





Financial Results of Benefit Systems Group for 1H 2019

23rd of August 2019



Benefit Systems Group: strong long-term fundamentals for growth

	Poland 	Foreign markets 
Long term strategic positioning	<p>Strong market position:</p> <ul style="list-style-type: none"> - The best product on a growing sport cards market - Core business – attractive profitability with moderate investment expenditures - Largest fitness clubs network in Poland – exclusivity in strategic locations in key agglomerations in Poland 	<p>Czech Republic, Bulgaria, Slovakia, Croatia:</p> <ul style="list-style-type: none"> - Scale of operations and pace of growth above expectations - Market potential similar to Poland - Expected EBIT break-even of the segment in 2021 - Expected lower scope of investments in fitness clubs in the long-term
Current operating and financial challenges	<ul style="list-style-type: none"> - Integration of acquired fitness chains - Increase in B2C sales in clubs 	<ul style="list-style-type: none"> - Early stage of development on 2 markets - B2C sales below expectations

Solid long-term strategic positioning and strong fundamentals for growth

2019: B2C sales in clubs below expectations, costs of two new markets

Current challenges vs. long-term prospects

**Growt in the number of cards: +21% yoy;
short-term margin pressure**

Poland

- impact of Sunday trading ban
- costs of 36 clubs opened within last 18 months, taking over of management of 48 clubs in 2018
- decline in B2C sales in 14 clubs acquired in Nov. and club closures for maintenance works in 2019
- B2C sales in fitness clubs below expectations
- conclusion of the integration of acquired fitness chains will allow for full cost optimization

Foreign markets

- costs of two new markets
- scaling up of sales (growth in SG&As)
- development of management teams in anticipation of future growth
- low B2C sales in clubs

**Long-term
perspective:**

New management team started actions aimed at increasing sales as well as cost optimization

Profitable business on attractive, growing markets

EBITDA (excl. IFRS 16) at +5% yoy in 2Q19

(mn PLN)	2Q18	2Q19	yoy	1H18	1H19	yoy
Sales	300.3	377.8	26%	582.0	735.5	26%
Gross profit on sales	84.8	99.5	17%	155.4	183.6	18%
EBITDA	45.8	80.1	75%	84.4	161.6	92%
EBITDA (excl. IFRS 16)	45.8	48.1	5%	84.4	97.8	16%
EBIT	36.1	37.9	5%	64.6	69.8	8%
EBIT (excl. IFRS 16)	36.1	35.2	-2%	64.6	64.7	0%
Pre-tax profit	34.6	50.1	45%	62.4	70.9	14%
Pre-tax profit (excl. IFRS 16)	34.6	52.2	51%	62.4	75.8	21%
Net profit*	24.3	39.9	64%	46.0	56.2	22%

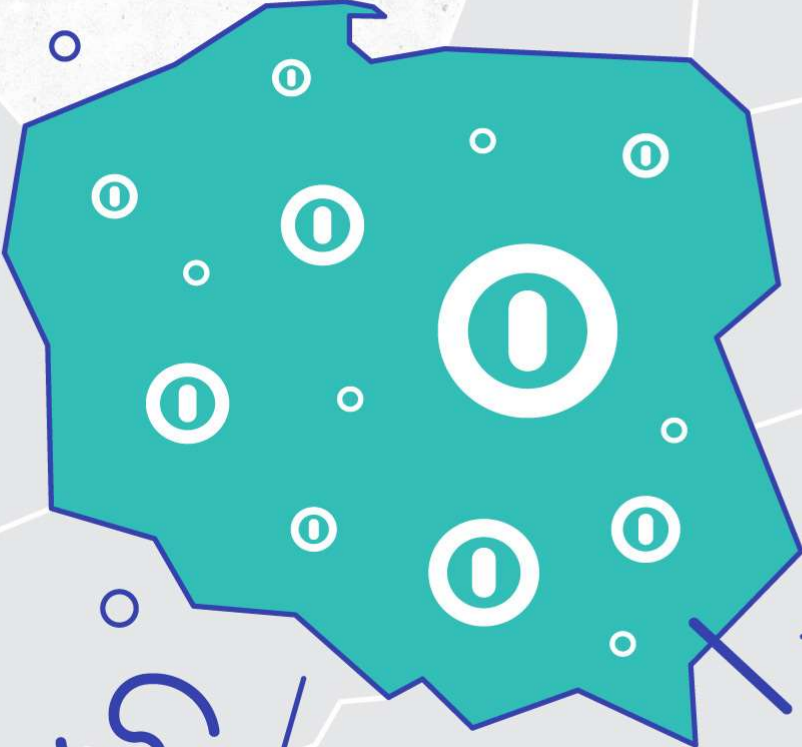
- Revenue growth due to: higher number of cards (+21% yoy), new clubs (24 new locations vs. 2Q18) and M&As in 2018.
- Pressure on margins in Poland and Foreign markets.
- Other factors (one-offs):
 - Valuation of conditional liabilities [earn-outs] (+9.8mn)
 - FX differences (+4.9mn)

* Net income attributable to equity holders of the Parent Company

Segment results in 2Q19

EBITDA (mn PLN)	2Q18	2Q19	yoy	2Q19 (excl. IFRS16)	yoy	
Poland	52.2	77.5	49%	51.6	-1%	(-) higher user activity; increase in SG&As
Foreign	-2.8	0.9	-	-4.5	-	(-) costs of new countries; higher number of clubs
Cafeteria	0.9	1.2	32%	0.7	-22%	(-) more FTE's; increase in D&A
Others	-4.4	0.6	-	0.3	-	(+) lower valuation of Incentive Program
TOTAL	45.8	80.1	75%	48.1	5%	

**Segment
Poland**



Sport cards in Poland: number of cards at +14% yoy in 2Q19

Number of cards (ths.)

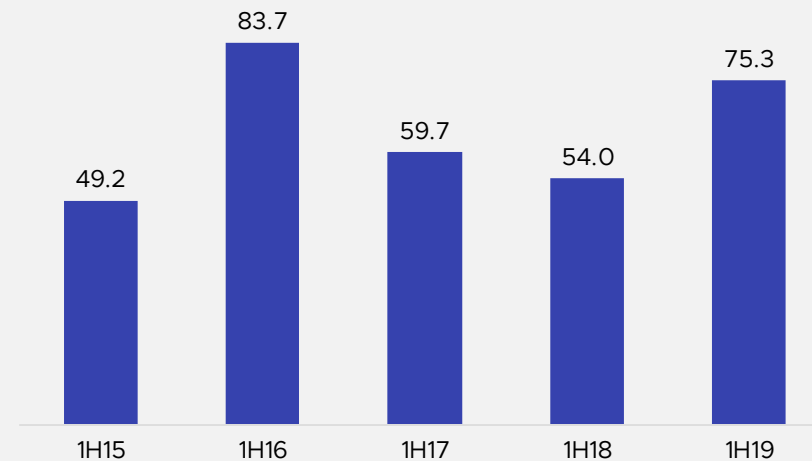


Sport cards: +14% yoy in 2Q19

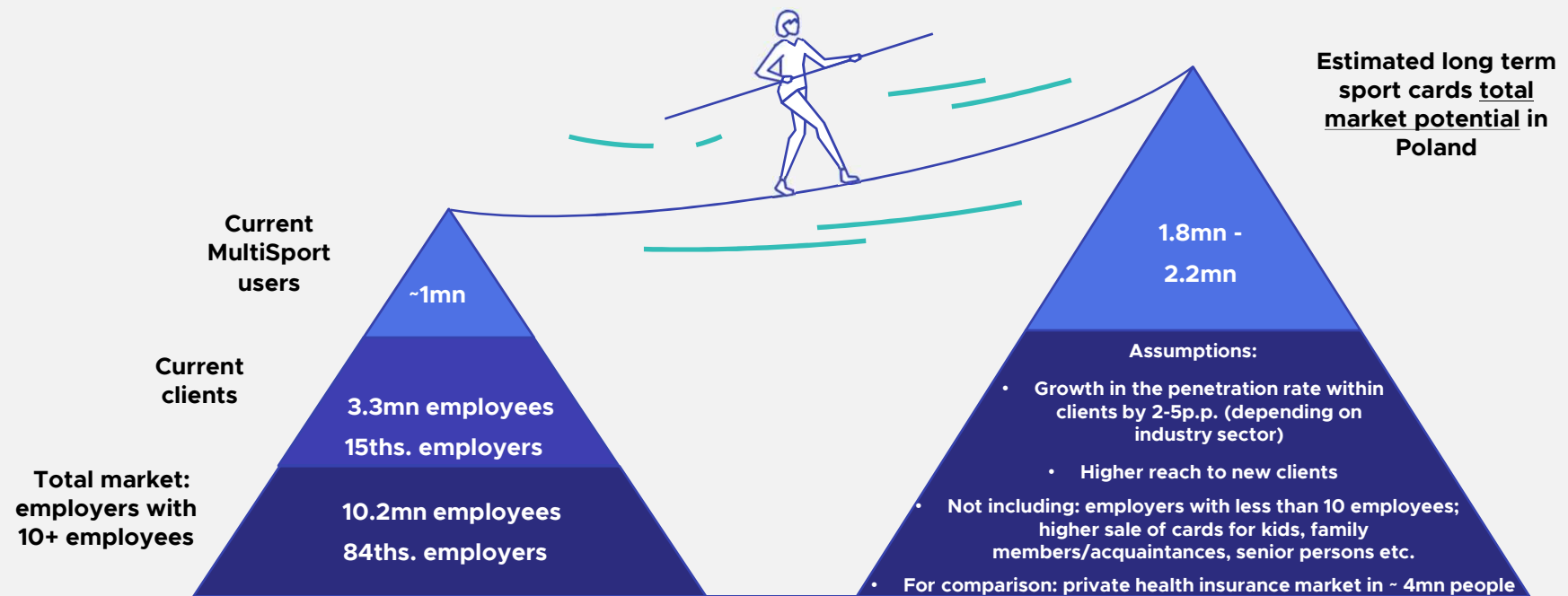
Growth in cards in 2Q19 supported by:

- Filling vacancies in sales teams (around 2018-end)
- Summer action (Letnia Gra MultiSport) started in June (in 2018 – July)
 - In 2019 we have a similar concept and comparable budget vs. to 2018
- Extra additions from a sizable contract signed in 2018
- Long-term factors:
 - Supportive labour market environment
 - Strong social trends of physical activity and healthy lifestyle.

Number of net additions in 1H (ths.)



Poland: we estimate total market potential at 1.8 – 2.2mn cards



Long term factors supporting growth in sport cards sales

Active and healthy lifestyle trends:

- Increasing awareness of employers of how physical activity positively affects employees
- At present, ca. 21mn of Poles (64%) is estimated to be physically active (MultiSport Index 2019)

Change in positioning of MultiSport brand

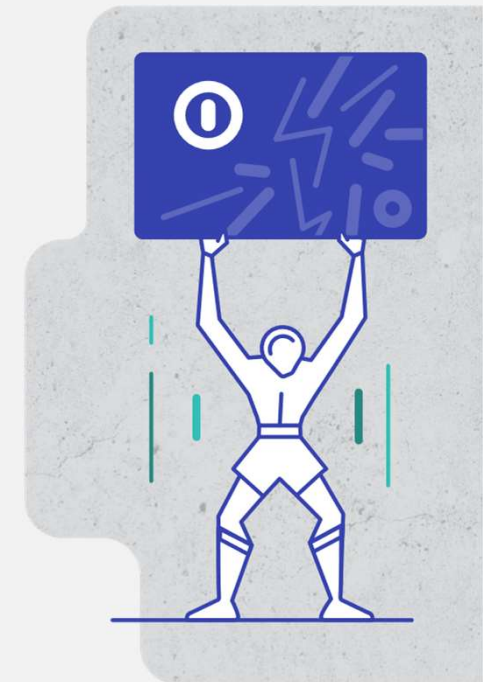
- From an employee benefit for large, affluent corporations to a product adequate for broad range of employees and for most of industry sectors

Supportive macro environment / labour market trends:

- Low unemployment rate (5.3% in June 2019)
- Growth in the number of people employed in Poland (+1mn from 2014)

Growth in the non-wage benefits funds:

- 10.8bn in 2016, 11.3bn in 2017, 12.2bn in 2018.
- 87% employees in Poland receive non-wage benefits (in companies and institutions with at least 10 employees).
- Annual value per employee +4% yoy to PLN 1995 in 2018*



Long term factors supporting growth in sport cards sales

Broadening of the offer of the flagship product

- We are continuously growing the network of sport facilities (at present over 4.4 thousand) and activities (more than 25 activities and sport disciplines)
- MultiSport card is being extended with services associated with active and healthy lifestyle (among others: guidebooks, diet plans, city bikes, seasonal e.g. holiday offers)



MultiSport is a product for all age groups:

- MultiSport Program (cards for adults and kids) is being extended with offers for new age groups (e.g. seniors in 2018)

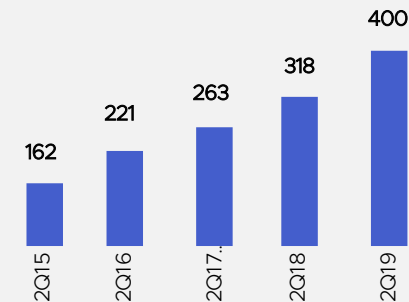
Price segmentation of cards:

- Allows for extending the client base with smaller companies and industry sectors with limited HR budgets for non-wage benefits

Others:

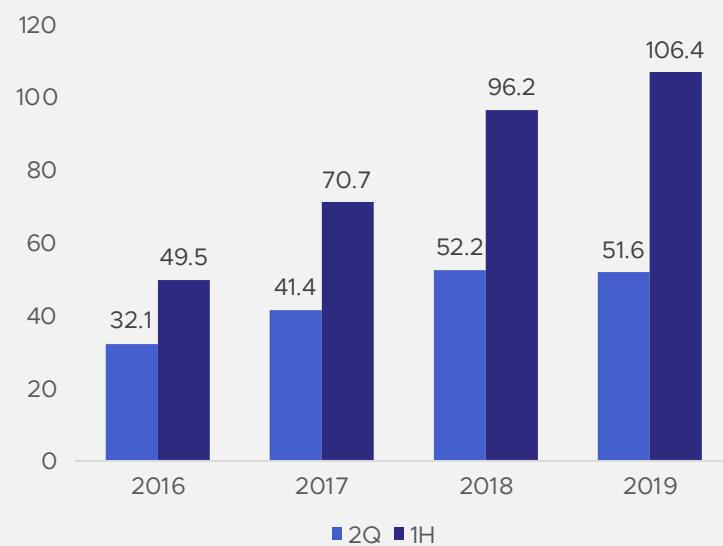
- Cafeteria platforms support long-term relations with HR departments

Users of Cafeterias (ths.)

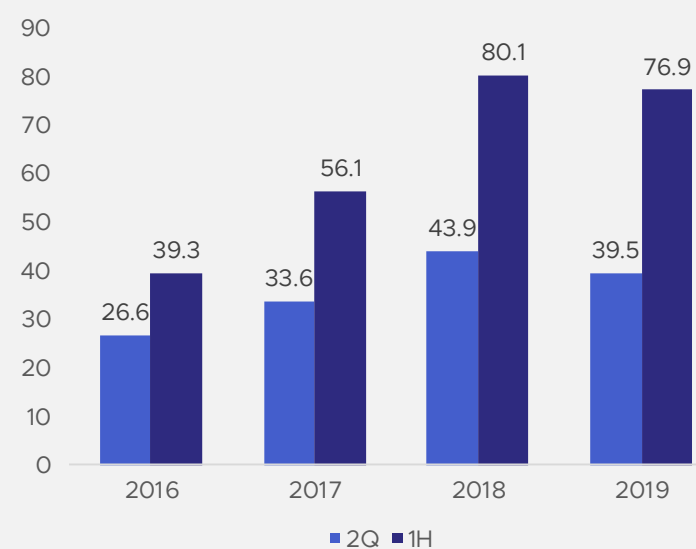


Poland: adj. EBITDA at a comparable level yoy in 2Q19

Adj. EBITDA*



Adj. EBIT*



* Adjusted for IFRS 16 impact and for one-offs.
 In 2019 positive impact on EBITDA from consolidation of Benefit Partners (negligible impact on EBIT)

Poland: revenues +21% yoy in 2Q19

(mn PLN)	2Q18	2Q19	yoy	1H18	1H19	yoy
Poland	244.1	295.3	21%	476.1	580.1	22%
Cards	213.3	244.7	15%	417.0	478.2	15%
Clubs	61.8	93.1	51%	117.4	190.6	62%
Eliminations	-31.1	-42.5		-58.2	-88.7	
Number of cards	919.5	1 046.5	14%			
Number of clubs	110	153	39%			

Growth in revenues in 2Q19:

- Driven by growth in the number of cards (+14% yoy)
- Higher scope of consolidation of fitness clubs (14 Calypso clubs and FitFabric)
- 18 clubs opened within the last 4 quarters

Polska: EBITDA (excl. IFRS 16) in 2Q19 at a comparable level yoy

(mn PLN)	2Q18	2Q19	yoy	1H18	1H19	yoy
Revenues	244.1	295.3	21%	476.1	580.1	22%
Gross profit on sales	70.6	81.7	16%	131.3	152.6	16%
Margin on sales	28.9%	27.6%	-1,3 p.p.	27.6%	26.3%	-1,3 p.p.
SG&A	-27.0	-34.4	27%	-50.7	-65.9	30%
EBITDA	52.2	77.5	49%	96.2	158.6	65%
EBITDA (excl. IFRS 16)	52.2	51.6	-1%	96.2	106.4	11%
EBIT	43.9	41.5	-5%	80.1	80.8	1%
EBIT (excl. IFRS 16)	43.9	39.5	-10%	80.1	76.9	-4%

Gross margin in 2Q19:

- Slightly higher activity of cards users – Sunday trading ban impact (among others)
- B2C sales below expectations; costs of new clubs
- Growth in personnel cost

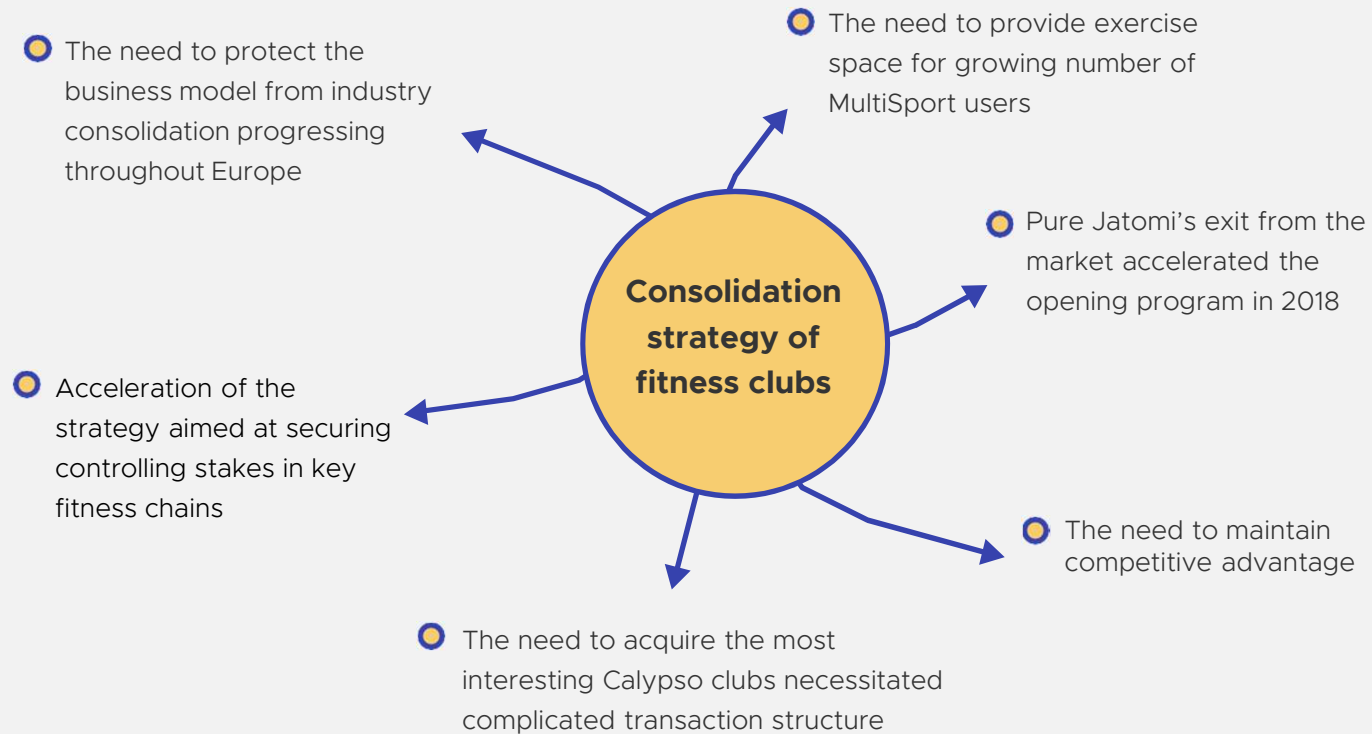
Growth in SG&As in 2Q19:

- Increased scale of fitness operations
- More FTEs in sports cards.

Other factors:

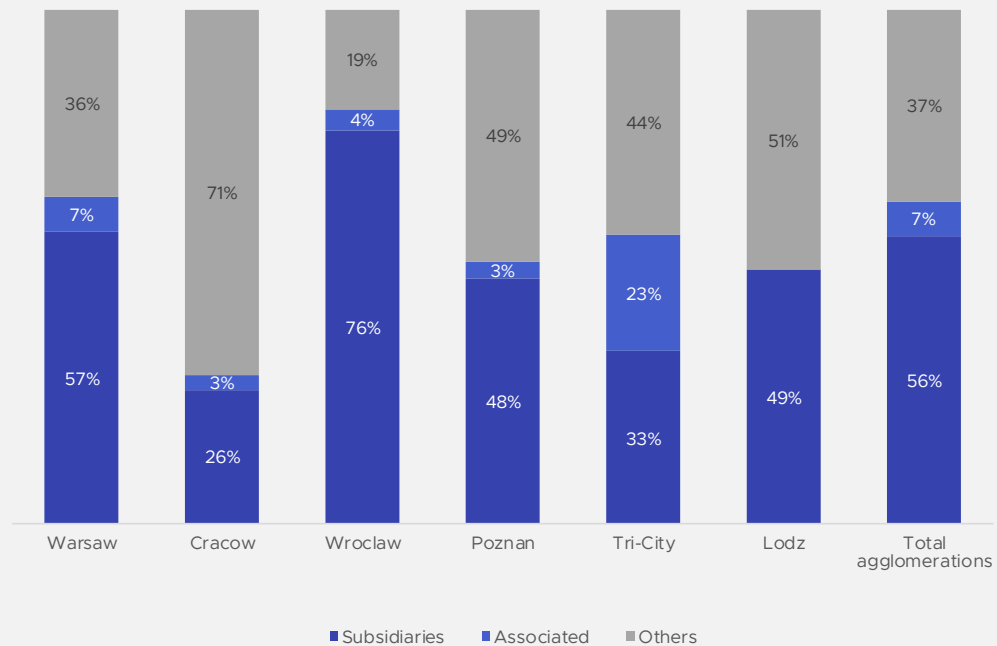
- B. Partners consolidation (from January 2019)
- Other operating costs – write-downs of receivables (ca. 3mn in 2Q19).

Strategic importance of investing in fitness clubs (1)



Strategic importance of investing in fitness clubs (2)

% of visits of MultiSport users to investment and partner clubs in 1H19



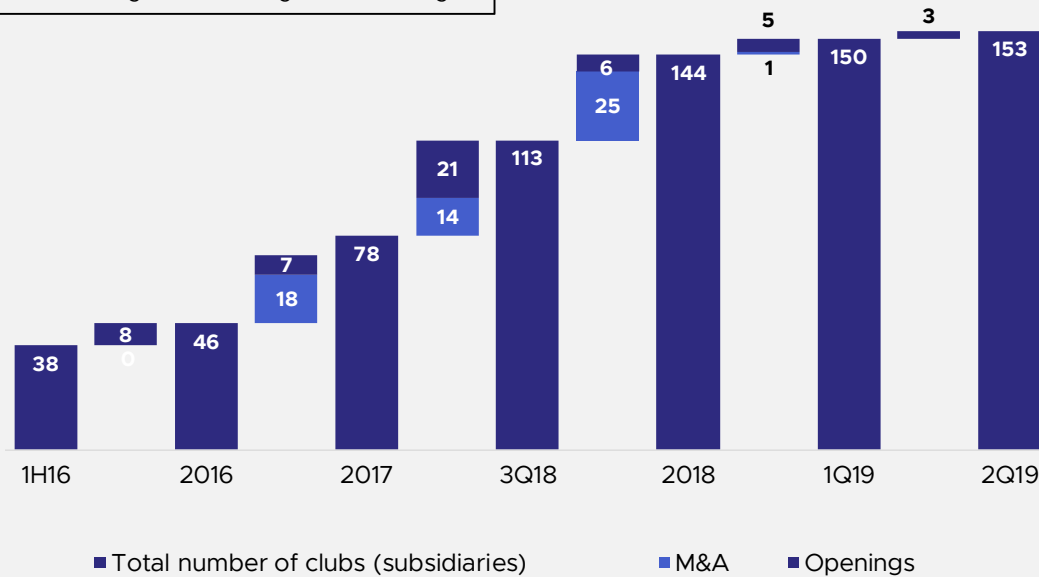
- Own clubs in largest agglomerations are a source of competitive advantage
- Over 60% of visits (1H19) in fitness clubs in major cities were executed in clubs owned via subsidiaries and associates.
- Activity of Poles' is focused mainly on fitness clubs, where 2/3 of all MultiSport users visits are executed.

Strategic importance of investing in fitness clubs (3)

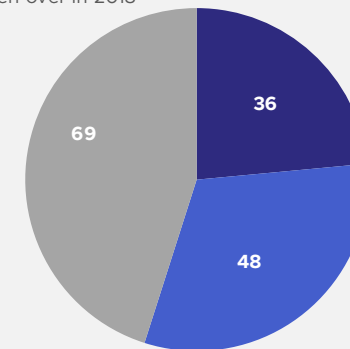
TOP 10 clubs visited by MultiSport users						
	WARSAW	POZNAŃ	WROCLAW	TRÓJMIASTO	CRACOW	ŁÓDŹ
1	Zdrofit	Fabryka Formy	Partner club	Zdrofit	Partner club	Fit Fabric
2	Zdrofit	Fabryka Formy	Fitness Academy	Zdrofit	Partner club	Fit Fabric
3	Zdrofit	Fabryka Formy	Fitness Academy	Calypso Fitness	Partner club	Fit Fabric
4	Fabryka Formy	Partner club	Fitness Academy	Zdrofit	Partner club	Fit Fabric
5	Partner club	StepONE Fitness	Partner club	Zdrofit	Partner club	Fit Fabric
6	Zdrofit	Fabryka Formy	Fitness Academy	Zdrofit	My Fitness Place	Fit Fabric
7	Zdrofit	Partner club	Fitness Academy	Calypso Fitness	Partner club	Fit Fabric
8	Zdrofit	Partner club	Fitness Academy	Partner club	Fitness Academy	Partner club
9	Zdrofit	Partner club	Partner club	Zdrofit	Partner club	Partner club
10	Partner club	Fabryka Formy	Fitness Academy	Calypso Fitness	Partner club	Partner club

Expansion of fitness clubs – fully consolidated subsidiaries

Ambitious consolidation strategy, accelerated by market exit of Pure Jatomi and the need to secure controlling stakes in key fitness chains, has created significant management challenges.



- Clubs opened in the last 18 months
- Clubs taken over in 2018
- Other

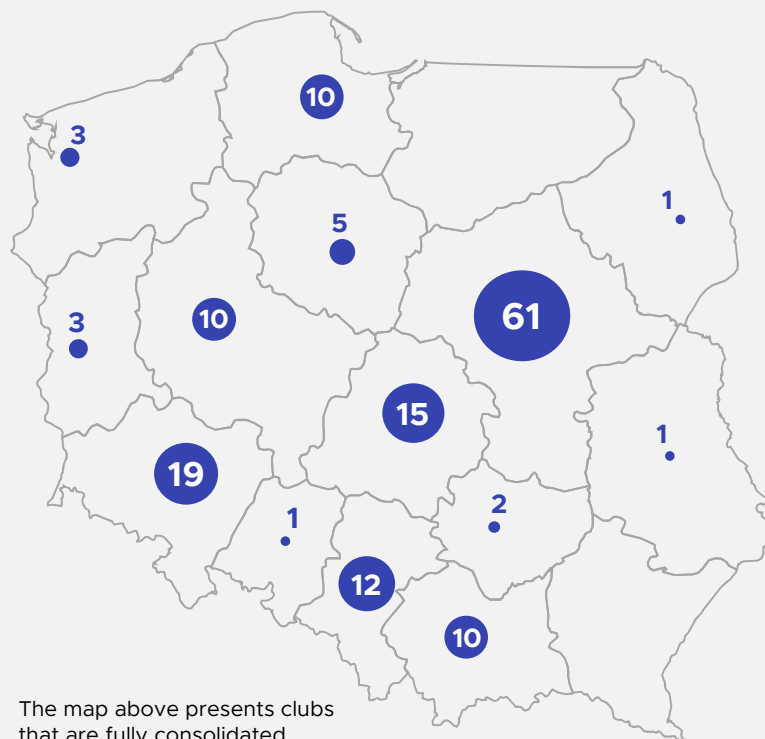


* Clubs acquired in 2018 include Tiger Gyms clubs, operational management of which was take over in 2018.

* 4 clubs opened in 2Q19; one club transferred into a new project.

* 2 clubs acquired from Platinum not yet included as of end-2Q19 – ownership of clubs from 1 July 2019.

Development of the fitness club network



The map above presents clubs that are fully consolidated.
As of: 30.06.2019

	December 2018	March 2019	June 2019
Fabryka Formy	27	28	28
Fitness Academy	19	20	20
Zdrofit	58*	59*	63*
My Fitness Place	14	15	15
Fitness Club S4	14	14	13
Fit Fabric	11	13	13
Wesolandia	1	1	1
TOTAL	144	150	153

* Incl. 14 Calypso clubs acquired in November 2018, rebranding of which was concluded in 1H19

In affiliate entities:
48 clubs as of 31.03.2019

Poland: optimisation activities since April 2019

B2C sales	Human Resources	Investments and costs
<p>The launch and the growth of on-line sales from all the networks</p> <p>The launch of new customer retention processes (Churn, CRM)</p> <p>The launch of new cross-sell processes</p> <p>The launch of new subscription models</p>	<p>New management structure</p> <p>New performance-based incentive system</p> <p>Following completion of the merger, the launch of centralised functions for all the networks (purchasing, administration, back office and others) departments</p>	<p>We have entered into rent negotiation process (ca. PLN 40mn rental costs in 1H19)</p> <p>Introduction of a central purchasing procedure (in particular, fitness equipment, utilities, merchandize in clubs)</p> <p>More effective investment process. More emphasis on the analysis of B2C revenues of clubs. More restrictive criteria for choice of locations.</p> <p>Launch of remedial programmes at clubs with the least potential. Verification of progress over six months.</p>

Segment Cafeterias

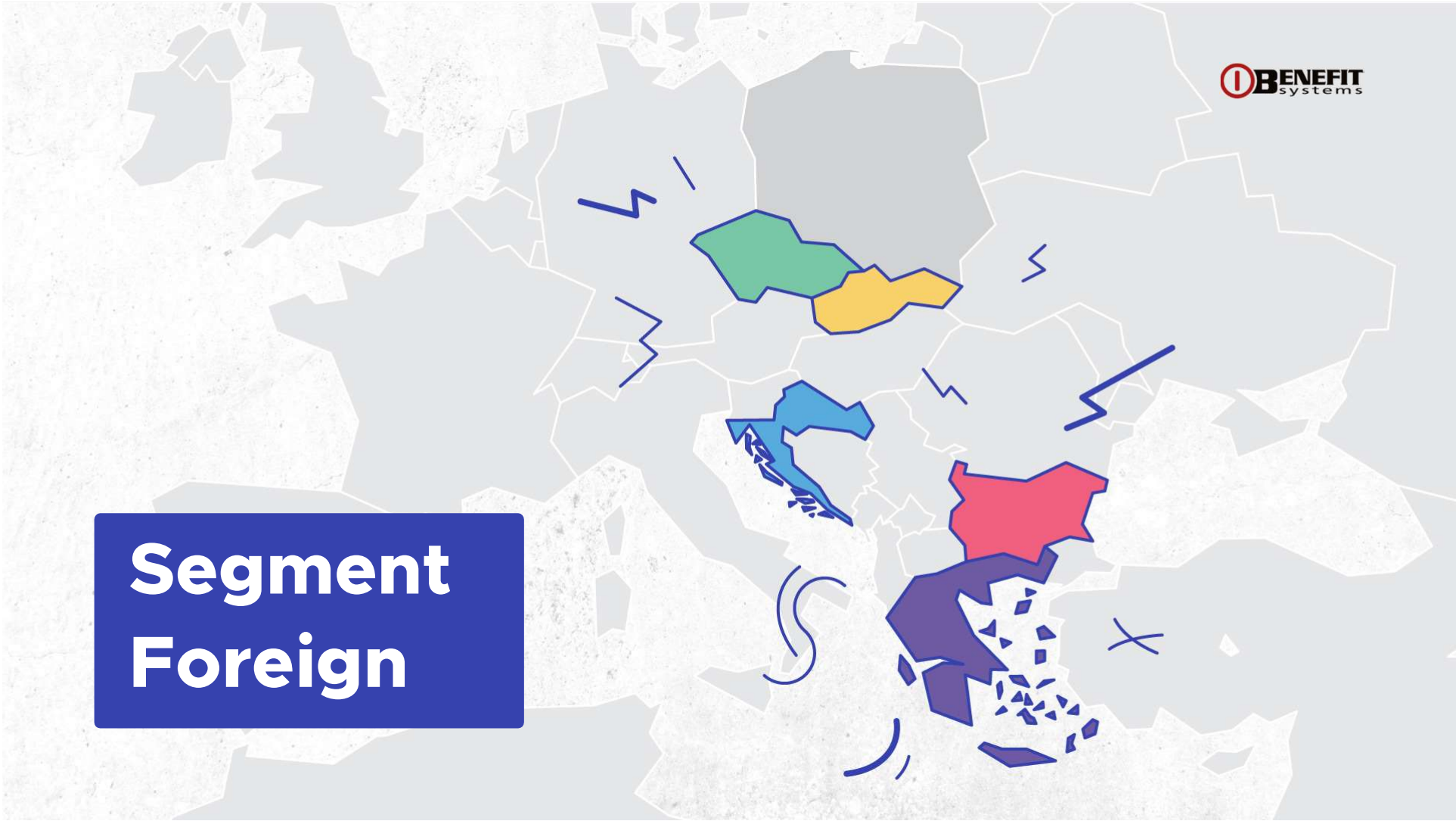


Cafeterias: growth in the scale of operations is the key priority

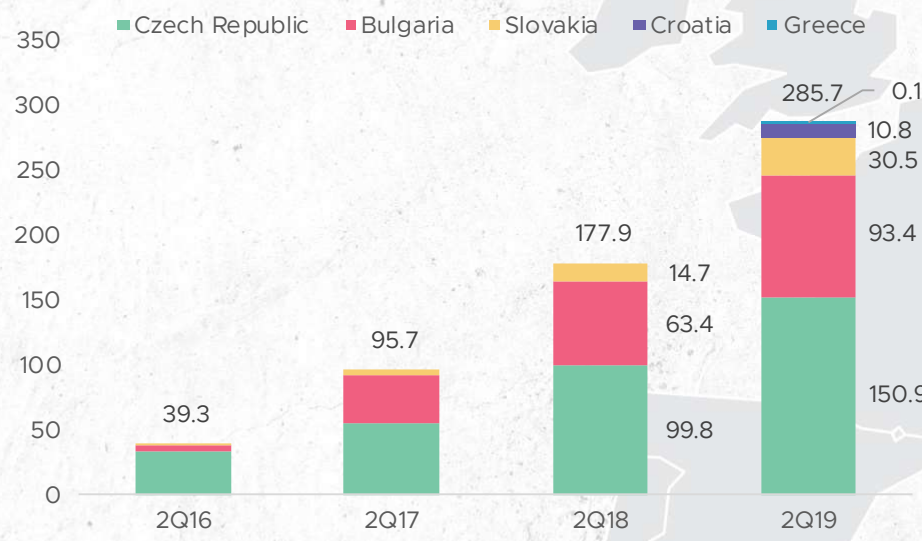
(mn PLN)	2Q18	2Q19	yoy	1H18	1H19	yoy
Number of users (ths.)	318.1	400.5	26%	318.1	400.5	26%
Sales	63.8	82.0	28%	124.7	155.2	24%
Revenues	9.4	9.3	0%	18.5	18.5	0%
Gross profit on sales	3.4	3.0	-12%	6.6	4.7	-30%
Margin on sales	36.0%	31.9%	-4,1 p.p.	35.9%	25.2%	-10,7 p.p.
SG&A	-2.8	-2.7	-5%	-5.3	-5.2	-3%
EBITDA	0.9	1.2	32%	2.1	1.4	-32%
EBIT	0.5	0.3	-38%	1.3	-0.6	-

- Focus on growing number of users and investments in future growth:
 - higher level of employment
 - higher D&A (IT-related capex)
- Lower gross margin in 2Q19: higher proportion of low-margin categories
- Growth in selling costs (sales teams, marketing, customer service), slightly lower G&A
- Small impact of IFRS 16

**Segment
Foreign**



Number of sport cards – foreign markets



Growth yoy: +56.5, +82.1, +107.8

Number of clubs	1Q19	2Q19
Czech Republic	15	15
Bulgaria	6	8
Total	21	23



Foreign segment: revenues +56% yoy in 2Q19

	2Q18	2Q19	yoy	1H18	1H19	yoy
Foreign	50.6	79.0	56%	93.0	151.0	62%
Cards	42.8	70.2	64%	78.7	132.8	69%
Clubs	10.3	14.5	41%	18.6	29.4	58%
Eliminations	-2.5	-5.8		-4.3	-11.1	
Number of cards	177.9	285.7	61%			
Number of clubs	17	23	35%			

Growth in revenues in 2Q19:

- Follows from the growth in the number of sport cards (+61% yoy)
- 6 clubs opened in the last 4 quarters (primarily in Bulgaria)
- Effect of consolidation of Pure Jatomi clubs acquired in May 2018

Foreign segment results in 2Q19

(mn PLN)	2Q18	2Q19	yoy	1H18	1H19	yoy
Revenues	50.6	79.0	56%	93.0	151.0	62%
Gross profit on sales	9.0	13.8	53%	13.7	22.6	65%
Margin on sales	17.8%	17.5%	-0,4 p.p.	14.7%	14.9%	+0,2 p.p.
SG&A	-13.1	-18.1	38%	-24.1	-33.4	39%
EBITDA	-2.8	0.9	-	-7.5	2.3	-
EBITDA (excl. IFRS 16)	-2.8	-4.5	-	-7.5	-7.9	-
EBIT	-3.9	-4.4	-	-10.0	-11.3	-
EBIT (excl. IFRS 16)	-3.9	-4.8	-	-10.0	-12.0	-

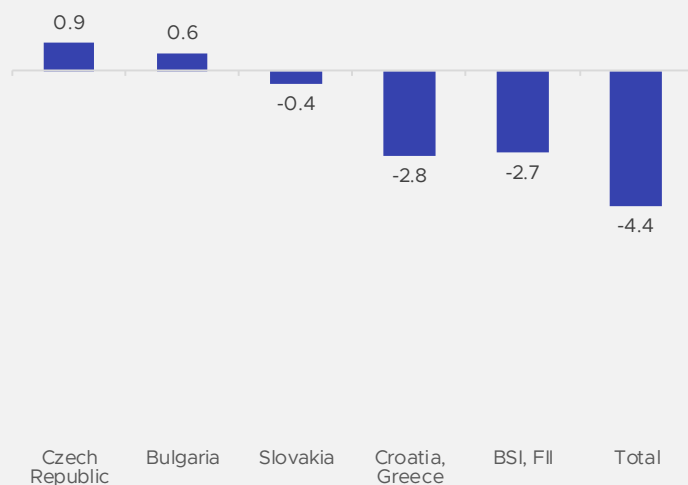
- Slightly higher activity rate of sport card users
- B2C sales in clubs below expectations, costs of newly opened clubs
- Growth in SG&As: costs of business development on two new markets; scaling up of sales (mainly in the Czech Republic)

Foreign segment results in 2Q19 and in 1H19

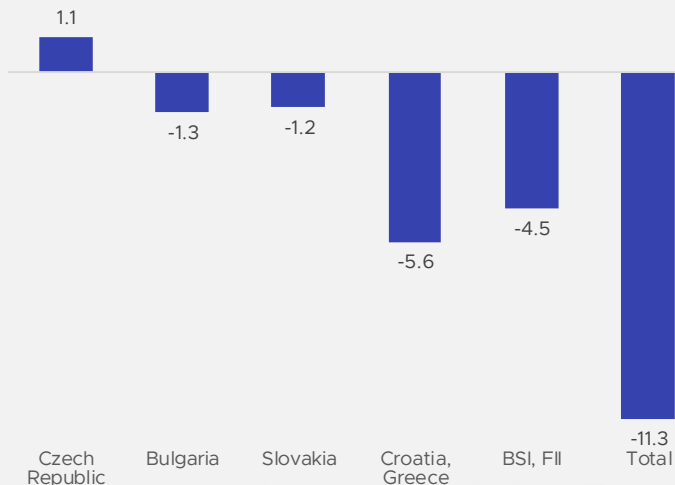
Major investments/costs in 2019/2020:

- Costs incurred on two new markets
- Management Team (Benefit Systems International+ Fit Invest International)
- Investments in fitness clubs

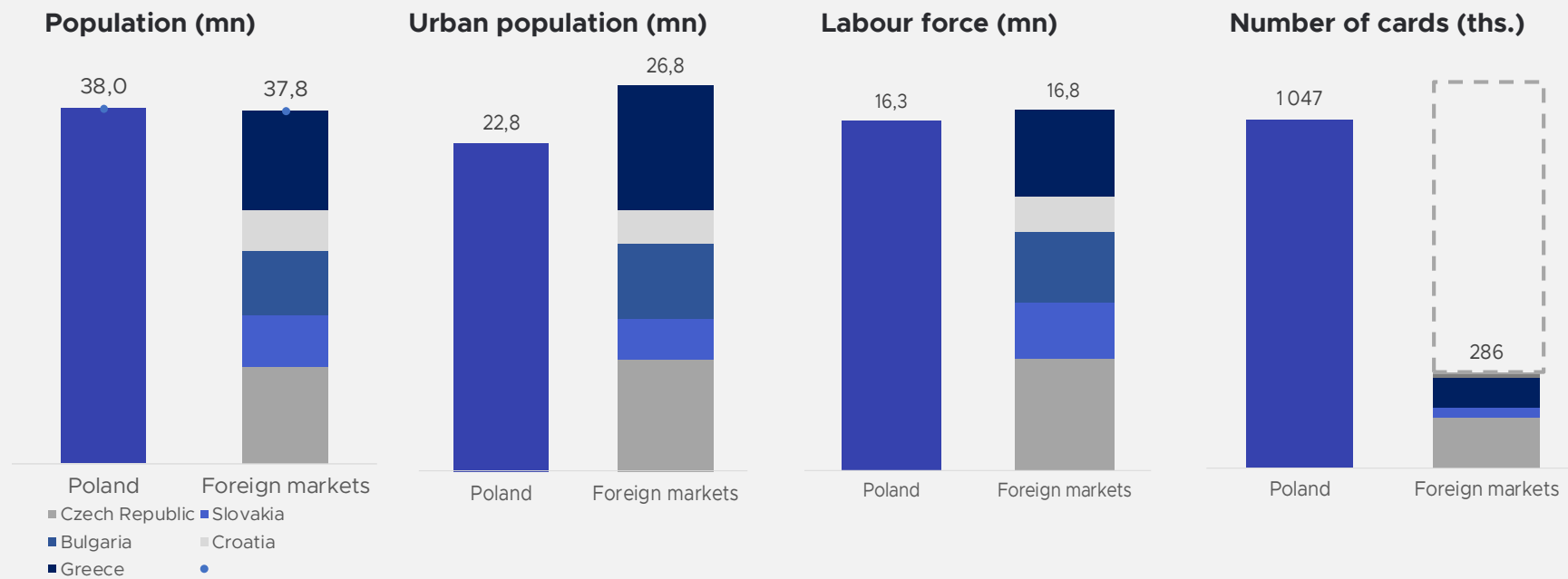
2Q19: EBIT (mn PLN)



1H19: EBIT (mn PLN)



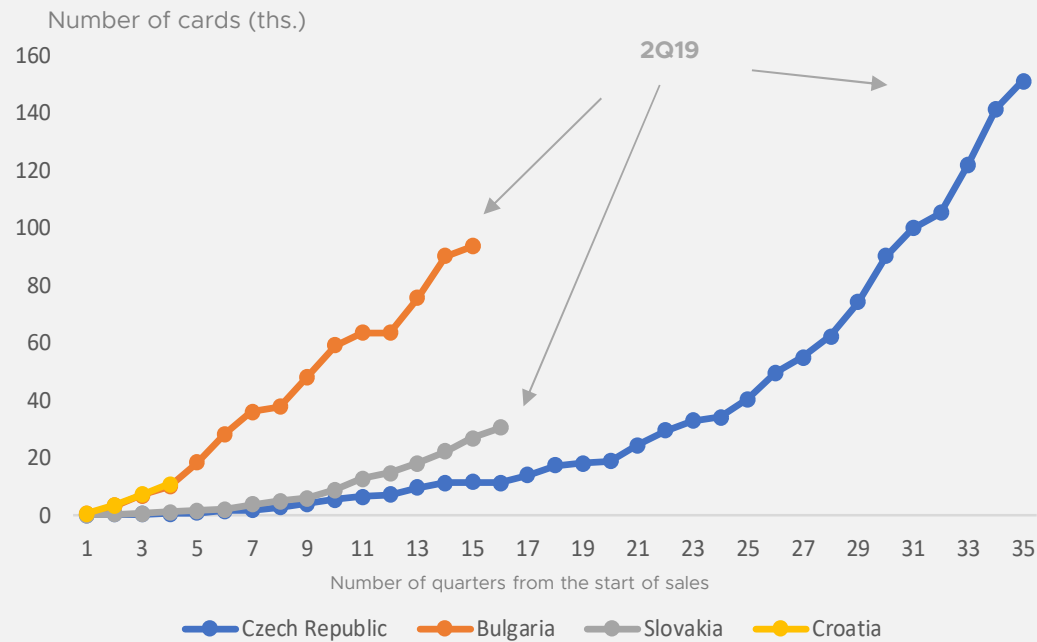
Potential of foreign markets is equal to or higher than that of Poland



NEW MARETS WITH ATTRACTIVE LONG TERM GROWTH POTENTIAL

Sport cards: high pace of growth on the new markets

Growth in the number of cards from the first quarter of sales on a given market



**Financial
results**



EBITDA (comparable) at +5% yoy in 2Q19

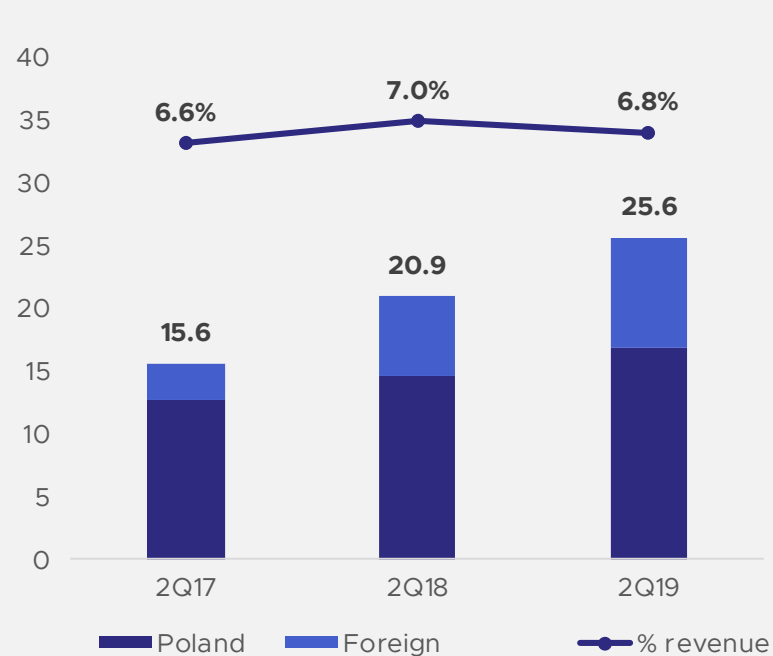
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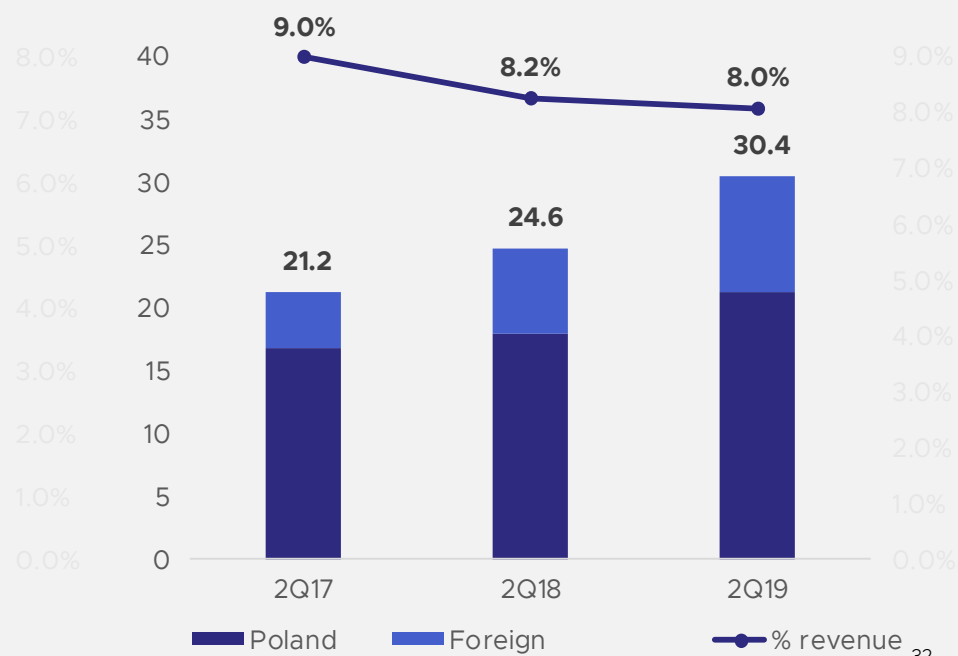
* Net income attributable to equity holders of the Parent Company

Selling, General & Administrative expenses (excl. costs of incentive program)

Selling costs (mn PLN)



G&A costs (mn PLN)



*Poland incl. Cafeterias

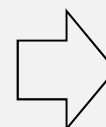
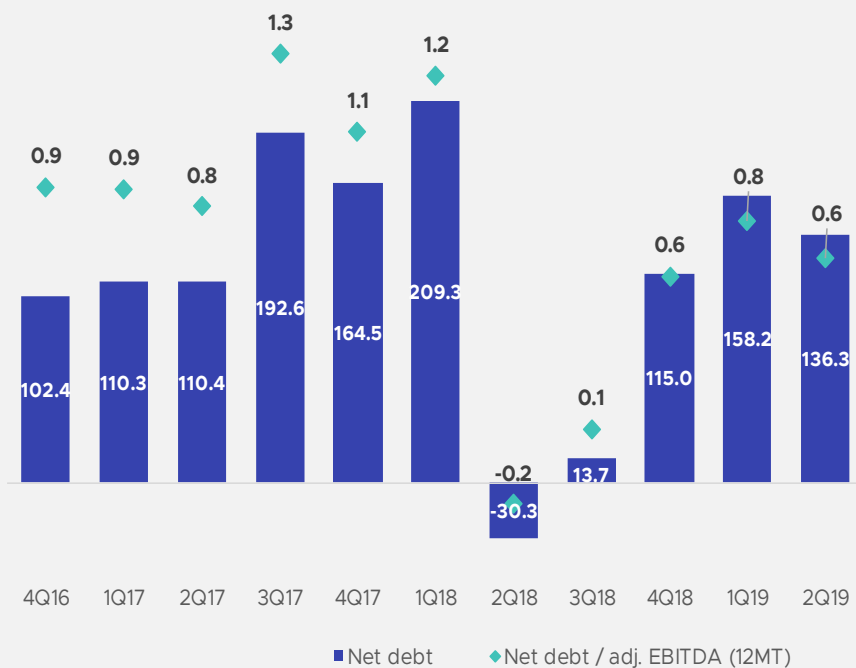
Stable operating cash flows

(mn PLN)	1H18	1H19	2Q18	2Q19
Cash flow from operating activities	77.5	148.0	36.3	72.0
Cash flow from investment activities	-168.7	-74.2	-84.9	-28.5
Cash flow from financing activities	270.8	-82.9	249.7	-82.2
Change in cash and cash equivalents	179.6	-9.1	201.0	-38.7
Cash and cash equivalents (eop)	232.0	66.7		
Net debt/(net cash)	-30.3	136.3		

- Positive IFRS 16 impact on operating cash flow
- Investing cash flow in 2Q19 – primarily expenditures on new clubs in Poland (4 new clubs) and abroad (2 new clubs).

Net debt = bank loans, borrowings, current and non-current leases minus cash (not including IFRS 16 liabilities)

Net debt / adj. EBITDA* below 1.0x



- Long-term debt:
 - Bank loans: PLN 94mn
 - Bonds (B. Partners): PLN 26mn
- Short-term debt:
 - Bank loans : PLN 75mn
 - Bonds (B. Partners): PLN 6mn
- Cash and equivalents: PLN 67mn

Net debt = bank loans, borrowings, current and non-current lease minus cash (not including IFRS 16 liabilities)
 Adj. EBITDA excl. IFRS 16 D&A

Fitness: capex in Poland

Average capex per club:

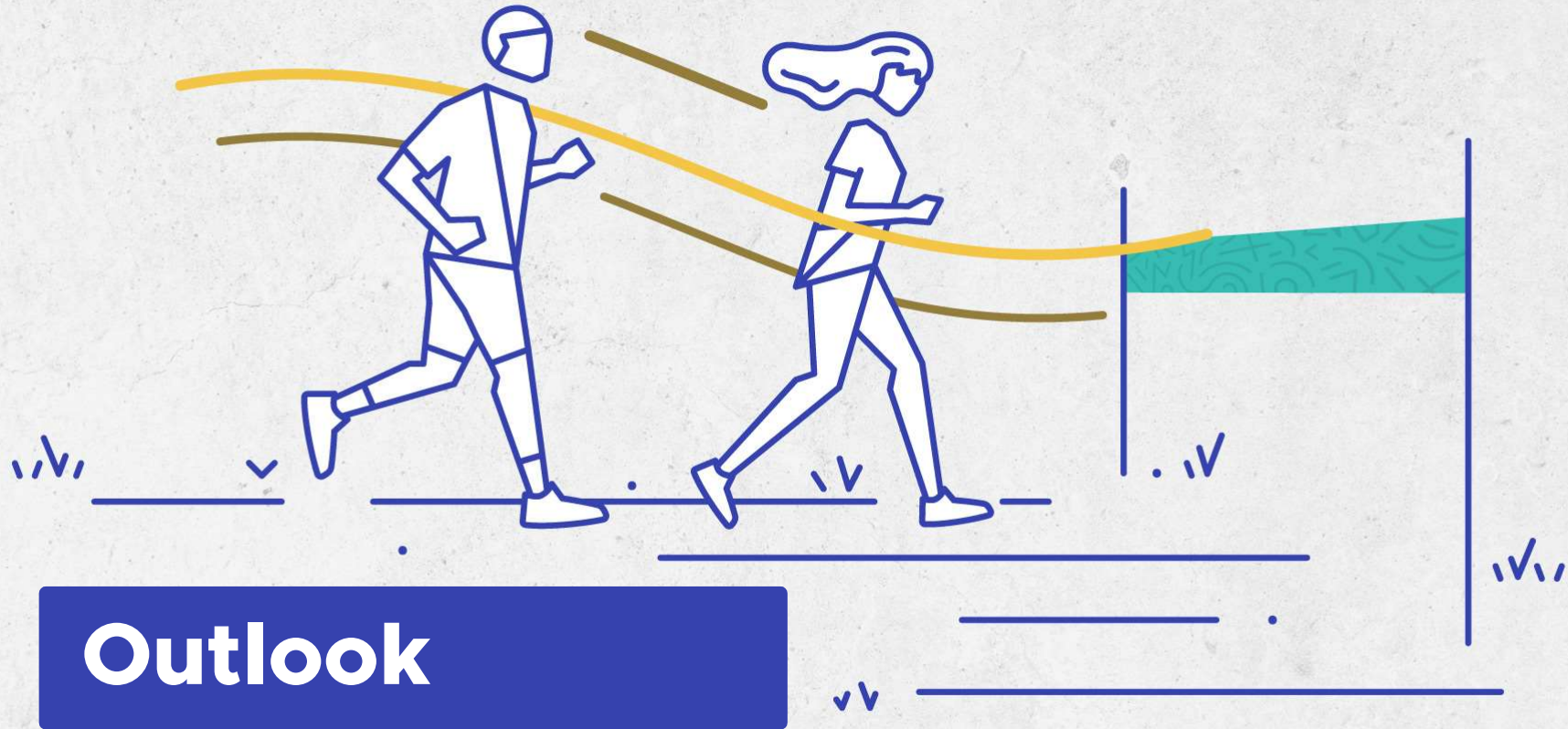
- Fit-out costs: ca. 3mn PLN, depending on size and standard of a club (incl. all construction works)
- Fitness equipment: 1.0 -1.5 mn PLN

Amortization period:

- D&A of expenditures on fit-outs - in line with the duration of lease agreement (up to 10 years),
- D&A of fitness equipment – on average 7 years

Maintenance capex:

- On average, after ca. 5 years a club requires minor renovation works.
- A network of over 150 clubs: maintenance capex estimated at PLN 25-30mn per annum (in 2019-2021).
- Technical audits and estimation of maintenance needs is underway in some of the networks.



Outlook

OUTLOOK | Upcoming events

- We maintain our FY19 forecast (comparable EBIT)
 - Forecasts published in April indicate a yoy decline of comparable EBIT by high single- to low-double digit (excluding one-offs and IFRS 16 impact)
 - Seasonally weaker 2H in fitness clubs
- 2020: back to earnings growth
 - Poland: improvement in B2C sales in clubs, cost optimization programme and stable growth in card revenues,
 - Foreign: growth in the sale of business in the Czech Republic, Bulgaria and Slovakia, improvement in B2C sales in clubs
- Sport cards:
 - Poland: continuation of trends observed during last 12 months,
 - Foreign markets: Czech Republic, Bulgaria, Slovakia – continuation of dynamics growth rates; increasing contribution from the Croatian market,
- Fitness clubs openings:
 - Poland: 16-20 new openings in 2019; 7-10 openings in 2020
 - Foreign markets: high single digit number in 2019; low double digit in 2020
- Conclusion of reorganization process (EGM in 2H19)
- Share buyback (dividend) (up to 57mn PLN) in September 2019



Disclaimer:

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