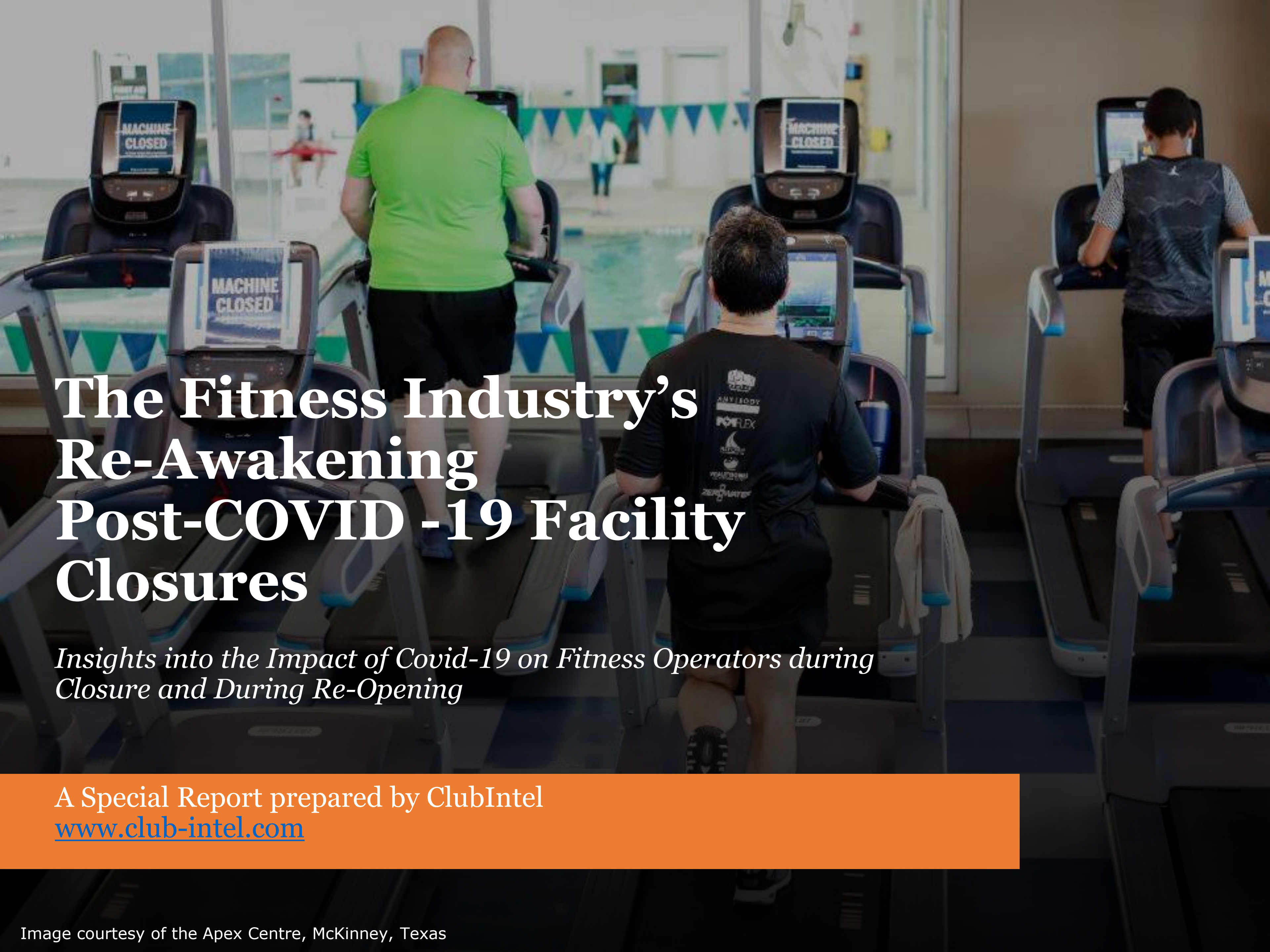

The Fitness Industry's Re-Awakening Post-COVID -19 Facility Closures

Insights into the Impact of Covid-19 on Fitness Operators during Closure and During Re-Opening

A Special Report prepared by ClubIntel
www.club-intel.com

Image courtesy of the Apex Centre, McKinney, Texas

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Prologue

A Call to Collaboration, Cooperation, Improvisation, and Innovation

Our world, and our beloved fitness industry, each find themselves in unchartered territory. Since it first raised its tentacles of infection, the Covid-19 pandemic has thrust upon fitness operators a challenge of profound proportion. Despite the enormity of this challenge, the fitness industry is showing resilience, fortitude and hope. The fitness industry is awakening from Covid-19 mandated closures, some emerging from forced hibernation after a couple of months, others now just opening after six months in "hibernation hell". In some regions, clubs and studios remain closed. Upon awakening to this "new era", fitness operators are facing significant operational and financial obstacles. For some in the fitness industry, these obstacles have, or soon will prove insurmountable. For most fitness operators the challenge is daunting, not insurmountable. Members have canceled; other members remain hesitant to return; members have migrated to digital and virtual alternatives; business revenues have declined, in some cases precipitously; mandated government guidelines have resulted in reduced member capacities and increased operating costs; and still, the future remains uncertain and fluid.

How to frame the obstacle before us? Economists are forecasting a GDP decline for 2020 of 7% in the U.S., 8.3% in the European Union, and 4.9% globally. Chapter 11 bankruptcy filings for the first half of 2020 totaled over 3,600, and by year-end 2020, Chapter 11 filings will exceed the total experienced at the height of the Great Recession. Approximately 2% of all businesses listed on YELP have closed their doors permanently. Private equity deal values for the first half of 2020 declined by 20% and by year-end 2020 fund raising activity is forecasted to track with 2018 numbers, down over 100 billion USD from 2019. Consumer confidence is down with indicators from the U.S. and Eurostat both well below 2019 levels. In the fitness industry, globally recognized firms such as 24Hour Fitness, Gold's Gym and Town Sports International have all filed for Chapter 11 bankruptcy. Public firms such as Basic Fit, Planet Fitness and the Gym Group all saw 2nd quarter revenues take a nose-dive. According to YELP's Economic Impact Report from September 20, 2020, 6,024 fitness facilities were reported closed, 43% identified as permanent closures.

"The greater the obstacle, the more glory in overcoming it."
Moliere

Prologue continued

What we don't know is how the pandemic has hit fitness businesses that are not in the public eye and what this might mean to fitness operators as they progress through the early and later stages of re-opening. Furthermore, most of us are unsure of the impact 2020's challenges will have on 2021 and beyond. We are in a period of fluid uncertainty. Yet, we all desire greater certainty. The obstacle before us may seem unsurmountable, but the glory in overcoming it is even greater.

ClubIntel embarked on this study as a follow-up to our previous study conducted in April 2020 that looked at how fitness operators had responded to Covid-19 mandated closures. Our goal with this study was two-fold. First, was to explore how fitness operators had been impacted by these earlier Covid-19 mandated closures. We wanted to understand the degree to which facility memberships and revenues had been impacted during closure and the implications of both for year-end 2020 and beyond. Second, we wanted to understand what fitness operators were doing to reopen. How were they making their facility's safe? How were they regaining member trust and engagement? How had they or were they modifying their value proposition to be relevant and compelling in this new era?

Ultimately, we wanted to solicit information and insights that fitness operators around the world could leverage to re-open more successfully and lay a foundation for returning to or exceeding pre-Covid-19 performance levels in 2021.

We believe that those who contributed to this study, whether by distributing it, responding to it, providing case studies to accompany the data, and the amazing insight that each has offered, demonstrates the power of these words Lincoln spoke, "…only in concert can we all prevail, and only by thinking anew and acting anew will we successfully navigate this new era of fitness."

"It is the long history of humankind (and animal kind, too) that those who learned to collaborate and improvise most effectively have prevailed."
Charles Darwin

Acknowledgements

ClubIntel wants to express thanks to all the individuals and organizations who contributed to making this study and accompanying report a reality by voluntarily promoting and sharing the survey link with their associates and colleagues in the industry, including: ACAD, Brazil; Active Management, Australia; AFS, U.S.; Club Insider, U.S.; Club Industry, U.S.; Emma Barry, Good Soul Hunting; Encore Fitness, Russia; Exercise Association of New Zealand, New Zealand; Fitness Australia, Australia; FitBiz Weekly, Canadian Fitness Association; fitness Management, Germany; Brent Darden of Brent Darden Consulting, U.S.; Fred Hoffman, France; Hans Muench of Muench Consulting, Switzerland; Herman Rutgers of Europe Active; Belgium; Kevin Caldabaugh of John's Island Club and CSFA; IHRSA; Les Mills International, New Zealand; and Ray Algar of Oxygen Consulting, U.K. We also want to thank each fitness operator who set aside time during this tumultuous period to respond to the survey and share their experiences, improvisations and innovations. This commitment to collaboration in trying times is testimony to the passion and talent of fitness leaders around the globe.

Methodology

On September 1, 2020, ClubIntel launched an online survey to address two core objectives. First, was to measure and quantify the impact of Covid-19 mandated closures, during closure and with re-opening, and on the fiscal and membership performance of the health/fitness industry. Second, was to benchmark practices among health/fitness operators around the globe regarding the steps they took to reopen once mandated closures were lifted.

The study, open from September 1 to September 30, 2020 was administered and managed by ClubIntel. The survey was emailed to ClubIntel's followers (over 2,000) as well as distributed by our global partners via email, posts in digital newsletters, postings on partner websites, and postings on social media platforms (e.g., Facebook, Instagram and Linked-In). In all, 556 usable responses were collected representing approximately 7,300 health/fitness facilities around the globe. Collectively these responses provide an excellent representation of what health/fitness operators around the globe have experienced during the closure of gyms due to Covid-19 and what is taking place as they reopen.

Disclaimer

The statistical information contained in this report is representative of the individuals and organizations responding to the survey. All reasonable efforts were taken by ClubIntel to assure data comparability within the scope and limitations of the reporting process. However, the data contained in this report is not necessarily based on third-party audited data. The statistical validity of any given number varies depending upon sample sizes and the amount of consistency among responses for any data point.

ClubIntel therefore, makes no representations or warranties with respect to the results of this study and shall not be liable to clients or anyone else for any information inaccuracies, or errors or omissions in content, regardless of the cause of such inaccuracy, error or omission. In no event shall ClubIntel be liable for any consequential damages.

Chapter One Insights of Significance

"The goal is to turn data into information and information into insight."

Carly Fiorina

Image courtesy of the Houstonian, Texas

Insights of Significance
What the Data is Telling Us

Approximately 13% of fitness facilities remain closed as of September 1, 2020, nearly six months since governments mandated the closure of gyms and fitness facilities. Furthermore, 14% report being closed for approximately five months.

These percentages (collectively 27%) speak to facilities yet to open, or facilities that have been shuttered for at least five months. The data does not reflect facilities that have closed permanently. The longer a gym is closed, the more it bleeds money, and the less likely it is to re-open successfully. Unless the club has the capital reserves to manage through the closure and/or has fully engaged its client base, there is a good chance upwards of 80% of the fitness facilities yet to open, and those that have recently opened (14%) will permanently close.

On average, 69% of facility members have returned. Furthermore, 56% of clubs report that fewer than 75% of their members have returned. Only 10% of operators indicate that 100% of members have returned, and most of these operators are based in Japan and Europe.

This data parallels the results from a study of U.S. members conducted in July where 65% of members indicated they were fairly or highly likely to return and 19% reported being neither likely nor unlikely to return. The data leads us to believe that most fitness operators should expect membership levels by YE 2020 to range from 50% to 80% of pre-closure levels, with fewer than 20% returning to full pre-closure levels.

Insights of Significance
What the Data is Telling Us

Fitness operators are projecting on average that 2020 revenue will be 63% of 2019's revenue numbers.

To better understand why the average is 63%, one only need look at the data showing 75% of operators forecast 2020 revenues to fall below 75% of prior year and 45% who are projecting 2020 revenue to fall between 51% and 75% of prior year. Most operators can not generate a positive EBITDA, let alone positive net cash flow, unless they achieve at least 80% of their desired revenue targets. Consequently, the revenue projections from this report indicate most fitness operators will be in the RED for 2020.

Staffing Post Covid-19 Closures have not returned to pre-closure levels. On average, operators report 79% of full-time staff have been rehired, 74% of part-time staff, and less than half of operators have been able to bring back 100% of their pre-closure staff.

On average, close to 25% of fitness staff were not brought back by their employer. We suspect these averages will not change much over the remainder of 2020 as operators seek to reduce costs to preserve cash due to projected revenue shortfalls for 2020.

Insights of Significance

What the Data is Telling Us

Paycheck Protection loans (PPP) proved valuable to U.S fitness operators. 86% of U.S. operators who applied for PPP loans through the CARES Act received funds; on average $256,000. Unfortunately, only 58% of U.S. operators applied.

This is a good news bad news story. The good news is that eight of ten fitness operators who applied for a PPP loan received it. The bad news, only 58% of fitness operators applied. It appears the U.S. fitness industry missed an opportunity to get more operators to apply, as the success rate for those who applied was extremely high.

Video-on-demand (VOD) has emerged as a necessity for fitness operators. Approximately 70% of operators report they now offer VOD for group fitness and 52% offer VOD for fitness instruction and coaching.

In 2019, according to our *Fitness Industry Trend Study – What's All the Rage*, less than 25% of global operators indicated they offered VOD, either for group exercise or fitness instruction. These percentages have doubled and tripled due to Covid-19. Other than personal training, VOD is offered by more operators than any other fitness program. The new dilemma with respect to VOD is, "Should we monetize it or offer it as a value-add?" How operators answer may depend on two factors. First, where they stand financially, and second, how they position their brand going forward.

Insights of Significance
What the Data is Telling Us

Safety practices recommended by health authorities to reduce the risk of Covid-19 exposure were not a sure bet to be incorporated by fitness operators. Among the various industry segments, fitness studios have the lowest percent of adoption when it comes to introducing safety practices recommended by health authorities to lessen the spread of Covid-19 among employees, members, and clients.

In most instances, fewer than 70% of operators, and for some practices fewer than 40%, introduced operational practices deemed by health authorities to be important to significantly reduce the likelihood a member or guest is exposed to Covid-19. Practices such as requiring facemasks be worn by members, requiring employees to wear facemasks and gloves, taking member temperatures, having a registration system in place to manage member traffic, and implementing a high capacity filter system for the HVAC system are some of the practices in which fewer than 40% of operators reported adopting. In an era where fostering trust with consumers is at an all-time high, these percentages indicate that collectively the industry may not be doing enough to show members and prospects their facility is truly safe. The good news, operators who are doing all these things have a competitive advantage when it comes to telling a compelling story to gain consumer trust.

Insights of Significance

What the Data is Telling Us

Industry outcomes for employee rehires, membership, and revenue performance is regionally dependent. The Asian, Australian, and Japanese regions appear best positioned to prevail, in some instances thrive, over the remainder of 2020. U.S. and European operators, while not performing as well as colleagues in Asia, Australia/New Zealand, and Japan, are also positioned to prevail. Operators in Canada may have the greatest challenge returning to pre-closure normalcy in 2020.

The data shows Japanese operators have the highest percentage of operators reporting a return to 100% of their pre-closure membership levels, while 65% of operators in Australia/New Zealand and 62% of Asian operators report at least 76% of members have returned. 88% of operators in Japan forecast their 2020 revenues will be 100% of prior year, followed by 62% of operators in Asia, and 54% of Australian/New Zealand operators. 50% of European operators and 44% of U.S. operators are projecting revenues for 2020 to be at least 76% of prior year. Only a third of Canadian operators believe they will generate at least 75% of prior year's revenue.

Canada and Japan are outliers in adopting VOD platforms as the new normal for fitness facilities.

Operators, the exception being Canada and Japan, have adoption levels for group exercise VOD that exceed 75%. In Canada and Japan adoption levels for group exercise VOD are 10 to 20 percentage points lower. Adoption of VOD for fitness instruction are comparable across most regions (60% to 70%). Canada and Japan are outliers, where 54% and 46% respectively report not adopting VOD for fitness instruction.

Insights of Significance

What the Data is Telling Us

Safety practices adopted by fitness operators around the globe reflect the regional health outcomes and public policy toward Covid-19.

European operators have the highest adoption levels for safety practices intended to insure proper physical distancing of people and equipment (80% to 90%), while operators in Asia and Japan have the lowest levels of adoption for these practices. U.S. operators display the highest levels of adoption for member registration to manage user traffic to reduce individual exposure to Covid-19 risk. European and U.S. operators were significantly more likely to incorporate outdoor exercise offerings than counterparts in other regions. Finally, when it comes to having members wearing facemasks, operators in Australia/New Zealand, along with operators in Europe, were significantly less likely to implement these practices, with fewer than 5% of Australian/New Zealand operators adopting this practice.

Private clubs faired best among the four industry segments (for-profits, non-profits, private clubs, and fitness-studios) when it comes to member cancellations and the return of members at re-opening.

With respect to member cancellations, 31% of private club operators indicated they had zero cancellations (3x as many percent wise as either non-profits or fitness studios) and 56% reported between 1% and 25% of members cancelled. Correspondingly, 30% of private clubs report 100% of members have returned since re-opening with non-profits second with 12% indicating 100% of members have returned.

Insights of Significance

What the Data is Telling Us

Industry segment influenced financial outcomes during closure, during re-opening, and finally in relation to forecasted YE 2020 financial outcomes.

Fitness studios faired the best with respect to revenue generation during closure, with 32% reporting they generated between 26% and 50% of pre-closure revenue during closure, more than double the percent of any other industry segment. Fitness studios, along with non-profits had the highest percent of operators forecasting that 2020 YE revenue performance would match 2019 YE performance. For-profit clubs were most likely to forecast YE 2020 revenue falling between 76% and 99% of prior year.

For-profit facilities and non-profit facilities are the least likely to have adopted VOD for group exercise, while non-profits and private clubs are the least likely to have adopted VOD for fitness instruction.

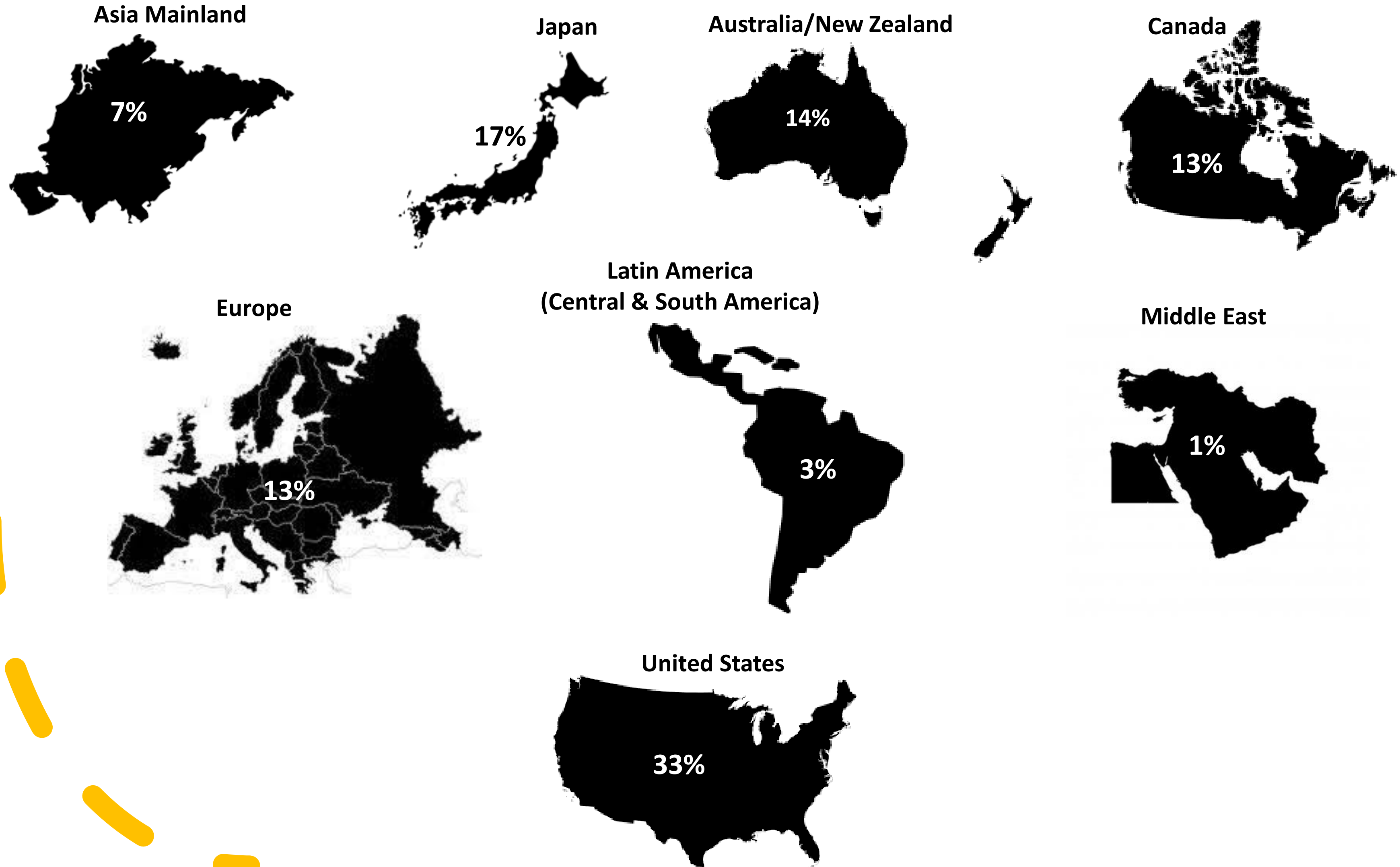
Approximately 70% of for-profit and non-profit operators report adopting VOD for group exercise, nearly 10 percentage points lower than operators of fitness studios and private clubs. The most significant discrepancy involves VOD for fitness instruction where only 38% of private clubs report adopting this offering, compared to fitness studios where 64% report adopting VOD for fitness instruction. In addition to being the industry segment with the highest adoption levels of VOD for fitness instruction and the second highest for group exercise, fitness studios are also the most likely to offer this service to members and clients complimentary.

Chapter Two
Respondent Profiles

"Diversity drives innovation – when we limit who can contribute, we in turn limit what problems we can solve."
Telle Whitney

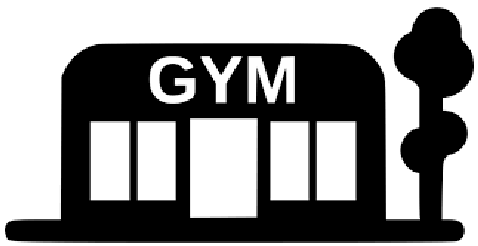
Regional Profile

A total of 556 respondents, operating 7,313 clubs/studios, responded to the survey. This page shows the distribution of respondents by region.



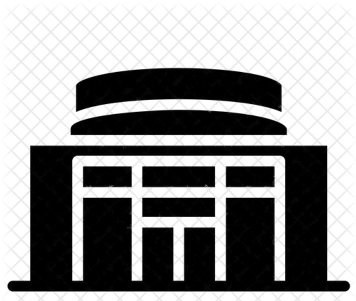
Business Model Profile

A total of 556 respondents, operating 7,313 clubs/studios, responded to the survey. This page shows the distribution of respondents by type of facility or business model.



For-Profit Fitness Clubs
43%

Private Clubs (country and social)
13%

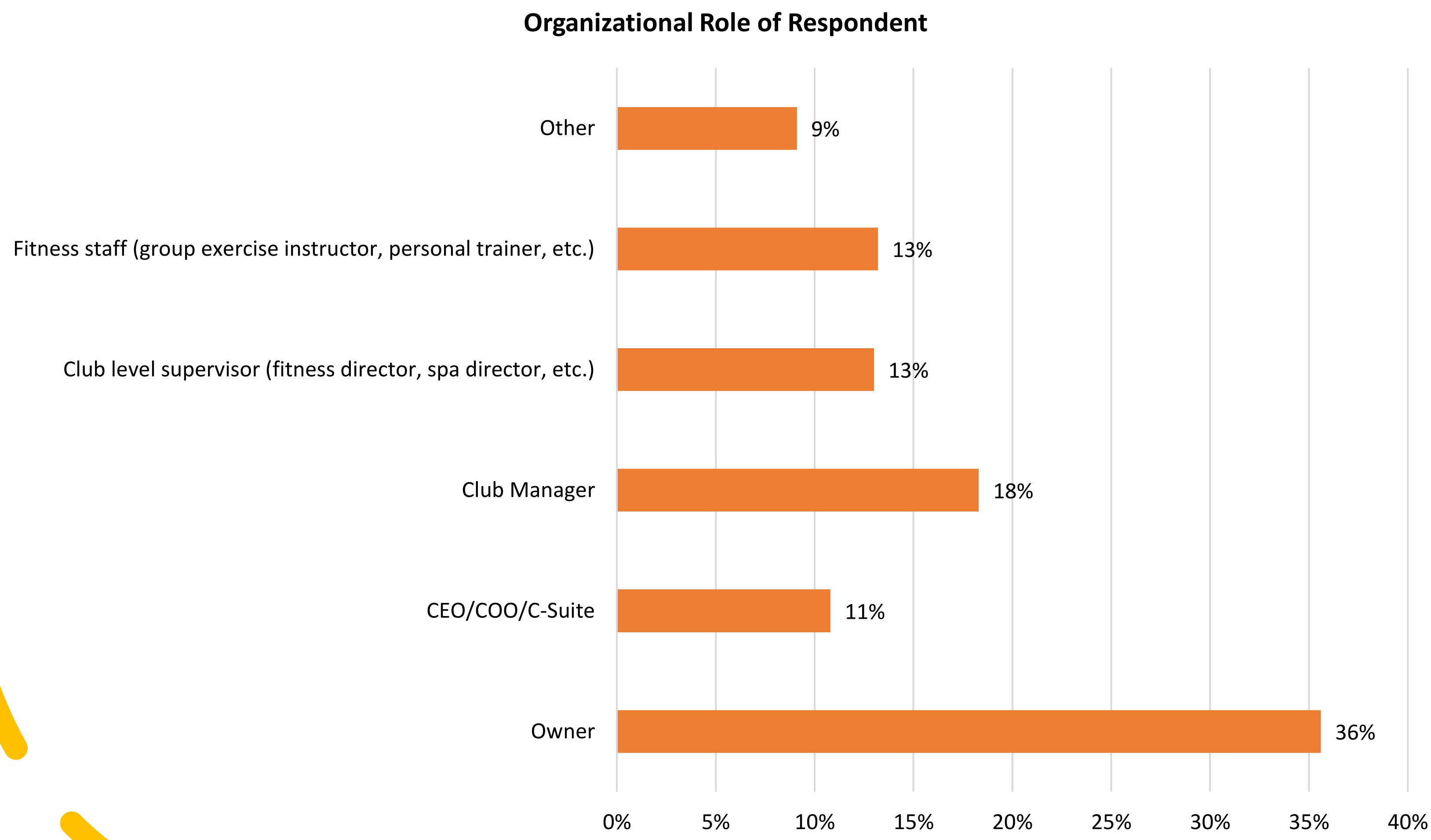


Non-Profits (recreation centers, YMCA, JCC, etc.)
16%

Fitness Studios
28%

Organizational Role of Respondents

A total of 556 respondents, operating 7,313 clubs/studios, responded to the survey. This page shows the distribution of respondents by the role they serve in their organization.



Chapter Three

Consolidated Industry Outcomes

“Think globally, act locally.”
Paul McCartney

Image courtesy of the Houstonian, Texas

Open for Business or Not?

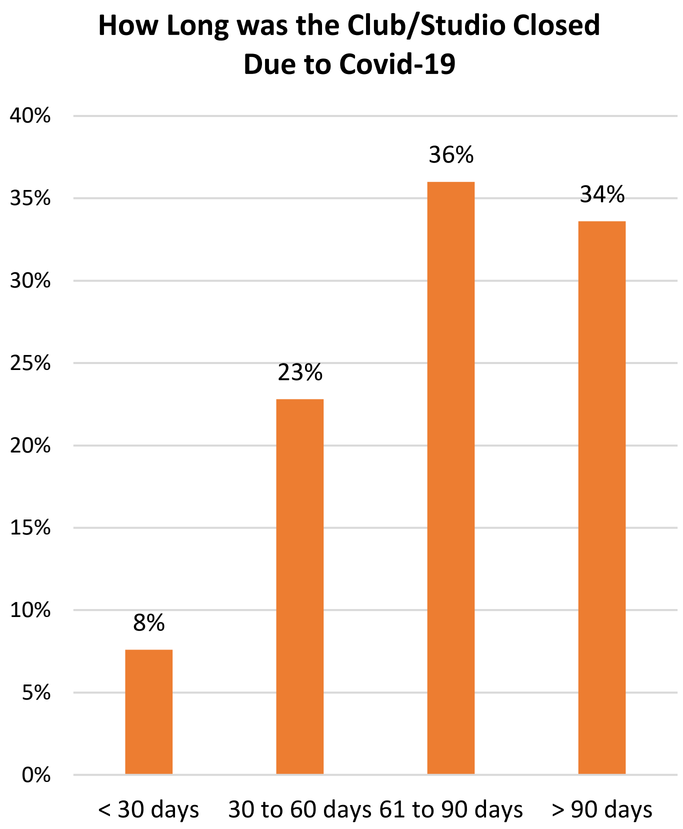
Among the 556 respondents, 12.5% indicated their club/studio had not reopened for business.

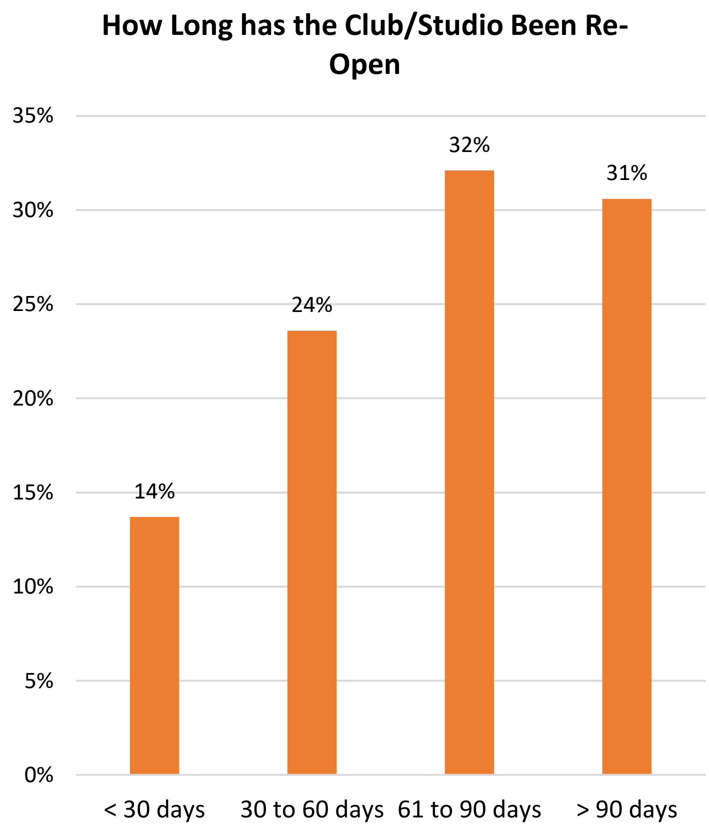
87.5%

12.5%

Length of Closure and Time Since Re-Opening

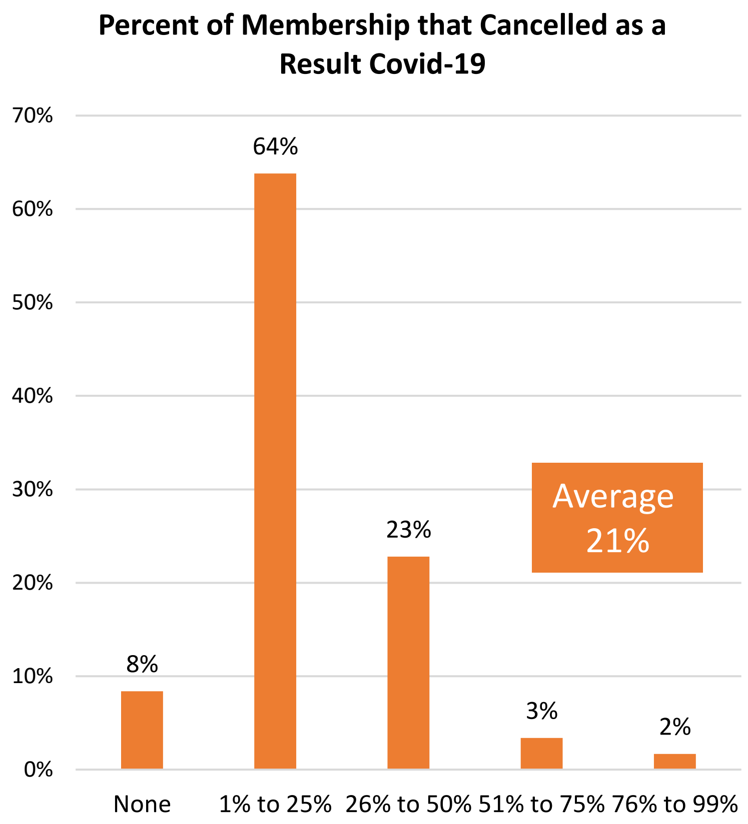
70% of clubs/studios report they were closed at least 60 days while 63% report they have been operating at some capacity for at least 60 days. Only 14% of clubs who were open at the time of the survey report being open less than 30 days.

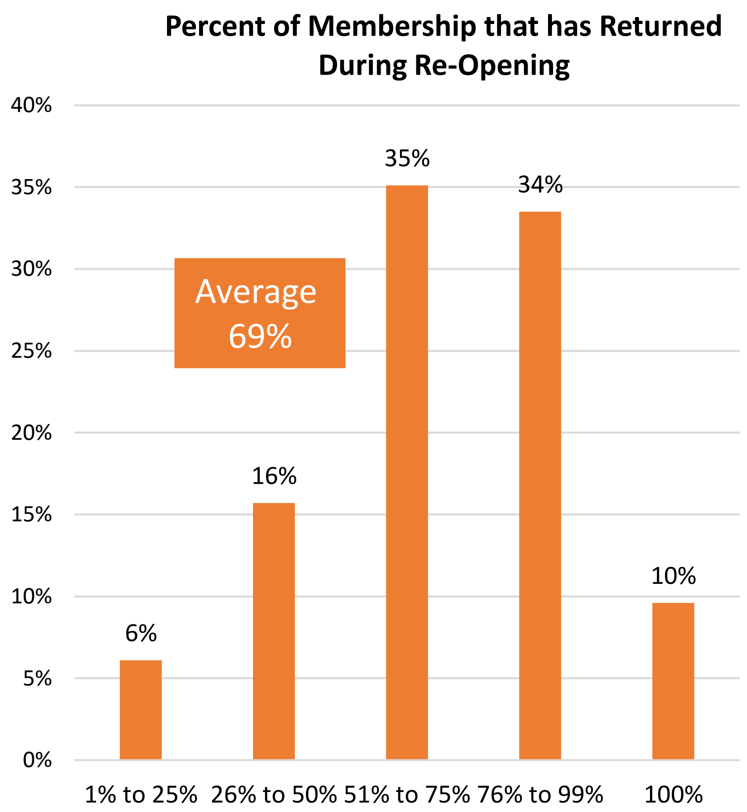




Member Cancellations and Member Return

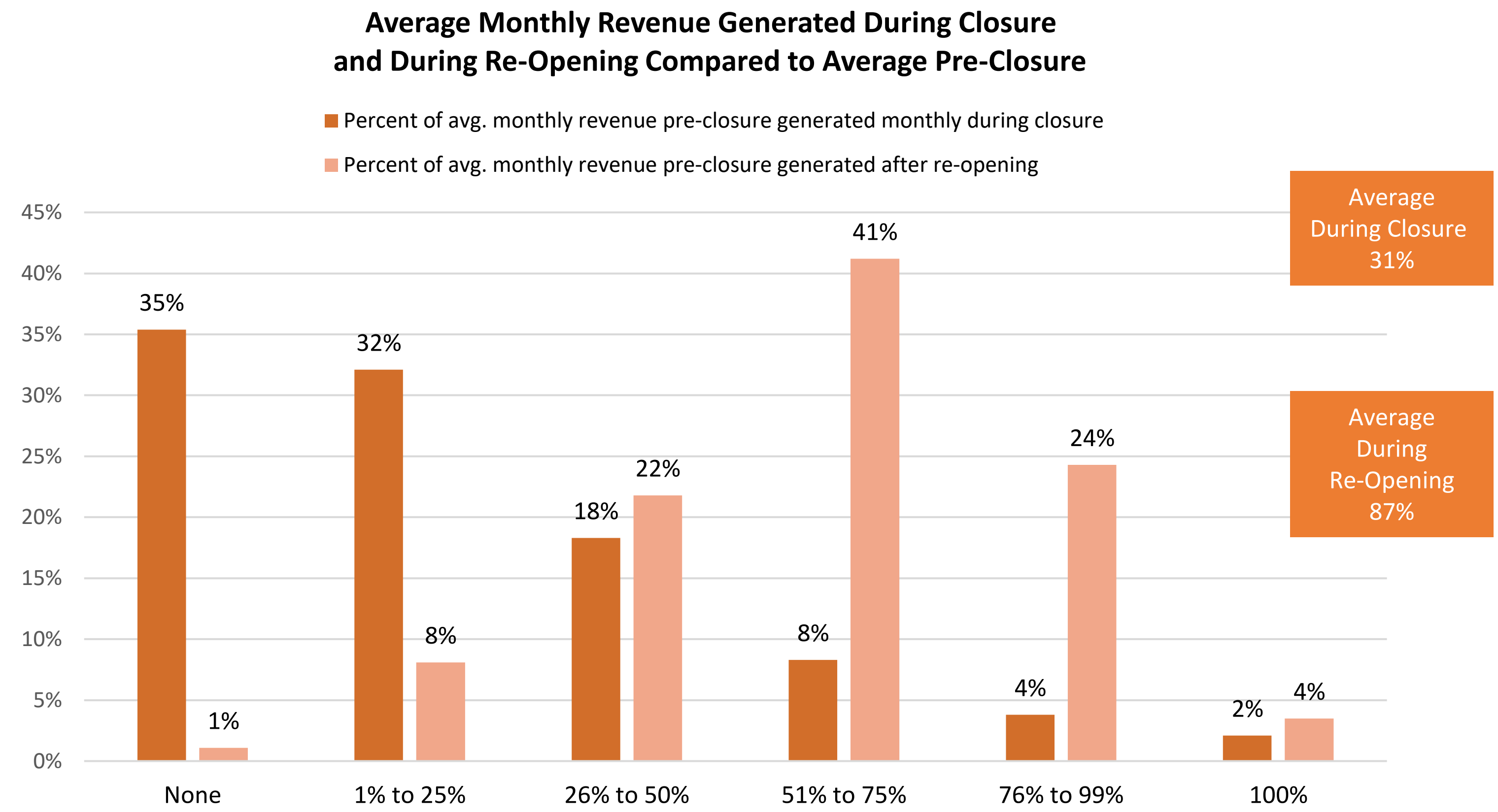
With respect to the percent of members who canceled their membership due to Covid-19 closures, the average was 21%, with 64% of respondents reporting cancellations ranged between 1% and 25%. Nearly one-fourth saw cancellation levels between 26% and 50%. With respect to members returning once facilities opened, the average return rate was 69%. With approximately 35% of operators reporting return levels ranging from 51% to 75% and 76% to 99% respectively.





Monthly Revenue Generation During Closure and Re-Opening

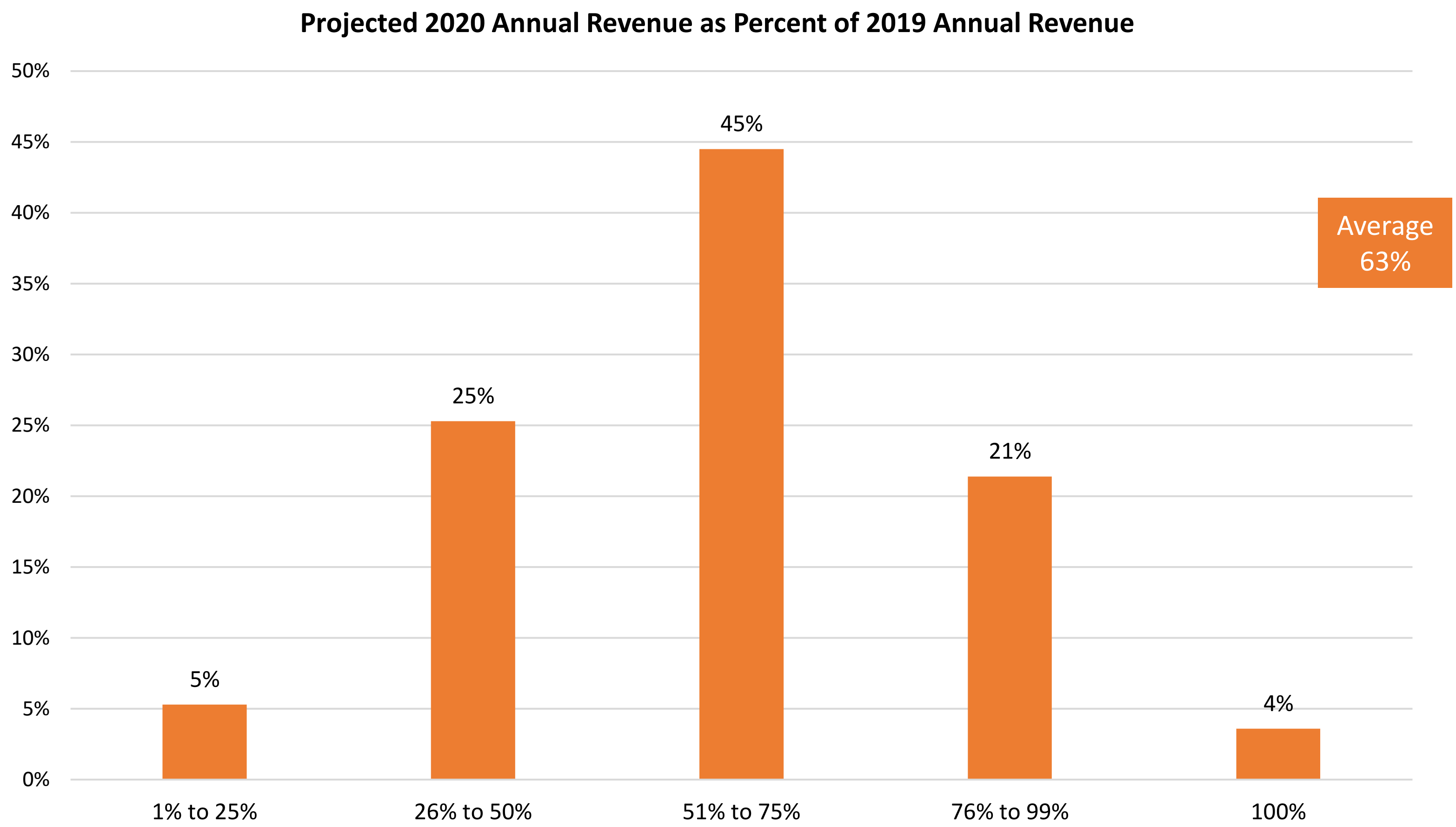
During closure, operators reported generating on average 31% of the monthly revenue they generated monthly prior to closing, with 35% indicating they generated zero revenue, and 32% less than 25% of their average pre-closure monthly revenue. Since re-opening, operators report their average monthly revenue is at 87% of what it was on a monthly basis prior to closure. Upon re-opening, operators report their average monthly revenue stream is 87% of what it was prior to closure, with 41% reporting average monthly revenues have averaged between 51% and 75% of pre-closure levels, and 24% reporting they generated 76% to 99% of pre-closure average monthly revenues.



club intel

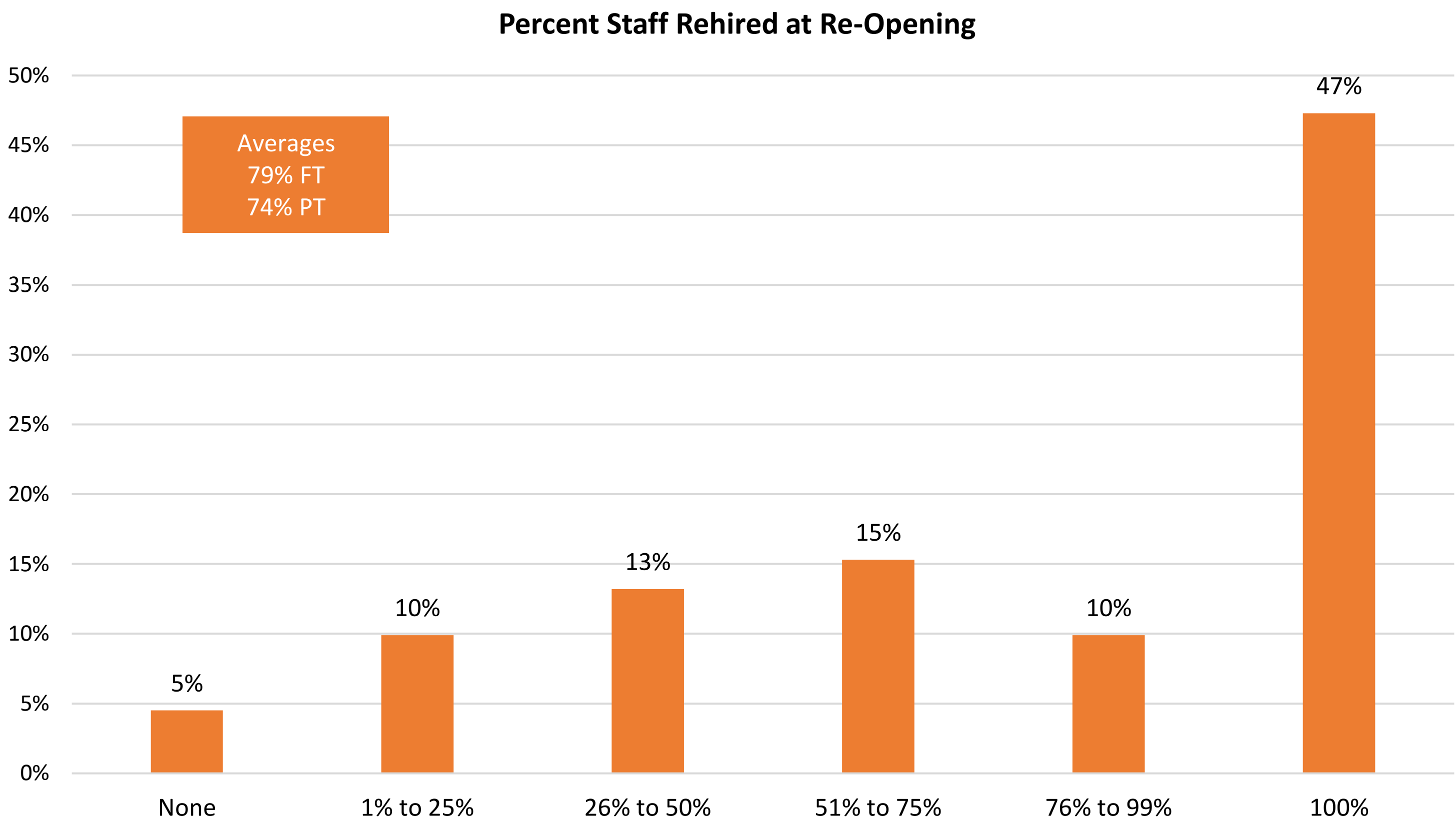
Projected Revenues for 2020 - Ouch

On average, operators expect to generate 63% of their 2019 reported revenue in 2020 (37% decline). Close to half of operators' project year-end 2020 revenues will be 51% to 75% of 2019's performance, with another 25% projecting YE revenues for 2020 to be between 26% and 50% of 2019 revenues.



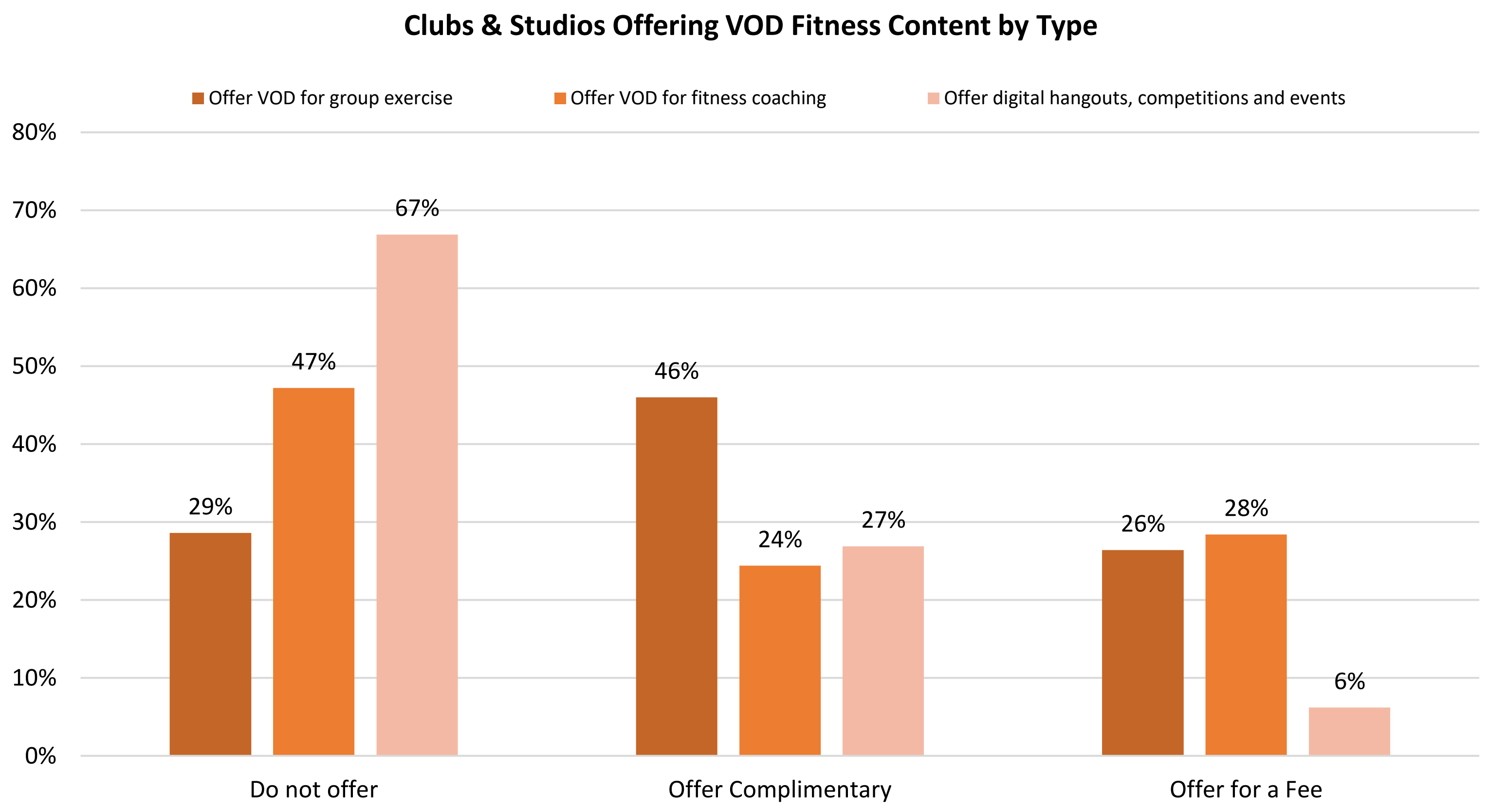
Bringing Back Entire Staff Not Guaranteed

Operators report, on average they brought back 79% of their full-time staff and 74% of their part-time staff when they re-opened. Only 47% report bringing back 100% of their pre-closure teams. Approximately 43% report bringing back 75% or fewer of their pre-closure staff.



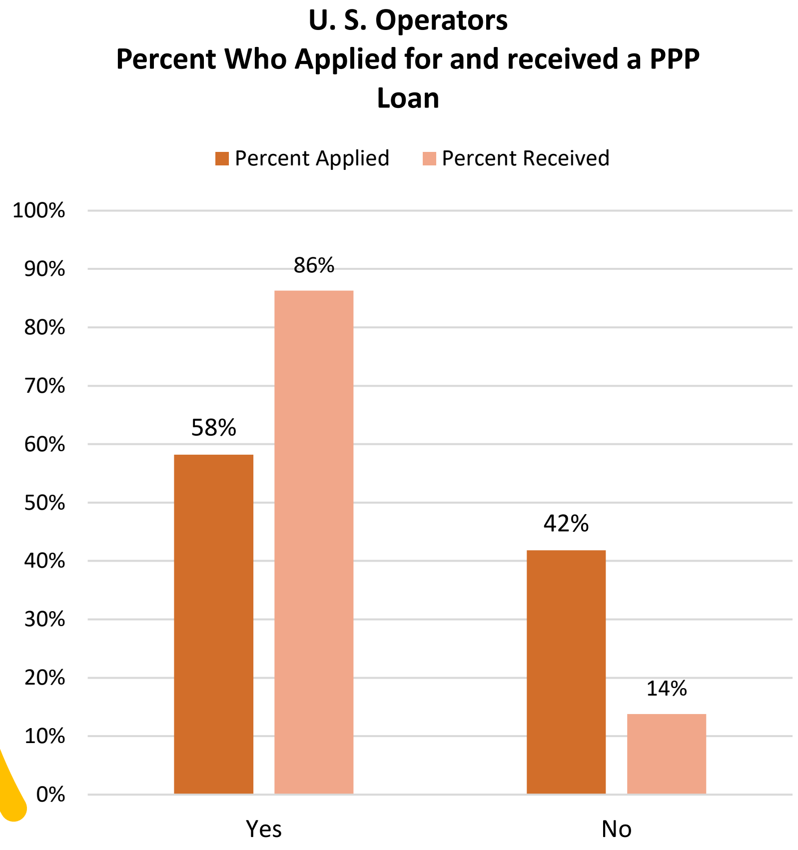
Digital VOD Emerging as Part of Re-Opening Strategy

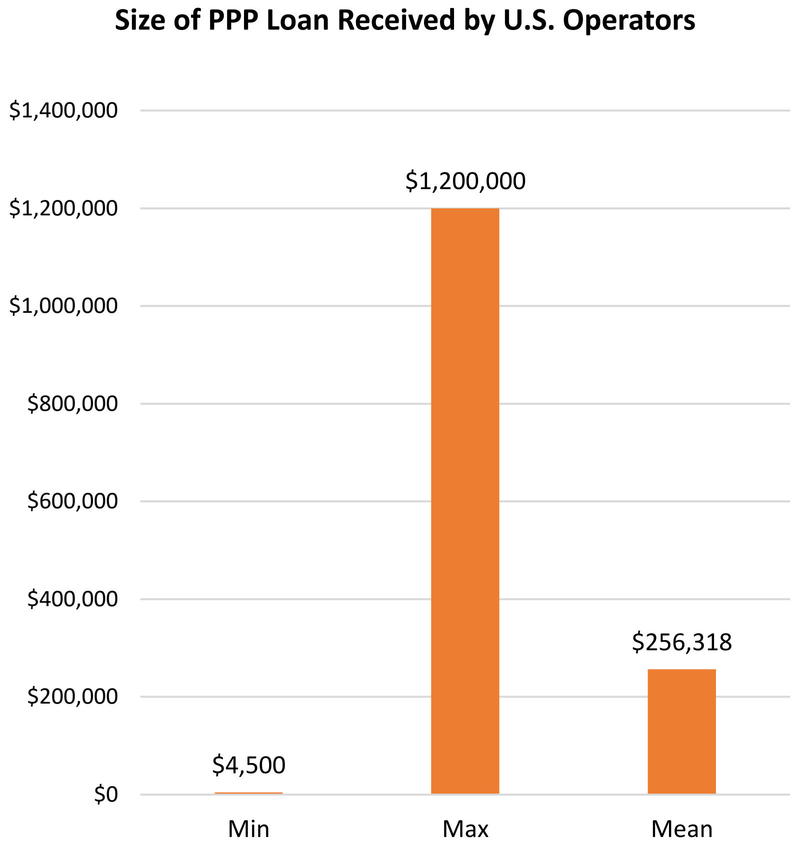
VOD (digital on-demand/live content) emerged as a critical programming and member engagement strategy for fitness businesses during closure. With re-opening, 72% of operators indicate they have integrated VOD for group fitness (was 74% during closure). Another 52% report incorporating VOD for fitness instruction, coaching and personal training. Approximately one-third of operators indicate they use VOD for other engagement strategies. Except for group fitness content, a nearly equal percentage of operators monetize VOD fitness content or offer to members complimentary.



U.S. Operators Who Applied for Government PPP Loans had Success in Receiving Funds

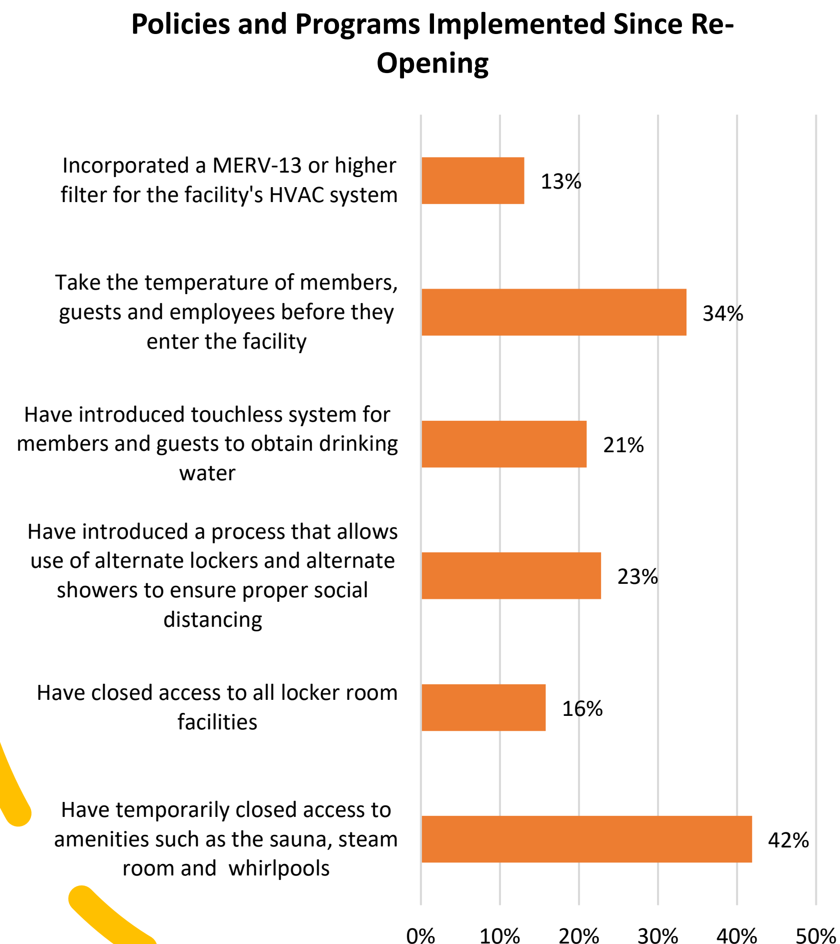
Among U.S. operators, only 58% applied for a PPP (Payroll Protection Program) loan under the CARES Act. The good news is that 86% of operators that applied for a loan received funds, with the average recipient receiving approximately $256,000

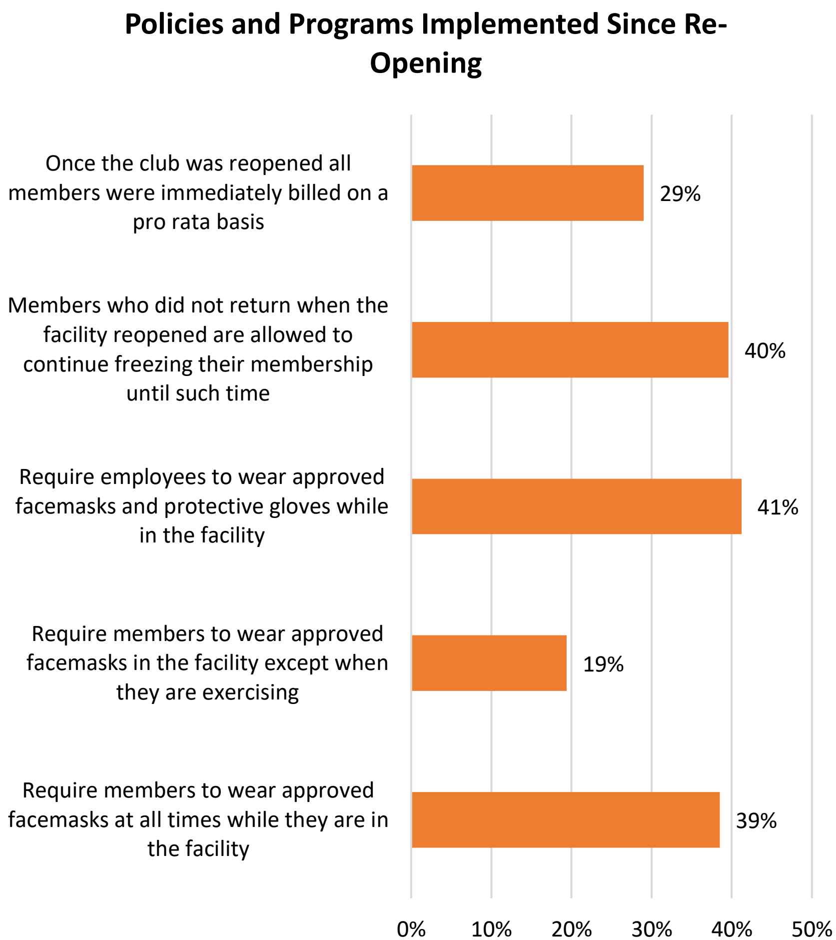




Policies, Practices and Programs to Address Employee & Member Safety

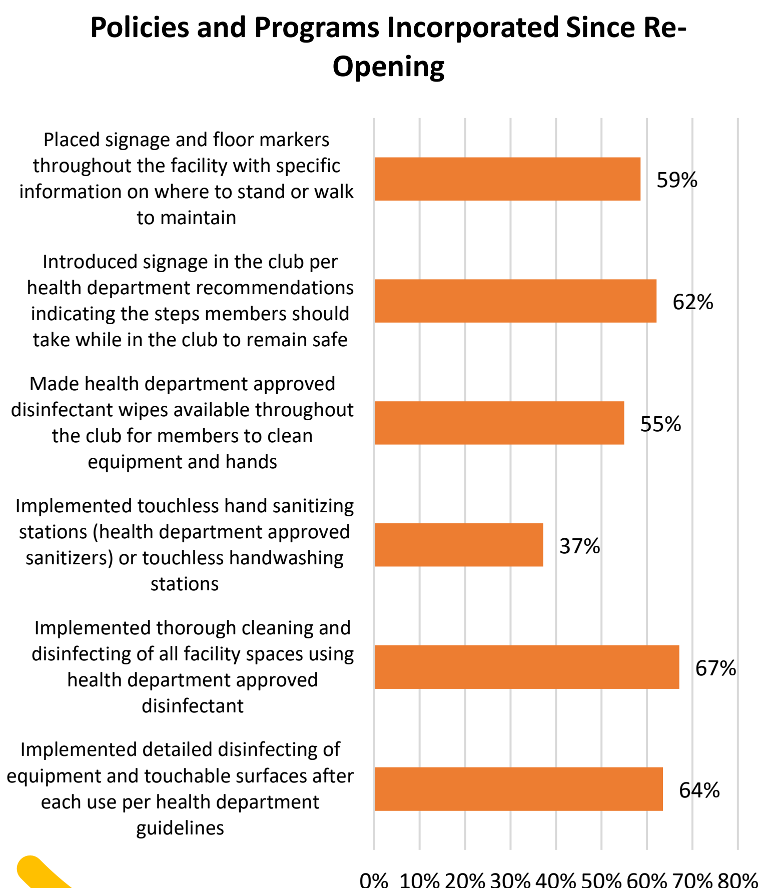
What stands out on this slide are the following: only 13% of operators report upgrading their HVAC systems to provide a safer environment; only 21% offered touchless systems for drinking water; fewer than 25% made safety accommodations with respect to locker rooms; fewer than 40% required face masks of members in some capacity; 40% allowed members to continue freezing their membership; and 29% immediately billed members whether they returned or not.

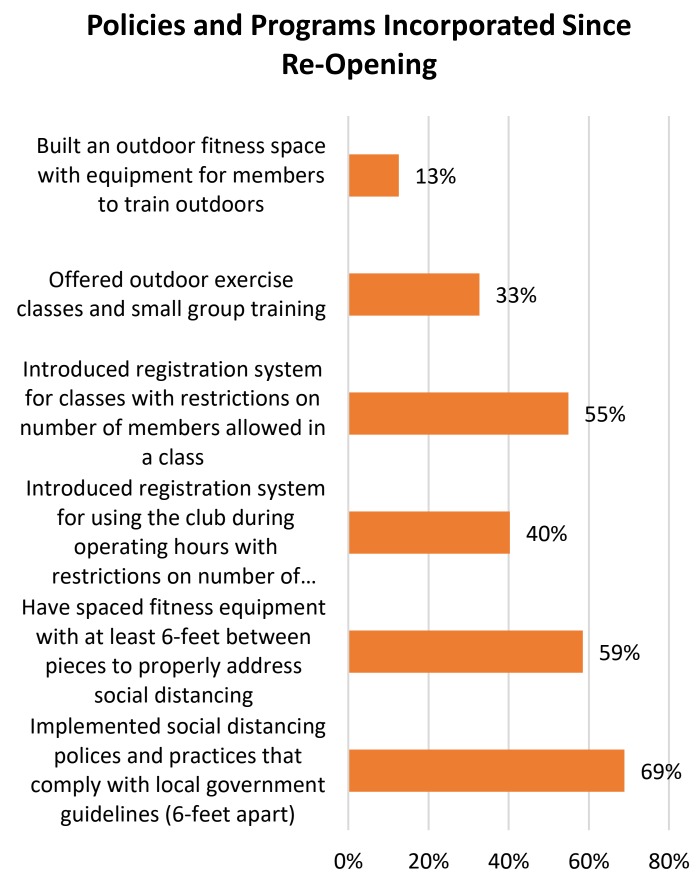




Policies, Practices and Programs to Address Employee & Member Safety

One of the challenges of re-opening required operators to introduce a variety of "safety" practices to garner member trust and drive them back into their business. Over the next couple of slides we show the degree to which operators around the globe introduced "safety" practices that health agencies indicated were important. Fewer than 75% of operators report introducing one or more of these practices. Only 40% report using a booking system to ensure safe member capacity levels in their facilities. Fewer than 70% reported introducing social distancing programs or properly spacing equipment to meet physical distancing recommendations.





Chapter Four

Outcomes by Global Region

(for regions with sufficient response counts)

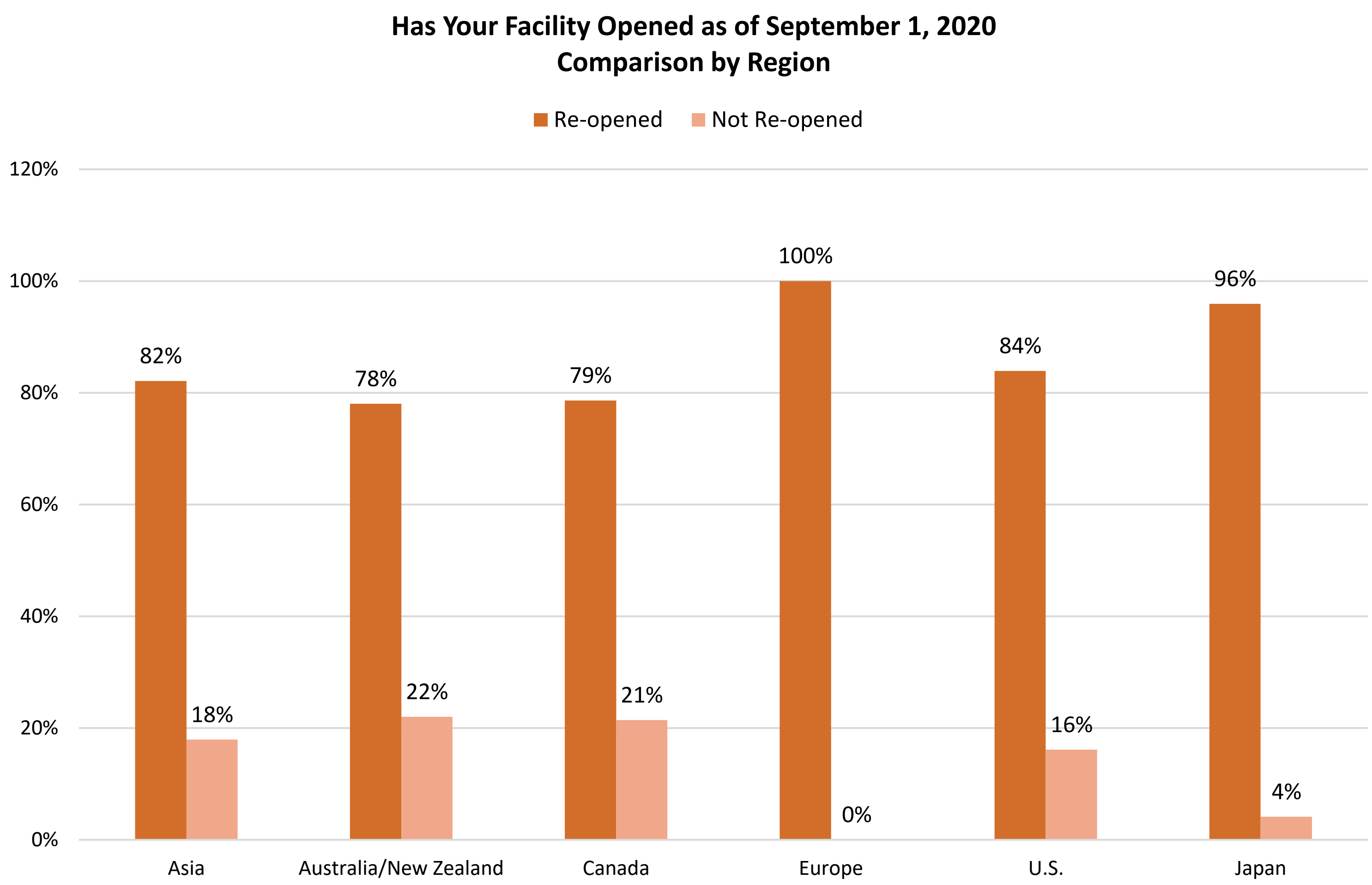
“Strength lies in differences not in similarities.”

Stephen R. Covey

Image courtesy of Stonecreek Club & Spa, Covington, LA

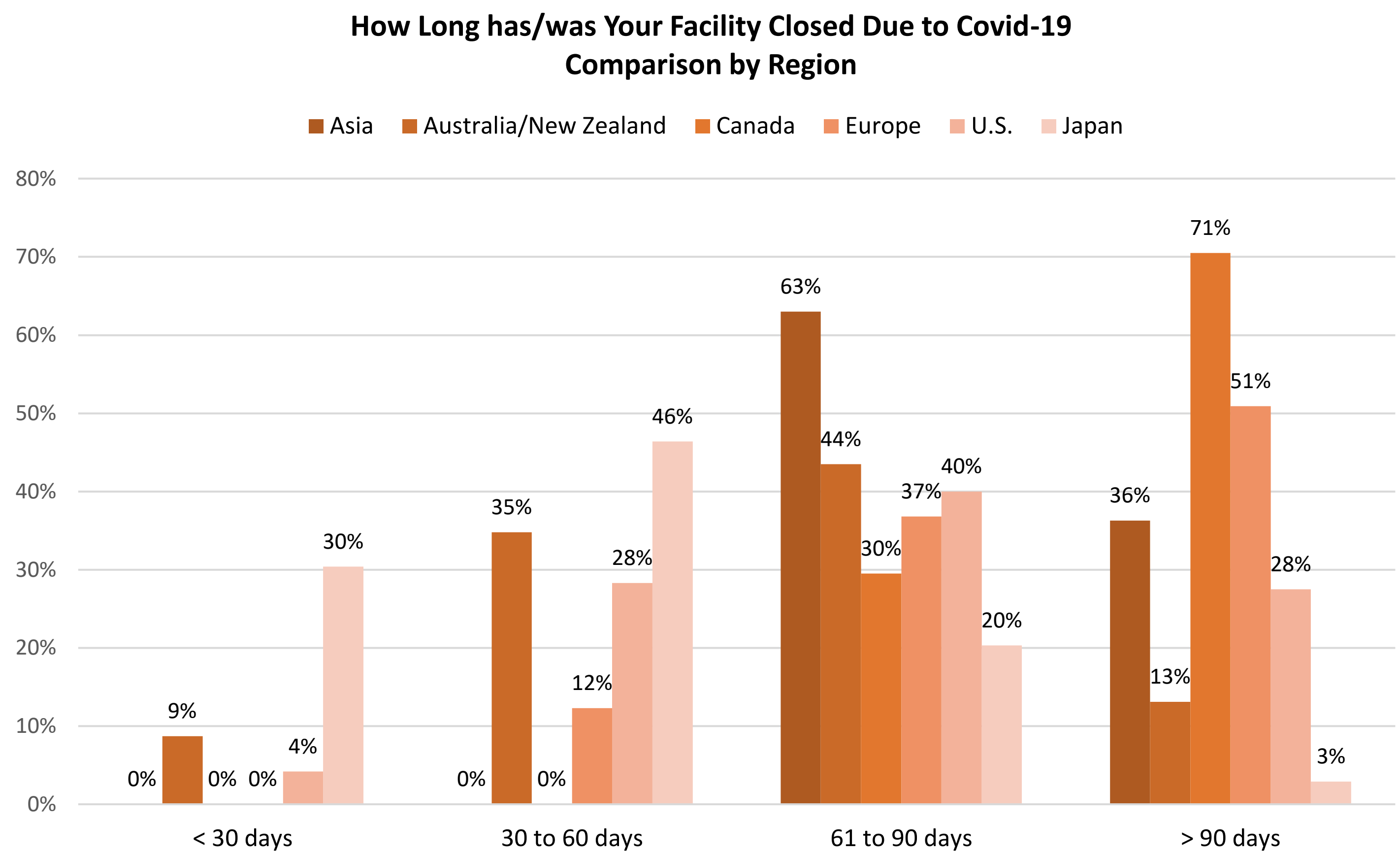
Open for Business or Not?

On average, over 80% of fitness operators around the world have re-opened post Covid-19 closures. Japan at 100% and Europe at 96% seem back to pre-Covid levels with respect to being open for business.



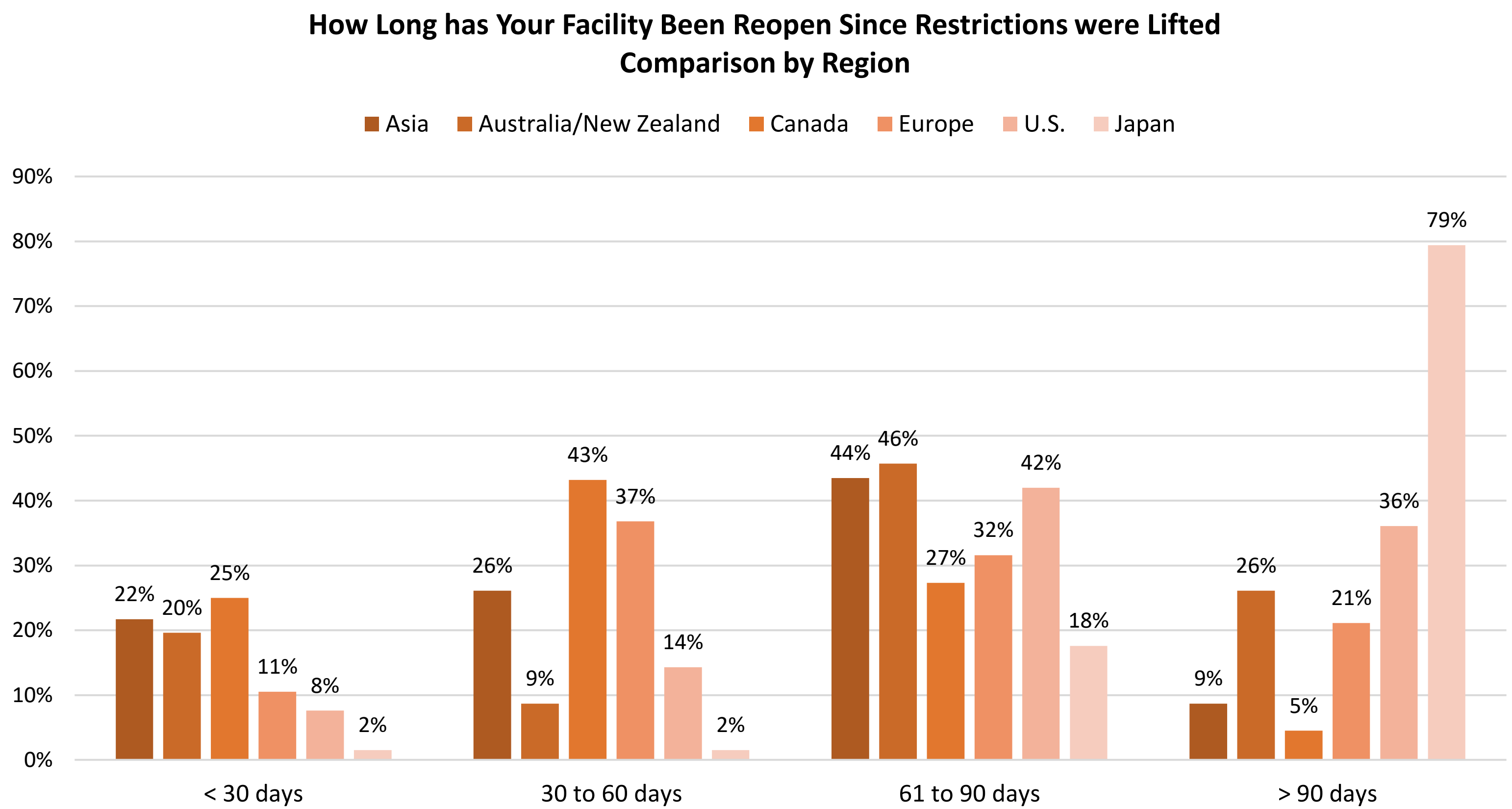
How Long Were Facilities Closed?

With respect to the duration of closures, facilities in Japan were the most likely to have been closed for the shortest duration (76% closed for fewer than 60 days), while facilities in Canada were most likely to have been closed for 90 days or more.



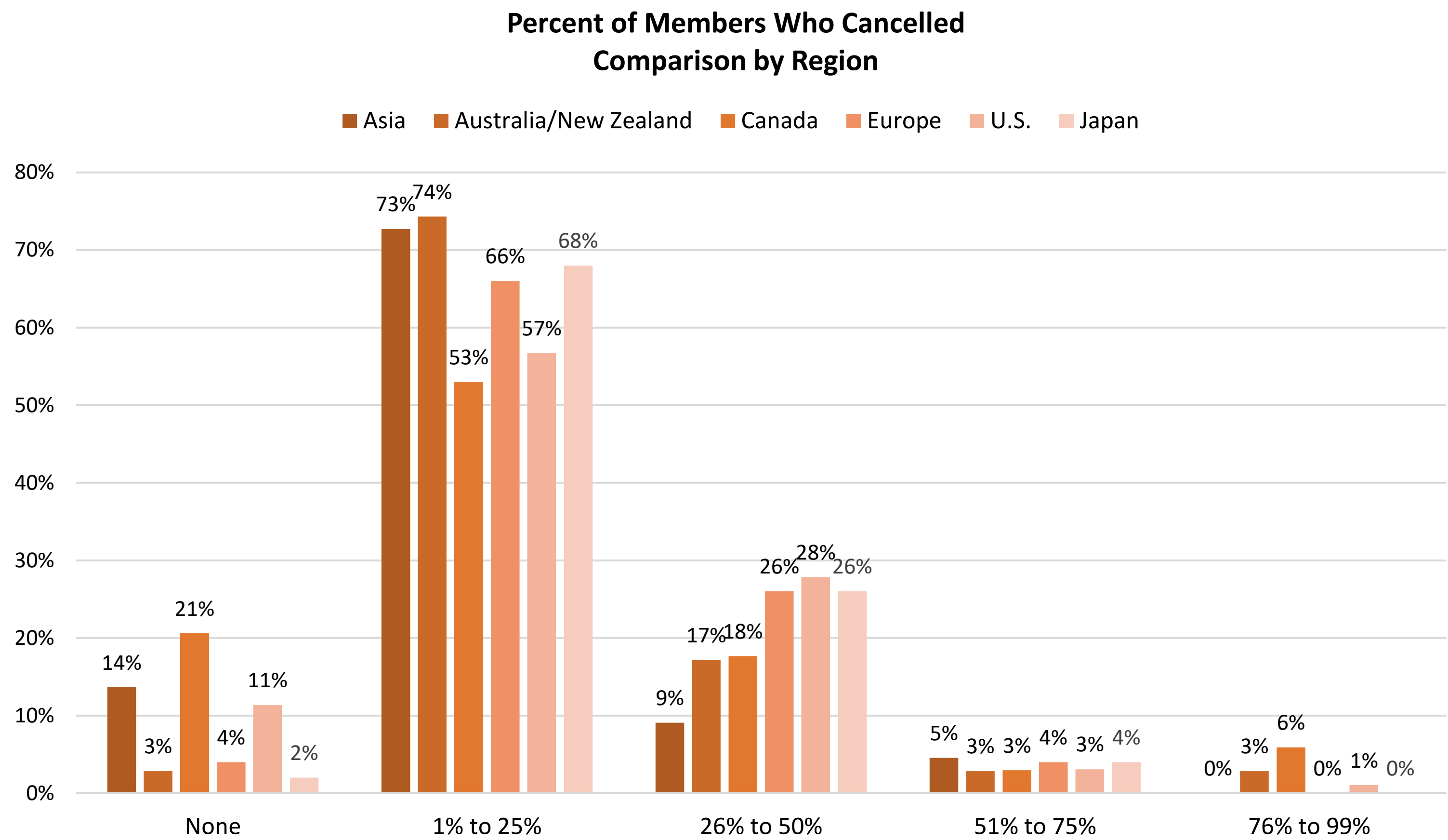
How Long Have Facilities Been Re-Opened?

With respect to re-opening, Japanese facilities have been open the longest, with approximately 80% of facilities in Japan open for more than 90 days. In contrast, Canadian facilities tend to have been open for the least amount of time, with 68% having been open for fewer than 60 days.



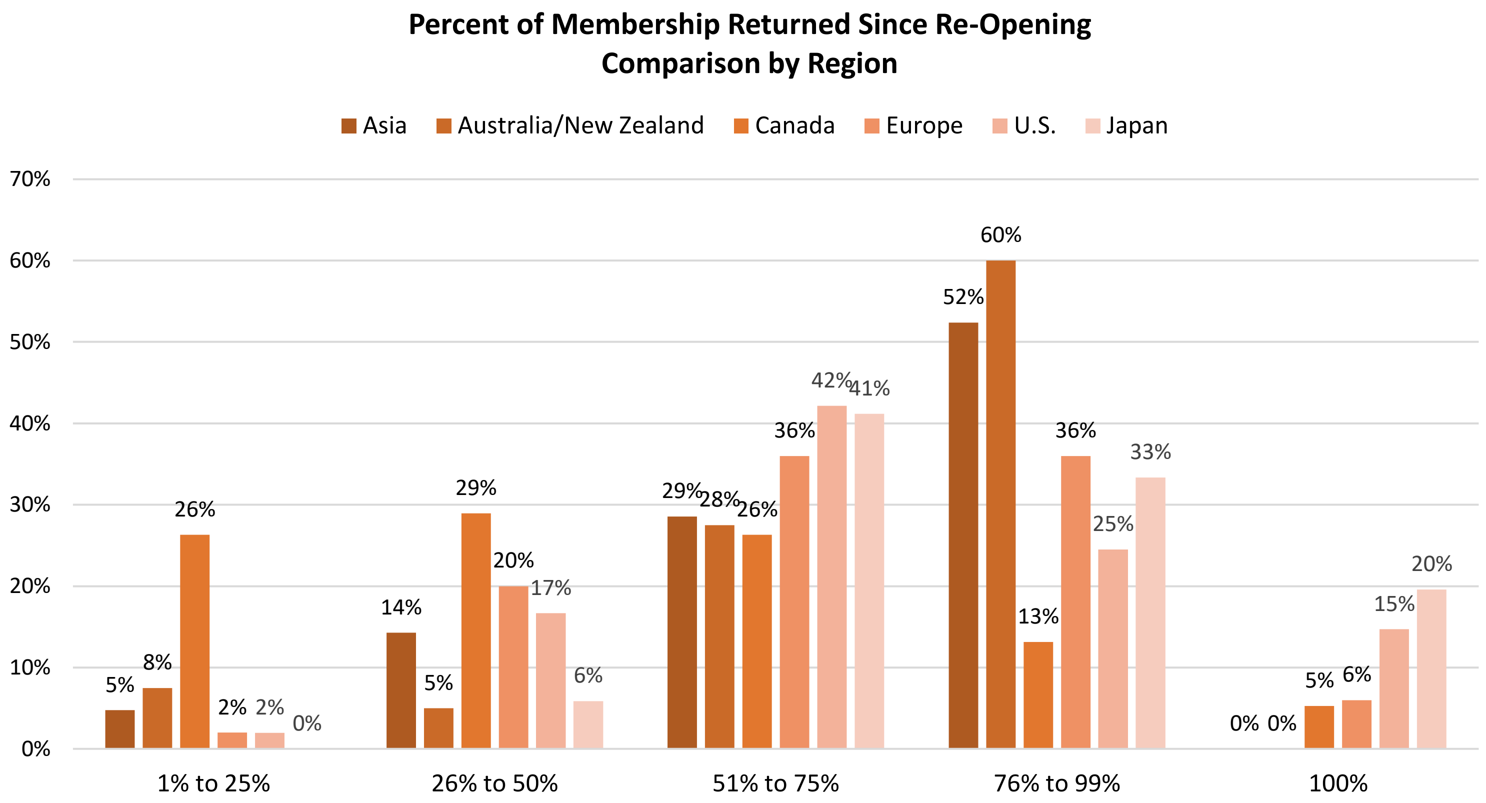
How Many Members Cancelled Due to Covid-19

Facilities in Europe, Japan and U.S. tended to have the highest percentage of members cancel, with approximately 27% of operators reporting between 26% and 50% of their members cancelled. Asia and Australia/New Zealand were likely to have the fewest percentage of members resign with 77% and 87% reporting fewer than 25% of members resigned.



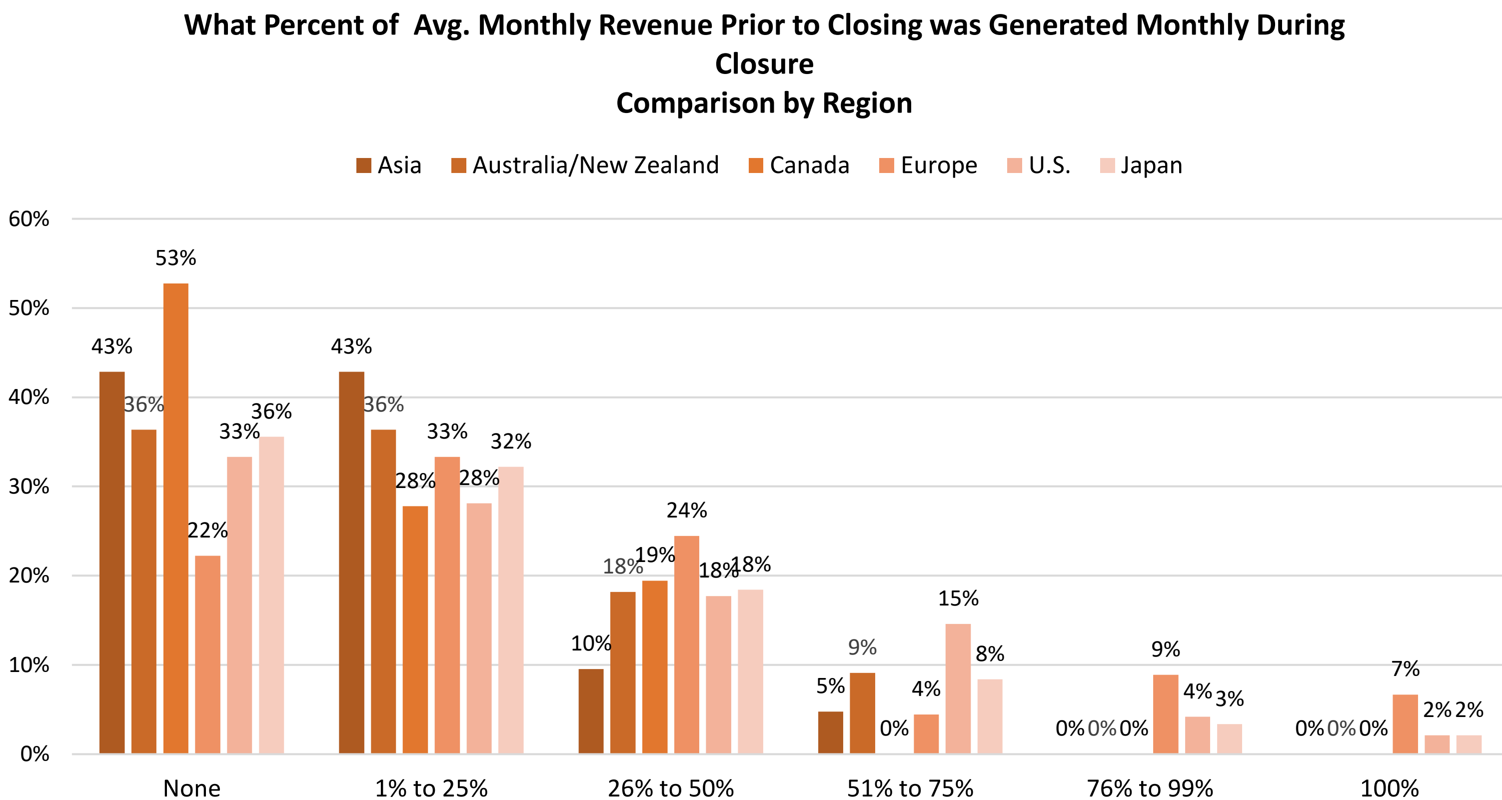
How Many Members Returned at Re-Opening

With respect to the percentage of members who returned when facilities in their region re-opened, Japanese operators fared the best, with 20% indicating they got back to 100% of pre-closure membership levels and 53% reporting the got back to greater than 75% of pre-closure capacity. The region to experience the greatest challenge with respect to member return is Canada, where 55% of operators report fewer than 50% of members have returned.



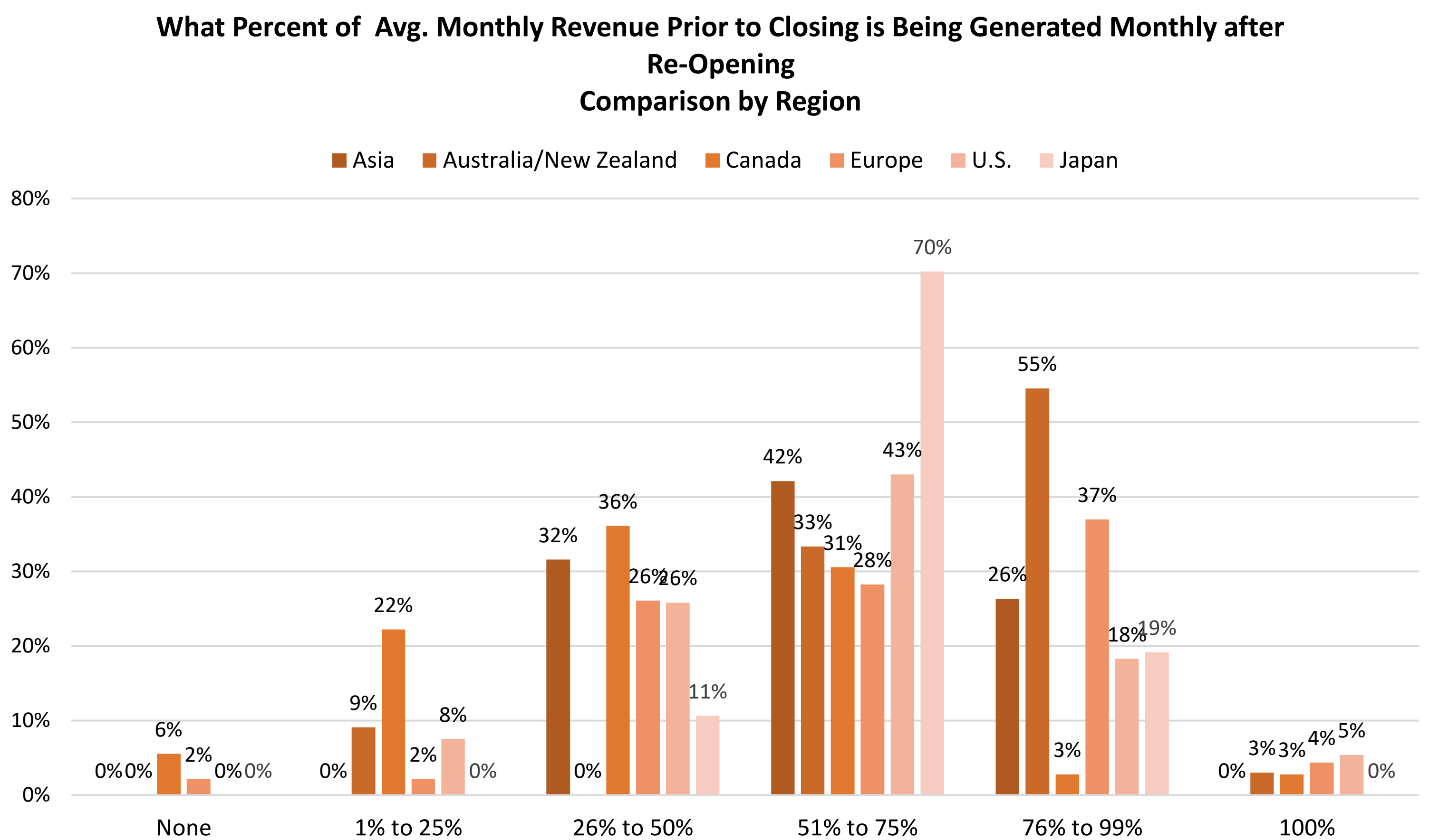
Monthly Revenue Performance During Closure

Operators in Asia and Canada had the highest percentage of operators' report earning no revenue or less than 25% of average pre-closure revenues during closure. European and Japanese operators on the other hand were the most likely to report having earned at least 50% of pre-closure average monthly revenue while closed.



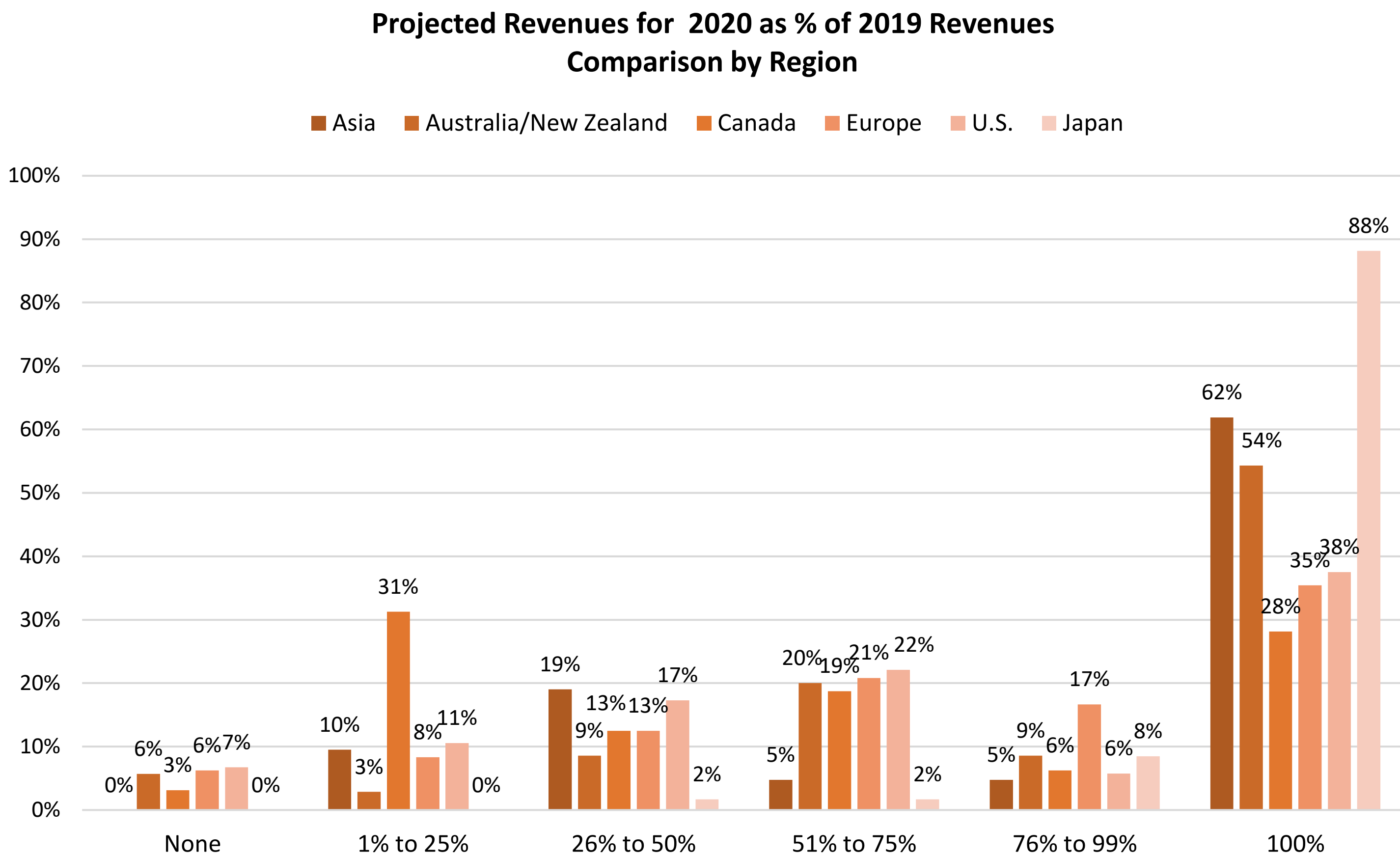
Monthly Revenue Performance during Re-Opening

With respect to average revenue performance post re-opening, operators from Japan were most likely to report generating at least 50% of their average pre-closure monthly revenues (89%) and the most likely to be generating more than 75% of their average monthly pre-closure revenues. European operators were the second most likely to report earning more than 50% of their average pre-closure monthly revenue since re-opening.



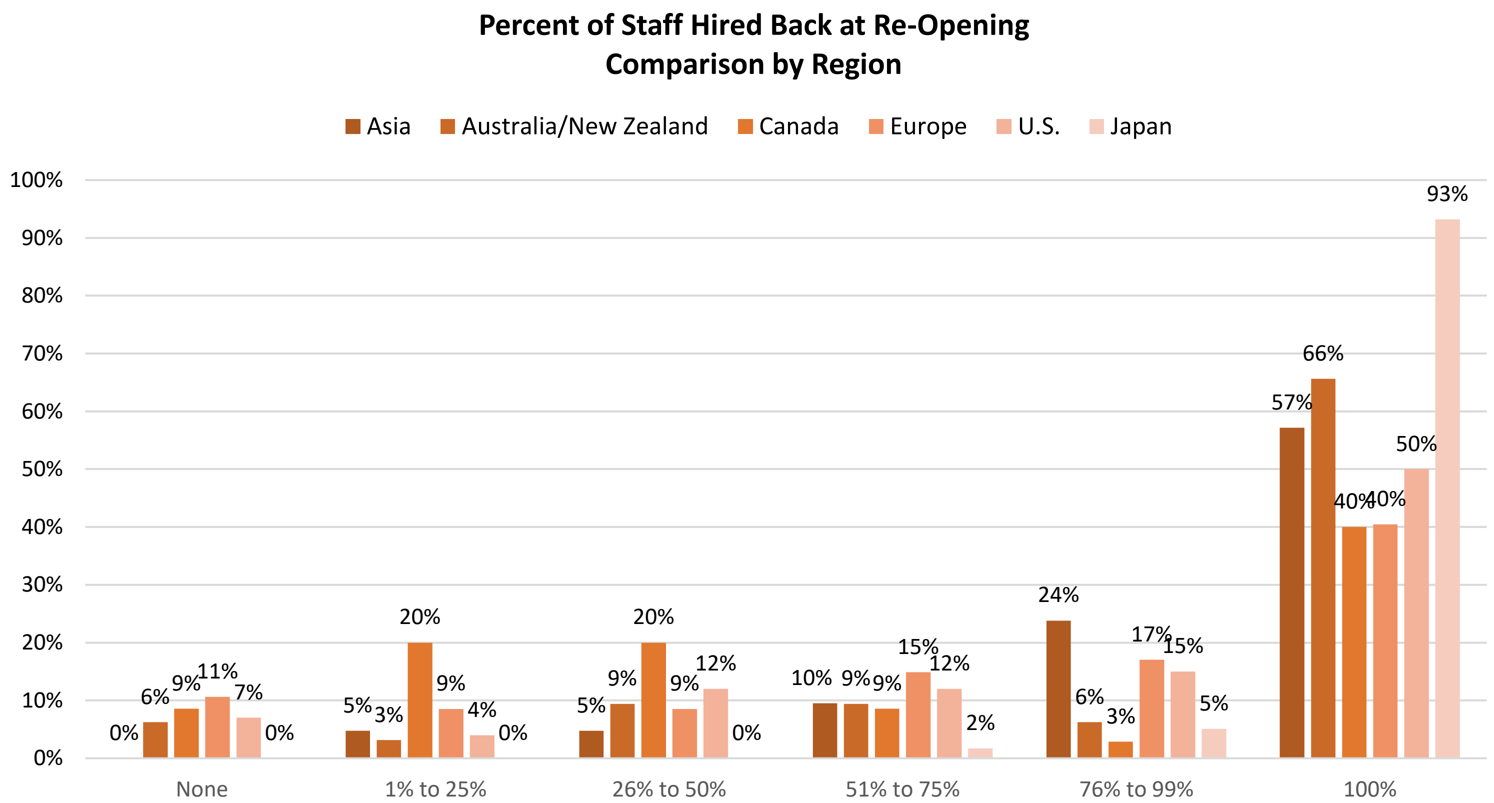
The Financial Forecast for YE 2020

With respect to forecasting YE 2020 revenues as a percent of 2019 performance, Japanese operators are the most likely to report they don't expect revenue on a year over year basis to decline, with 88% indicating they are forecasting YE 2020 revenues to match with 2019 revenues. 62% of Asian operators report they will achieve 100% of their 2019 numbers in 2020. Operators in Canada, Europe and the U.S are the least likely to forecast achieving 100% of 2019 revenues in 2020 (28% to 38% respectively). Operators from Canada, Europe and the U.S. are more likely to forecast 2020 revenues between 51% and 75% of 2019 performance.



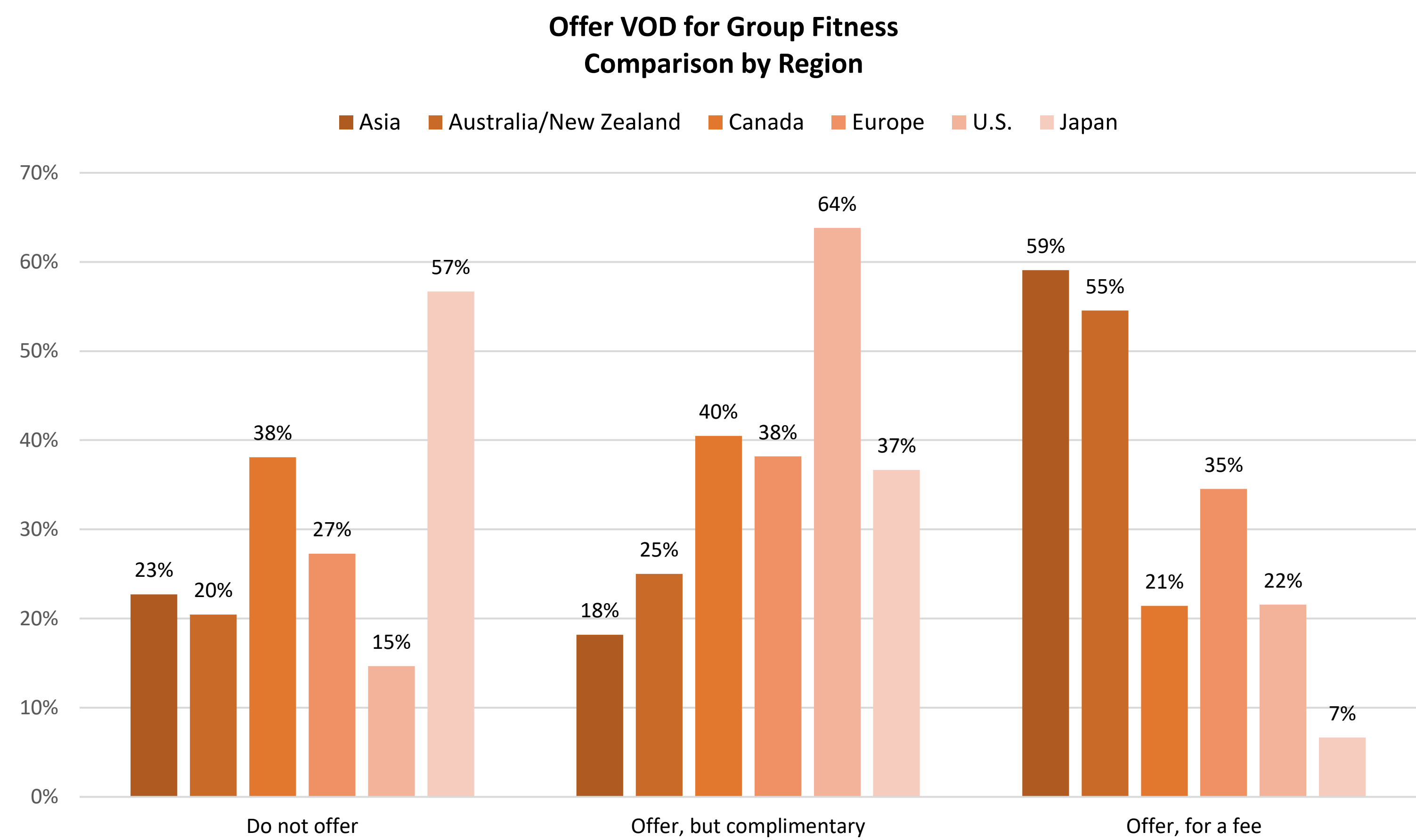
Bringing Back Staff – What is the Story?

When it comes to bringing back staff, full-time or part-time, operators in Japan and Australia/New Zealand report the highest levels with 66% and 93% respectively saying they have brought back 100% of their workforce. Canada, Europe and the U.S. are the least likely to report bringing back 100% of their workforces (40% to 50% respectively). Canadian operators report the highest percentages for having brought back fewer than 50% of their workforce.



The Emergence of VOD for Group Exercise

Operators in Canada and Japan are the least likely to offer a group fitness VOD platform for members (38% and 57% respectively). U.S. operators are the most likely to indicate they are offering VOD for group exercise (86%) followed by Australia/New Zealand and Asia with approximately 80% of operators saying they are providing this service for members.



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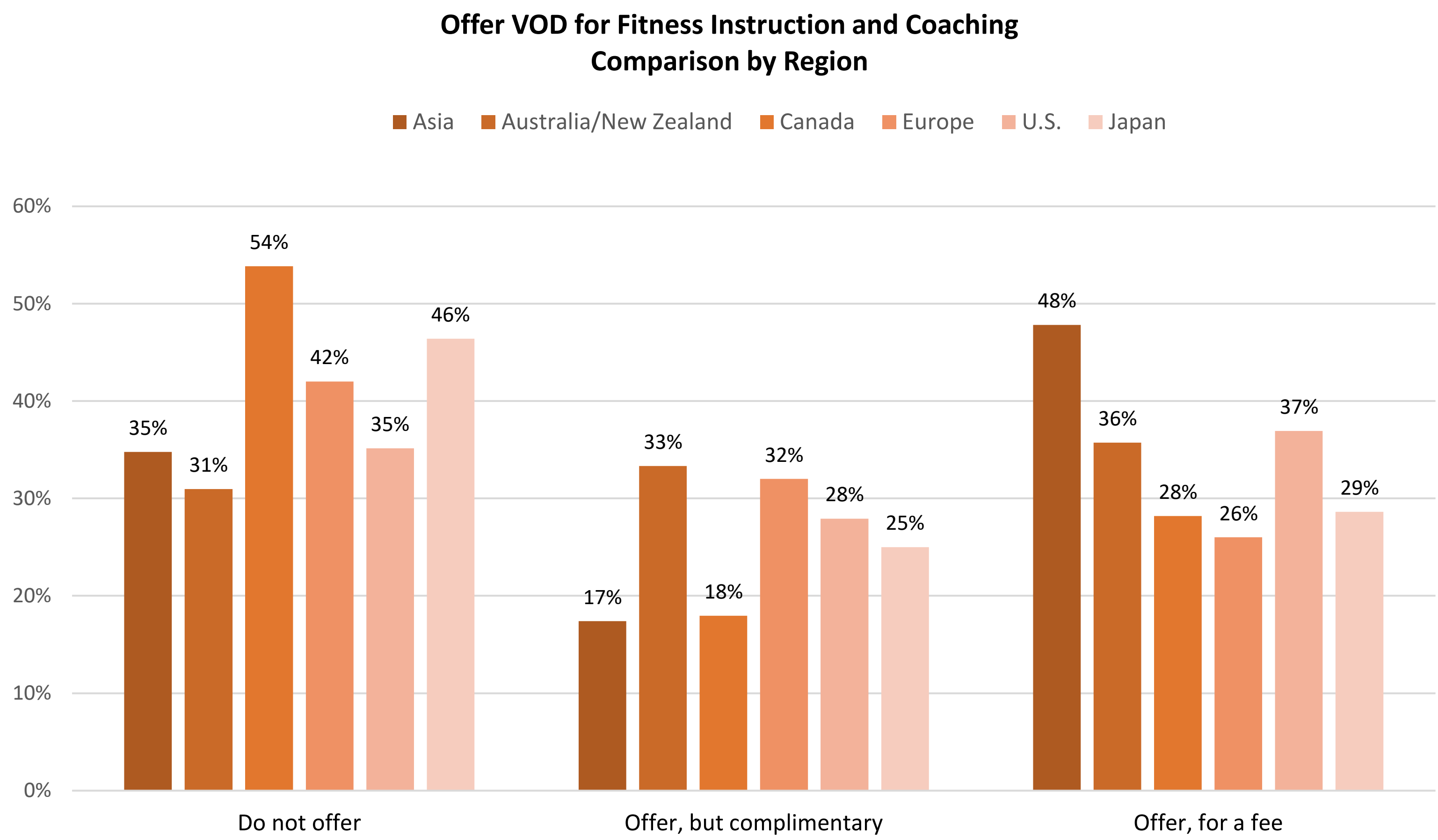
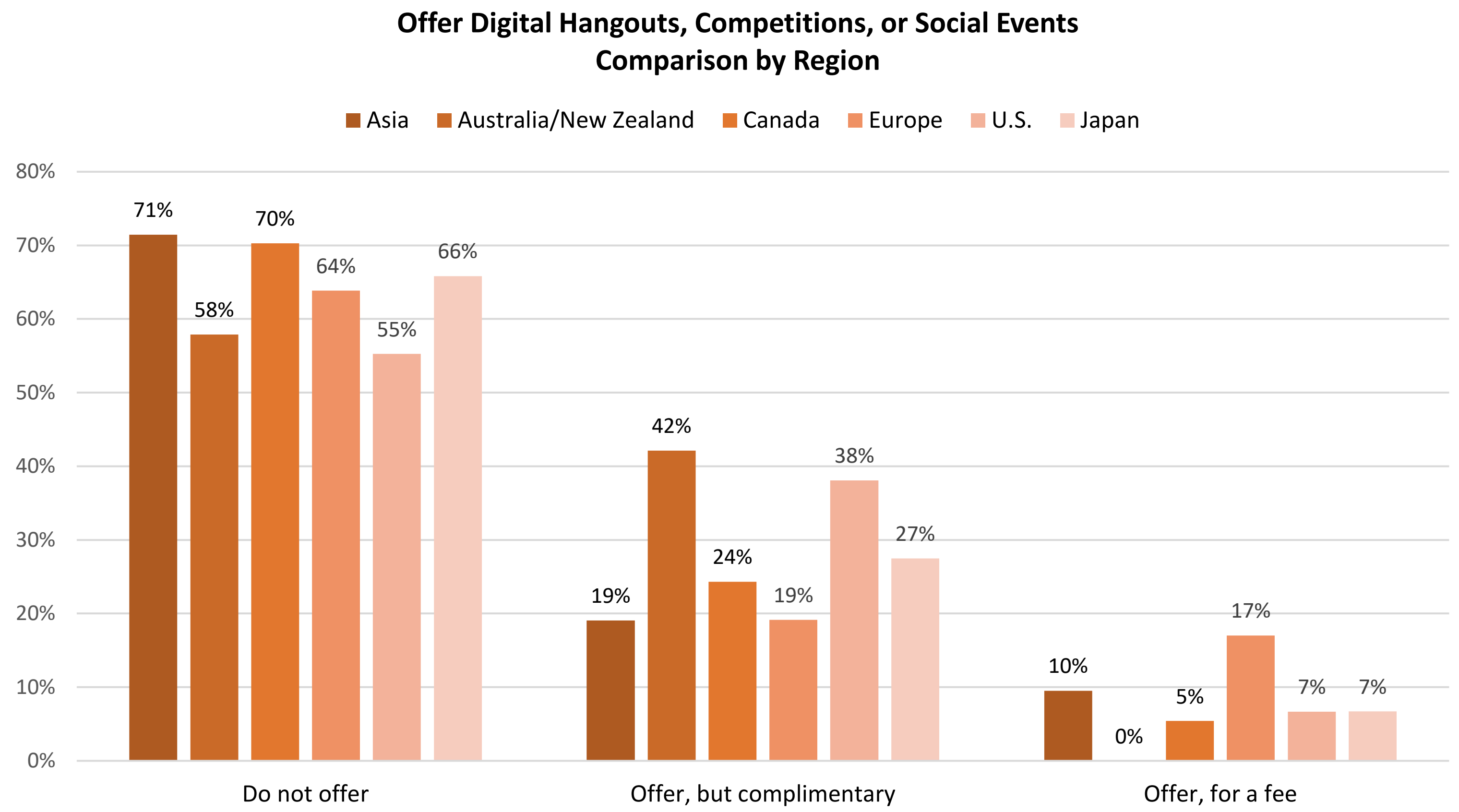
Emergence of VOD for Fitness Instruction and Coaching

VOD for fitness instruction is a less popular offering among operators than VOD for group fitness. Canadian operators are the most likely not to offer VOD for fitness instruction. The other regions are relatively similar in the percentage of operators who are providing fee-based or complimentary VOD for fitness instruction.



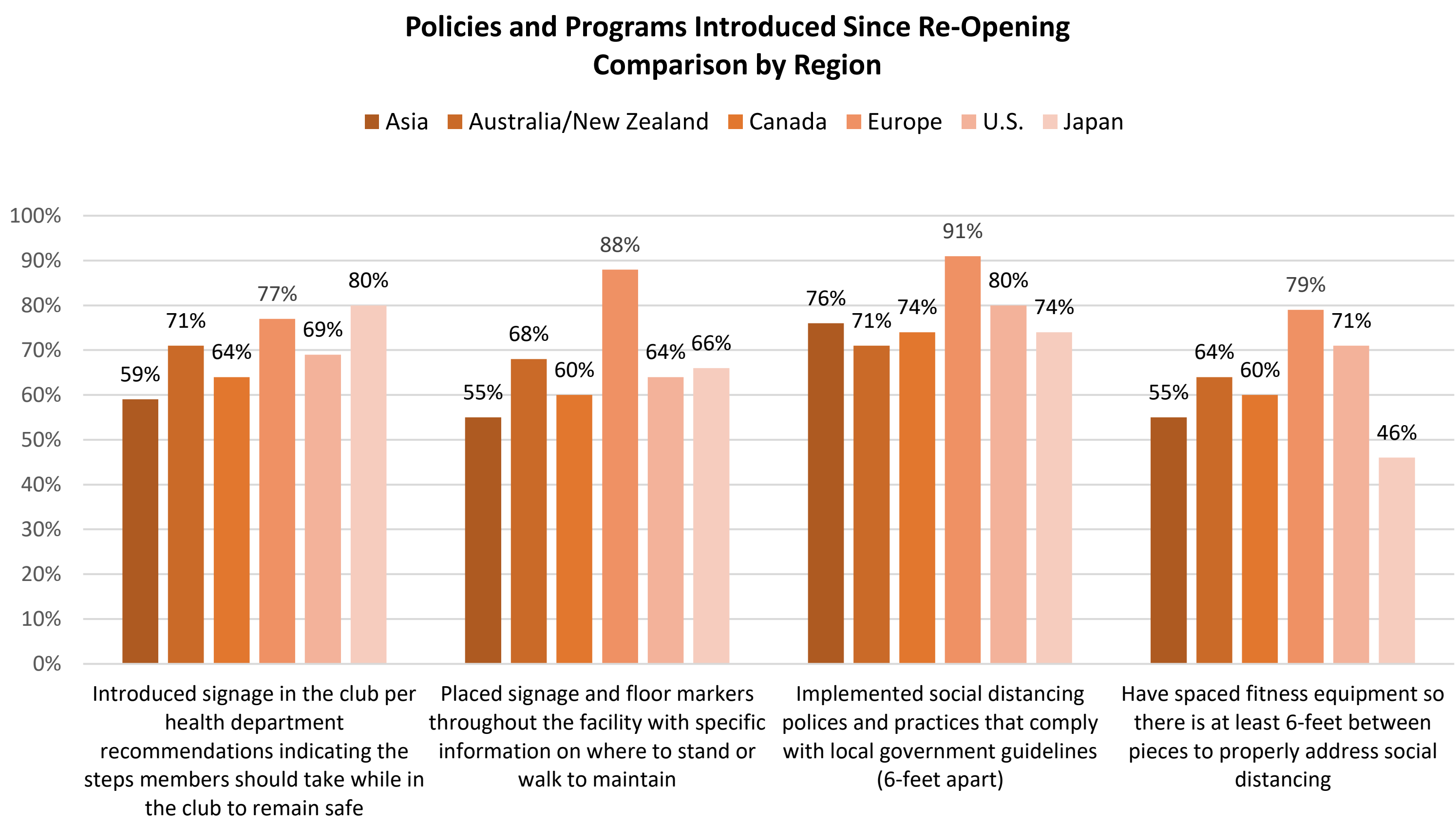
Digital Engagement of Members

When it comes to introducing digital engagement programs around hangouts, events or competitions, global operators appear to be similar with 55% to 71% indicating it is not part of their program mix. Australian/New Zealand and U.S. operators are the more likely to offer this type of service to members, either for a fee or complimentary (42% and 45% respectively).



Policies, Practices and Programs to Address Employee & Member Safety

With respect to social or physical distancing practices, European operators portray the highest percentage of implementation, while operators on the Asia mainland have the lowest compliance percentage.



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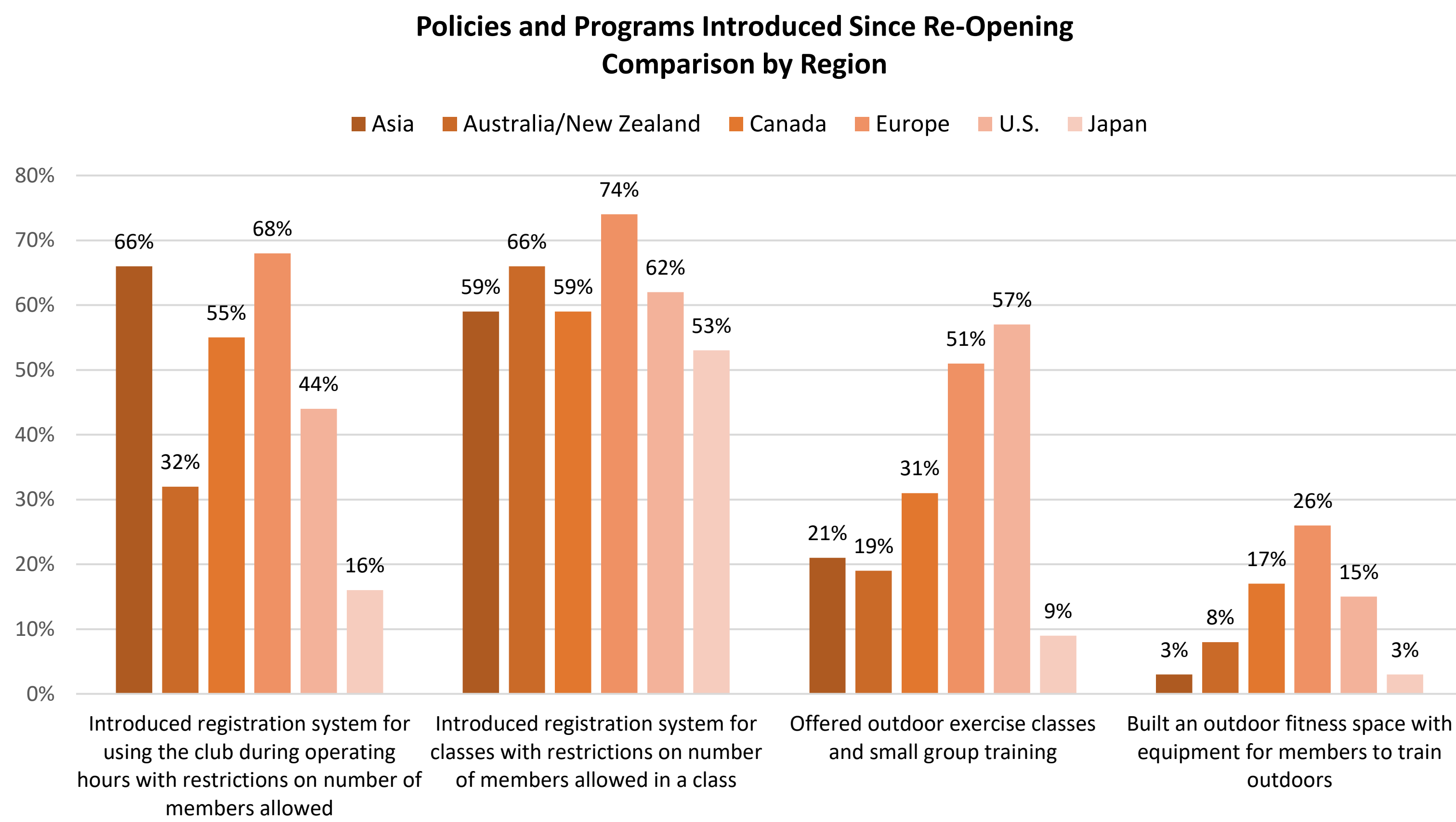
Policies, Practices and Programs to Address Employee & Member Safety

With respect to managing facility capacity (social distancing approach), operators in Australia/New Zealand and Japan are the least likely to have introduced a registration or booking system to manage membership traffic at any given time within a facility. In turn, Asian and U.S. operators were the most likely to implement registration systems to manage member traffic. When it comes to introducing outdoor exercise programs and/or outdoor facilities to reduce members' exposure to Covid-19, European and U.S. operators were the most likely to do so. Over 50% of respondents from Europe and U.S. report offering outdoor exercise classes.



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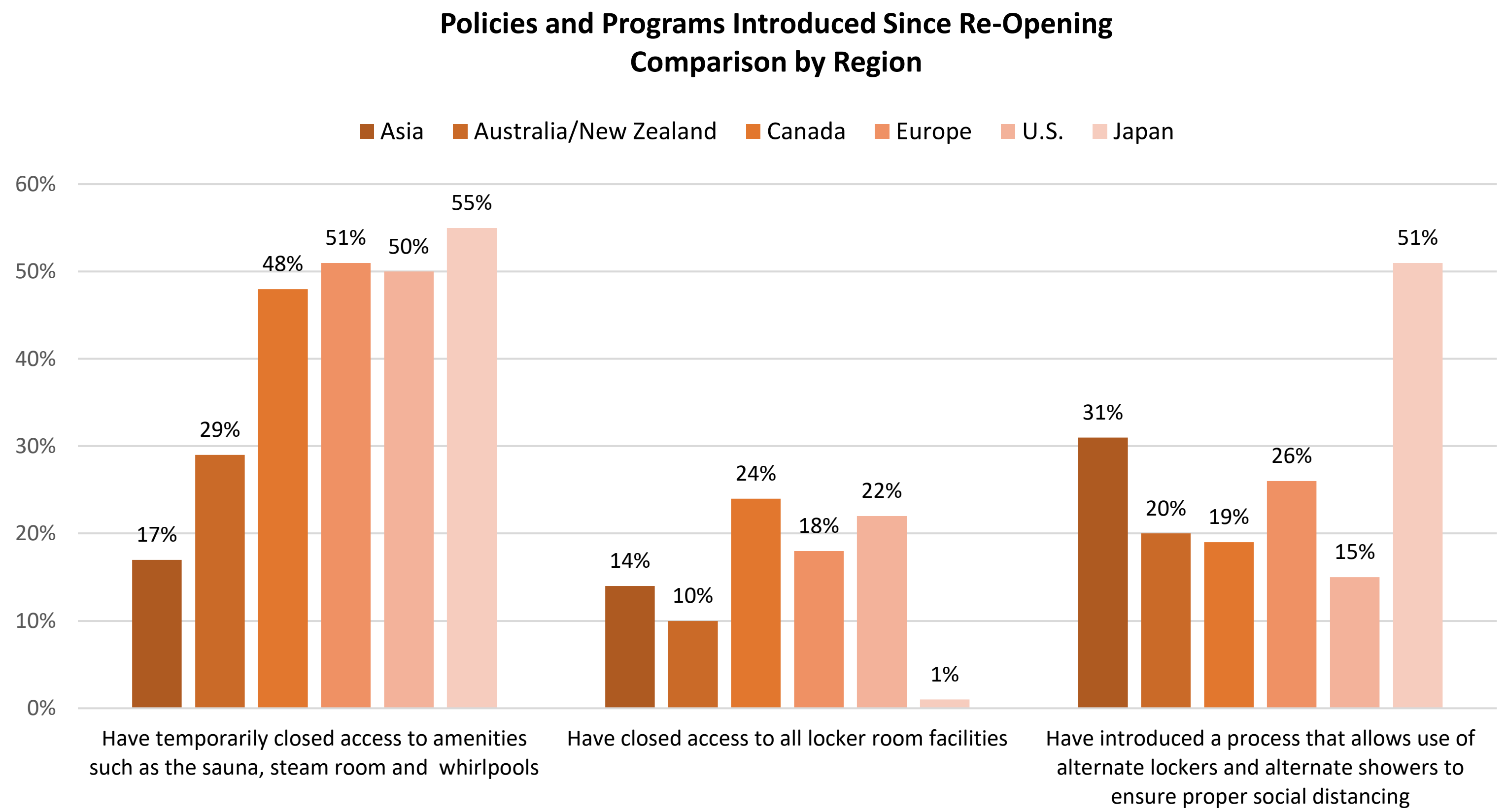
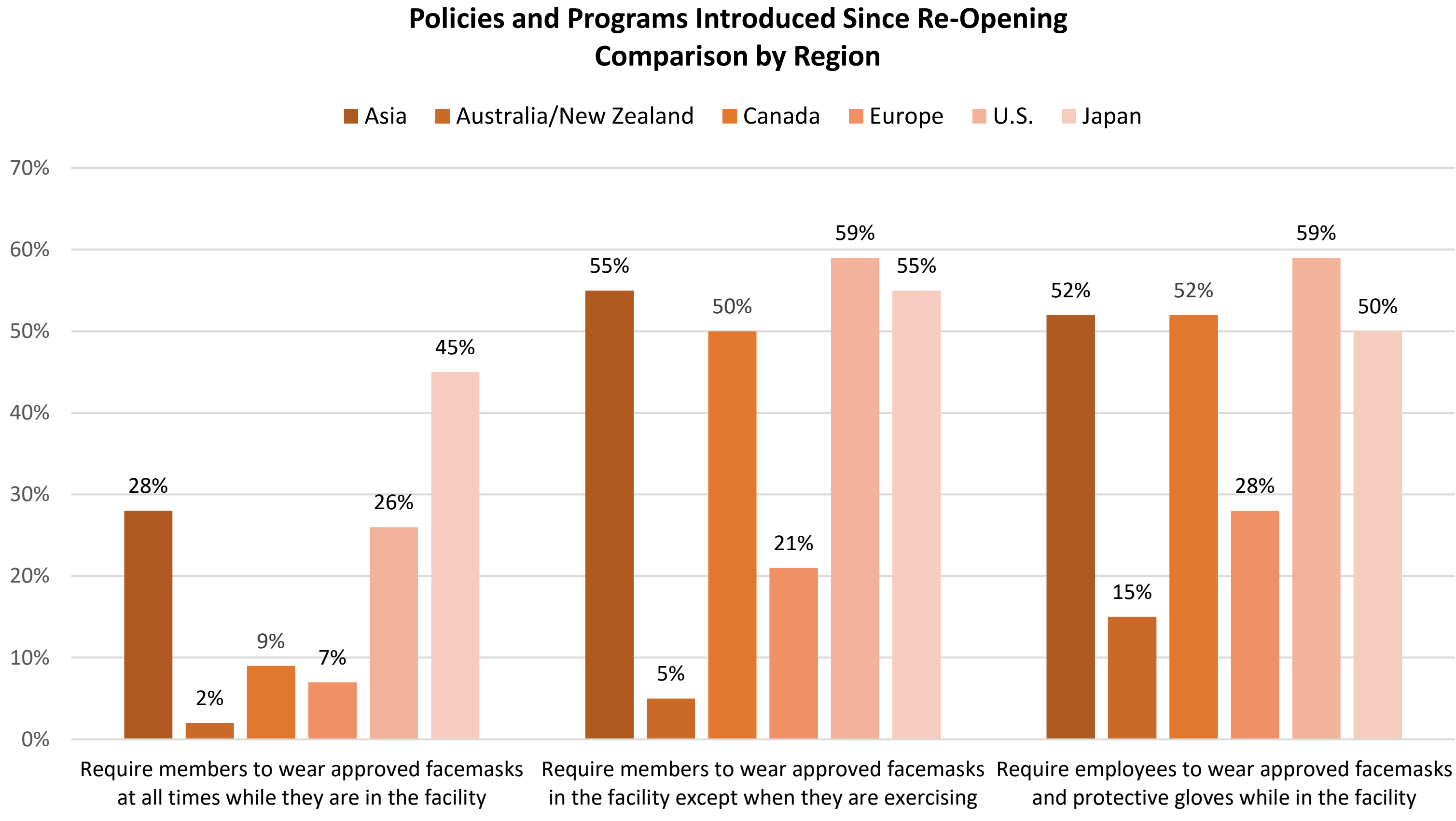
Policies, Practices and Programs to Address Employee & Member Safety

With respect to reducing member exposure to Covid-19 by closing locker rooms and related amenities, or introducing spacing practices (e.g., opening every other locker or shower), over 50% of operators from Europe, Japan and U.S. have temporarily closed wet areas such as saunas and steam rooms. Canadian and U.S. operators are the most likely to have closed locker rooms during the early phases of re-opening, while Japanese operators were twice as likely as operators in other regions to introduce spacing practices with respect to locker and shower access.



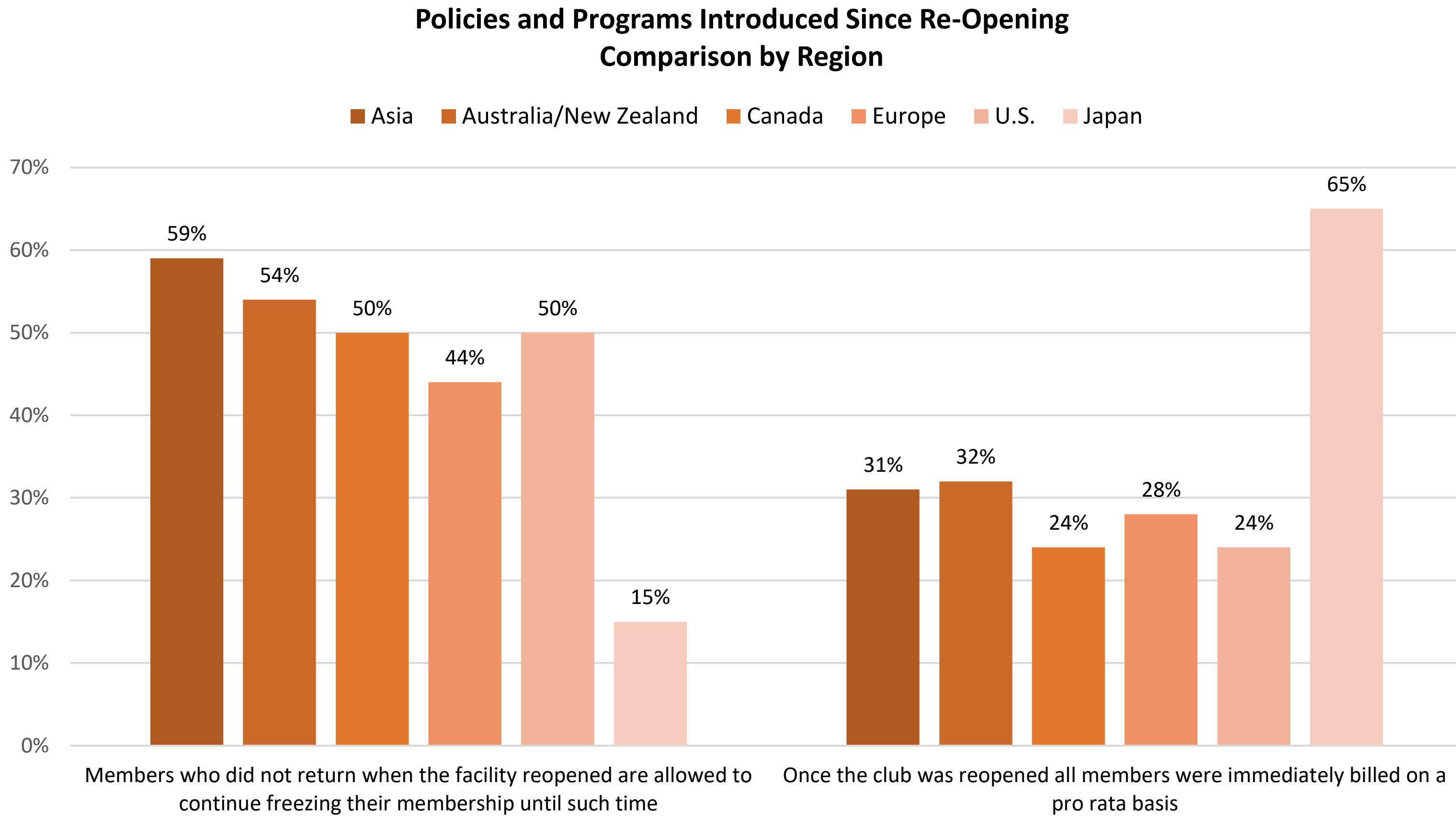
Policies, Practices and Programs to Address Employee & Member Safety

One of the leading public health strategies for reducing an individual's exposure to Covid-19 has centered on the use of masks. Over 50% of operators in Asia, Japan and the U.S. require members to wear masks in the facility other than during exercise. In Japan, 45% of operators require masks be worn whenever members are in the facility. Operators in Australia/New Zealand, Canada and Europe have the most lenient practices with respect to mask wearing.



Policies, Practices and Programs to Address Employee & Member Safety

When it comes to allowing memberships to remain on freeze (hold) once a facility has re-opened, approximately 50% of operators across all regions allow this to occur, with Japan being an outlier with 5% of operators indicating they allow memberships to remain on freeze once their facility reopened. Finally, in Japan, 65% of operators immediately billed members once clubs re-opened compared to fewer than 32% of operators in other regions.



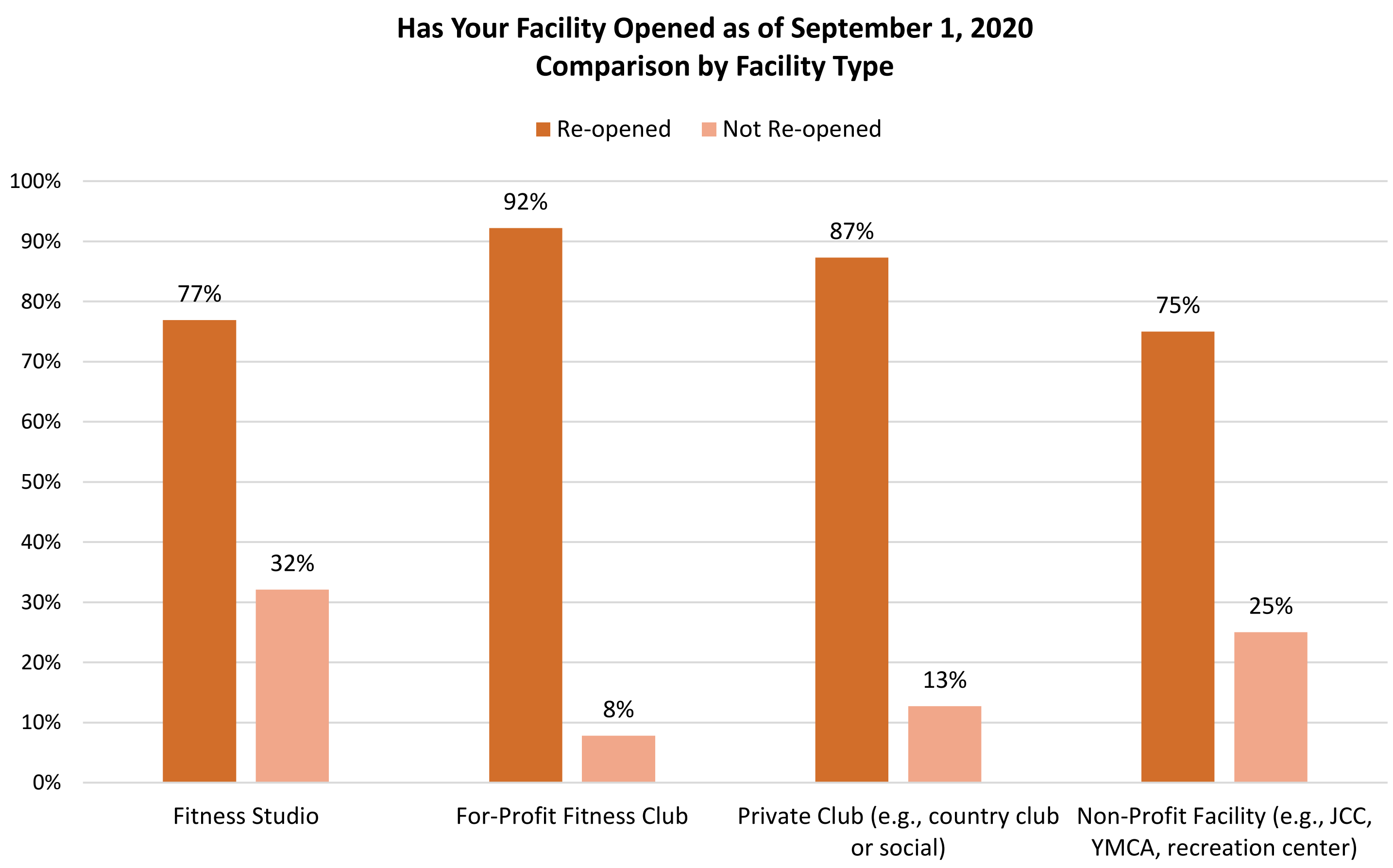
Chapter Five
Outcomes by Business Model

“Alone, we can do so little;
together, we can do so much.”
Hellen Keller

Image courtesy of JOHN_REED_Gesundbrunnen_Cardio

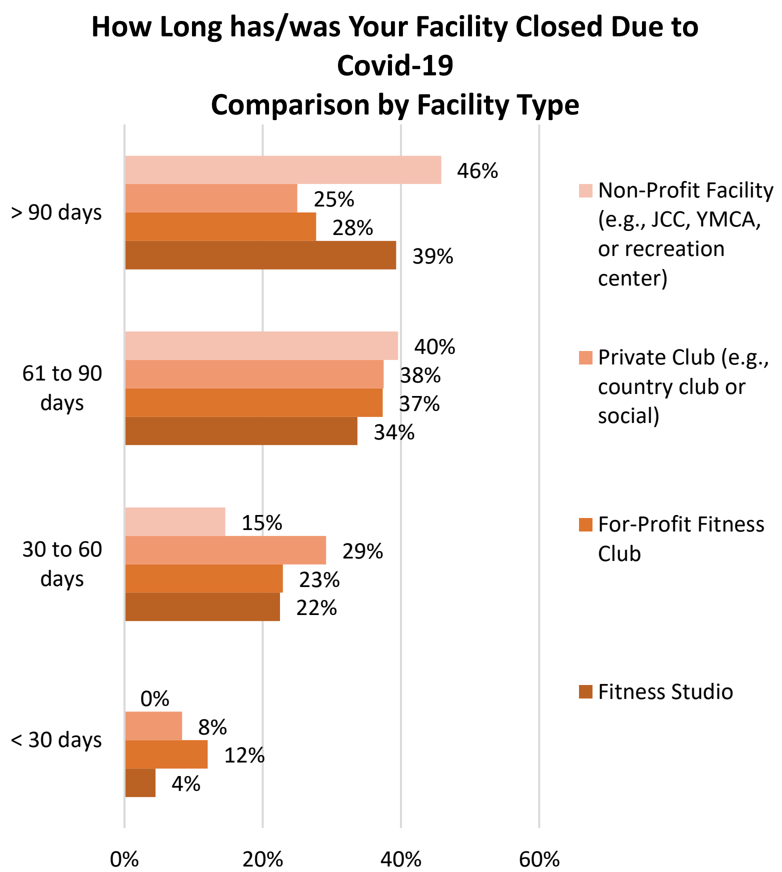
Open for Business or Not

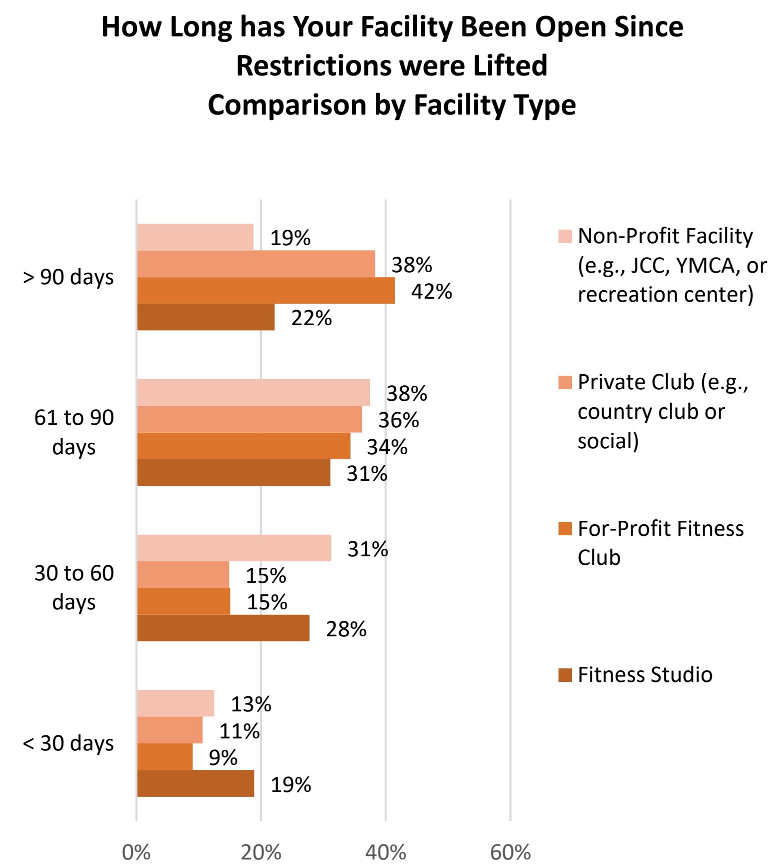
Approximately 90% of for-profit clubs and private clubs have re-opened as of September 1, 2020, while approximately 75% of fitness studios and recreation centers have opened.



Length of Closure and Time Since Re-Opening

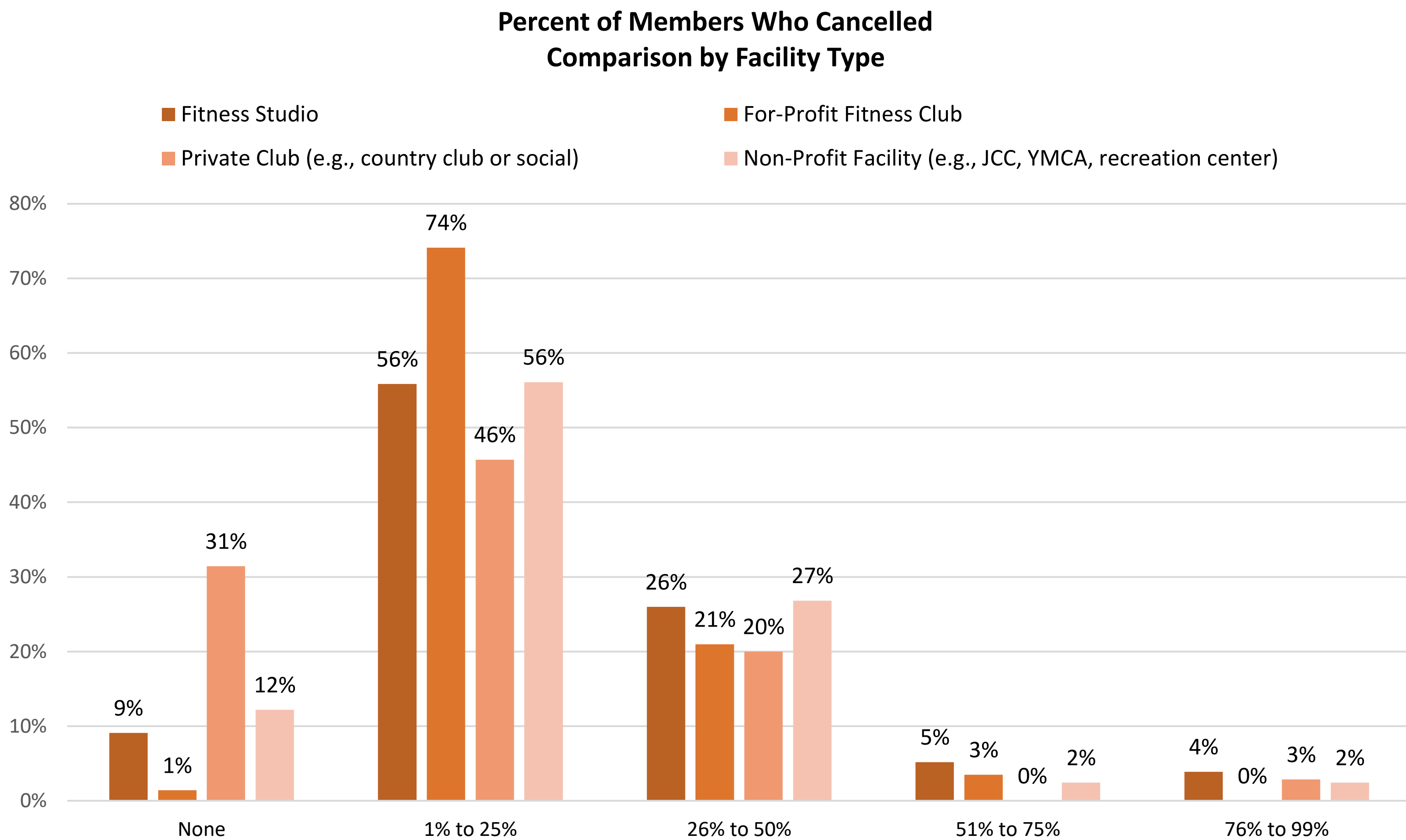
Non-profit facilities tended to be closed the longest during the pandemic, with 46% closed more than 90 days and 86% closed more than 60 days. Fitness studios were the second most likely to be closed at least 90 days (39%). Private clubs were the least likely to be closed for 90 or more days (25%). For-profit fitness clubs and private clubs had the greatest percentage of clubs reporting they have been open at least 61 days.





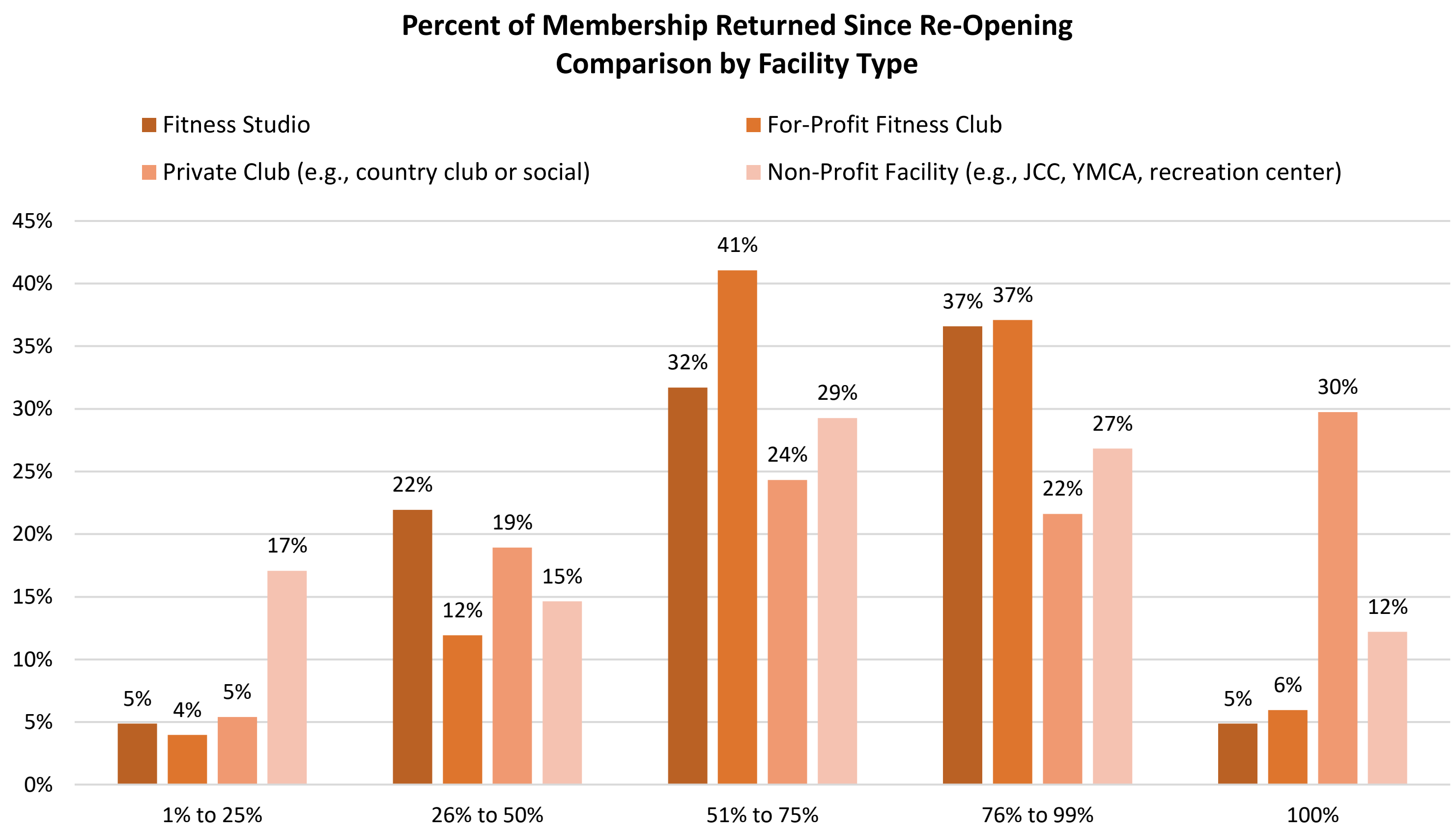
How Many Members Have Cancelled Due to Covid-19

Private clubs were the most likely to experience no members cancellations (31% report no cancellations). For-profit clubs were the most likely to see 1% to 25% of their members cancel (77%), while non-profits and fitness studios were the most likely to report 26% to 50% of their members resigned.



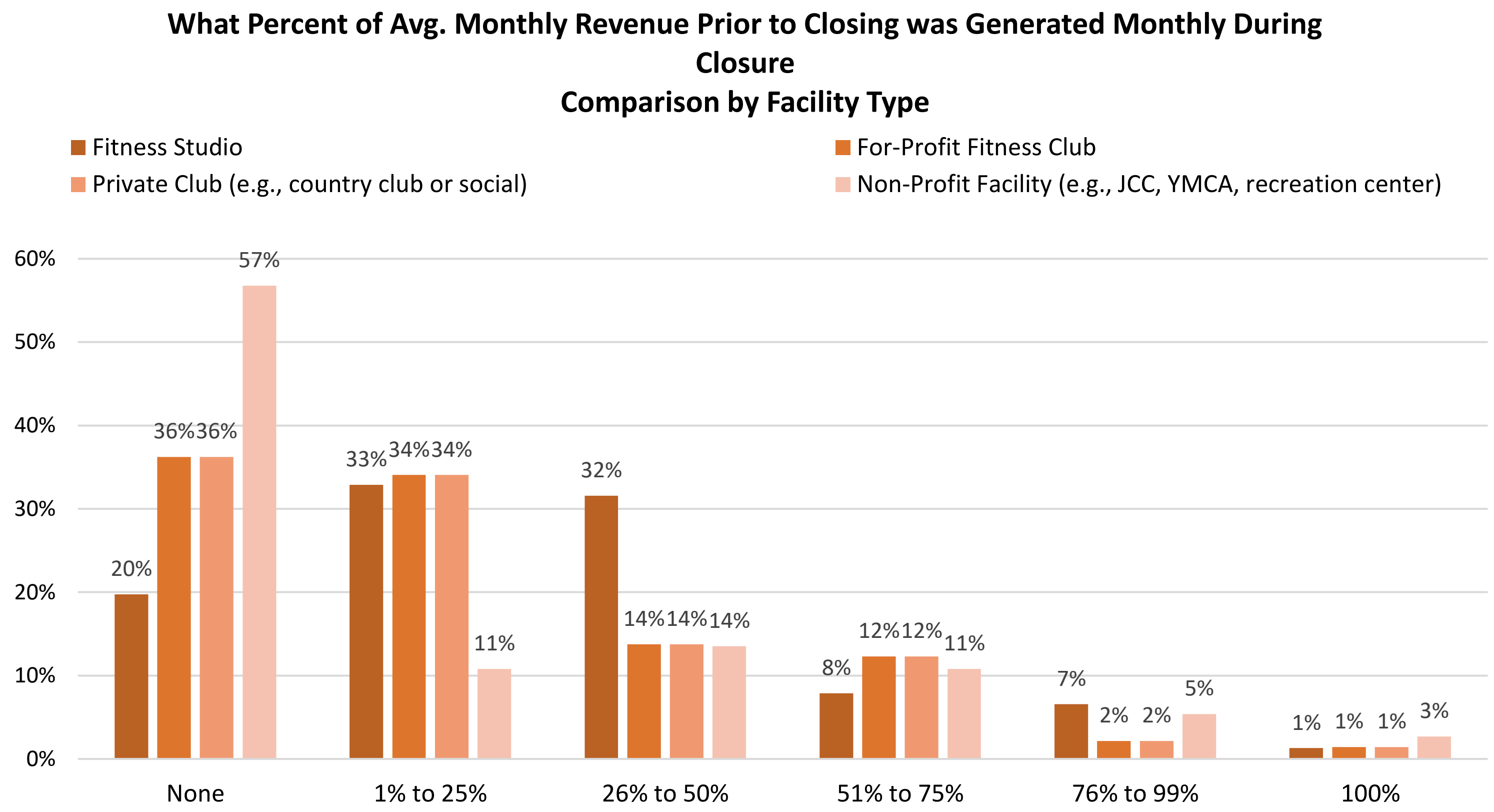
How Many Members Have Returned Since Re-Opening

With respect to members returning at re-opening, private clubs had a significant edge with 30% reporting 100% of their members had returned at re-opening followed by non-profits where 12% of operators report 100% of members returning. Fitness studios and for-profit operators are the most likely to say 76% to 99% of members returned (37%), while the largest percentage of for-profit operators report 51% to 75% of members returned (41%).



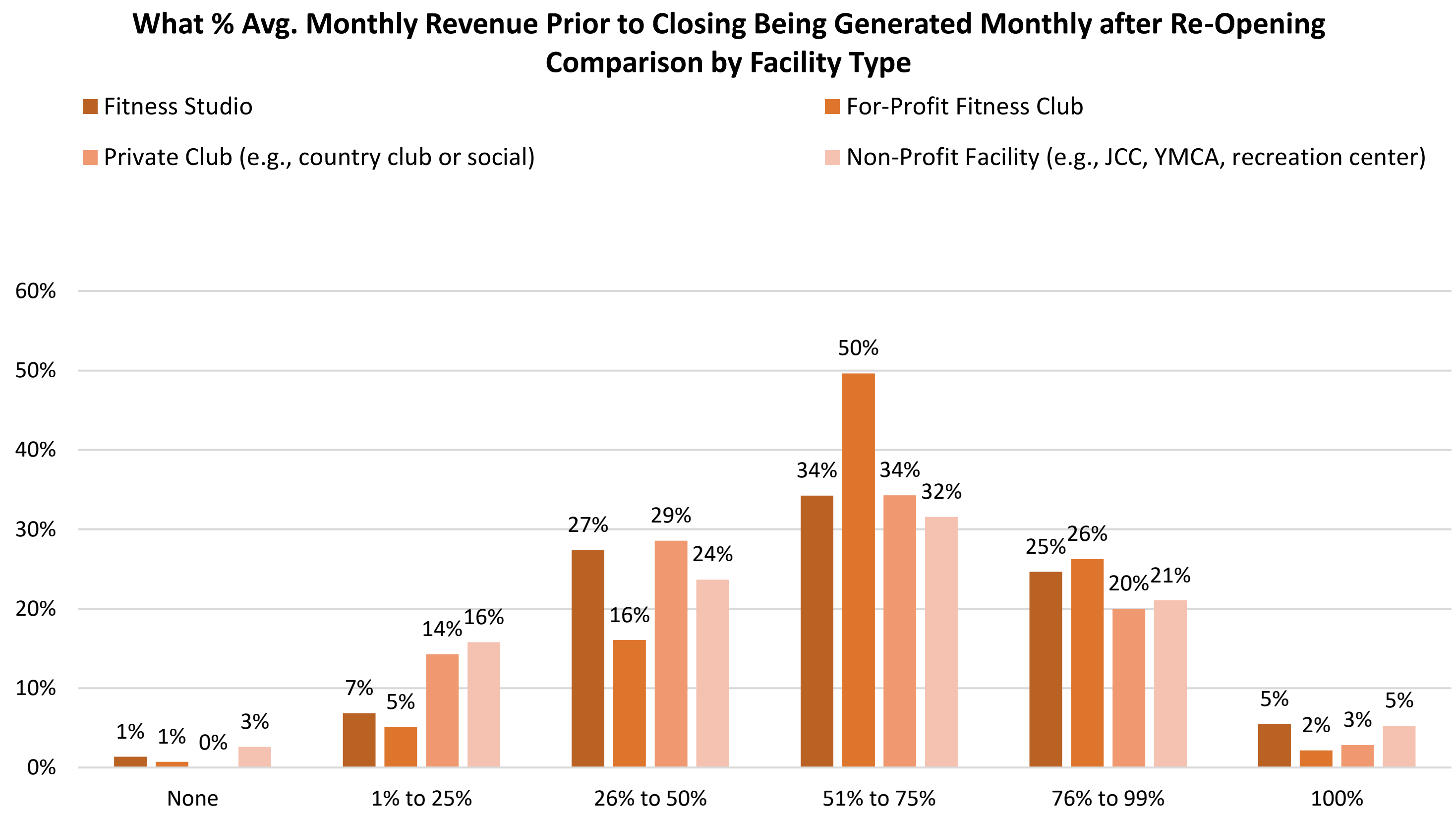
Monthly Revenue Performance During Closure

Approximately 57% of private clubs report generating zero revenue during closure, 20 percentage points higher than either for-profits or non-profits (36% who report no income). Fitness studios were the least likely to go without income during closure, and the most likely to generate between 26% and 50% of their pre-closure monthly revenue during closure.



Monthly Revenue Performance during Re-Opening

The largest percentage of operators across business models report generating 51% to 75% of their average monthly revenue prior to closure on a monthly basis during the re-opening period. Between 20% and 25% of operators across business models indicate they are earning between 76% and 99% of the average monthly revenue they earned prior to closure.



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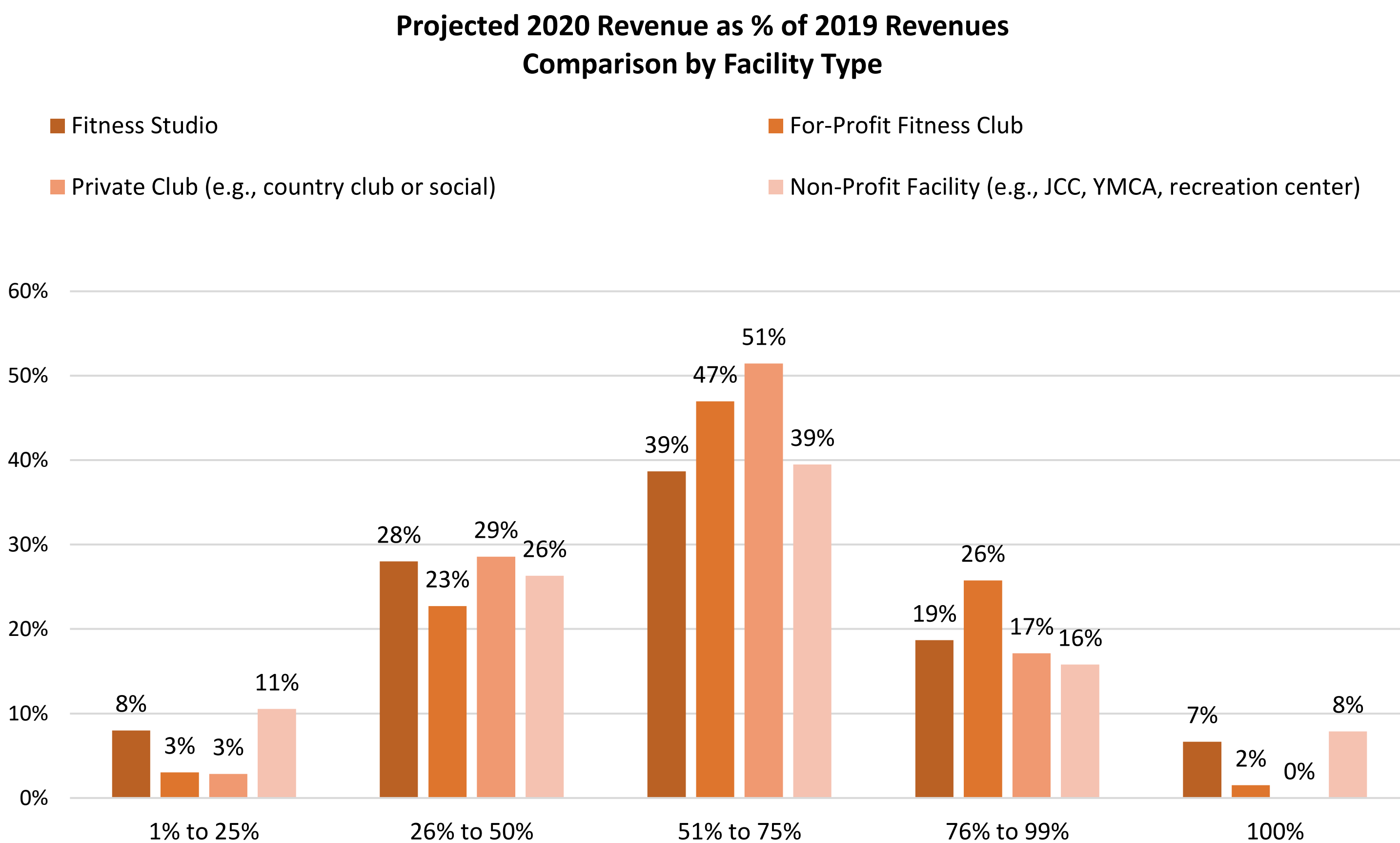
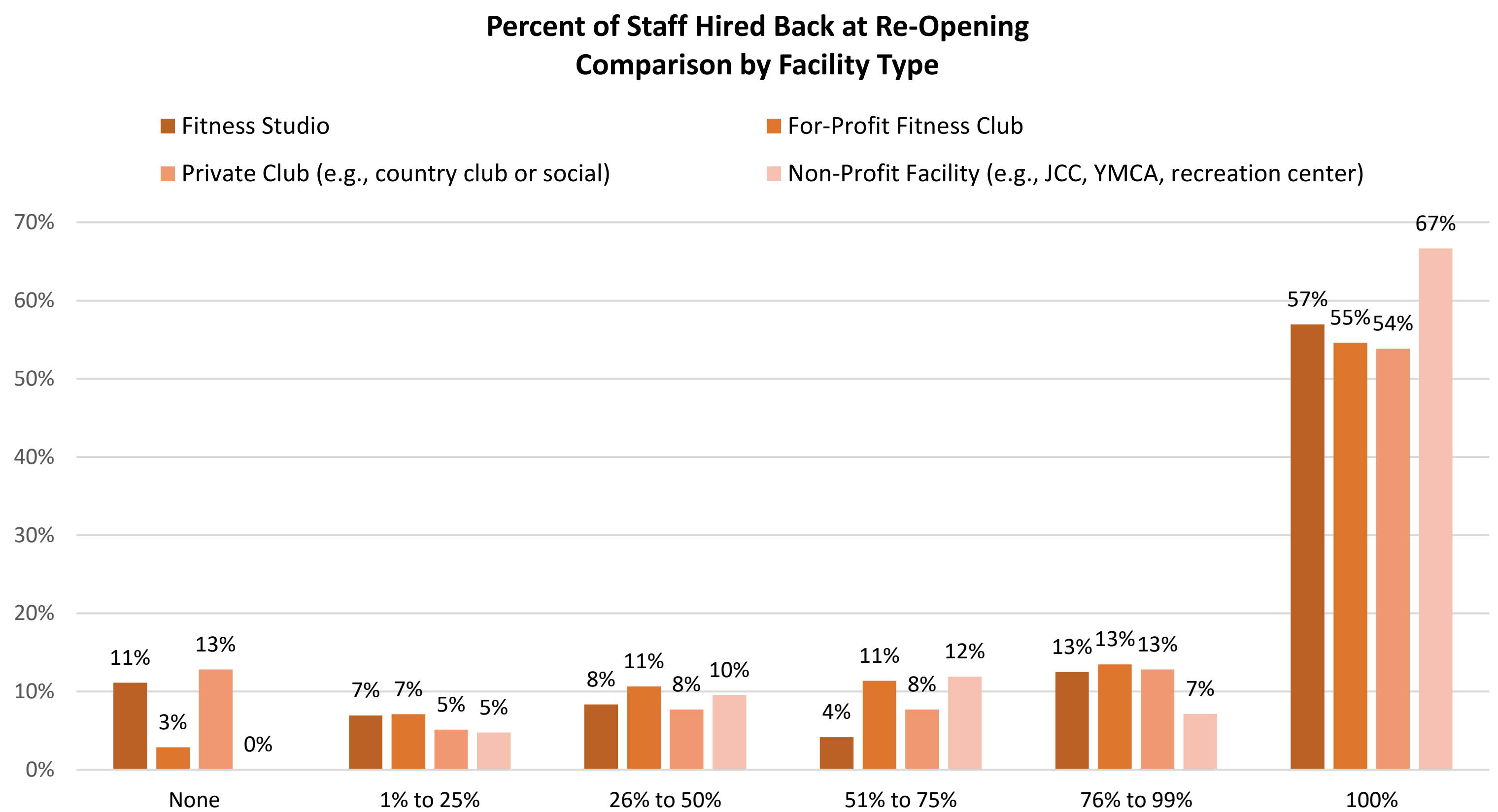
The Financial Forecast for YE 2020

The largest percentage of operators across business models are forecasting 2020 revenues to fall between 51% and 75% of 2019's revenue numbers. Unfortunately, approximately 25% of operators across business models are forecasting 2020 revenues to range from 26% to 50% of 2019 revenue performance.



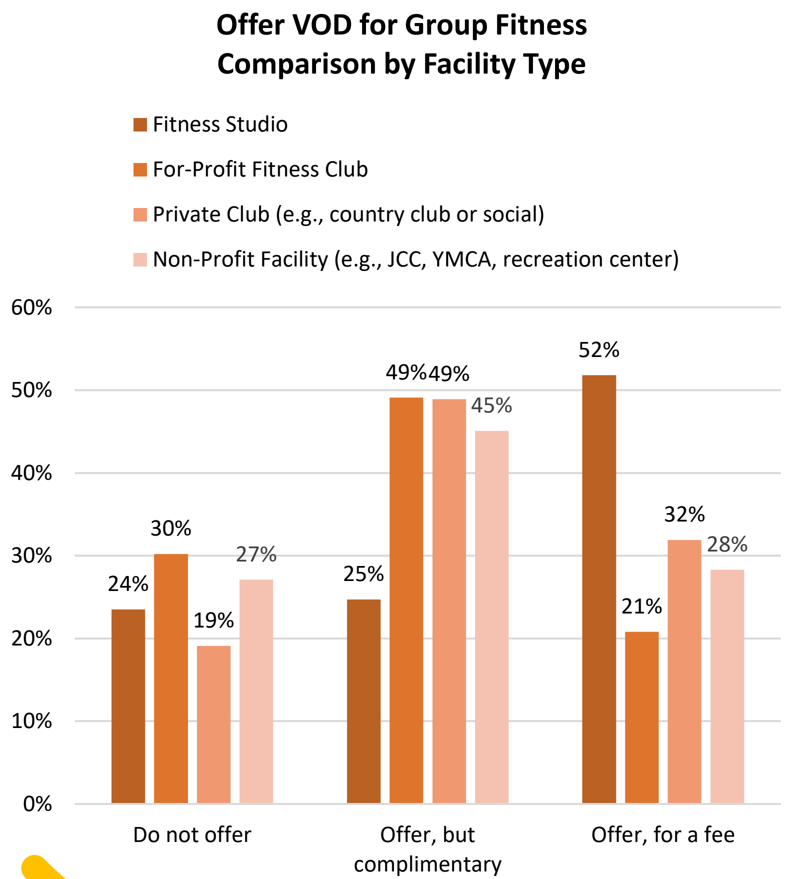
Bringing Back Staff – What is the Story?

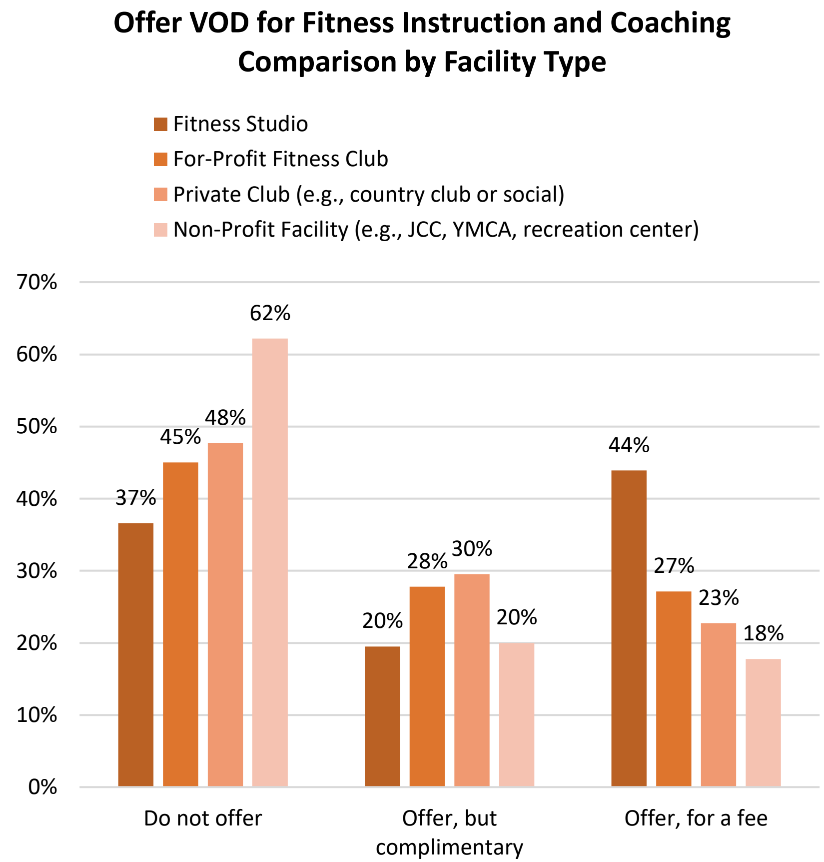
When it comes to rehiring staff, non-profits are the most likely to report bringing back 100% of their workforce (67%) compared to 54% to 57% for the other business segments. The story appears to be 40% to 50% of employees have not been rehired during this re-opening phase.



The Emergence of VOD for Group Exercise and Fitness Instruction

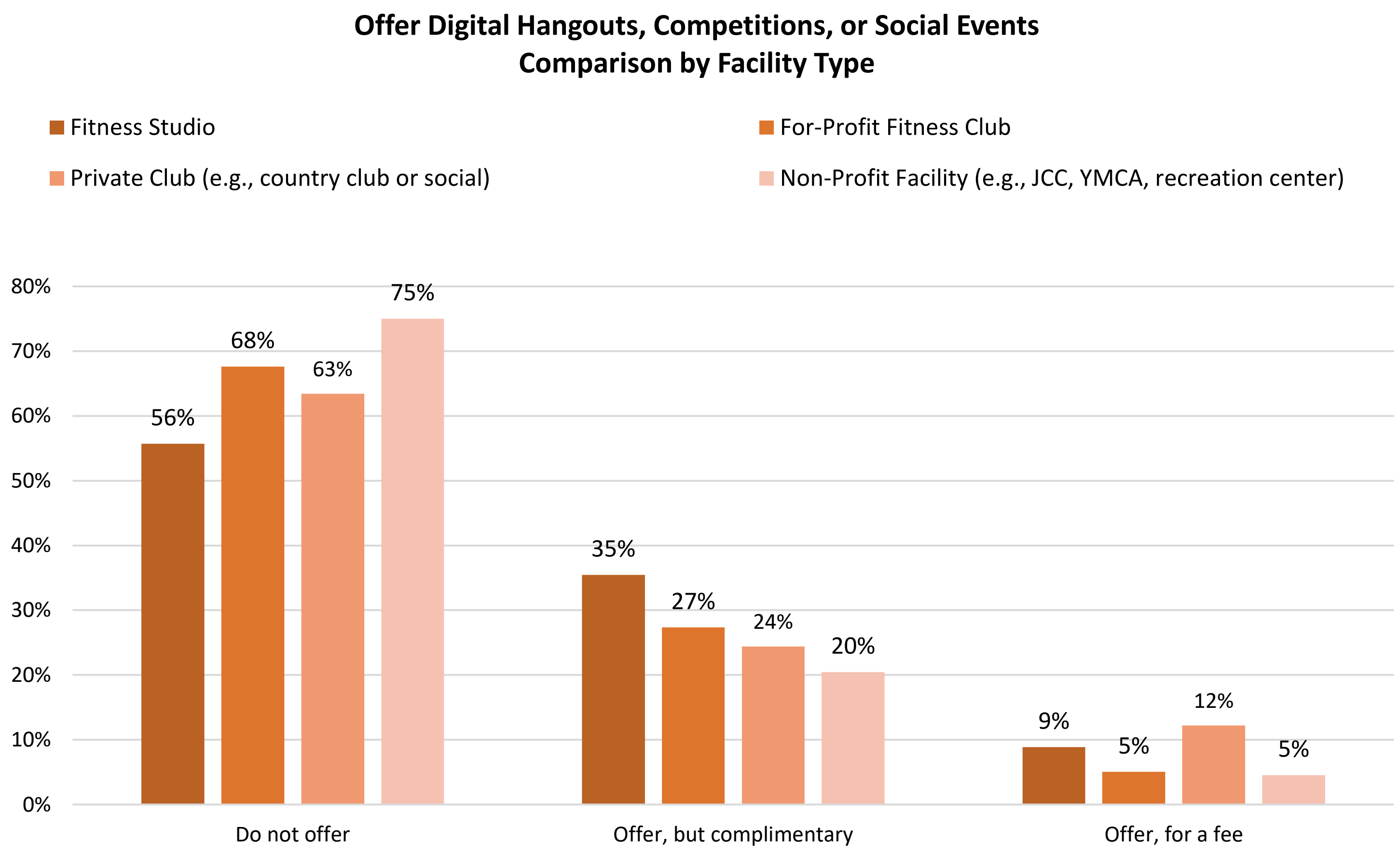
When it comes to group exercise VOD integration into fitness operations, approximately 70% of operators report they have incorporated it during re-opening (for-profit clubs are the least likely to offer). Fitness studio operators are significantly more likely to offer this service to clients complimentary, while for-profit clubs are the least likely to make the service available for free. When it comes to VOD for fitness instruction, fitness studios are more likely to make this service available, with 64% making it available. Non-profits are the least likely to incorporate VOD for fitness instruction with only 38% reporting they have incorporated it into their value proposition.





Digital Engagement of Members

Fitness studios appear to be the only facility business segment to seriously leverage digital member/client experiences beyond group exercise and fitness instruction. 45% of fitness studios offer this type of experience compared to 30% or less of for-profit facilities, non-profit facilities, and private clubs.



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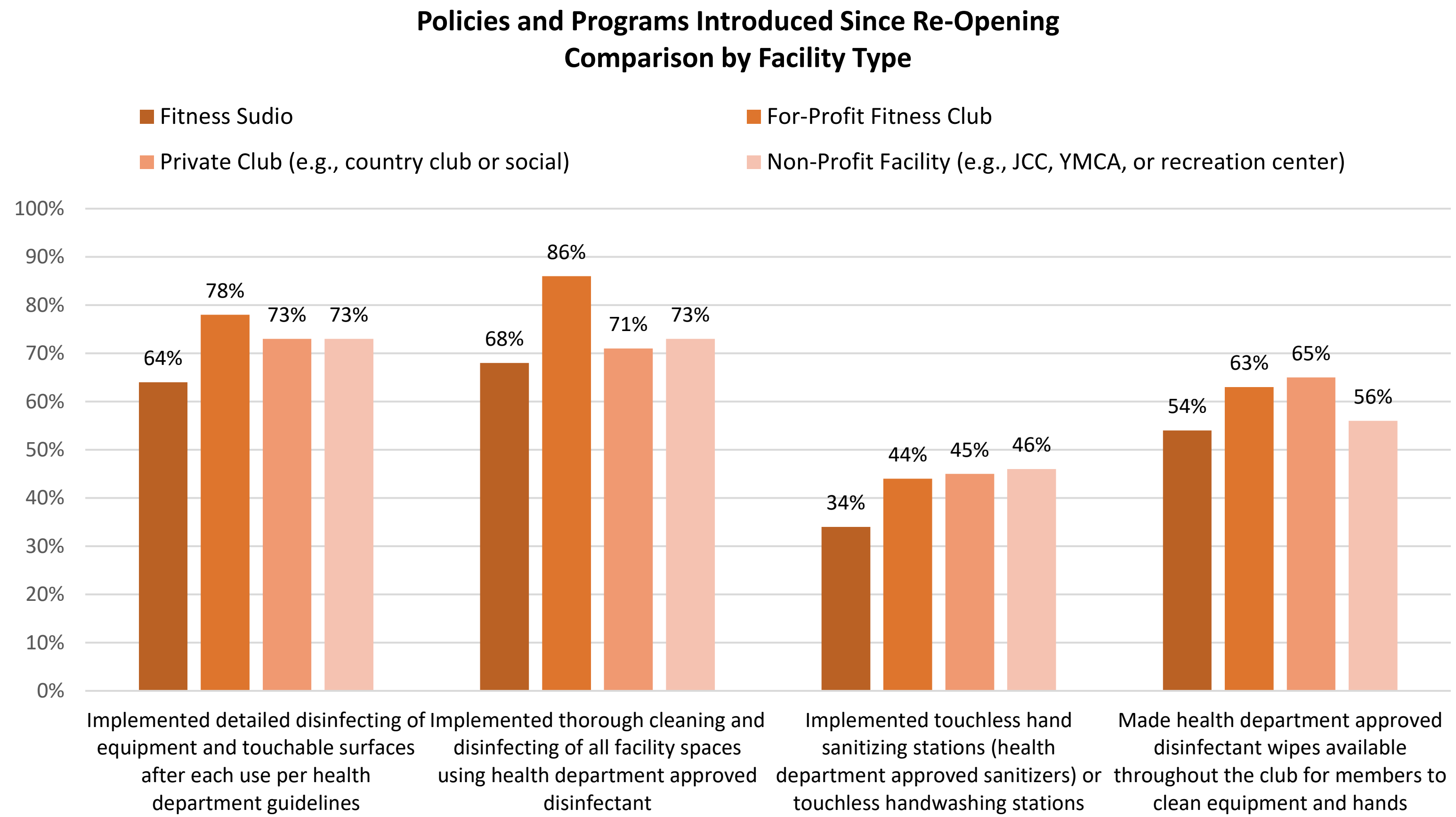
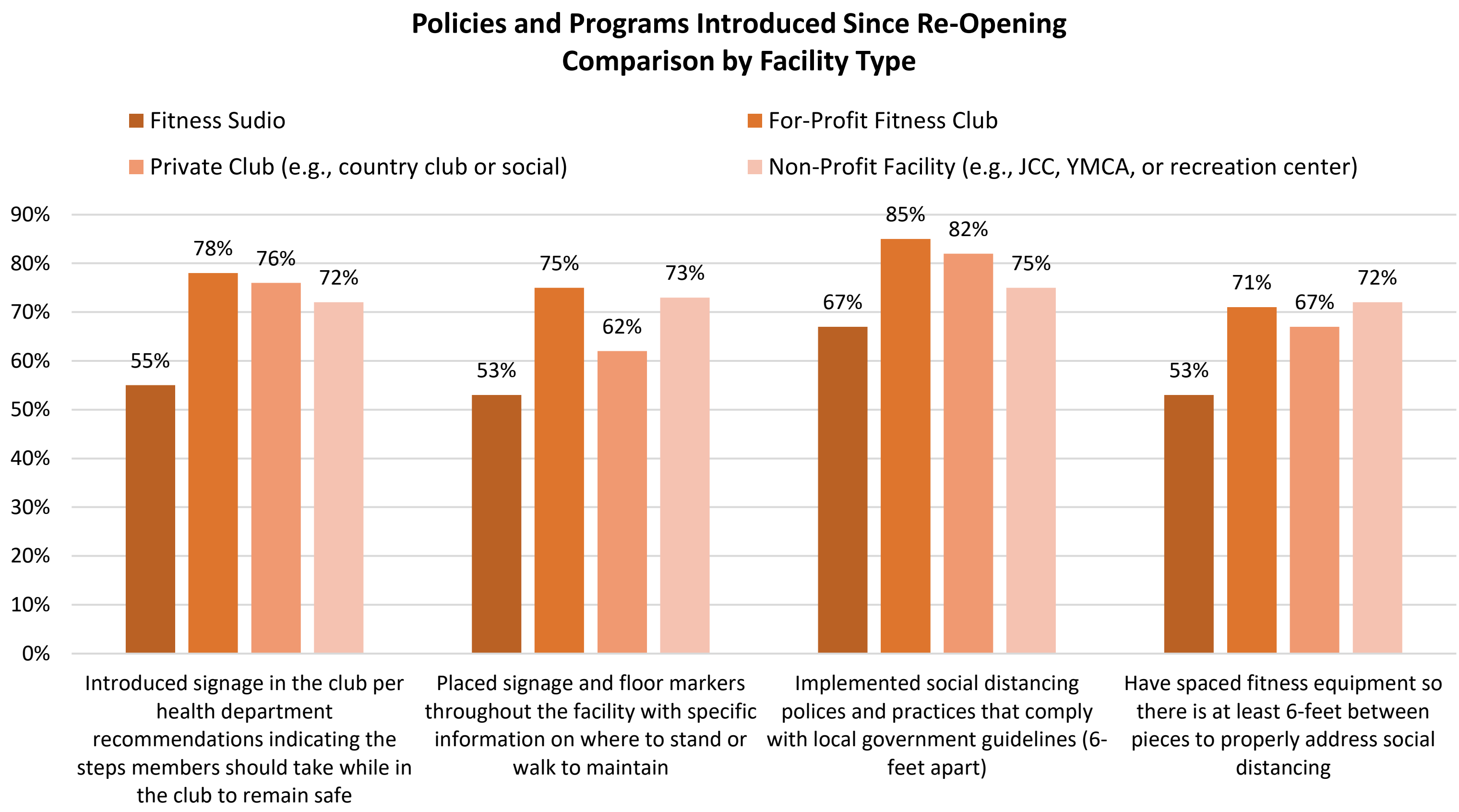
Policies, Practices and Programs to Address Employee & Member Safety

Among the four business models, for-profit clubs lead the way with respect to the percentage that have implemented detailed disinfecting of facilities (86%) while fitness studios are the least likely to have addressed the practice (68%). Among the various practices on this page suggested as important to maintaining a safe environment for members and clients, fitness studios have the lowest percentage of adoption. Touchless hand washing stations seem to have garnered the least adoption of the practices listed on this page.



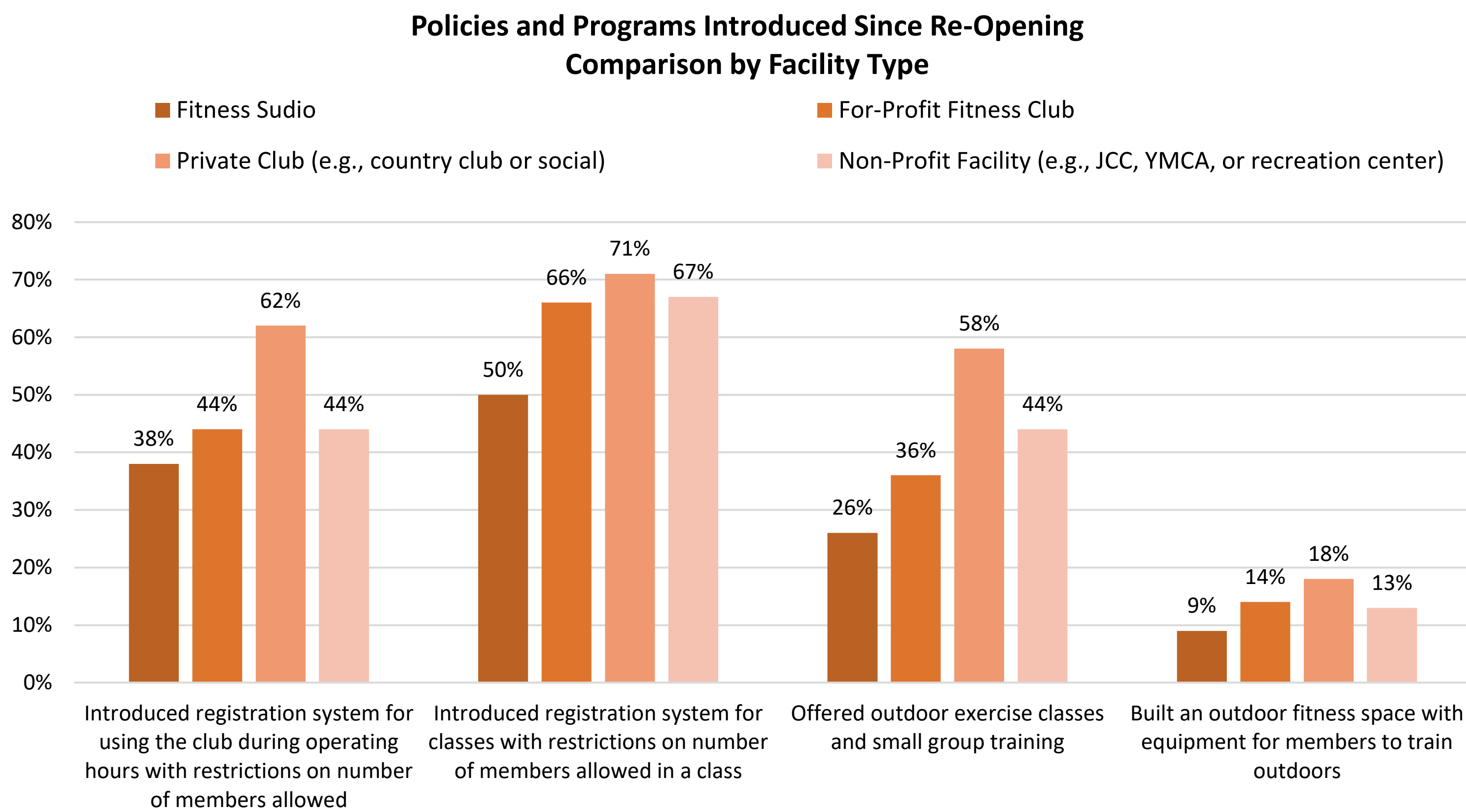
Policies, Practices and Programs to Address Employee & Member Safety

Among the social distancing practices recommended by health authorities for reducing the risk of catching Covid-19 in a public gym setting, fitness studios display the lowest adoption levels among their peers in the fitness industry. Still, on average, approximately 25% of operators have not incorporated these important practices into their operations.



Policies, Practices and Programs to Address Employee & Member Safety

When it comes to introducing booking or registration protocols to help manage member and client traffic to enhance safety, fitness studios display the lowest adoption levels, and for-profits the second lowest levels of adoption. Except for private clubs, where 62% use this approach, fewer than 50% of other fitness operators have embraced this important safety practice. With respect to outdoor exercise, private clubs (58%) and non-profits (44%) have been the most enthusiastic in incorporating this approach into their business model.



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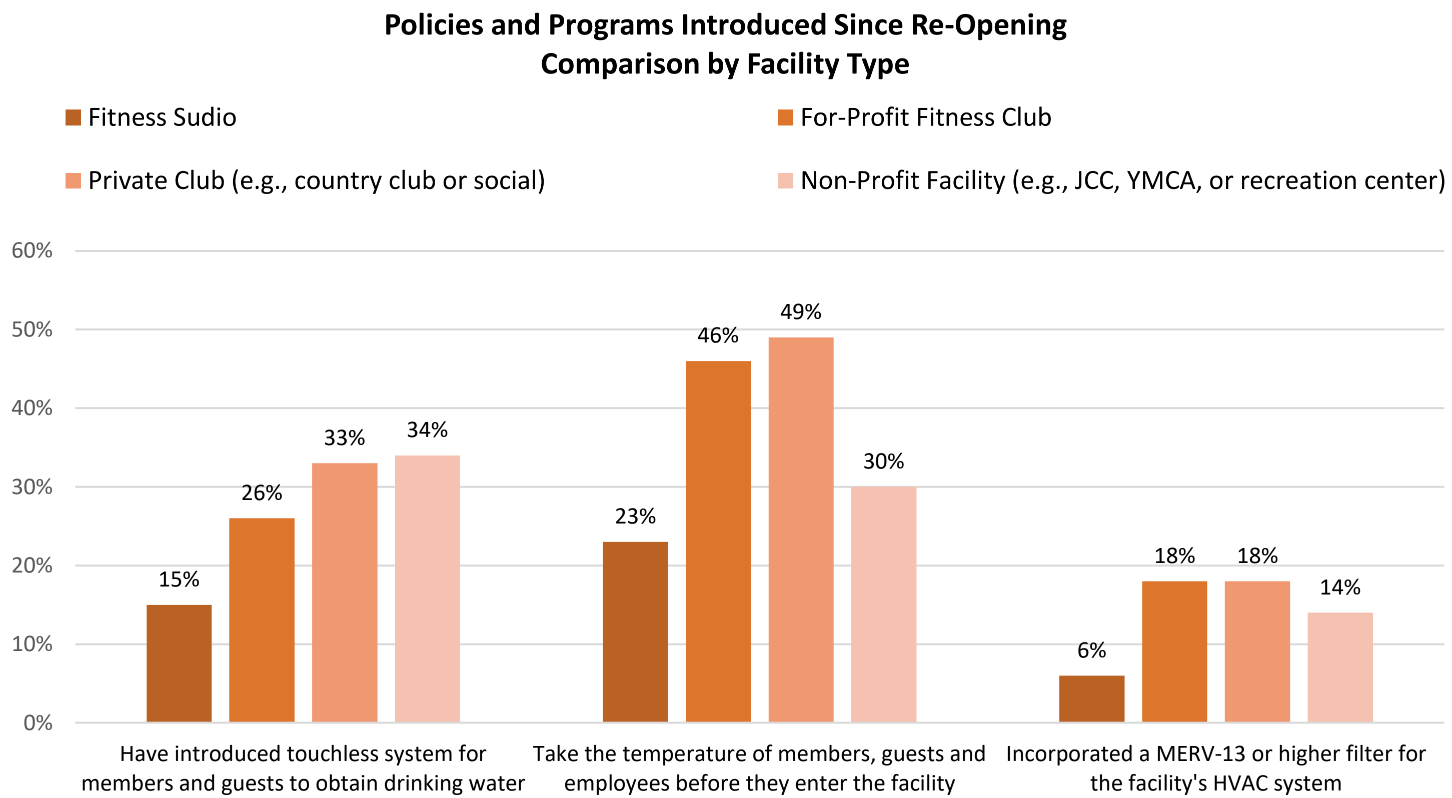
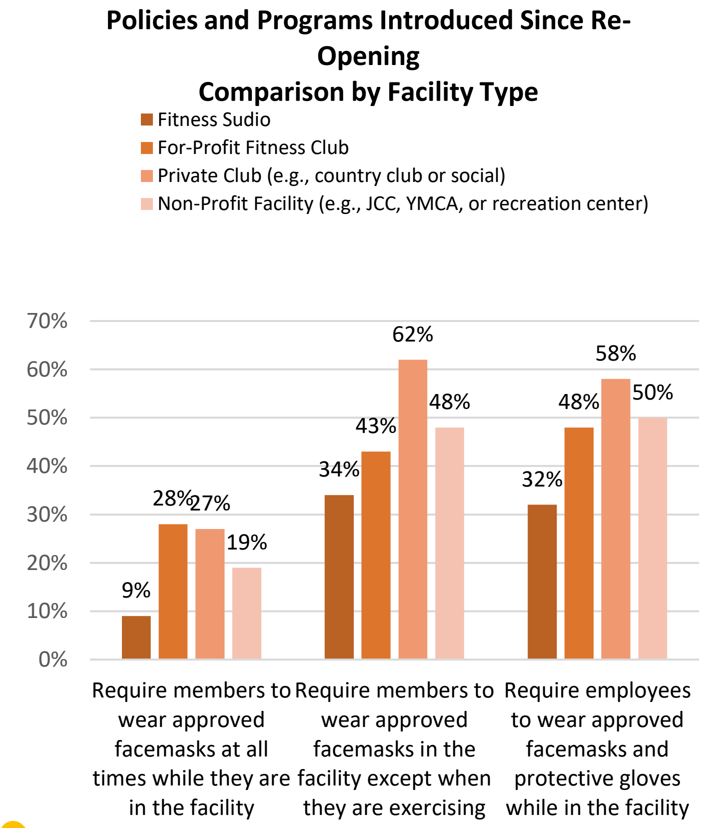
Policies, Practices and Programs to Address Employee & Member Safety

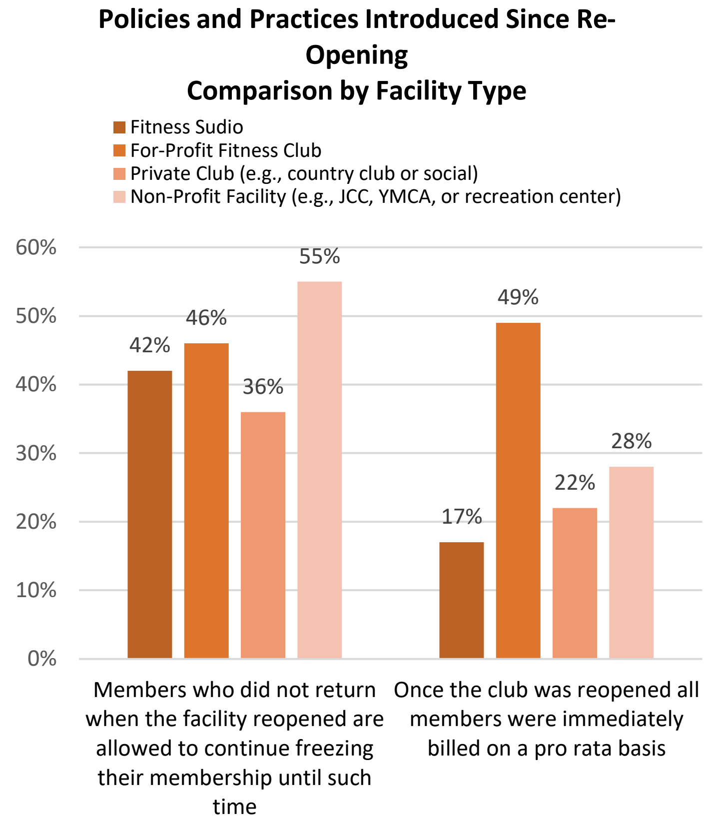
Among the important safety practices on this page recommended by health authorities for reducing the risk of Covid-19 exposure in a public gym setting, fitness studios display the lowest adoption levels among their peers in the fitness industry. Fewer than 20% of all operators have incorporated better filter systems for their facility's HVAC system. A third of operators across the four business segments have incorporated a touchless system for obtaining drinking water. With respect to taking temperatures, 50% or fewer fitness facilities have adopted this practice.



Policies, Practices and Programs to Address Employee & Member Safety

With respect to requiring members to wear a mask the entire time they are in the fitness facility, fewer than 30% of operators across business models have adopted this practice. Private clubs are the only segment where over 50% of operators report they require masks be worn in the facility except during exercise. When it comes to automatically billing members once the facility reopened, for-profit clubs were significantly more likely than the other business models (49%) to start automatic billing without regard for whether a member returned or not. Fitness studios were the least likely to start billing absent a member being present. Non-profits were the most likely to allow members to remain on freeze until they wished to come back.





Chapter Six
Stories from the Trenches

"Story, as it turns out, was crucial to our evolution – more so than opposable thumbs. Opposable thumbs let us hang on; story told us what to hang on to."
Lisa Cron, Wired for Story

Image courtesy of Stonecreek Club and Spa, Louisiana

Introduction to Stories from the Trenches

"Good stories surprise us. They make us think and feel. They stick in our minds and help us remember ideas and concepts in a way that a PowerPoint crammed with bar graphs never can."

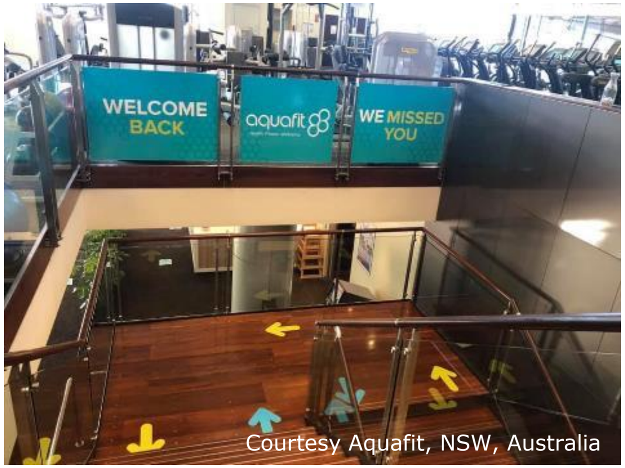
Joe Lazauskas and Shane Snow, The Storytelling Edge

Data can offer provide compelling, meaningful, and valuable insights into any topic. In this study, the data, and the information and insight it generates, provides fitness operators with a roadmap of what fitness operators around the globe have experienced due to government mandated closures, and what they are presently experiencing as they reopen post Covid-19 closures. Furthermore, the data provides clear industry benchmarks for progressing toward success in the Covid-19 era.

In their book **Karaoke Capitalism**, the authors are quoted as saying, *"Stories translate information into emotion"*. Based on this framework, we wanted to bring forward stories that add an emotional element to the data in this report. We believe these operator stories add emotional context to the peril and promise of this landmark time in the history of the fitness industry. We believe by reading these operator stories it will embed into the data emotion, and with it, inspiration and hope that fitness businesses can prevail and thrive in these difficult times.

The following fitness operators have voluntarily agreed to provide their story for this report.

- Aquatfit, NSW, Australia
- Apex Centre, McKinney, Texas
- Serious Results, Flower Mound, Texas
- Stonecreek Club & Spa, Covington, LA
- 360 Träningscenter, Skellefteå, Sweden



Courtesy Aquafit, NSW, Australia

Courtesy Aquafit, NSW, Australia

www.aquafit.com.au

Aquafit Health Fitness Wellbeing, NSW, Australia Case Study

Aquafit Heath Fitness Wellbeing is a 43,000 square foot independent club located in south west Sydney (NSW), Australia. The club's facilities include 2 indoor heated pools, 3 group fitness studios, kid's room (Creche), café and fitness floor with cardio and weight training areas.

Pre-Closure

Prior to clubs closing on March 23, 2020, Aquafit proactively commenced a series of educational and safety messaging strategies using its various social channels. These messages focused on measures the club had recently implemented to keep members safe.

The Closure Period (March 23, 2020 to June 30, 2020)

At the time of closure, the club had approximately 3,700 members. During the closing period, club management took the following steps:

- All memberships were placed on hold (freeze). All pre-paid memberships had their expiration date extended for a period of 15 weeks (period of closure).
- All staff were informed their employment would be suspended during closure.
- Upon businesses closing, the Australian government introduced a Jobkeeper wage payment scheme. Aquafit was considered an eligible business. The program allowed full-time and part-time employees to receive a wage subsidy up to $1,500 every two weeks.
- Three members of the leadership team (General Manager, Operations Manager, and Member Services Managers) worked a combination of restricted hours (both on-site and from home).
- Members were encouraged to download the Aquafit App which gave them access to workouts they could do at home. Classes were filmed using Aquafit instructors.
- On March 31st, two weeks into closing, members were given 60 days FREE access to Les Mills on Demand.

Courtesy Aquafit, NSW, Australia

www.aquafit.com.au

Aquafit Health Fitness Wellbeing, NSW, Australia Case Study

Reopening (effective July 1, 2020)
Prior to re-opening, all staff were required to undertake a full day of training. The focus of training was to educate and familiarize staff with all the changes made during closure and the Aquafit COVID Safe plan. A Welcome Back video was produced to explain all the mandated changes and demonstrate requirements for sanitisation and cleanliness.

The club conducted re-opening in two phases. The first phase ran for two weeks (July 1st to July 13th). During this period, we extended members the month of July for free. During the first phase, we established the following parameters:

- No showers were available for use.
- All members had their temperature checked upon entry.
- No guests were allowed.
- Minimal number of lockers available for use.
- Kid's area was closed.
- Bookings were required for all classes.
- A maximum capacity of 20 members per class was established.
- A 4 square meter area was applied to insure proper physical distancing in all areas of the club.

The second phase of re-opening was launched two weeks into re-opening. During this phase we introduced:

- Morning Creche hours resumed with the condition members had to book times.
- 50% of showers were re-opened.
- In compliance with NSW Government mandates, the club had COVID-19 Marshalls located in all areas of the club.

AUSTRALIAN HEALTH & FITNESS INDUSTRY QUALITY AWARDS 2015 GOLD

www.aquafit.com.au

Aquafit Health Fitness Wellbeing, NSW, Australia Case Study

aquafit
Health. Fitness. Wellbeing.

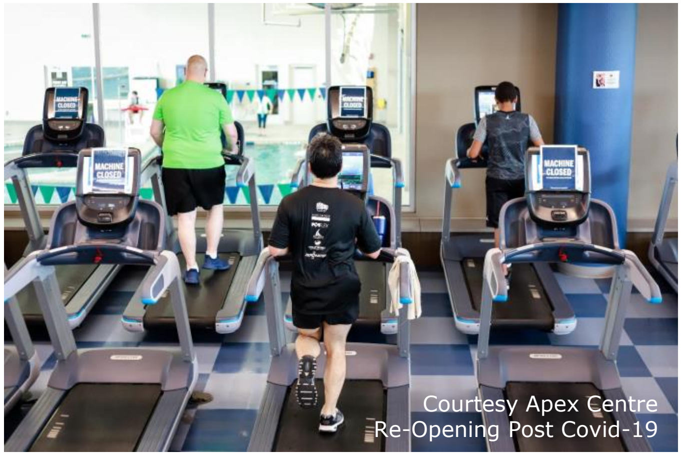
On 15 July, Aquafit received an unplanned visit from the NSW Health Department that deemed the club to be GOLD STANDARD for our efforts.

Courtesy Aquafit, NSW, Australia

Membership and Usage
As of September 2020, member visits stand at approximately 70% of pre COVID-19 levels from March and comparable to the same period in 2019. In July, there was an influx of new memberships (approximately 200 new members joined).

Over the shutdown period, there were approximately 460 cancellations in a period of 5 months. By the end of July, there was a net reduction of 100 in the membership base. Presently, Aquafit has over 500 members (approximately 14% of membership) that remain on suspension. Due to an offer of three months complimentary membership suspension, we expect most of these memberships will reactivate at the end of September.

Due to members not having to pay for the month of July, the club was not generating revenue during the first month of re-opening. As of September, the expected and comparable decline in revenue is still unknown. Wages remain at artificially low levels, due to the impact of the Jobseeker wage subsidy, which remains in place until September 27th.



Courtesy Apex Centre
Re-Opening Post Covid-19

www.mckinneytexas.org/1315/Apex-Centre

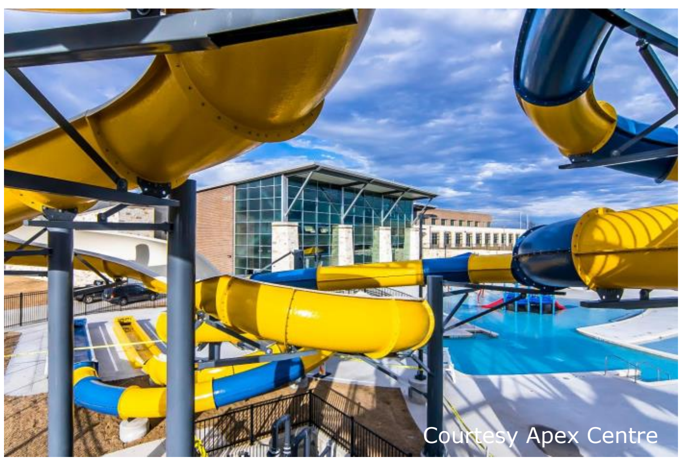
Recreation Center, McKinney, Texas Case Study

APEX CENTRE
Reach your peak.

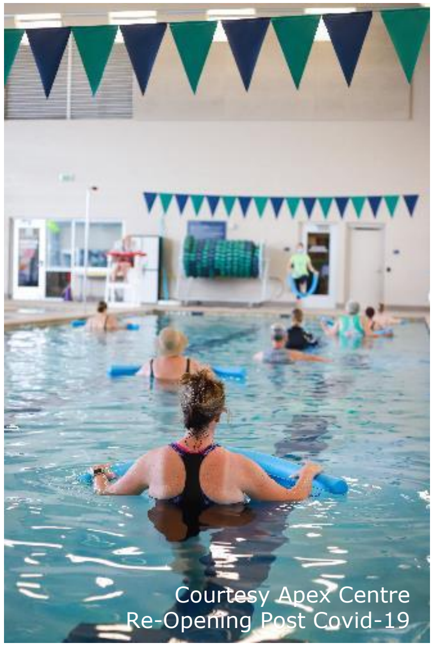
The Apex Centre is a city-based recreation center of 80,000 sq. ft. serving the City of McKinney, TX. The Apex Centre closed its doors in mid-March 2020 due to the COVID-19 Pandemic. At the time of closure, the Apex Centre served 5,400 memberships (approximately 20,000 members). The Centre remained closed till June 1, 2020 when Texas allowed health clubs, fitness centers and gyms to reopen as part of the State's Phase I plan. What follows is an overview of what occurred during closure, and now that the center has reopened, what steps have taken place as part of the Phase I and Phase II stages of reopening.

The Closure Period (March 16, 2020 to May 31, 2020)
From mid-March until the Phase I reopening on June 1, 2020 the Apex Centre did the following:

- The facility froze all memberships. For members on annual contracts, the center extended them a complimentary membership extension equal to the period the facility was closed (approximately 10 weeks).
- All full-time and part-time employees were given two weeks of COVID pay (through the end of March). In addition, personal trainers were contacted and informed that once the facility was reopened, they would be brought back. Finally, key members of management (buildings operations, finance supervisor and manager) worked restricted hours.
- The facility launched virtual group exercises classes starting the week of April 6, 2020.
- The facility participated with other community recreation centers in a variety of virtual events, including a virtual 5K run.



Courtesy Apex Centre



Courtesy Apex Centre
Re-Opening Post Covid-19

www.mckinneytexas.org/1315/Apex-Centre

Recreation Center, McKinney, Texas
Case Study

Re-Opening Story (starting May 18, 2020)

Prior to reopening for members on June 1, 2020, the staff were brought back starting on May 18, 2020 for two-weeks of training. Management developed a Re-opening Playbook which was distributed to all employees. The Playbook served as the foundation for staff training, staff behavior and facility care, both prior to re-opening and during each phase of the re-opening process.

Key Bullets from Reopening Playbook for Staff

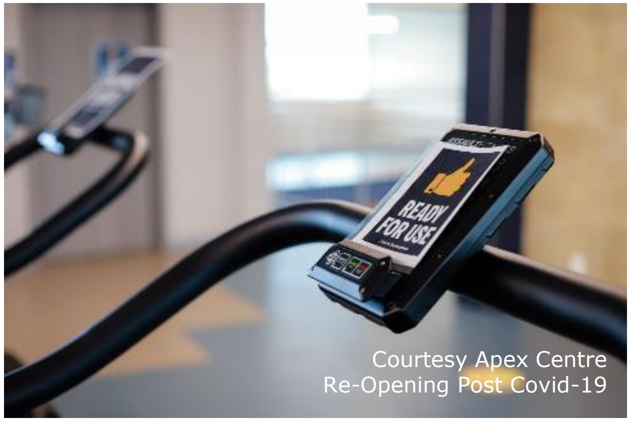
- All staff were required to complete Covid-19 training courses.
- Staff were required to self-monitor temperature prior to arriving at work or may have temperature checked at arrival.
- All staff required to wear masks and gloves while on duty.
- Sanitation stations were made available throughout the facility including staff break areas, offices, etc.
- Floor staff serve as "compliance officers". They monitor social distancing guidelines and address member concerns.
- All employees are assigned to disinfect all high-touch areas during their shift.

Phase I Re-Opening for Members (June 1, 2020)

During the phase I process, the State of Texas established the following guidelines:

- Limit capacity to 25% of total occupancy capacity.
- Require 6 feet for social distancing.
- Showers closed till June 8 (one week post re-opening).
- Basketball courts allowed to open with maximum of two people per hoop.
- Indoor aquatics areas allowed to open June 8 (one-week after reopening) for lap swimming and water exercise only.
- Outdoor aquatics areas allowed to open June 29 (four weeks after door re-opened).
- Summer Camp Canceled.

Courtesy Apex Centre
Re-Opening Post Covid-19

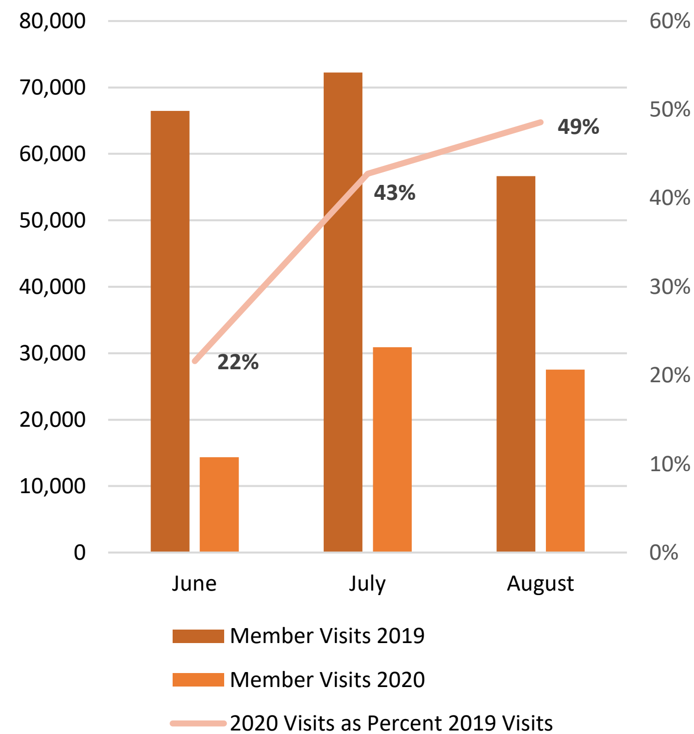


Courtesy Apex Centre
Re-Opening Post Covid-19

www.mckinneytexas.org/1315/Apex-Centre

Recreation Center, McKinney, Texas
Case Study

Comparison of Member Visits for First 90 days of Reopening Post-Covid-19 and Prior Year



Phase II Re-Opening for Members (June 29, 2020 and currently ongoing phase)

During the phase II process, the State of Texas established the following guidelines:

- Limit capacity to 50% of total occupancy capacity.
- Require 6 feet for social distancing.
- Indoor aquatic areas remain open for lap swimming and water exercise only.
- Outdoor Pool open but operating at 25% occupancy to allow for proper social distancing.
- Children's playroom allowed to open.

Upon entering Phase II, management started billing members effective July 1, 2020.

Memberships and Usage After Re-Opening

As of September 1, 2020, 90 days after re-opening, the center has reached 65% of its prior year membership levels and 50% of individual members. Year-to-date, membership freezes are up 313% over prior year. As of September, approximately 30% of the facility's current members are actively using the facility.

For the months of June, July and August, the facility experienced 14,369, 30,903 and 27,517 visits respectively compared to 66,483, 72,240 and 56,639 for prior year (see graph).

Revenues After Re-Opening

With respect to annualized revenue performance, in fiscal year 2019 (October 1, 2018 to September 30, 2019) revenues were $5,068,621. For fiscal year 2020 (October 1, 2019 to September 30, 2020) revenues are projected to be $2,800,000, or 55% of prior year (45% decline in annualized revenue).

Courtesy Serious Results
Before Covid-19 Closure


Courtesy Serious Results
Before Covid-19 Closure

www.serious-results.com

Serious Results Personal Training Studio
Flower Mond, Texas

Serious Results is a 3,300-sqft boutique personal training studio located in Flower Mound, TX. Serious Results closed its doors March 18, 2020, by government mandate due to the COVID-19 Pandemic. At the time of closure, Serious Results was home base to 8 independent personal trainers, 3 staff trainers, and served hundreds of clients, in-person and remotely.

During Closure

While Serious Results' doors were closed, the following actions were taken:

- Equipment was loaned out to current clients, with a request of a donation in exchange.
- Remote coaching services were expanded to clients who wanted them, at a reduced fee (approx. 60%) from their typical in-person training fees.
- Check-ins were still requested of clients & were done on a bi-weekly basis. Check-ins included objective measurements and subjective indicators of progress, as well as coaching guidance on how to continue progressing with their program.
- Ownership stayed abreast of state and national updates on COVID-19 guidelines and began acquiring recommended health tools (thermometers, disinfectant spray, and wipes).
- Virtual happy hours and Facebook Group contests were held to maintain social & competitive interactions among client/members.

Courtesy Serious Results
Before Covid-19 Closure

www.serious-results.com

Serious Results Personal Training Studio
Flower Mond, Texas

During Closure continued

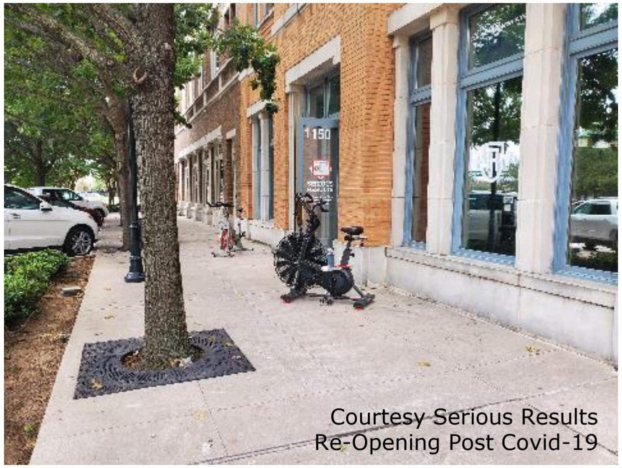
- Billing was stopped for any client who chose not to be a part of the studio’s remote coaching and accountability programs. Several clients chose to continue paying the full amount of their fee, and some even paid for several months in advance, stating, “I want to be sure you come back.”
- Employees were paid the remainder of their accumulated personal time off (PTO).
- Once financial assistance from the Payroll Protection Program came through, employees were paid in full for the missed weeks.
- Studio received a grant from Denton county that enabled ownership to purchase air purifiers for re-opening and provide for other expense coverage, including payroll.

Re-Opening

Prior to reopening on May 18, 2020, the staff and independent coaches were brought back for training that addressed how to clean the facilities and how to ensure physical distancing guidelines are met. Serious Results also instituted the following guidelines that went into effect when the studio re-opened:

- Staff are required to wear facial coverings while coaching.
- Staff are required to self-monitor symptoms prior to coming to work each day.
- Staff are required to clean equipment before and after client visits and wash hands between clients.

Courtesy Serious Results
After Covid-19 Closure



Courtesy Serious Results
Re-Opening Post Covid-19

www.serious-results.com

Serious Results Personal Training Studio
Flower Mond, Texas

Re-Opening continued

- Sanitation stations are available throughout the facility including the exercise floor, staff break areas, offices, etc.
- Virtual happy hours and Facebook Group contests were held to maintain social & competitive interactions among client/members.
- Mobile cardio equipment is taken outside for use during the day to reduce the number of machines operating indoors and to allow for proper physical distancing.
- Boxes are taped on the floors to provide proper physical distancing guidelines for coaches and clients.
- The closing supervisor gives all equipment a final disinfectant fog treatment.

Client's, Employees and Revenues after Re-Opening

- 60% of independent coaches returned.
- Serious Results employee levels are 100% of pre-closure levels.
- In April, at the height of closure, client/member levels were at 50% of pre-closure levels.
- As of September 1st, client/member numbers have returned to 100% of pre-closure levels.
- Pre-closure, the studio was on pace to achieve annualized revenues of $350,000
- As of September 1st, annualized revenues are projected to reach $270,000; a reduction of 23% of pre-Covid-19 annualized projections.

Courtesy Stonecreek Club & Spa
Re-Opening Post Covid-19

Courtesy Stonecreek Club & Spa
Re-Opening Post Covid-19

www.stonecreekclubandspa.com

Stonecreek Club & Spa, Covington, LA Case Study

Stonecreek Club and Spa is a premium multipurpose club located in Covington, LA. The club opened its doors in 2008. The club's amenities include five group fitness studios, fitness floor, wet areas, outdoor saltwater pool, a luxurious spa, café, 14 tennis courts, and 4 pickleball courts.

Closure Story

The club initially closed to members in Mid - March as mandated by the State of Louisiana. The club remained closed to member traffic for 60 days. During the 60 days the club was closed, members were not charged dues. Members also received a credit for the two weeks of dues they paid in March due to the club's billing cycle. The club's goal was to make sure members had a hassle-free experience. While the club was closed, we provided complimentary on-demand classes for members. Furthermore, the owners decided to continue paying employees throughout the period of closure. If the closure had extended beyond 60 days, the owners and management had a plan in place to modify staffing levels and accompanying payroll by either reducing team member compensation and/or put in place policies that would require staff to generate ancillary revenues that would result in commissions for the staff

When the club was required to close due to Covid-19, management produced a budget to cover aspects of the closure period for up to 90 days.

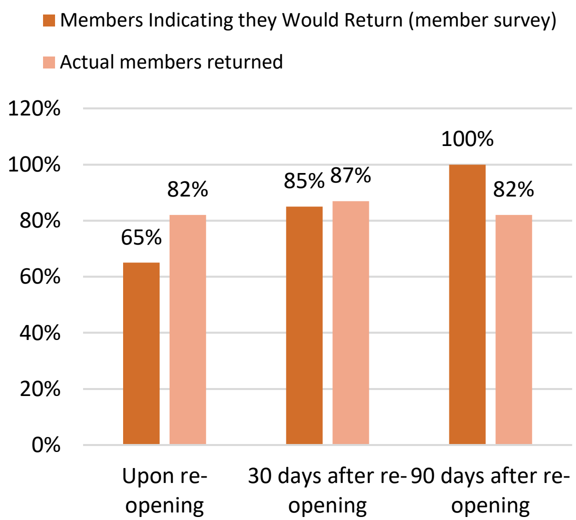
Reopening Story (effective May 16th)

Prior to the actual re-opening, management produced a budget to address re-opening and the balance of the 2020 calendar year. The budget had to be revised several times due to changes in the State's re-opening process. Management estimated at opening the club would have 90% of its members back (being billed). To validate this assumption, management conducted a member survey.

www.stonecreekclubandspa.com

Stonecreek Club & Spa, Covington, LA
Case Study

Stonecreek
Member Return After Re-Opening
Comparison of What Members Said in
Survey and What Actually Happened



The survey results indicated that 65% of the membership would come back initially, 85% after 30 days, and nearly 100% by day 90. Management decided to allow people to say on hold at no fee until the State and club reached Phase III status. At this stage, our normal policy would go into effect where it is $50 a month to hold unless for a medical reason supported by a physician. As of September 1, 2020, the club has slightly more than 300 memberships on hold.

Membership After Re-Opening

The club reopened for members on May 15th in accordance with the States reopening guidelines. By our June 1st billing (club officially re-opened on May 15, 2020, the club had 82% of its membership return. By the July 1st billing, 87% of the membership had returned. By late July, the Covid-19 numbers in the State started climbing and a mask mandate was put into effect for the members (employees already had to wear masks). The club's membership numbers declined slightly as a result, averaging 82% through August. On Sept. 1, the club was back up to 87%. Management expects to go to Phase III in mid to late September. We are forecasting to reach 89% of the club's pre-Covid-19 membership by Oct. 1st, 93% by November 1st, and between 95% and 97% by year-end. Membership sales have exceeded 2019's numbers each month since re-opening. The club had its biggest sales month ever this August (had a membership special through our employees). The club's daily usage numbers and departmental revenues are also strong. Total club revenues are approximately 90% of what they were for the same period last year. Active members are using the club more often and are spending money in the club. Most of our trainers and tennis Pros are back to their pre – Covid-19 levels. The club spa had its best July ever and has had excellent performance each month since re-opening.

www.stonecreekclubandspa.com

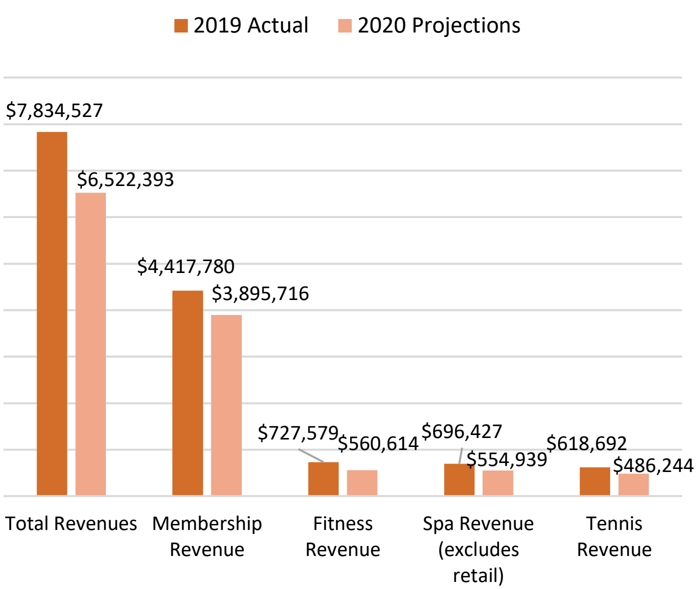
Stonecreek Club & Spa, Covington, LA
Case Study

Revenues After Re-Opening

For the 2019 fiscal year the club generated $7.834 million. For 2020 total revenues are projected to reach $6.522 million, or 83% of 2019's actual revenues (see graph on page). When revenues are viewed collectively and by revenue area, the club saw the following variances in 2020 from 2019:

- Dues and fees projected at 88% of 2019 achievement
- Fitness revenues projected at 77% of 2019 achievement
- Spa revenues projected at 80% of 2019 achievement
- Tennis revenues projected at 79% of 2019 achievement.

Estimated 2020 Revenue Performance Compared to 2019 Revenues



Public Advocacy Work to Get Open

Since Covid-10 first struck, ownership and management decided to get involved in the process. We contacted the Parish and the State, eventually being appointed to the State Task Force representing all Health Clubs/Studios. We were very successful in this process, convincing the State and the Parish to allow clubs and studios to reopen in Phase I (originally the State had clubs reopening in Phase II). In addition to getting clubs included in Phase I, we also were able to negotiate to allow clubs and studios to open the pools, showers, and group fitness rooms. Management worked with other local health clubs (our friendly competitors) to work out this process and the best practices everyone would follow (if one of us operated irresponsibly, it could affect all of us). The State accepted our guidelines (limited in scope) for re-opening. Not included in the Phase I re-opening were saunas, steam rooms, and whirlpools. In addition, the guidelines set forth that there could only be one lap swimmer per lane, no recreational swimming. The process worked very well and despite the State's mandate for members to wear masks while exercising, they decided not to enforce this guideline if operators kept equipment spaced out properly, and operators mandated that masks be worn in other zones of the club, except locker room wet areas and outdoors.

Skellefteå, Sweden

Courtesy 360 Traningscenter

www.360tc.se

360 Träningscenter, Skellefteå, Sweden

360 Träningscenter, located in the north of Sweden, operates four clubs. Two of the clubs are full-service premium clubs and two are smaller self-service low-cost clubs. The company's first club opened in 2009. Collectively the four clubs serve approximately 5,000 members.

Covid-10 Arrives (March to April 2020)

At the beginning of March, coinciding with the spread of Covid-19, the Swedish government imposed certain restrictions to reduce the spread of Covid-19 among the Swedish people. Among the restrictions imposed by the government were: Individuals 70 and older were ordered to stay at home, everybody was required to maintain the proper social distance in public, wash hands, work from home if they could, and finally, gatherings were limited to a maximum of 50 people. However, Sweden never locked down, allowing schools and businesses to remain open. The government's strategy was to empower the Swedish people to cope with the pandemic, believing that citizens would take the proper steps to minimize the spread of the virus.

The ownership of 360 Training Center decided to follow the lead of the Swedish government, empowering our members to follow government guidelines and stay on their exercise routine whilst feeling safe. However, the imposed restrictions affected us in several ways.

- Group classes were limited to 50% capacity to support proper physical distancing.
- Adults over age 70 could no longer come to our clubs.
- Members felt anxious about renewing their memberships and new sales dropped by 30% in March and April.

Courtesy 360 Traningscenter

www.360tc.se

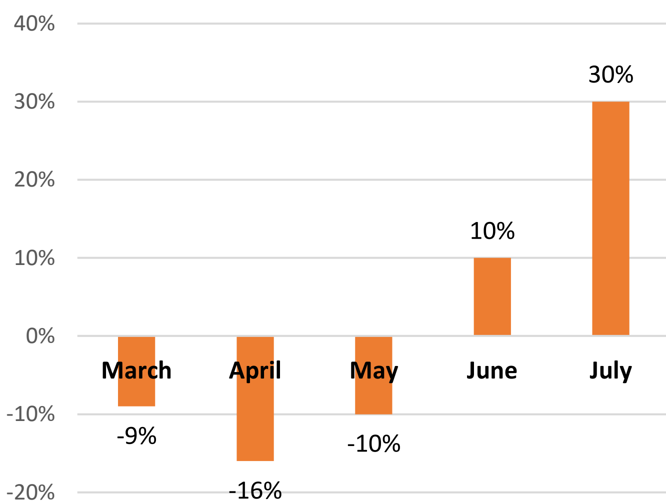
360 Träningscenter, Skellefteå, Sweden

Management made the decision to put complimentary holds on memberships for all members over age 70, as well as members in risk groups stated by the Swedish health authorities. Other members could hold their membership per our normal policy (10€ per month). Five percent of our members chose to hold their membership during this period.

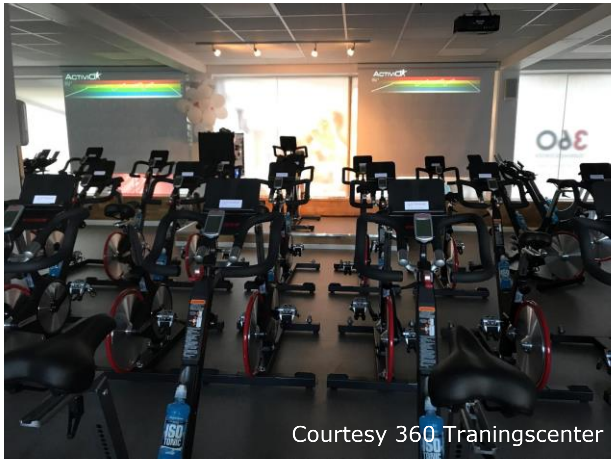
The greatest challenge during March and April was gaining member confidence. We also learned that being consistent, following guidelines and being sensitive with our communication was crucial, and in hindsight, played a big role in the company's fast recovery.

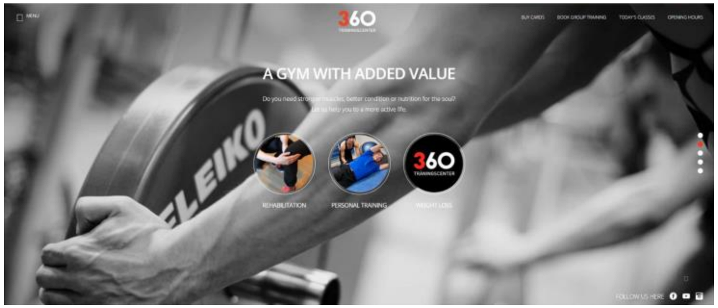
In March, member visits declined by 9%, and in April by 16%. Our retention rate during this period was 88%.

Member Visits Compared to Prior
March to August 2020



The Recovery Period (May to June 2020)
At the beginning of June infections rates in Sweden dropped significantly. As a result, the company saw a corresponding increase in member returns. During a normal summer (three months), due to 24 hours of daylight and excellent weather, the company sees a large portion of members put their memberships on hold as they pursue activities outside. This year was different. Member visits were down 10% in May, but by June, member visits were up 10%. By the end of June, our clubs had fully recovered, and revenue was up 8% YTD.


Courtesy 360 Traningscenter




Courtesy 360 Traningscenter

www.360tc.se

360 Träningscenter, Skellefteå, Sweden

The Bounce Back Period (July to August 2020)
July ended with new sales up 6% and visits up 30% over prior year. By the end of August memberships were up 4% YTD and revenue up 12% YTD. The increased revenue was the result of increased sales and an increase in non-dues revenues.

The Current State of Affairs

The restrictions that were put in place by the government at the beginning of March are still in place. Group classes are still limited to 50% capacity. Members maintain proper physical distancing and stay home if they feel sick. Apart from that it is business as usual, with the upside that members clean their equipment and wash their hands regularly. Personal training sales have risen due to a different mix of members. As of September 21, 2020, we are forecasting 2020 YE revenue to increase by 15% with an overall net profit of 14%.

Chapter Seven

Summary of Study Conducted by German Fitness Association

“Leben heißt nicht zu warten, bis der Sturm vorbeizieht, sondern lernen, im Regen zu tanzen.”

Life isn’t about waiting for the storm to pass, but about learning to dance in the rain.”

Image courtesy of Prime Fitness, Germany

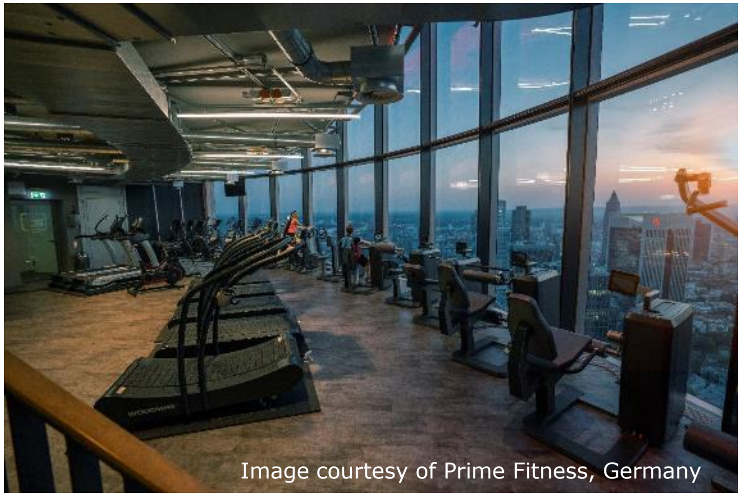
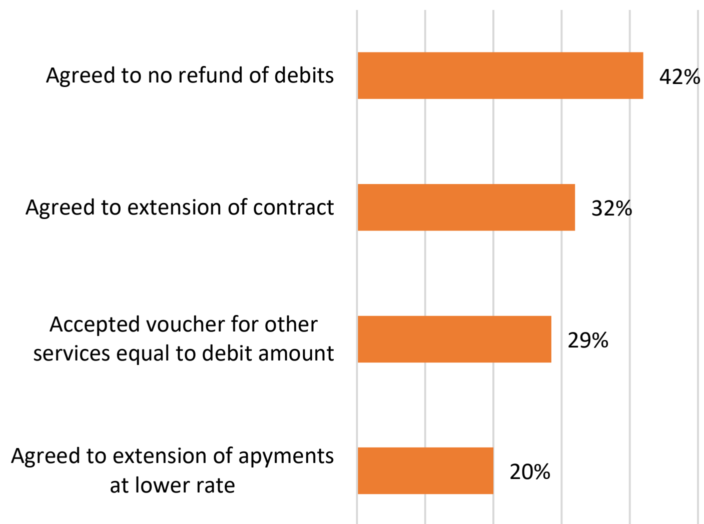


Image courtesy of Prime Fitness, Germany

https://www.dssv.de

German Fitness Association
Summary of Insights from Study entitled
Economic and Structural Impact of Covid-19 on Fitness and Health in Germany

Members Who Paid Full or Partial Dues During Closure
What Members Agreed to as Compensation



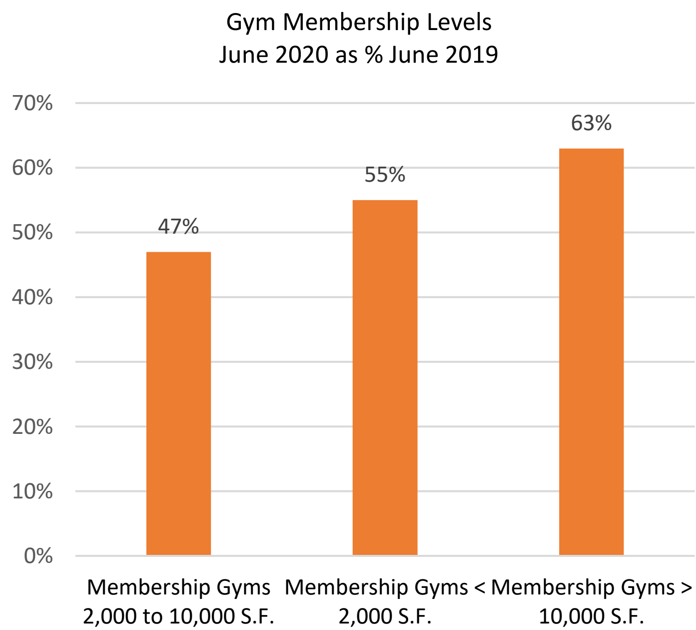
Topline Insights from Report

- For gyms under 10,000 square feet the average number of members on December 31, 2019 was 1.07 times the number of members on June 30,2020. The average number of members as of June 30, 2020 was 93% of what it was at YE 2019.
- For gyms between 10,000 and 20,000 square feet the #members on December 31, 2020 was 1.06 times what it was on June 30, 2020. The average membership was 94.48% on June 30, 2020 of what it was at YE 2019.
- For gyms over 20,000 square feet membership YE 2019 was 1.16 times what it was on June 30, 2020. The average membership was 86.35% of YE 2019 level.
- For the first week of re-openings for gyms larger than 10,000 square feet, member check-in figures reached 41.51% of pre-Covid-19 levels.
- For the first week of re-openings for gyms ranging from 2,000 to 10,000 square feet, member check-in figures reached 38.74% or pre-Covid-19 levels. For gyms larger than 20,000 square feet, member check in figures reached 49.62% of pre-corona levels.
- From the first week of reopening in June, average weekly check-in figures have increased as follows based on gym square footage: 1.4x increase for gyms over 10,000 square feet and 1.5x increase for gyms 2,000 to 10,000 square feet.

Image courtesy of Oase Fitness, Germany

https://www.dssv.de

German Fitness Association Summary of Insights from Study entitled Economic and Structural Impact of Covid-19 on Fitness and Health in Germany



Topline Insights from Report

- A large portion of gyms debited at least 50% of member contributions each month during closure. In April, approximately 82% of members agreed to be debited 50% or more of their original dues and 62.5% of members agreed to be debited 100%.

- Peak cancellations in May, compared to prior year, were 1.63 times higher for gyms larger than 10,000 square feet; 1.56x higher for gyms 2000 to 10,000 square feet, and for gyms under 2000 square feet, 3.03x higher compared to prior year.

- Cancellations in June, compared to prior year, were 1.1x greater for gyms larger than 10,000 square feet; 1.05x greater for gyms 2,000 to 10,000 square feet, and 1.48x greater for gyms under 2,000 square feet.

- For March 2019 membership #numbers were 2.23x more than March 2020. In June 2019 membership numbers were 1.6x higher for gyms larger than 10,000 square feet; 2.14x higher for gyms of 2,000 to 10,000 square feet and 1.81x higher for gyms under 2,000 square feet.

- In June 2020, gyms reached the following percent of pre-Covid-19 levels of new membership sales in the opening month of June: 97% for gyms larger than 10,000 square feet; 80% for gyms between 2,000 to 10,000 square feet; and 95% for gyms under 2,000 square feet.

ClubIntel - A Brand Insights and Strategic Consulting Company

”The best vision is insight.”
Malcolm Forbes

ClubIntel https://www.club-intel.com/ is a brand and consumer insights firm serving the health/fitness facility industry, including commercial clubs, fitness studios, private clubs and recreation centers. Our leadership team of Stephen Tharrett and Mark Williamson have extensive industry knowledge with a combined 60+ years of experience. We are passionate about helping clients understand, appreciate and leverage the needs and wants of their respective audiences in delivering a uniquely differentiated and successful value proposition.

We offer a host of custom solution-driven services that provide the insight, inspiration and impact to enrich your business' value proposition and operations in order to succeed in a hyper-competitive and quickly evolving marketplace.