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## QUO VADIS? – Impact of COVID-19 on the European fitness and physical activity sector

Karsten Hollasch

European Health & Fitness Forum, 30 September 2020



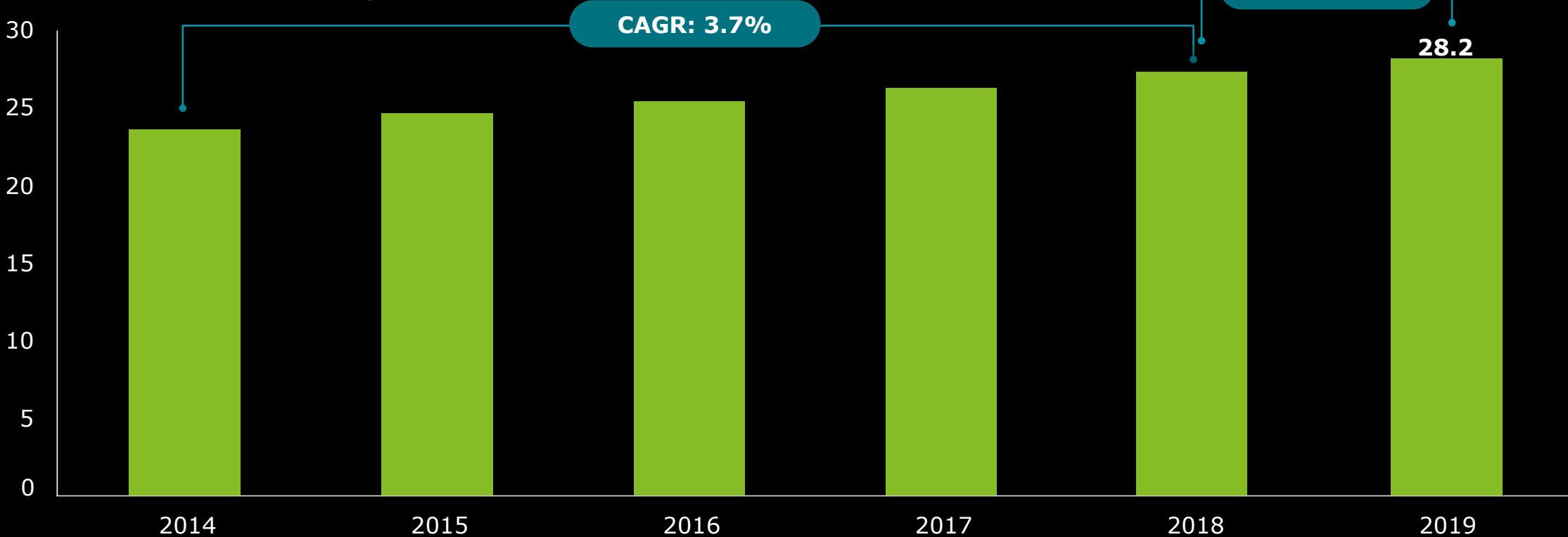
## EUROPEAN HEALTH & FITNESS MARKET

## COVID-19 IMPACT ON THE EUROPEAN FITNESS INDUSTRY

Up to the COVID-19 pandemic, the European health and fitness market had shown strong growth numbers in terms of revenue as well as other KPIs

Market development 2014-19

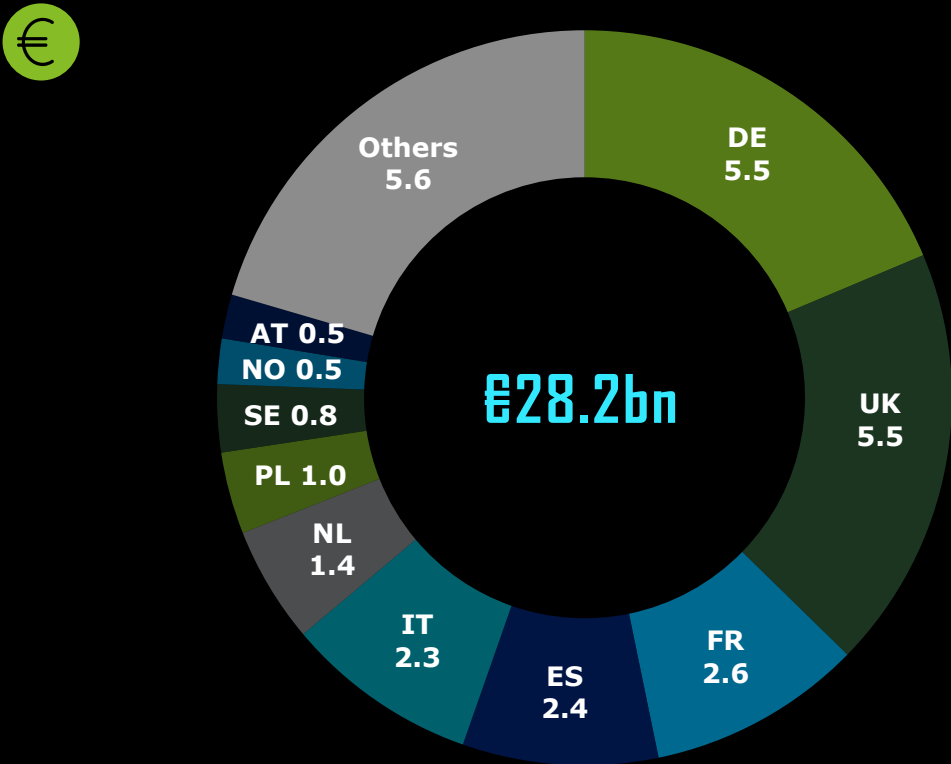
in billion €; growth rates at constant currency



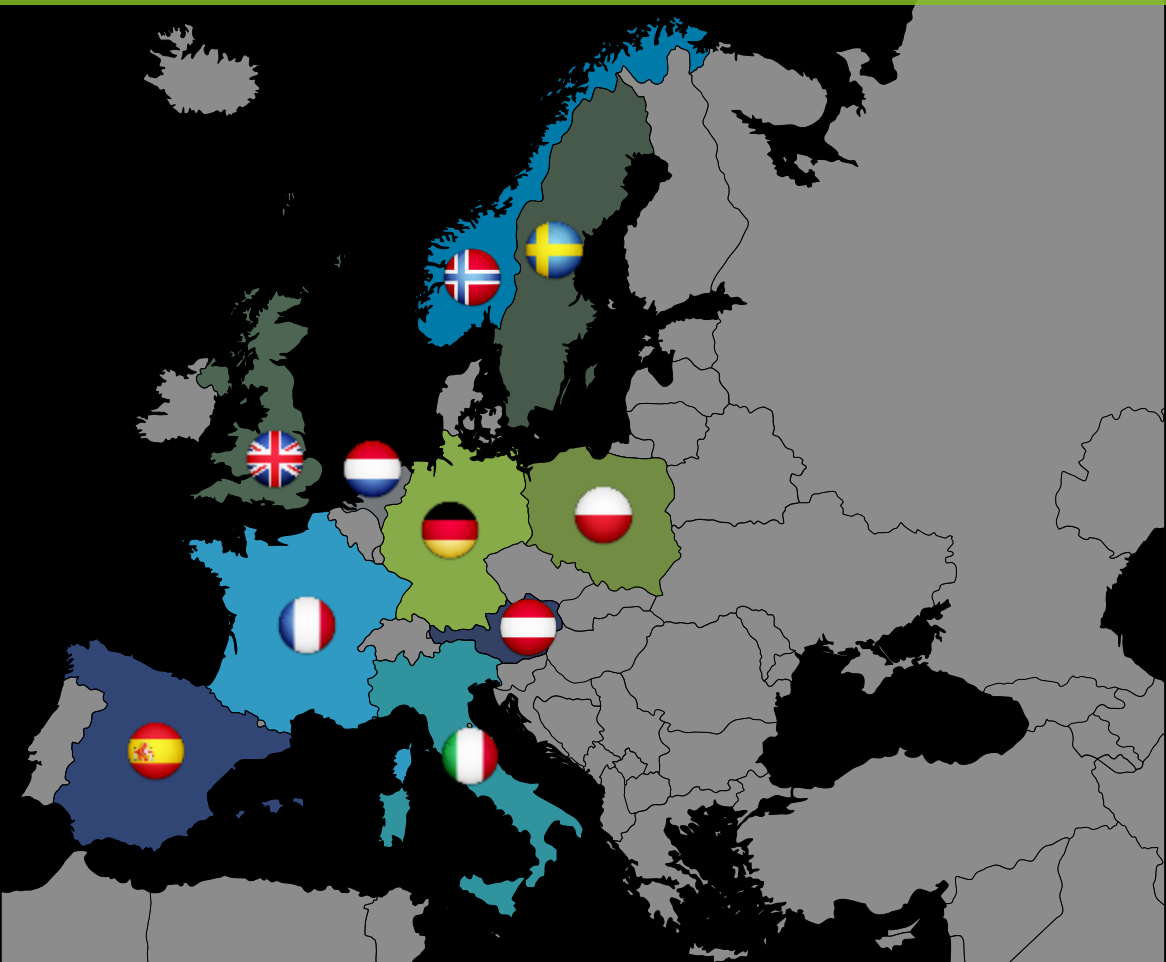
Source: EuropeActive, Deloitte

Germany and the UK are the two largest markets in Europe. In 2019, the Top 10 countries accounted for about 80% of the total European market

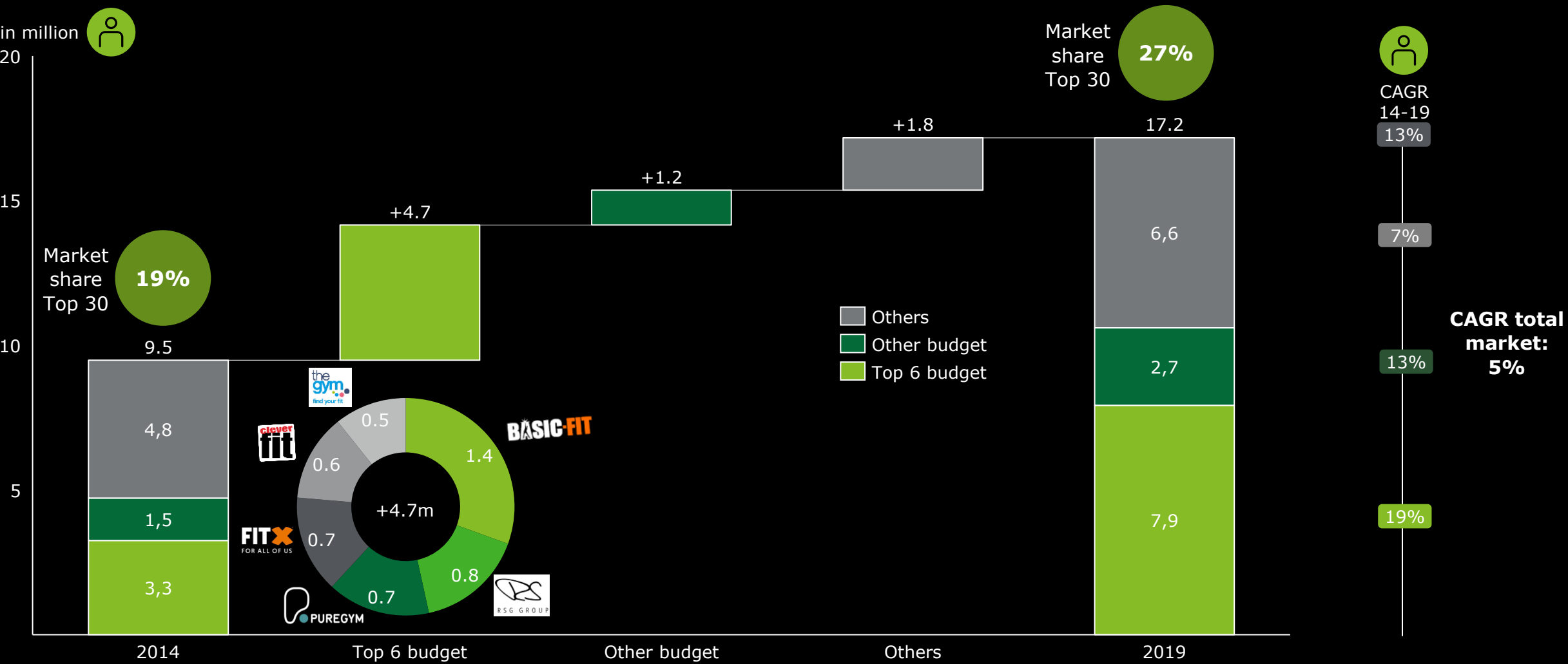
Revenues by country



Source: EuropeActive, Deloitte



# Over the last five years, membership growth among the top 30 operators by membership was primarily driven by the budget segment





# COVID-19 IMPACT ON THE EUROPEAN FITNESS INDUSTRY



The results of the survey are based on data provided by selected European fitness club operators with a combined 6.5 million members (10% of European market)

Research subject



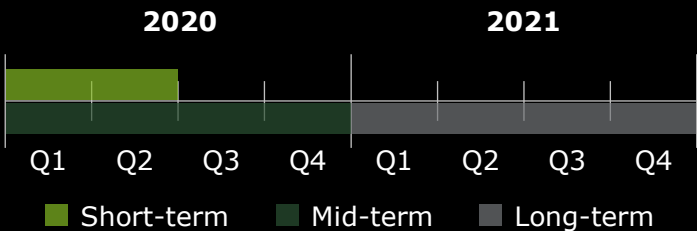
Income



Members



Clubs



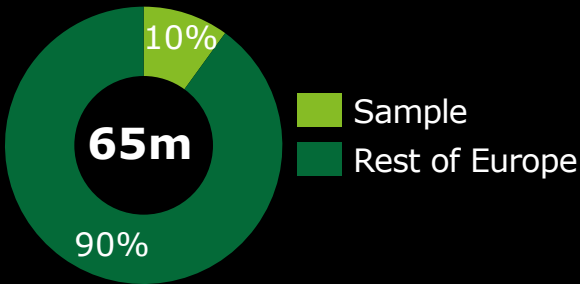
Source: EuropeActive, Deloitte

Research scope



Sample characteristics

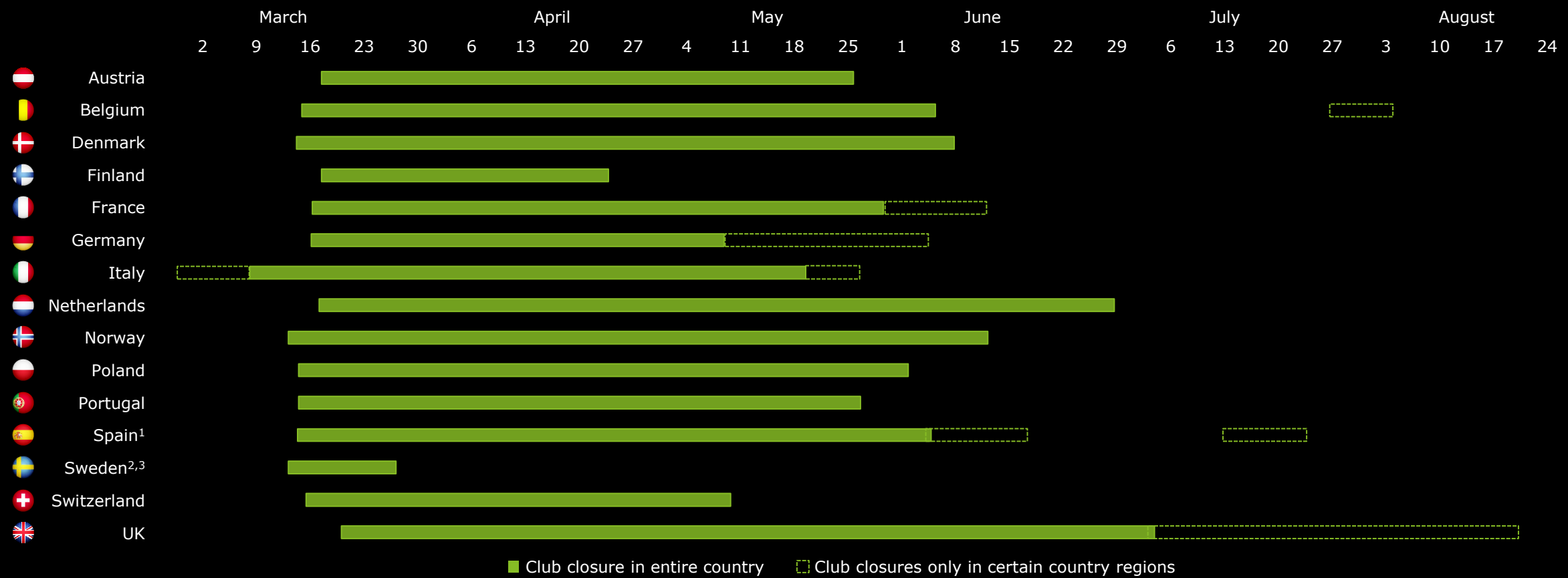
Sample compared to the entire EU health & fitness market in terms of members



Represented countries



While most of the European countries closed their fitness clubs around mid-March, the length of club closures differed considerably by country



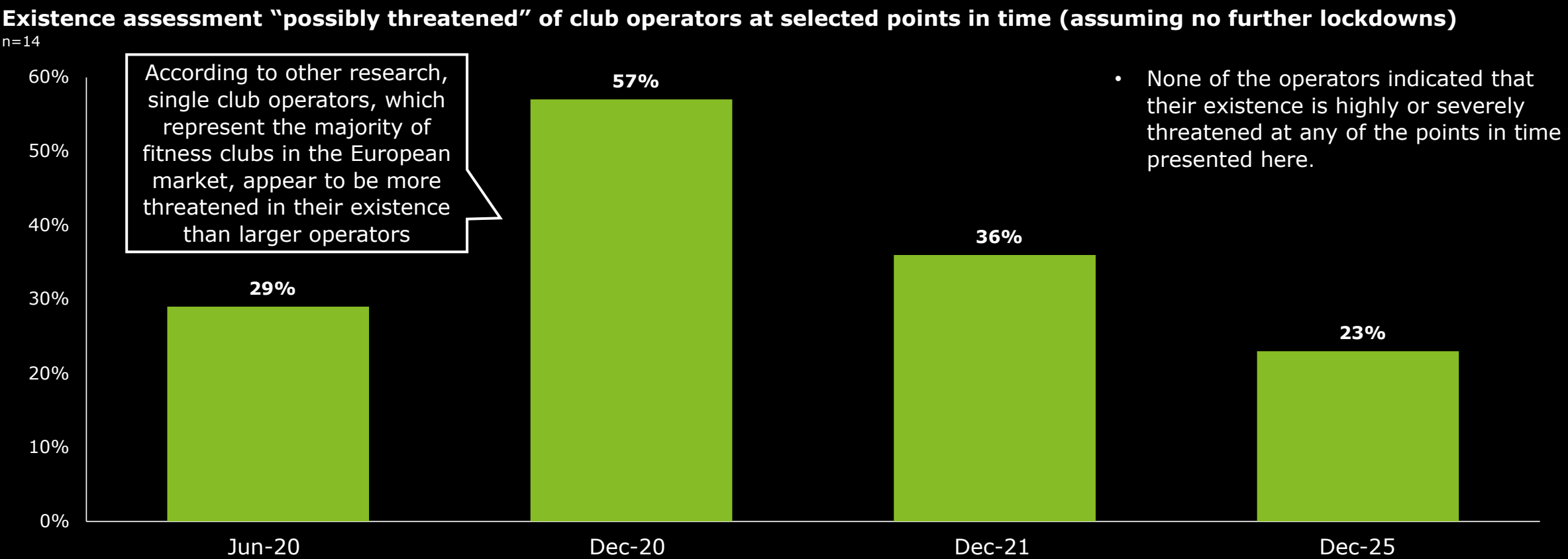
Notes: 1) The second lockdown in Catalonia (17 July to 29 July) was stopped based on a court decision; 2) There was no government constraint w.r.t. club closures; 3) Only SATS;  
Source: EuropeActive, Deloitte



# Various national associations (in cooperation with EuropeActive) have launched a broad range of initiatives throughout the crisis to support the local fitness industries



# Under the assumption of no further shut downs, the surveyed fitness chains consider their existence largely not endangered by the COVID-19-pandemic

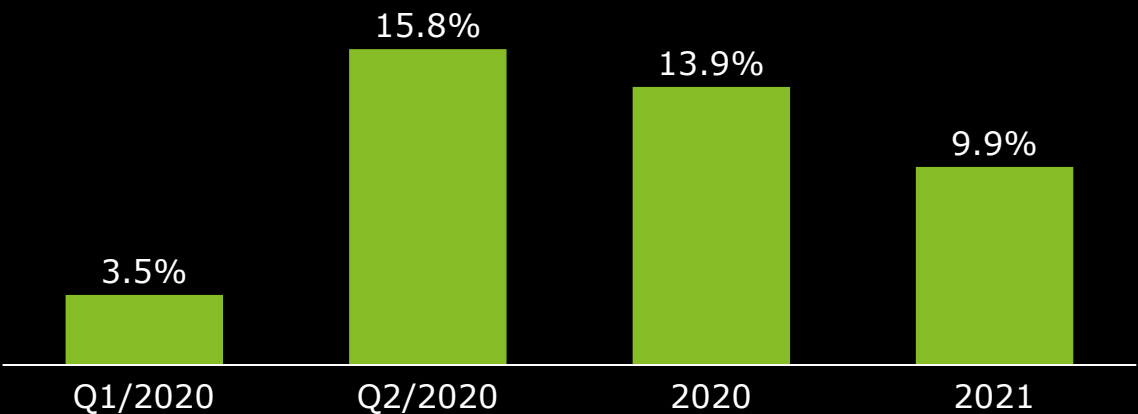


Source: Company information, Deloitte

In the medium- and long-term, i.e. for the years 2020 and 2021, expected average membership shortfall is indicated with around 13.9% and 9.9%, respectively

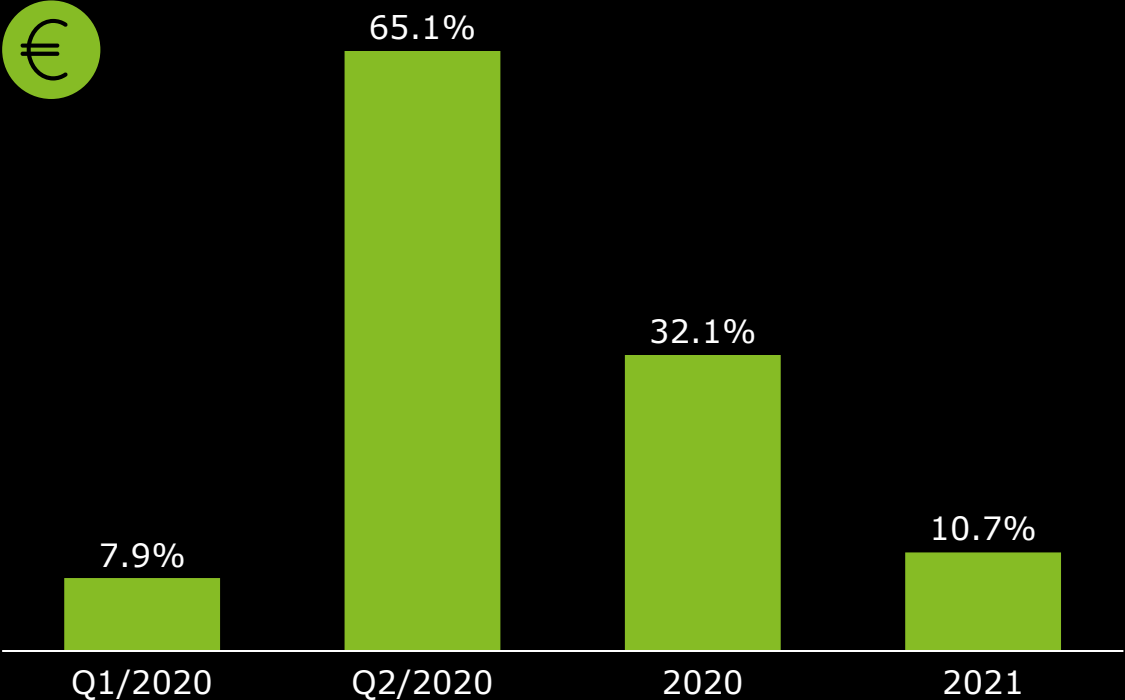
**(Expected) membership shortfall compared to original plan**

Average of respondents in % of planned members



**(Expected) income shortfall compared to original plan**

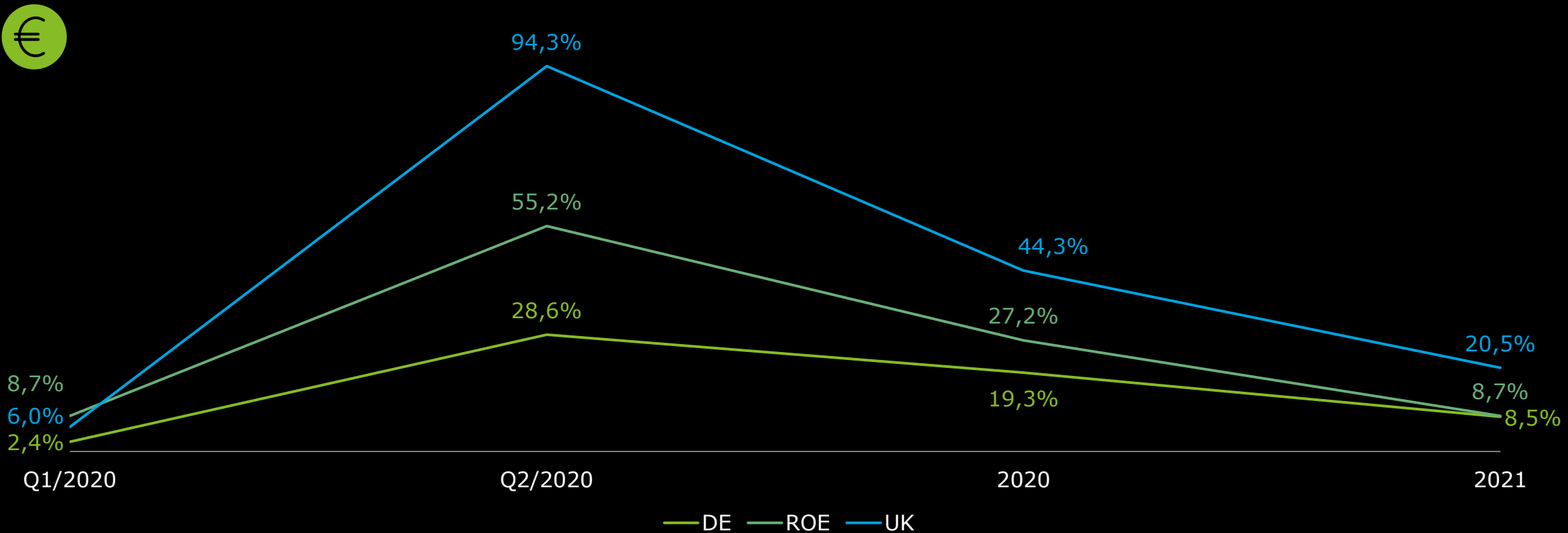
Average of respondents in % of planned income



Source: EuropeActive, Deloitte

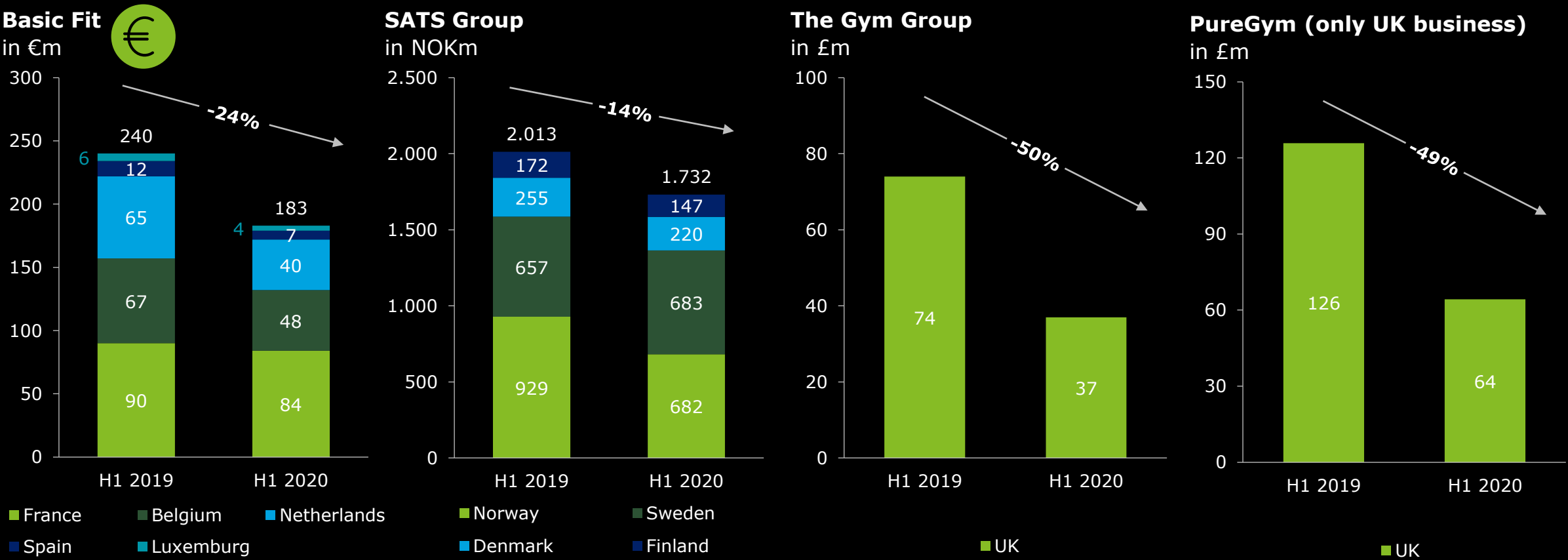
UK-focused operators have experienced the highest shortfalls in income (up to ~94% in Q2 20) when comparing them to operators from Germany or the rest of Europe

Income shortfall compared to original plan by selected region



Source: EuropeActive, Deloitte

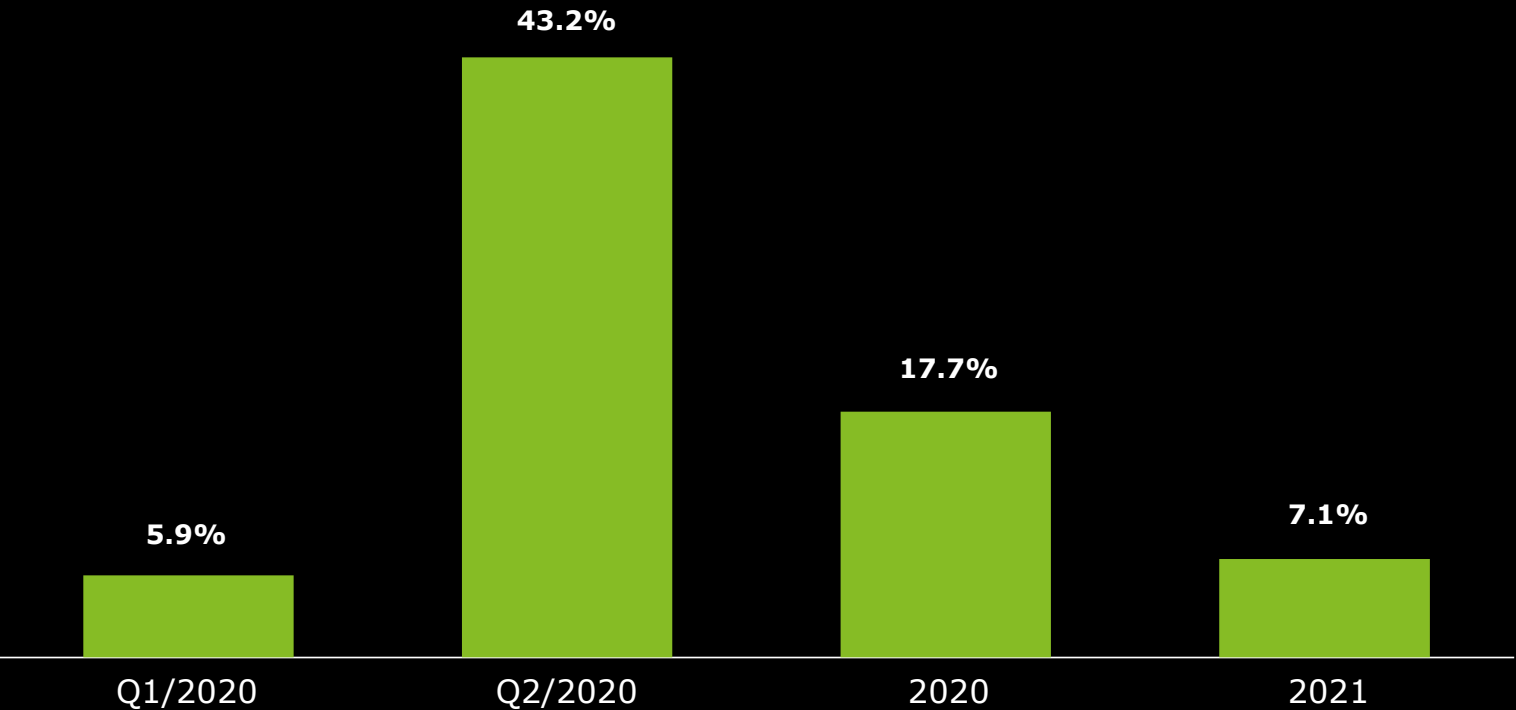
The Gym Group and PureGym experienced the highest revenue shortfall of the examined operators, pointing out the particularly high affectedness of the UK market



# Temporary cost savings are mostly limited to the closure period

## (Expected) decrease in cost compared to original plan

Average of respondents in % of planned cost



Source: EuropeActive, Deloitte

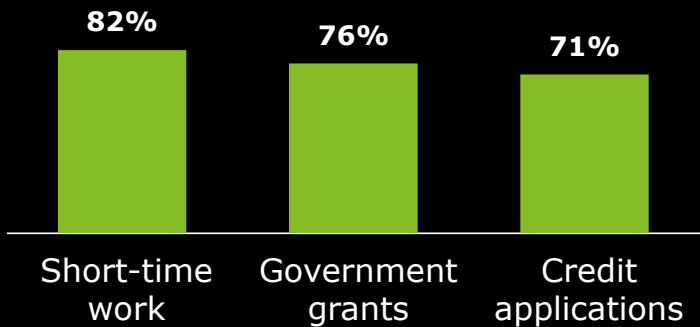


## Main cost drivers

- Rental cost
- Personnel expenses
- Financing cost

## Temporary Cost Savings

## Measures taken



During the crisis, the majority of fitness chains used the opportunity to drive their digitalization forward and thus improve readiness for the future

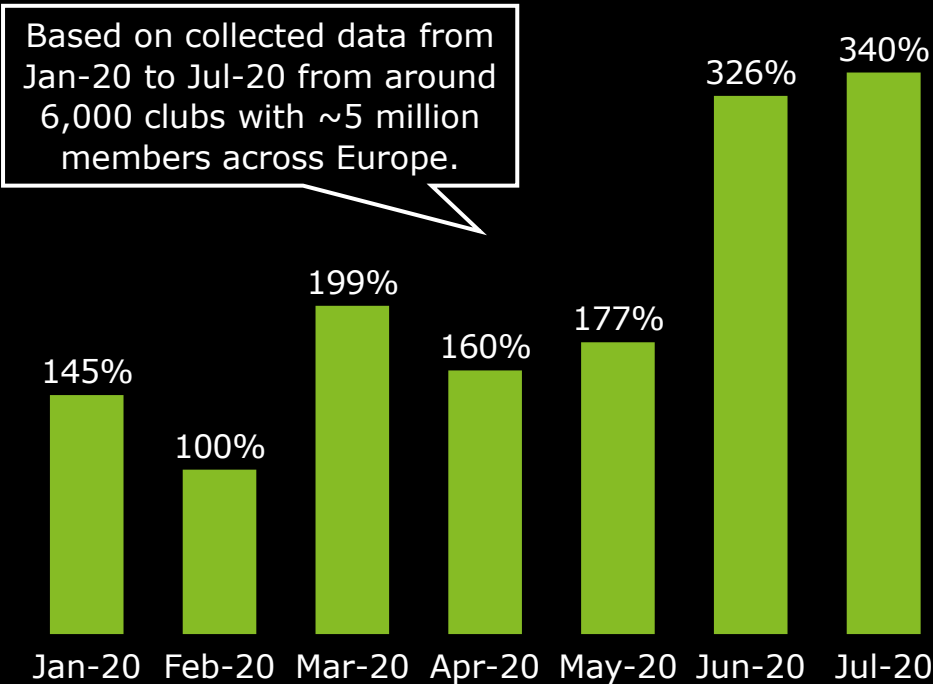
Technological measures taken during the COVID-19-pandemic

In % of respondents



Virtuagym research - Digital adoption

Level of fitness app users



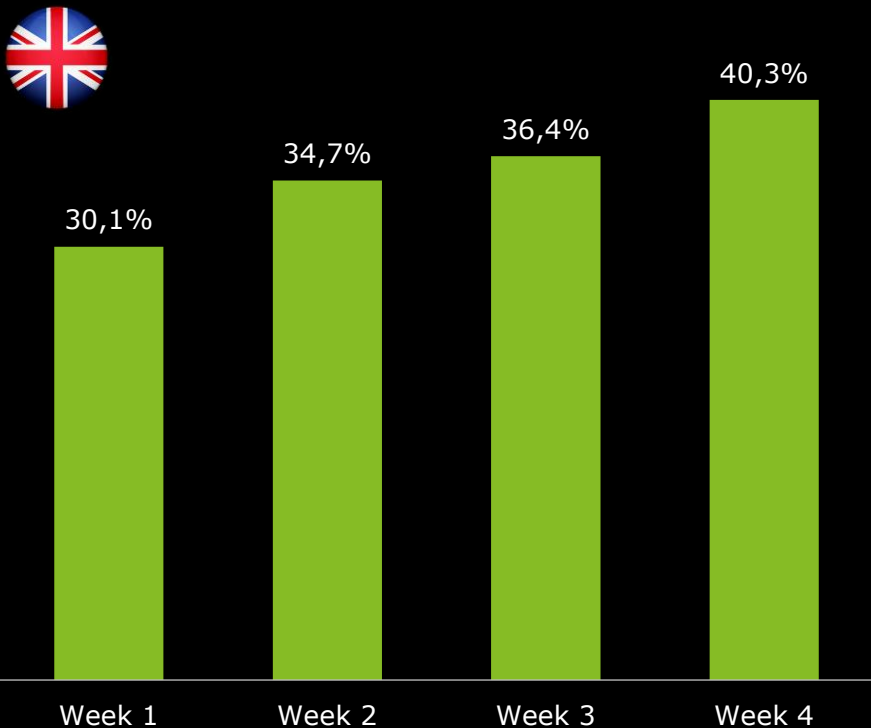
Source: EuropeActive, Deloitte, Virtuagym



During weeks 1 – 4 after club reopenings in the UK, visits increased from ~30% to ~40% of previous year's levels. Visitor rates differ with respect to age groups

First four weeks of reopening (27 July – 23Aug)

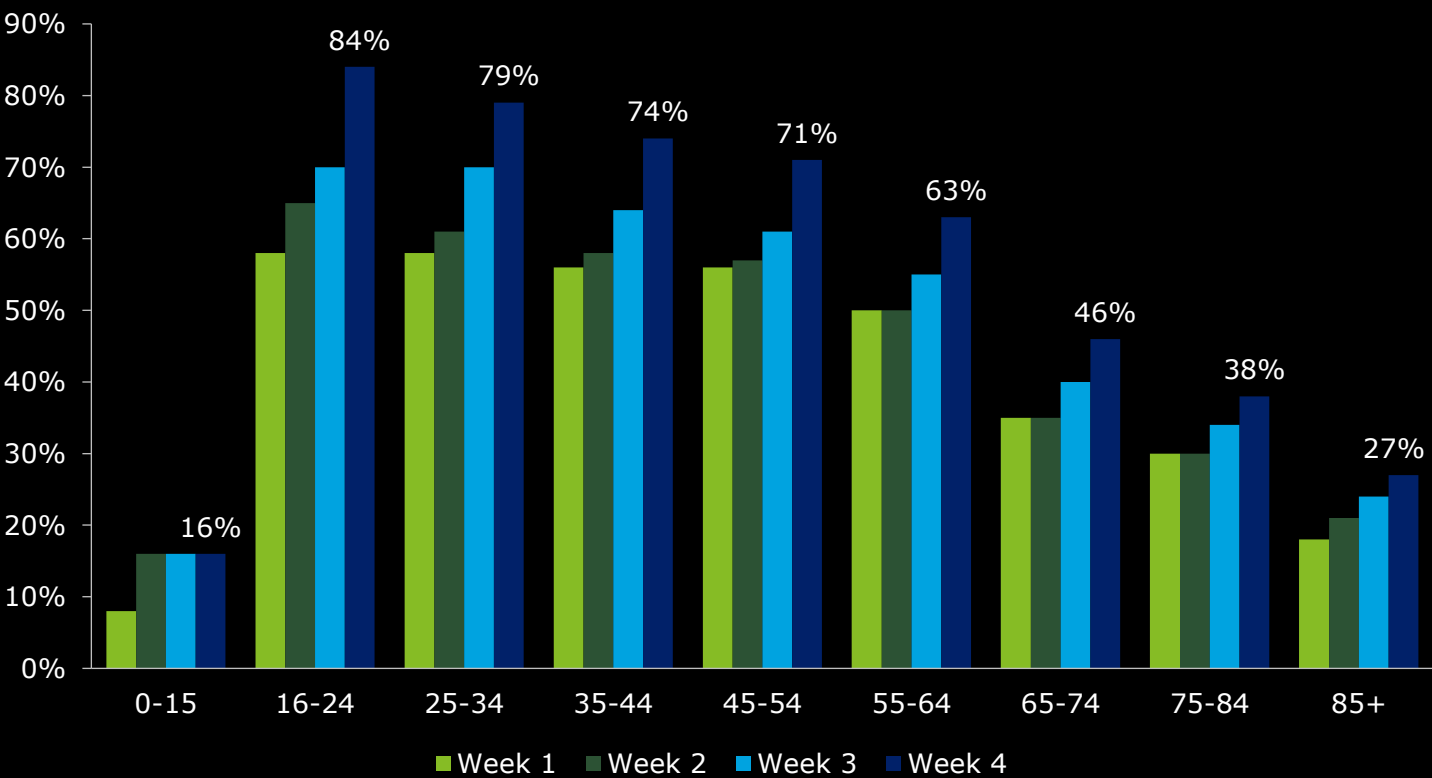
Visits in % of same week last year



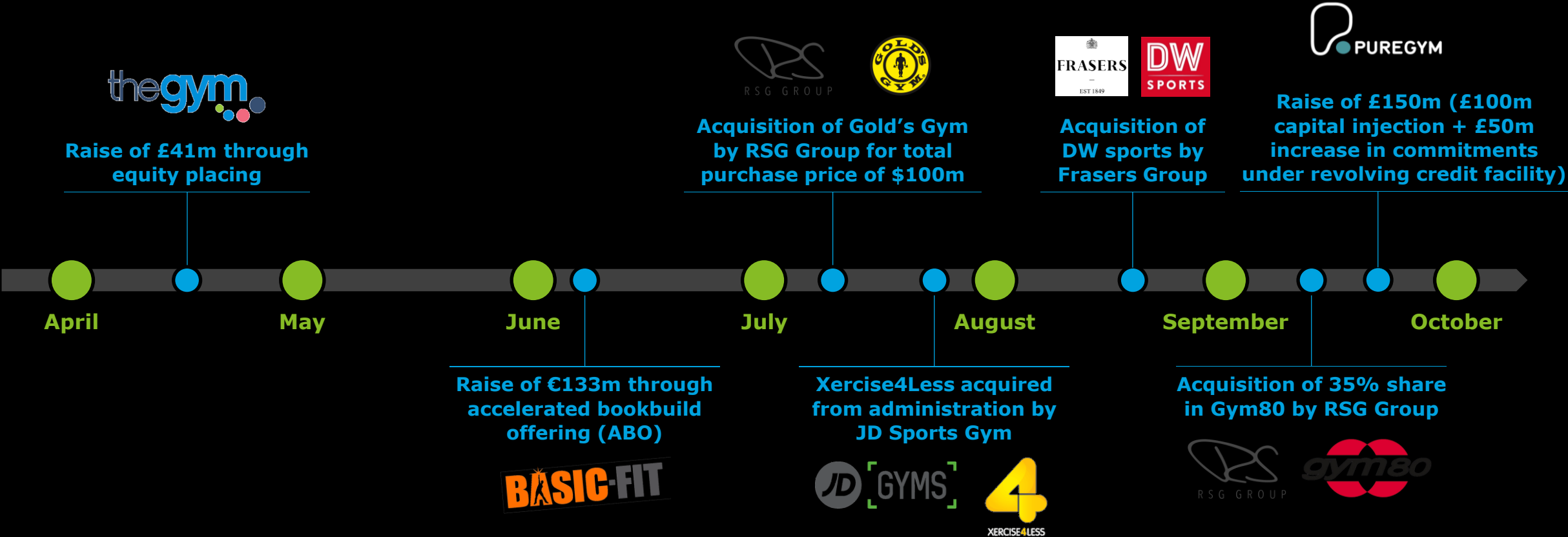
Source: EuropeActive, Deloitte, 4Global

Sector recovery by age groups

Visits in % of same week last year



During the crisis, the market has seen considerable financing and M&A activities, indicating a positive future outlook for the industry



Source: EuropeActive, Deloitte

# Although COVID-19 has a significant impact on the European fitness industry, the sector can still achieve its mid and long-term goals

## Key implications of COVID-19



**Consolidation will continue and even be boosted by liquidity shortfalls of smaller operators**



**Accelerated digitalization with a focus on hybrid club models (on-site offering with added online services)**



**Refinancing activities**



**Rethinking of the overall business model, e.g. pay-as-you-go, monthly contracts, etc.**



**Still** on pace for  
100 million members  
by 2030

*"Our research with key operators in Europe and the additional third-party information we have gathered show that we can still expect to achieve the mid to long-term goals of our sector in Europe, i.e., 80 million members by the midpoint of the decade and 100 million by 2030. If anything, we feel that the Corona crisis has strengthened the fundamentals of our sector"*

**- COVID-19 Impact Report, 2020**

Source: EuropeActive, Deloitte



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