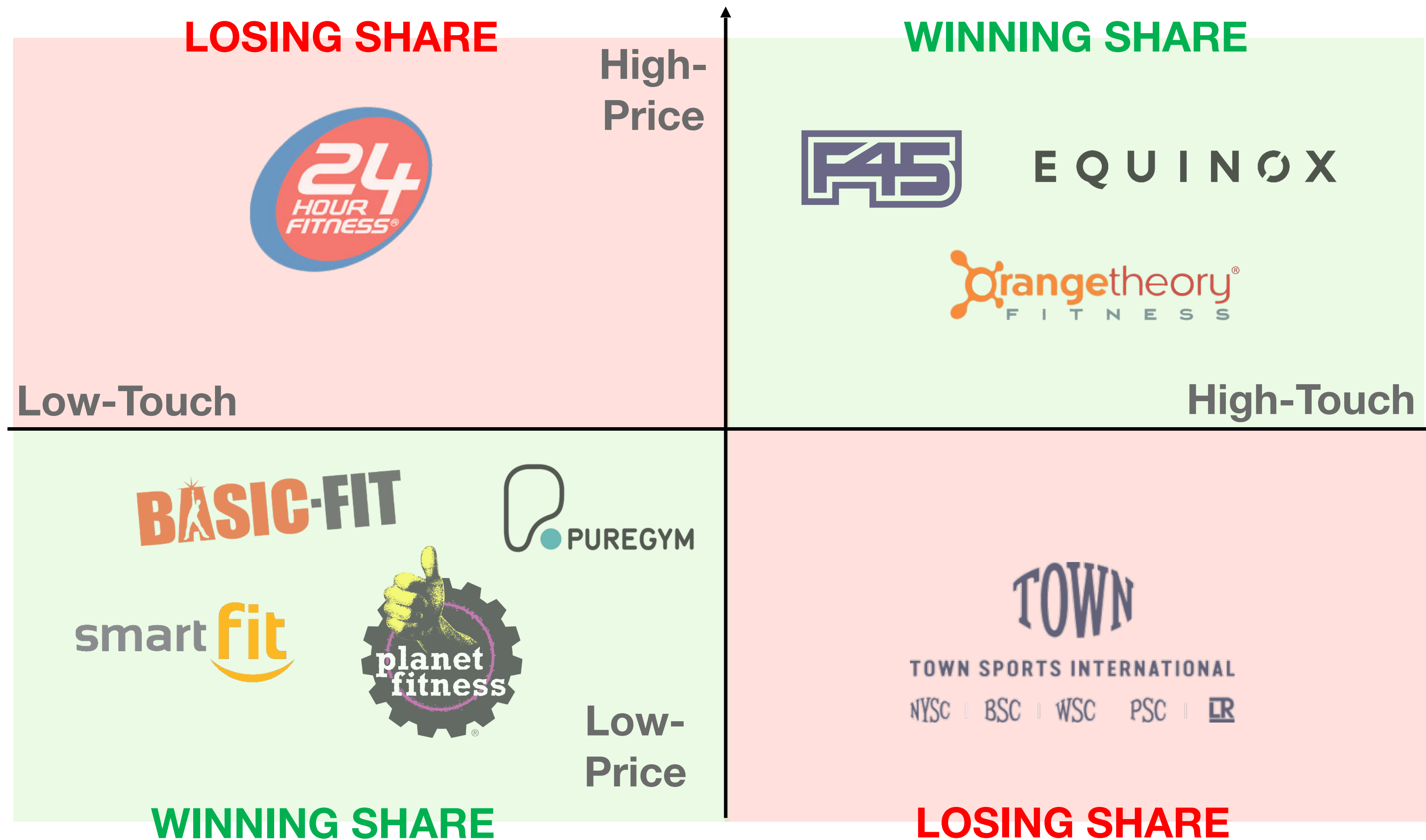
Very long growth runway fueled by strong secular tailwinds

A+ quality, incentivized management team

“No-brainer” valuation for a 20%+ growth business

INDUSTRY BIFURCATION

Over the last twenty years, fitness trends globally bifurcated the industry into low-cost and premium



WHY IS LOW-COST FITNESS WINNING?

Low-cost fitness is a winning model in every market where it's been rolled out

✓ **Better value proposition for customers**

- Focused on delivering the things that don't change in fitness (convenience, quality & low prices)

✓ **Disrupts the middle market**

- Middle market operators lose on most dimensions of retailing and their value proposition has become obsolete
- Fixed costs prohibit middle market operators from pivoting to a low cost model

✓ **Growing global awareness of health & fitness needs**

✓ **Growth of gym culture**

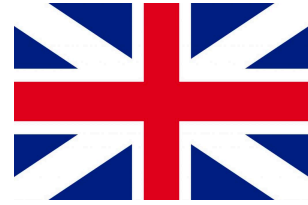
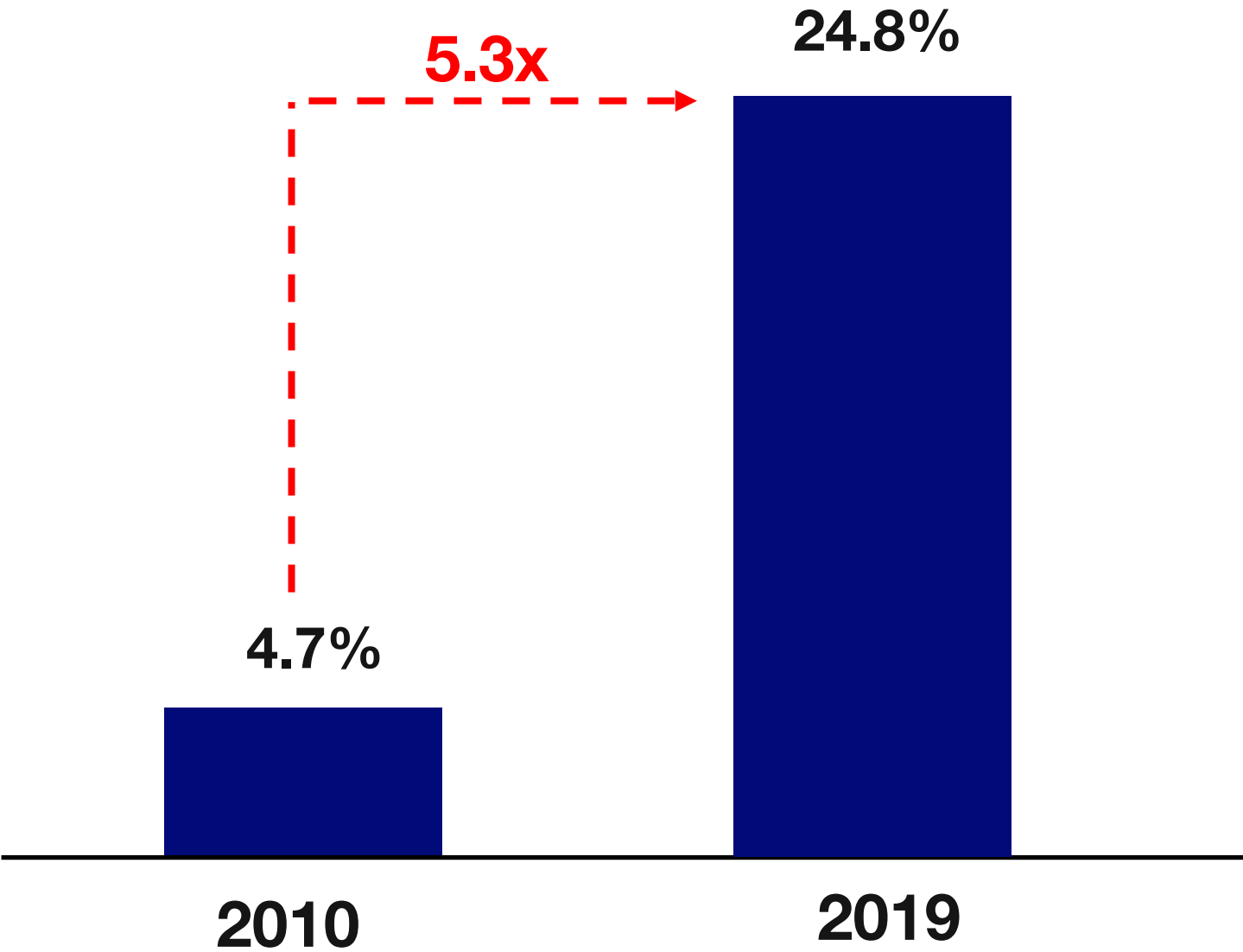
As a result, the low-cost fitness market has demonstrated extraordinary growth as operators grow supply and open new units

HISTORY SHOWS LOW-COST WINS...

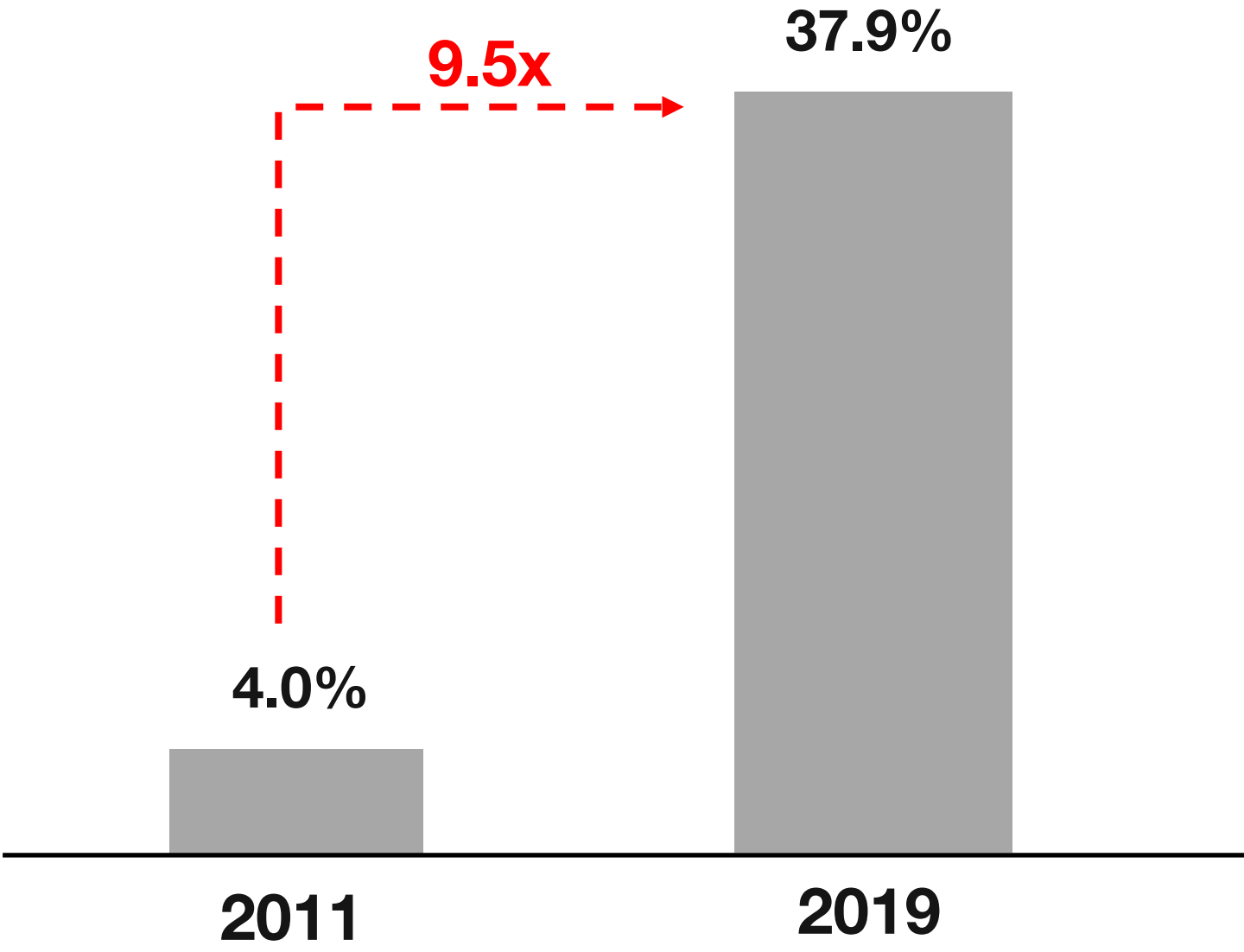
Low-cost fitness is a winning model in every market where it's been rolled out



Low-Cost Market Share (U.S)

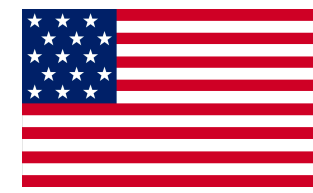


Low-Cost Market Share (U.K)

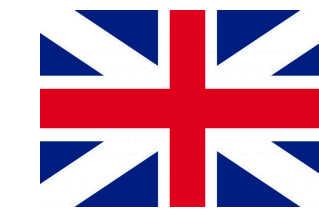
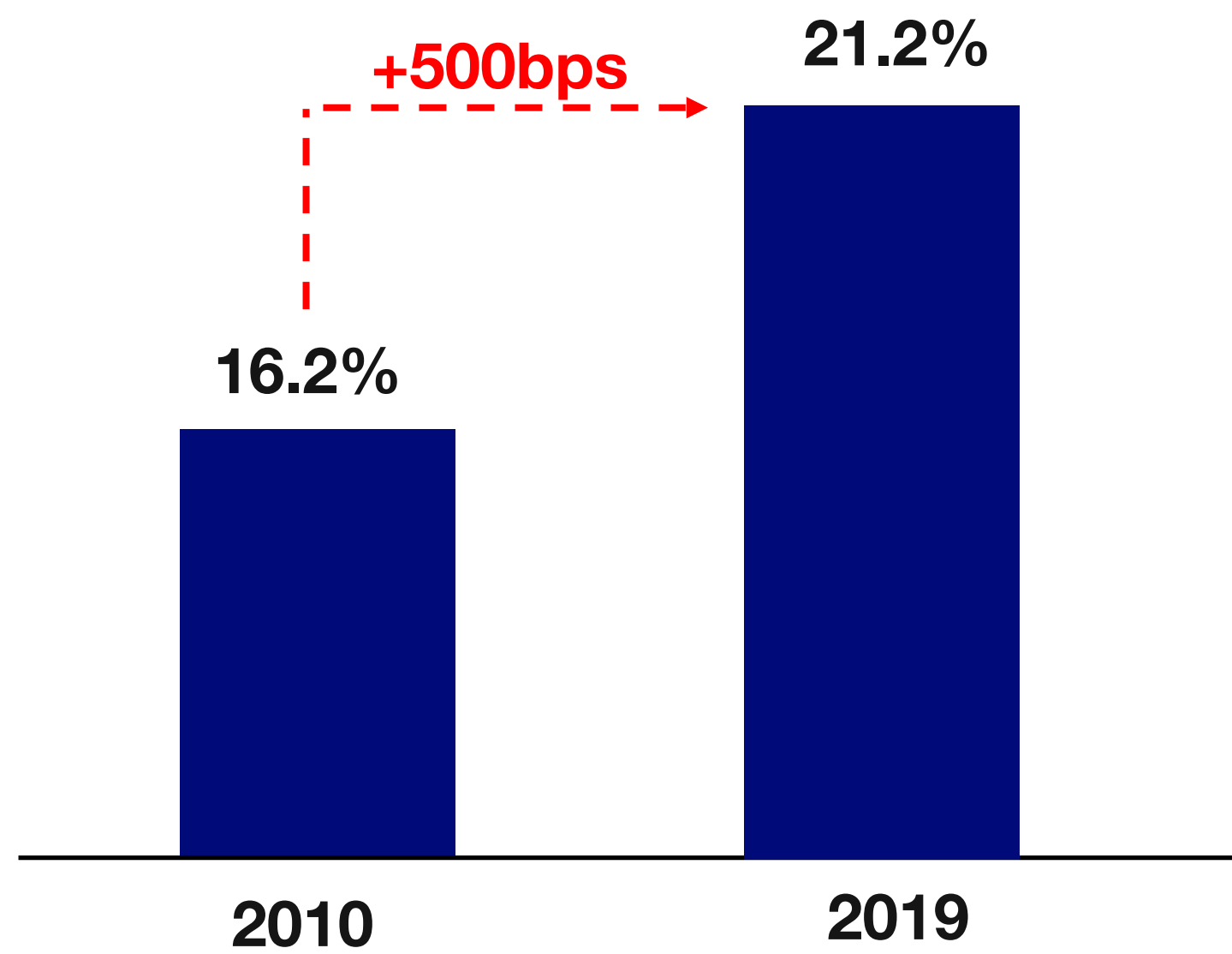


... AND GROWS MEMBER PENETRATION

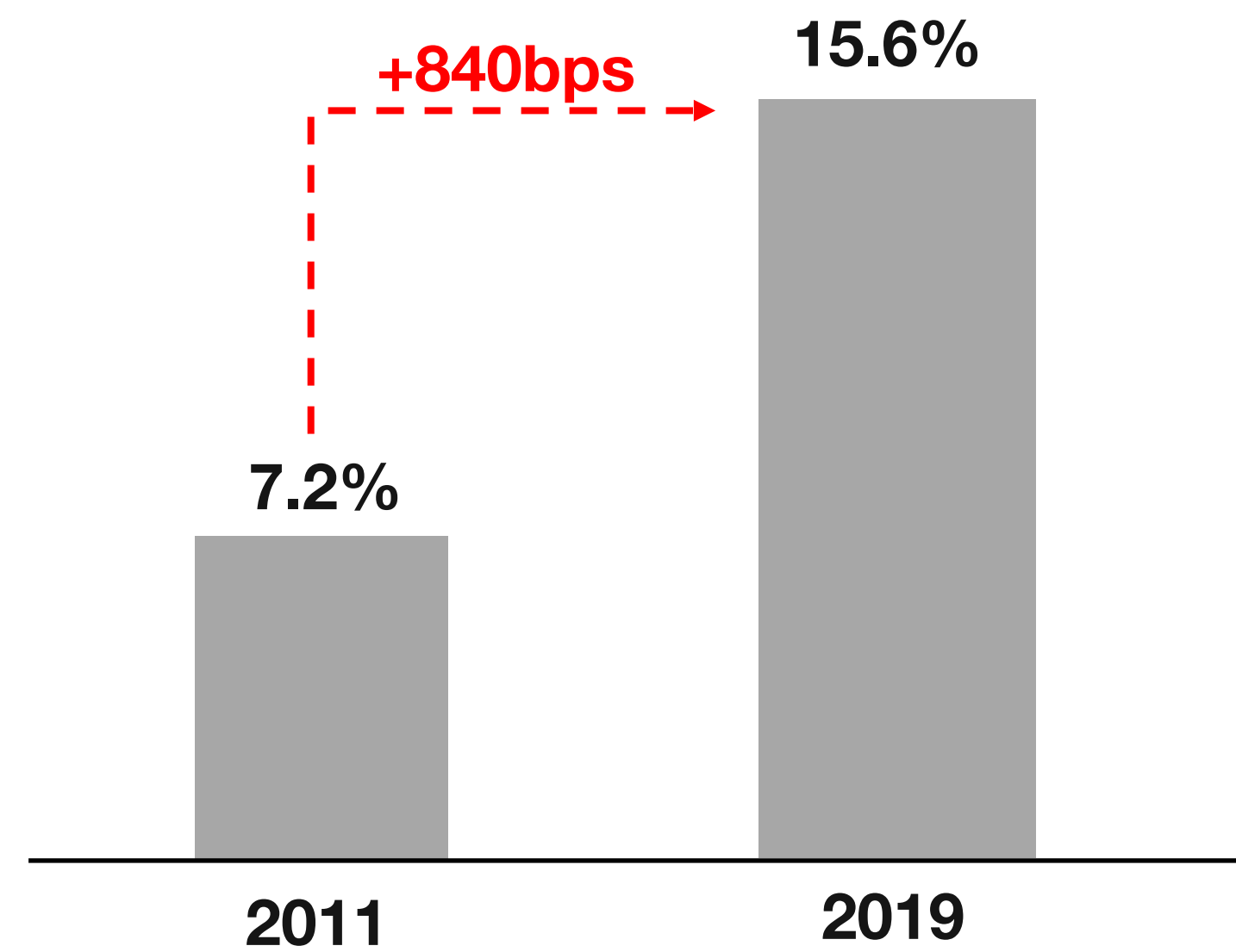
Growing the supply of low-cost fitness clubs has accelerated gym penetration



Gym Penetration (U.S)



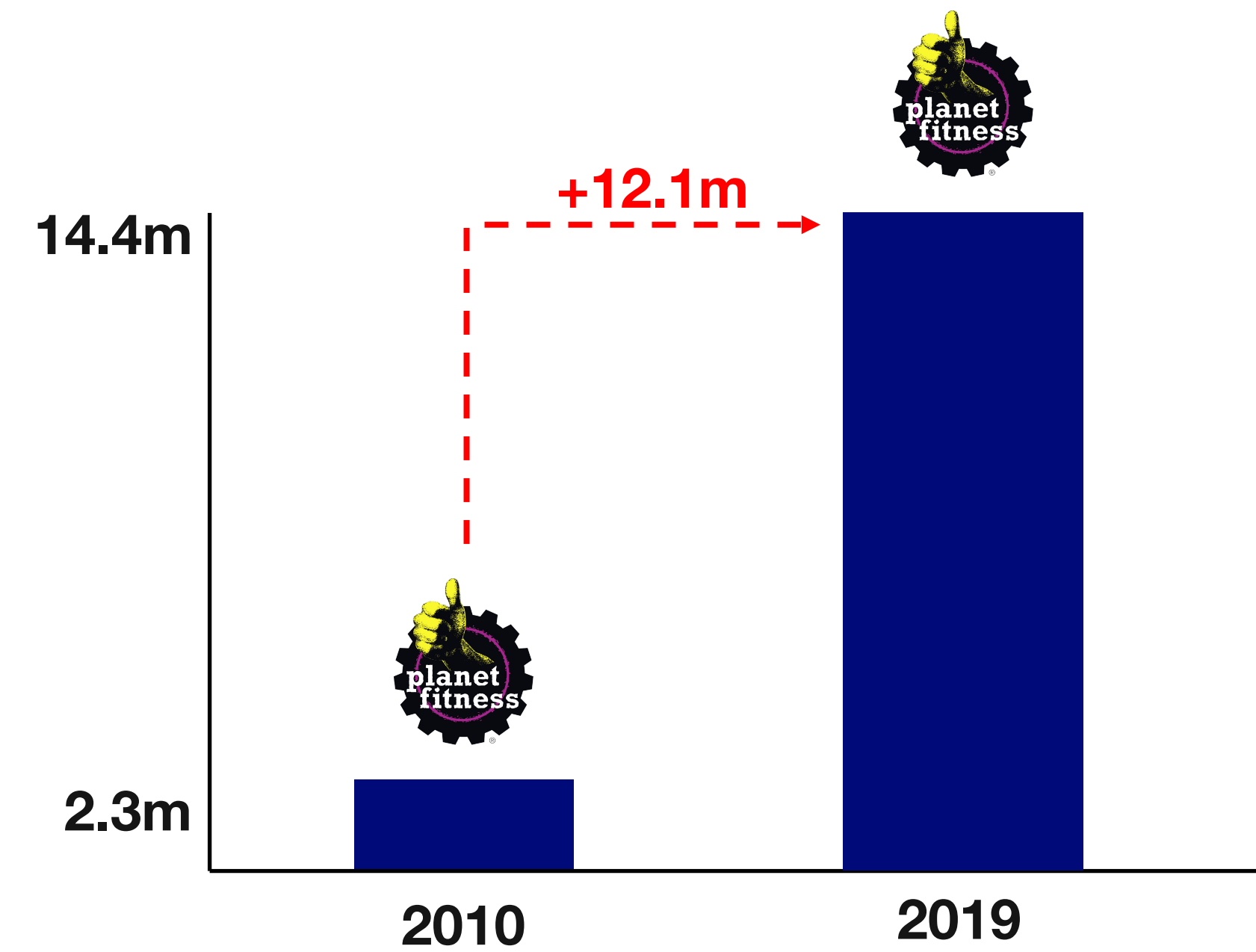
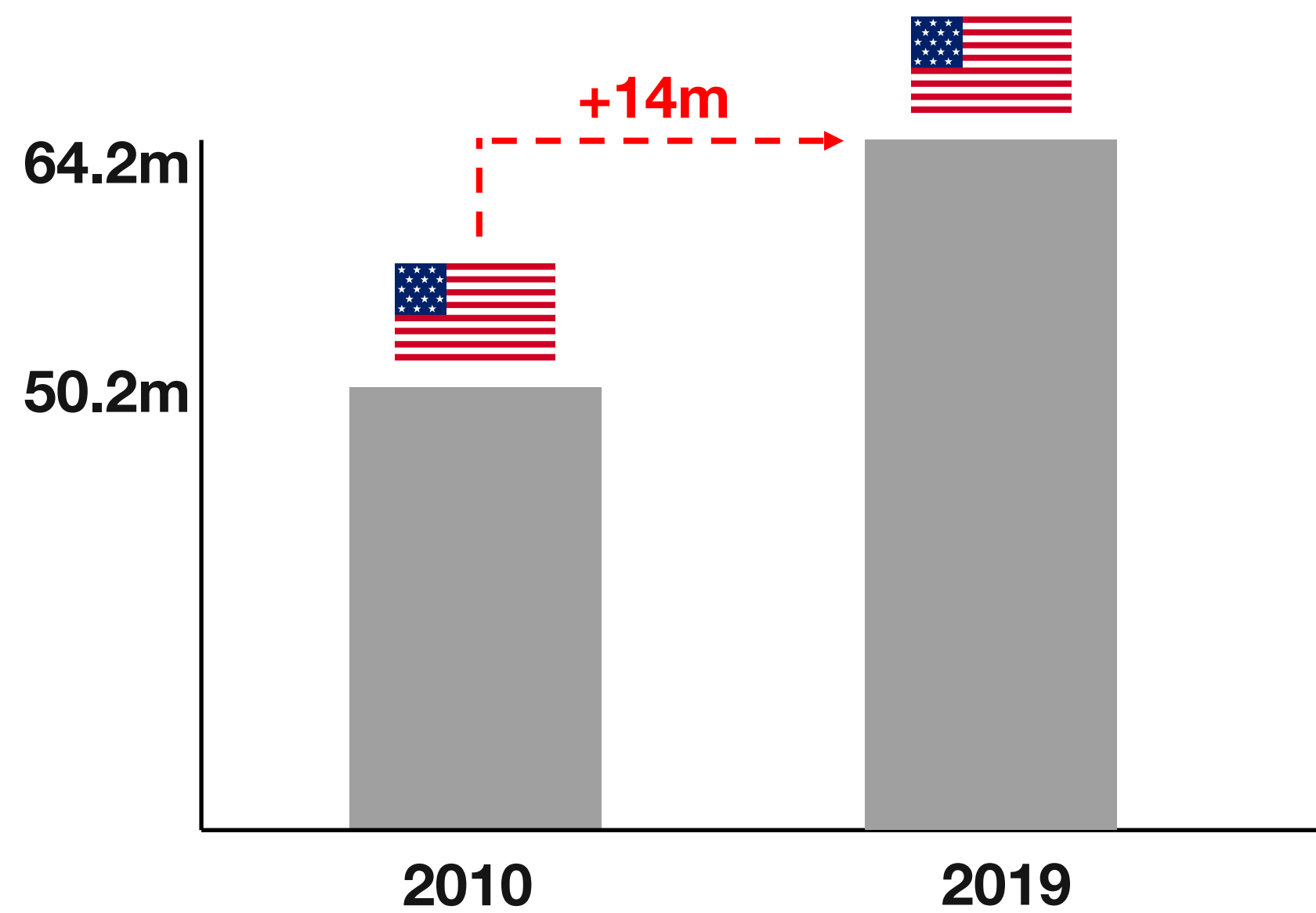
Gym Penetration (U.K)



SANITY CHECK: PLANET FITNESS IN THE U.S

Unit roll-out has led to significant gym member penetration growth in the U.S, and Planet Fitness has captured nearly all net new gym-goers

Planet Fitness has captured ~86% of net new member growth in the U.S



EUROPE IS STILL A DECADE BEHIND THE U.S./U.K

Europe is in the early innings of massive fitness penetration growth

Today, only 1 in 10 Europeans is a member of a fitness club

- In the U.S, the per capita membership rate is more than **double** that of Europe
- In the Nordics, the per capita membership rate is nearly **triple** that of Europe

This industry backdrop provides the perfect opportunity for Basic-Fit to disrupt European fitness

Why is penetration so low?

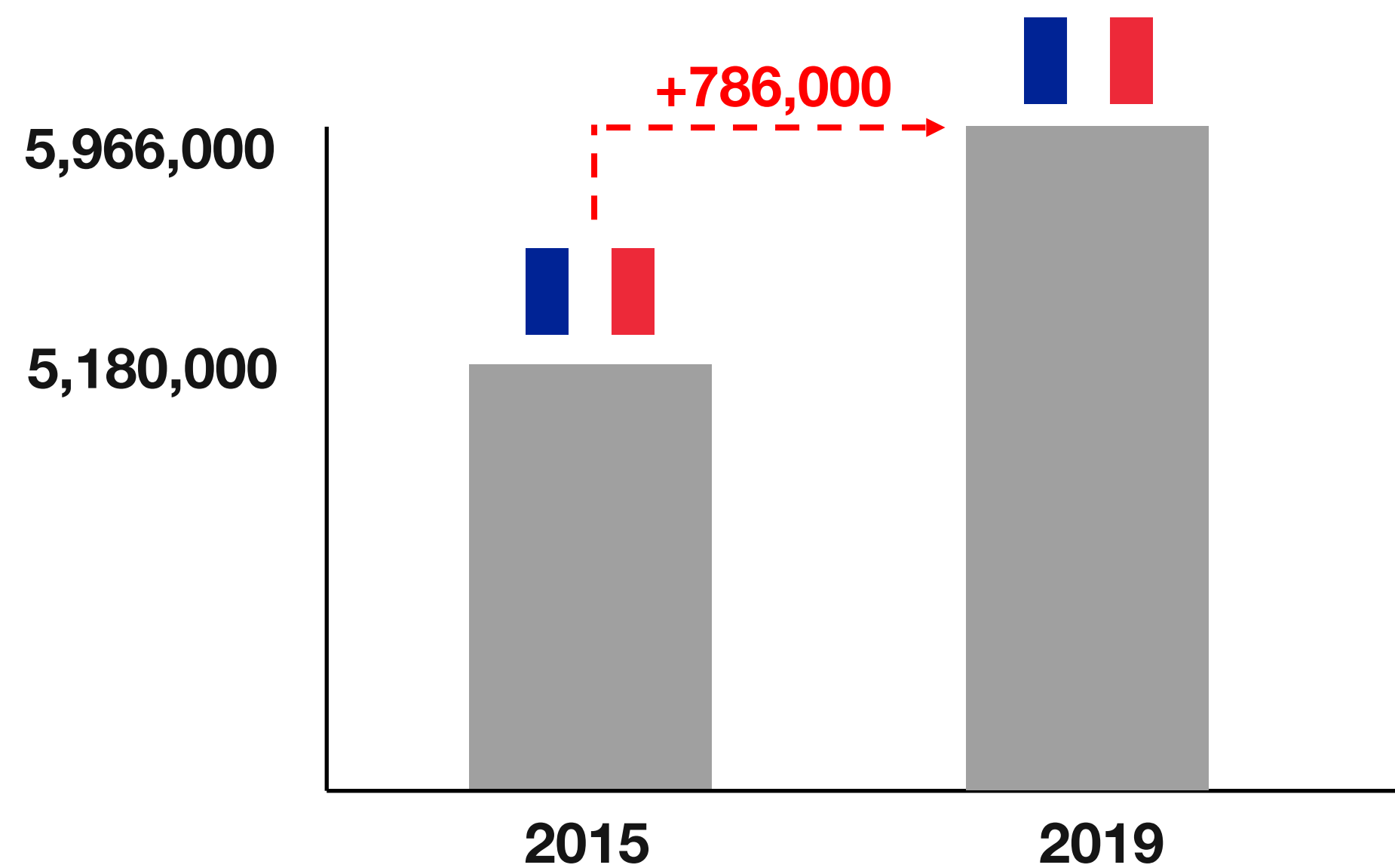
- On average, the gym experience in Europe is *very (very) poor*
- Membership costs are expensive (in excess of €450 per year)
- Over two-thirds of the 60,000+ European fitness clubs are mom&pops/independents
- Single location memberships are inconvenient
- Small-scale players are unable to generate adequate returns on capital to offer low-cost gym memberships

SANITY CHECK: BASIC-FIT IN FRANCE

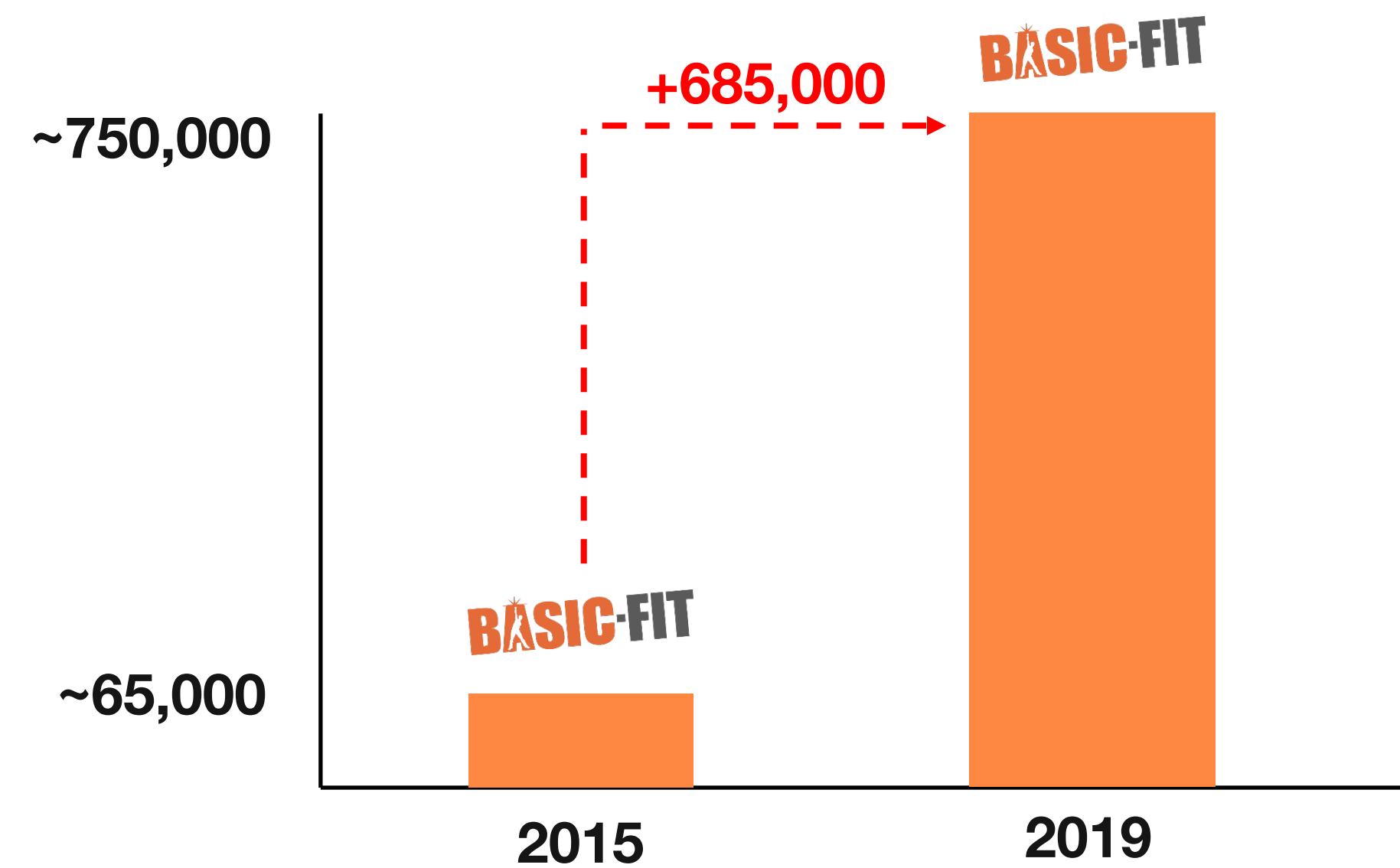
Unit roll-out has led to significant gym member penetration growth in France, and Basic-Fit is capturing nearly all net new gym-goers

Basic-Fit has captured ~87% of net new member growth in France

Total Industry Members (2015 vs 2019)



Total Members (2015 vs 2019)

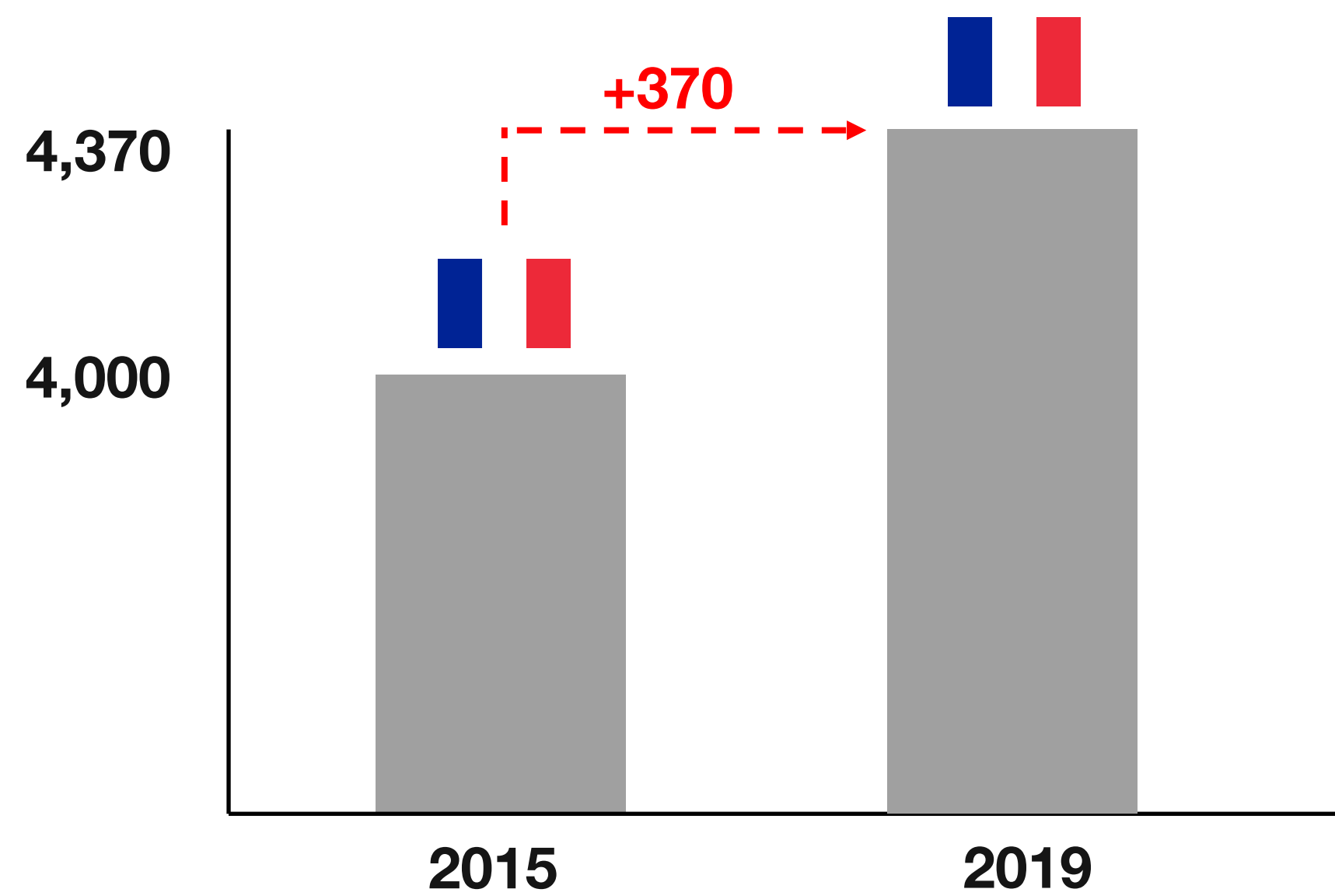


SANITY CHECK: BASIC-FIT IN FRANCE

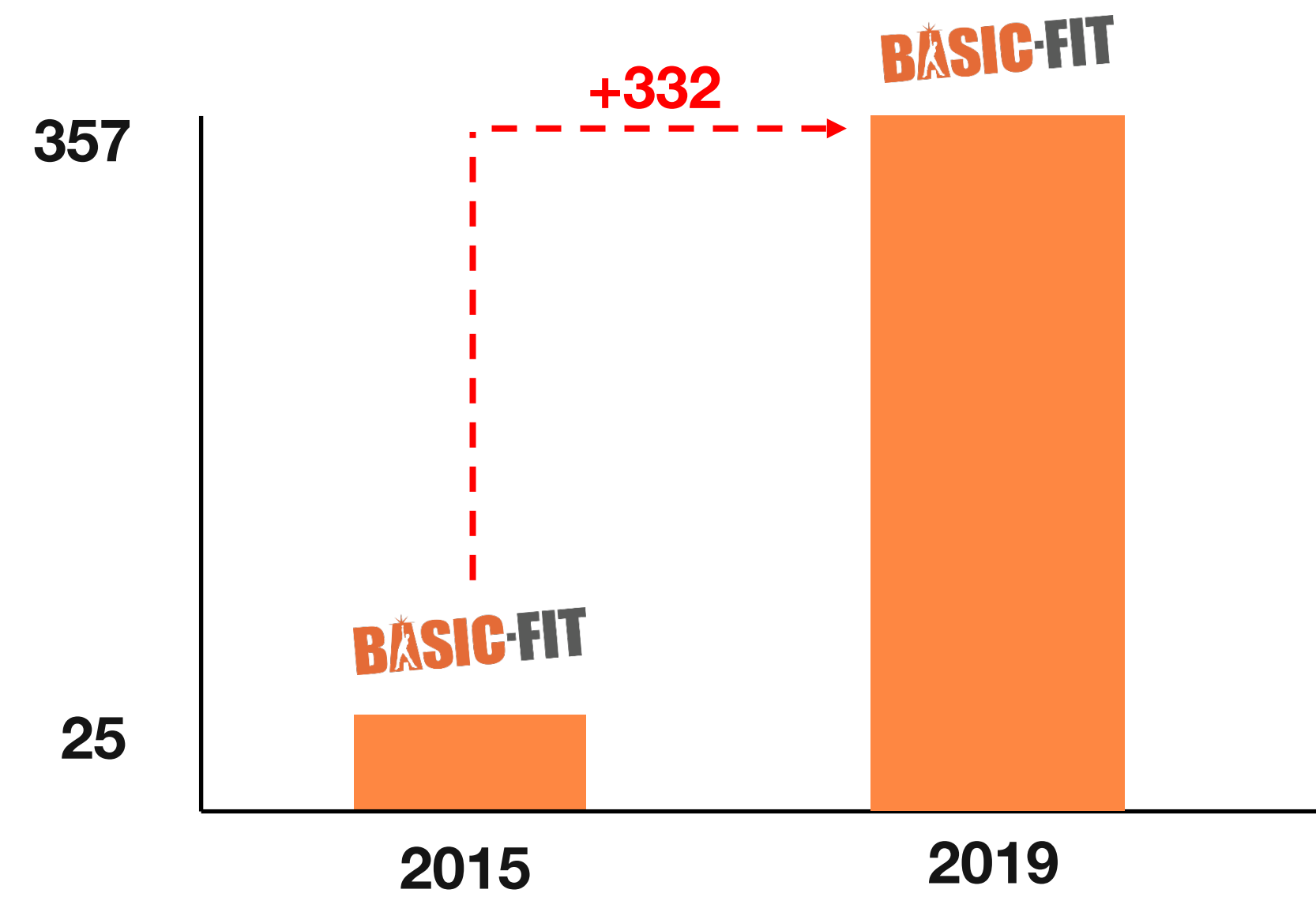
Basic-fit has produced ~90% of net new club growth over the last 4 years

Basic-Fit has captured ~90% of net new club growth in France

Total Industry Clubs (2015 vs 2019)



Total Clubs (2015 vs 2019)



SANITY CHECK: PLANET FITNESS IS TARGETING 50% SHARE

*“Now with more closings out there than the 1970 industry close, question is, what's that 4,000 [location] number going to go to? So the market share question, I think it's inevitable. **I don't see why we couldn't get to 50%, maybe higher**”*

– Planet Fitness CEO

*“**We're just shy of 4% of the total U.S. population is a member of our store.** We've been looking at a lot of different generations within the U.S. And if you look at the millennial population. Out of the 12.5 million members, almost half are millennial today. So today, **we have about 7% of the total millennial population as member of our stores, 7%**”*

– Planet Fitness CEO

*“**If you get it to New Hampshire where we started, we have almost 10% of the New Hampshire population and 50% market share of gym members in Hampshire.** If you look at Massachusetts, it's about 6.5%. There's about 6 million people. If you look at the Northeast, so Pennsylvania, all the way up to New York and Maine, we're about 5.5% penetration of the total population of the U.S”*

– Planet Fitness CEO

BASIC-FIT: GROWING UNITS & MEMBERS IN EXISTING MARKETS

Management plans to double unit count in Basic-Fit's existing markets and grow members per mature store to 3,600 (from a pre-COVID level of ~3,300)

Path to 7.2m members in existing markets:

	Today	Opportunity
Belux (Belgium + Luxembourg)	215	300
France	492	950
Netherlands	216	300
Spain	50	450
Total Units	973	2000
Members Per Store		3,600
Total Basic-Fit Members		7,200,000

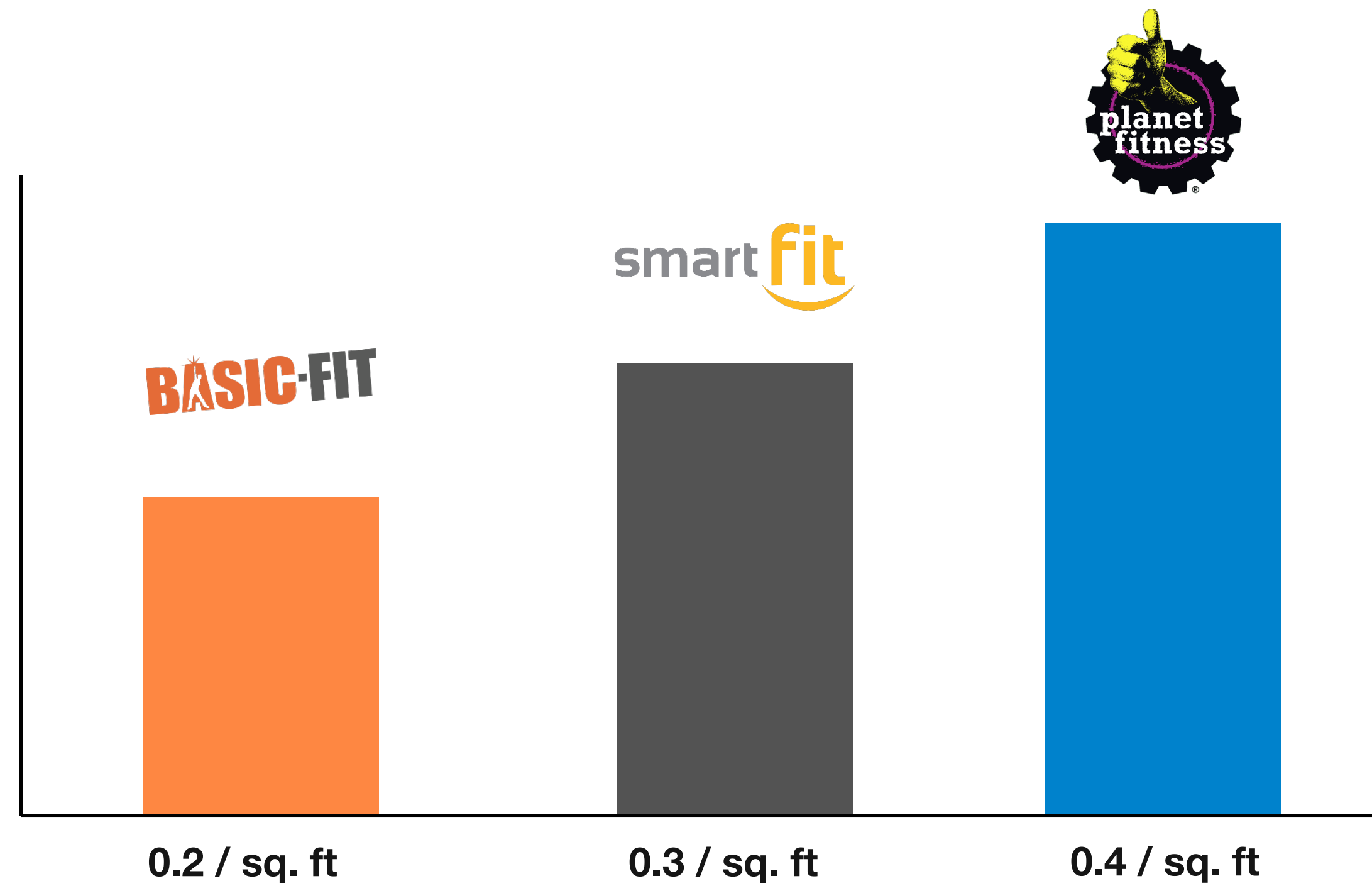
*“Again, we will focus on filling up the clubs, bringing it back to the 3,400 on a mature club level that we had before COVID. And from that, **we can also grow to 3,500 or 3,600.** So that's the focus”*

– Rene Moos, CEO

MEMBERS PER STORE GROWTH

Basic-Fit can double members per store and still only match Planet Fitness' member density

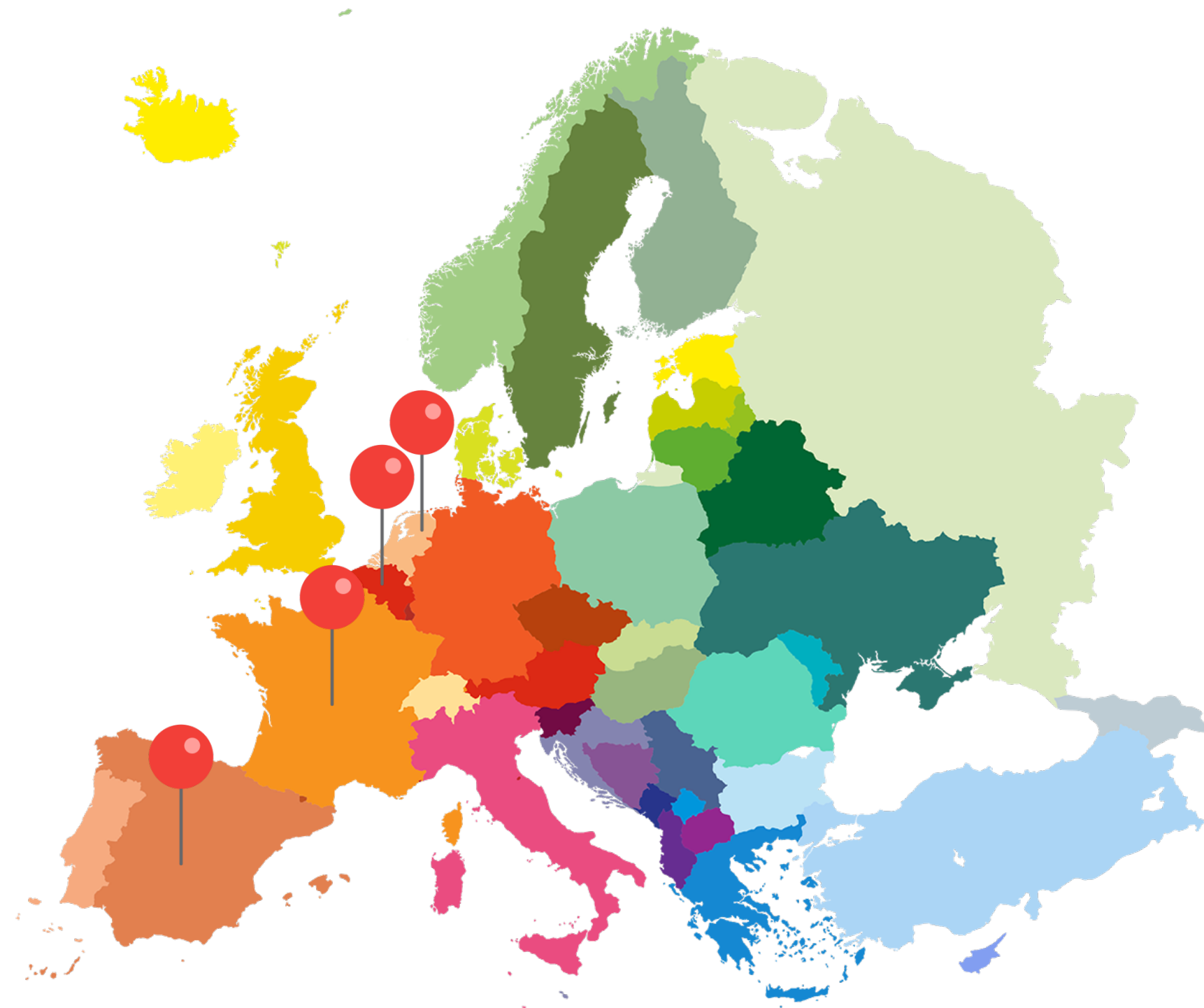
Members Per Square Foot



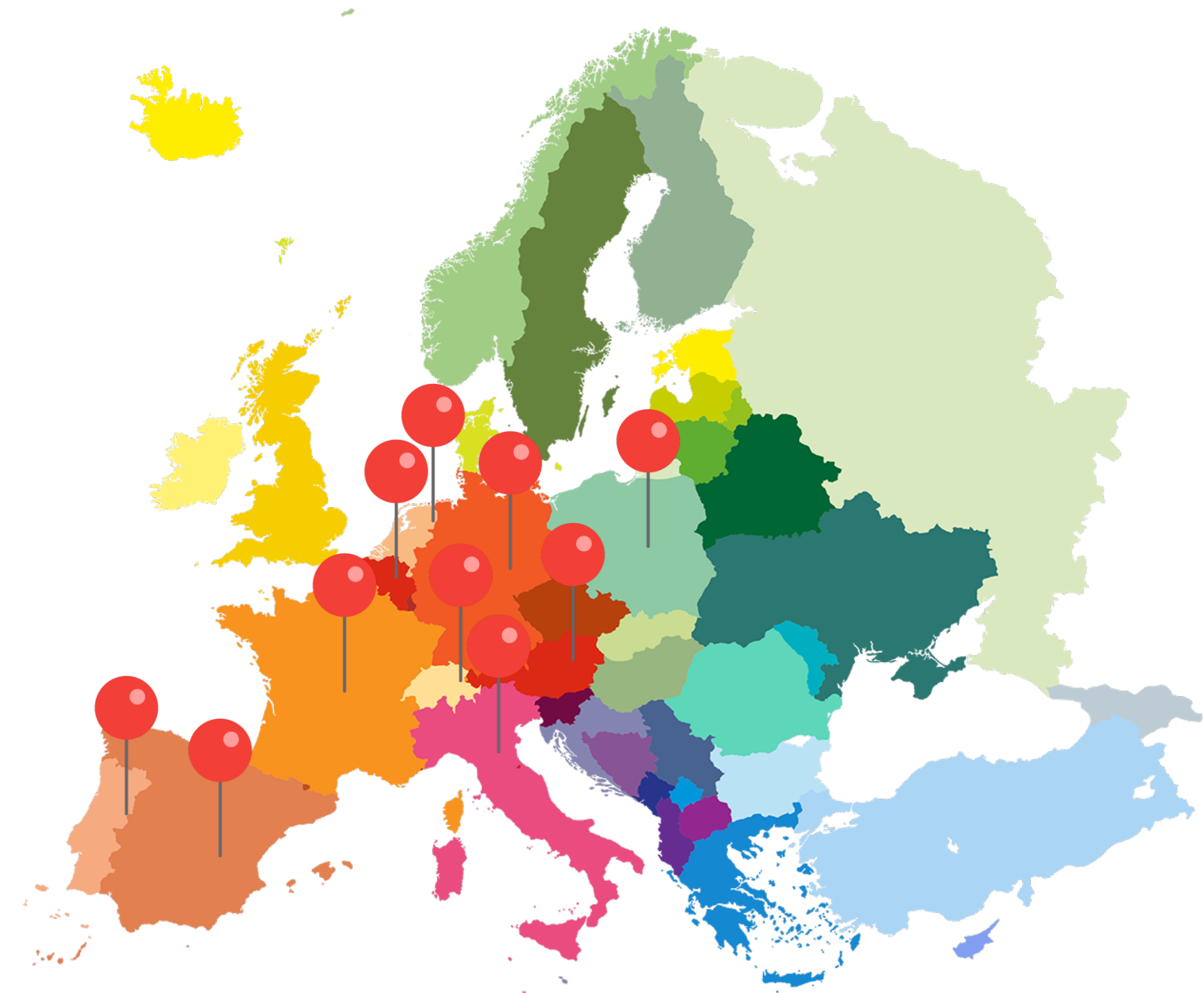
BASIC-FIT HAS A VERY (VERY) LONG RUNWAY

Assuming 20% fitness penetration, Basic-Fit can capture 35m members (up 16x from today) if it can achieve Planet Fitness' member share target of 50%

Today's Markets (Population: 143.3m)



Potential Markets (Population: ~350m)



Extraordinarily high-quality, profitable business

Very long growth runway fueled by strong secular tailwinds

A+ quality, incentivized management team

“No-brainer” valuation for a 20%+ growth business

RENE MOOS IS FIERCELY COMPETITIVE

Rene Moos is a “winner” who has been highly successful throughout his career

Rene Moos started his career as a professional tennis player in 1980, and opened his first fitness club in 1984 as his professional sports career came to an end

- By 2010, his HealthCity fitness chain reached over 250 locations

Fearing disruption, Rene Moos acquired low-cost chain “Basic-Fit” with 28 locations in 2010

- Rene partnered with PE firm 3i to aggressively grow unit count and dominate low-cost fitness in Europe
- Less than 11 years later, his ownership stake in BFIT is now worth over €400m

Rene has personally acquired nearly 350,000 BFIT shares since the beginning of the pandemic



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WHAT ARE YOU PAYING FOR THE EXISTING BUSINESS?

We estimate Basic-Fit investors are paying ~6x EBITDA per store today – ~3 turns lower than private equity is paying for multi-unit Planet Fitness franchisees!

Enterprise Value	~€3.1bn
Total Clubs YE2021	1,050
Price Per Store	~€2.9m

Fully Ramped Club Earnings	Low	High
Estimated Mature Members	3,300	3,600
Monthly ARPU	€21.5	€21.5
Estimated Revenue (Fully Ramped)	€851,400	€928,800
Estimated OPEX	€410,000	€410,000
Estimated EBITDA (Fully Ramped)	€441,400	€518,800
Multiple Per Store (Ex. G&A)	6.6x	5.6x
Corp G&A	€70,000	€70,000
EV/EBITDA (1,050 Stores)	8.3x	6.9x

DOUBLING STORE COUNT

At 2,000 units, we believe Basic-Fit can generate between €733 – €888 of EBITDA

Fully Ramped Club Earnings	Low	High
Estimated Mature Members	3,300	3,600
Monthly ARPU	€21.5	€21.5
Estimated Revenue (Fully Ramped)	€851,400	€928,800
Less: Estimated Opex	€410,000	€410,000
Estimated EBITDA (Fully Ramped)	€441,400	€518,800
Times: Locations	2,000	2,000
Total Location Level EBITDA	€883	€1,038
Less: G&A	€150	€150
Basic-Fit EBITDA	€733	€888

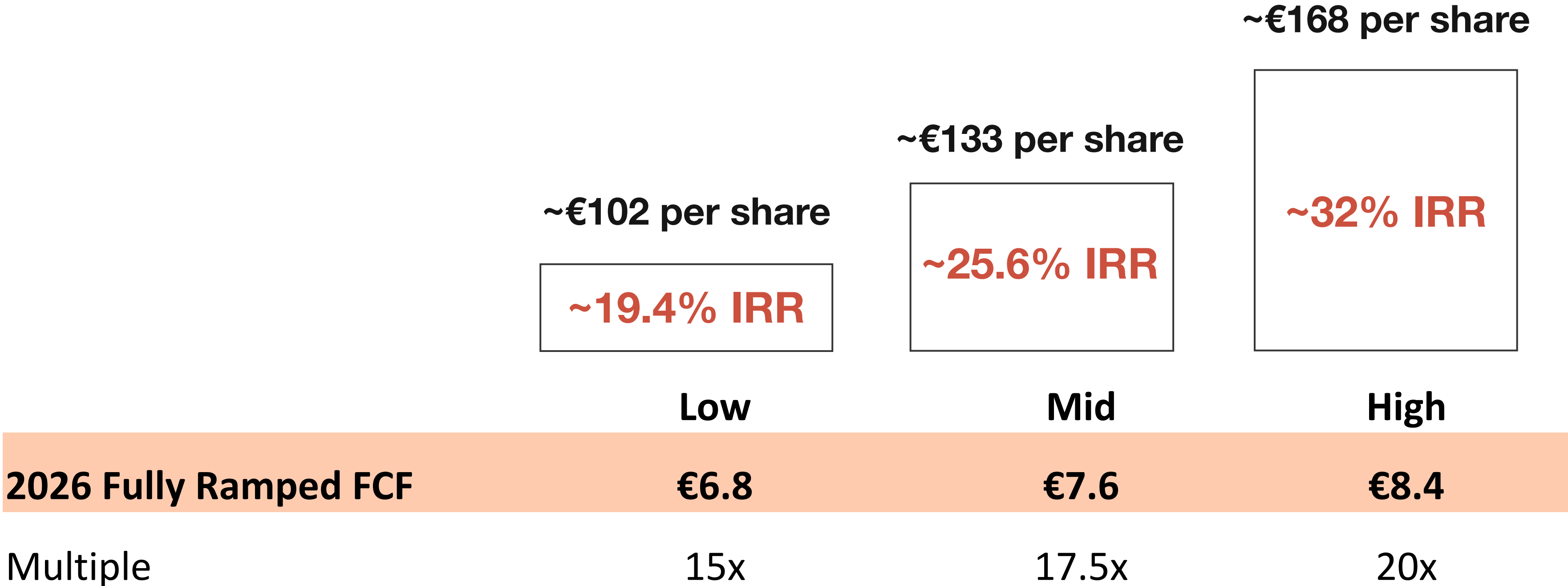
DOUBLING STORE COUNT (CONT.)

At 2,000 units, we believe Basic-Fit can likely earn between €6.8 and €8.4 in FCF per share (excluding share repurchases)

Fully Ramped Club Earnings	Low	High
Basic-Fit EBITDA	€733	€888
Less: D&A	€315	€315
Basic-Fit EBIT	€418	€573
Less: Interest	0	0
Less: Taxes (25%)	€105	€143
Net Income	€313	€430
Maintenance Capex	€140	€140
FCF Per Share	€6.8	€8.4

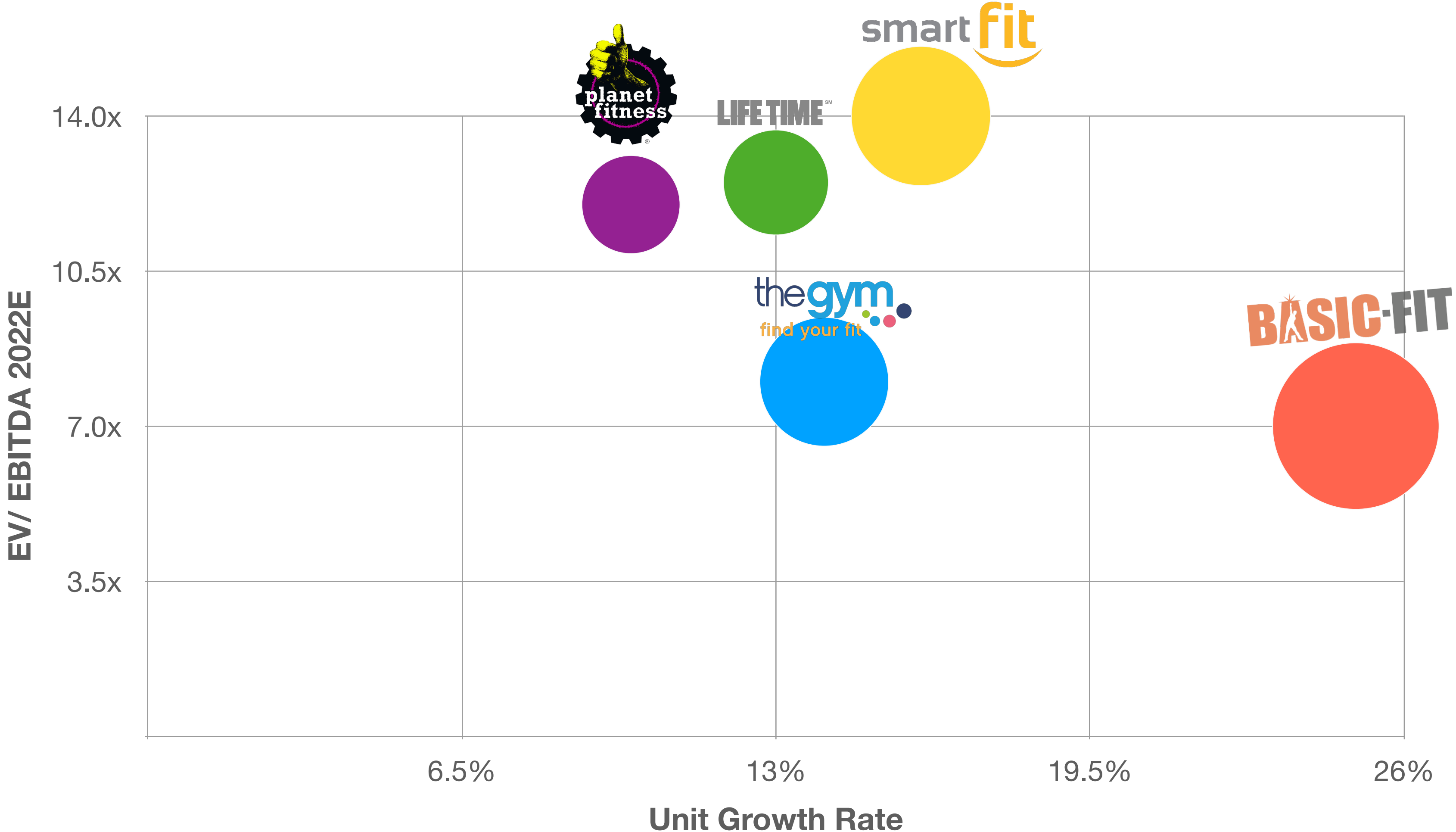
VALUING BASIC-FIT

We believe Basic-Fit can earn between €6.8 – €8.4 in run-rate FCF per share in 2026 and generate a ~4x return at the high end



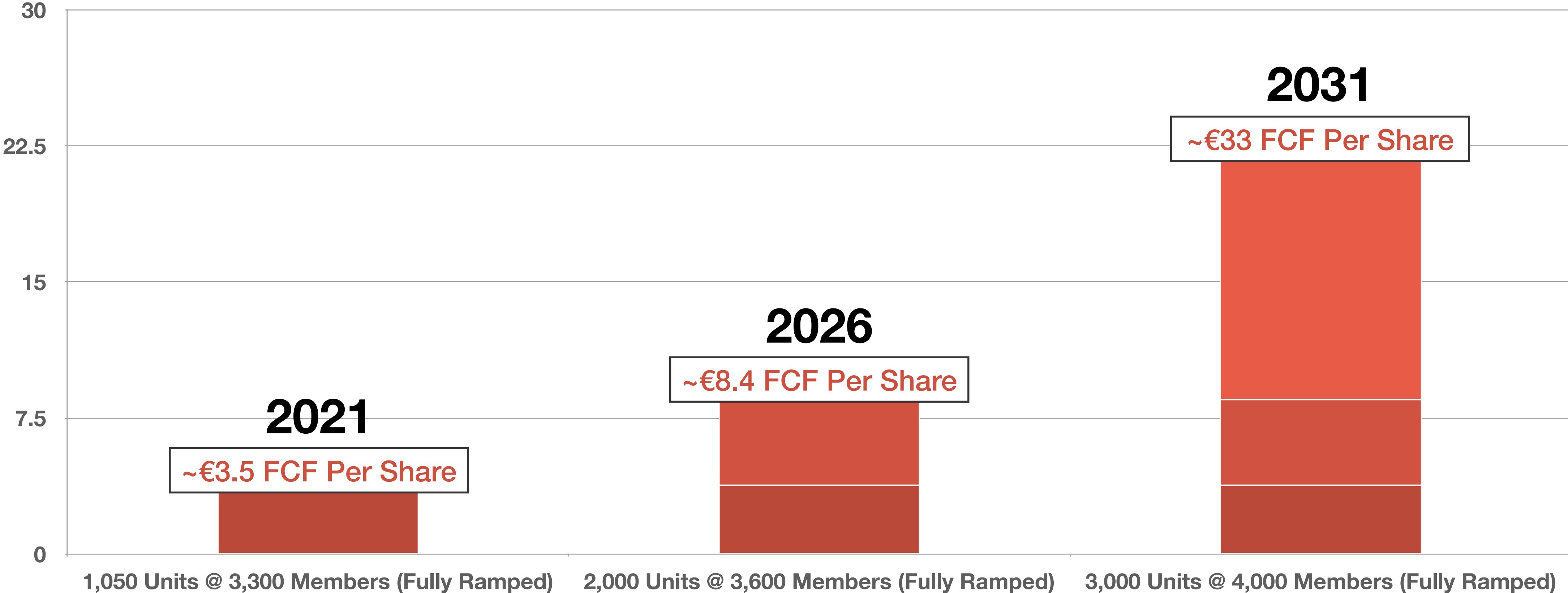
VALUING BASIC-FIT

Basic-Fit trades at the lowest multiple in the peer group despite having the fastest unit growth rate



PATH TO €33 PER SHARE OF FCF

Assuming 3,000 locations, 2% mature unit member CAGR to 4,000 per unit, and all excess cash generation used for buybacks, **Basic-Fit can exit 2031 generating ~€33 of FCF Per Share**



OPTIONALITY

Basic-Fit can expand its product offering and upsell new subscription services to its member base

Potential partnerships with equipment manufacturers

- Based on Technogym's recent announcements, we believe a partnership with Basic-Fit is in the works
- By leveraging its club partner network, Technogym expects to double its direct-to-consumer equipment business from 150m to 300m in sales over the next ~12 months (90+ contracts signed to date)
- Technogym expressed these plans to shareholders during its 2020 AGM
- We believe Basic-Fit can earn a meaningful share of Technogym's monthly subscription revenue and split the gross profit on new equipment sales

Expanding mobile fitness offerings

- Basic-Fit can "open-up" its mobile app to non-gym-members and offer a lower-cost, app-only subscription – generating significant incremental at no marginal cost

VALUATION SUMMARY

Basic-Fit is poised to compound its intrinsic value per share at very high rates for a very long time

- ✓ **At today's share price of €42, we believe the risk/reward in shares of Basic-Fit is skewed firmly to the upside**
 - Owner earnings multiple of ~12x growing 20%+
 - Only ~1.3x our estimate of long-term earnings power
- ✓ **Planet Fitness' ~25% member share in the U.S today provides strong precedent for Basic-Fit's opportunity in Europe**
 - Nearly all retail verticals are dominated by a low-cost leader and Planet Fitness management has targeted 50%+ long-term market share in the U.S
- ✓ **Strong cash generation provides capital allocation optionality that can significantly magnify FCF per share growth over the next decade**

CONCLUSION

Basic-Fit is in the early innings of significantly growing member penetration in Europe

- Unit runway is very long, with the opportunity to reach 35m members over time
- Winning business model with powerful scale advantages that support high ROIC

Basic-Fit's current stock price is not factoring in any future growth

- Investors underestimate the winner-take-most nature of low-cost fitness
- Sentiment is poor due to COVID-19's impact on the business
- COVID-19 has likely eliminated countless independent operators, benefiting Basic-Fit as Europe begins to reopen
- Owner earnings multiple of ~12x limits downside

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