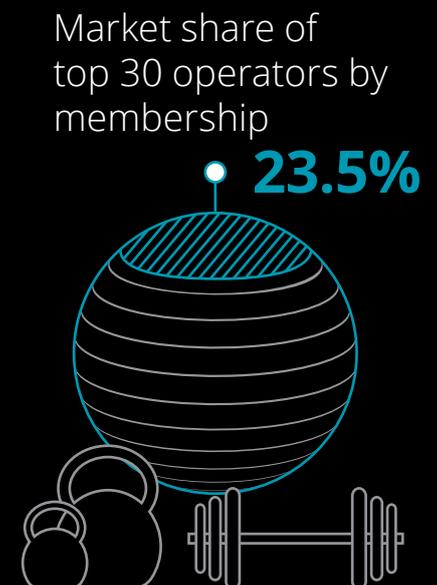
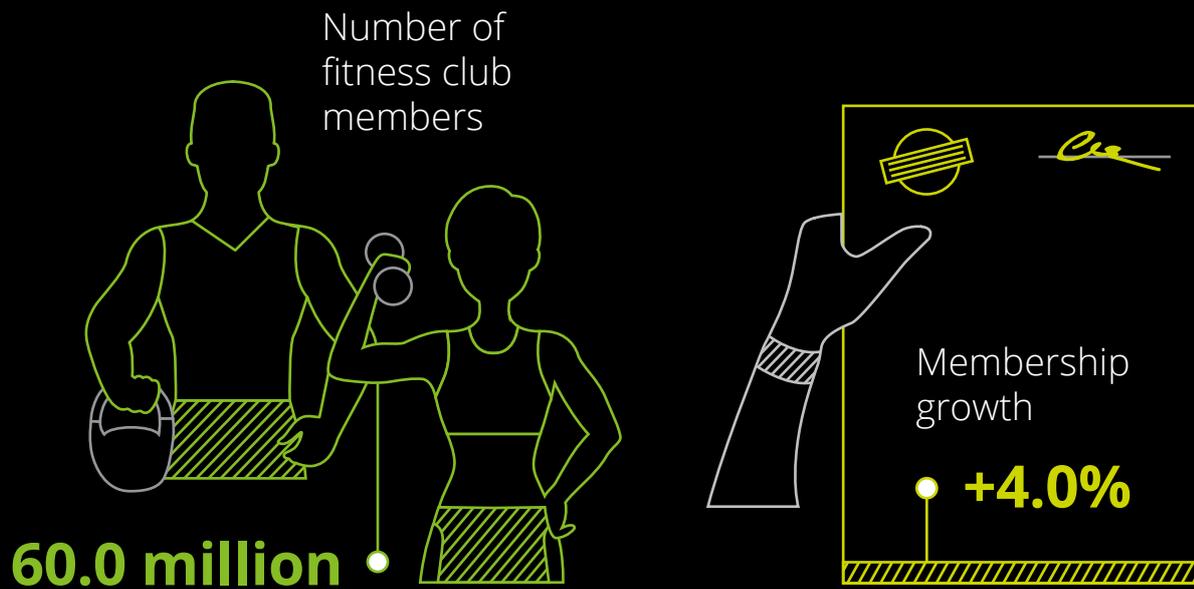


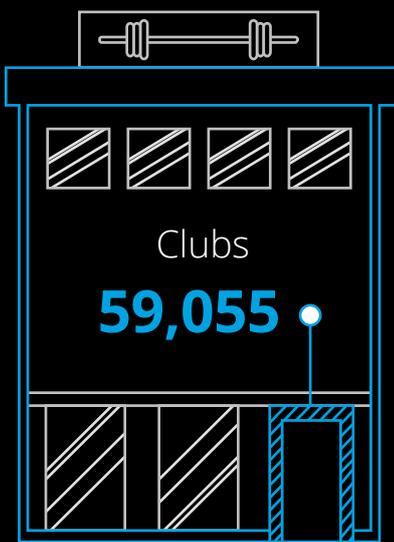


**European
Health & Fitness Market
Report 2018**

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The European Fitness Market at a Glance

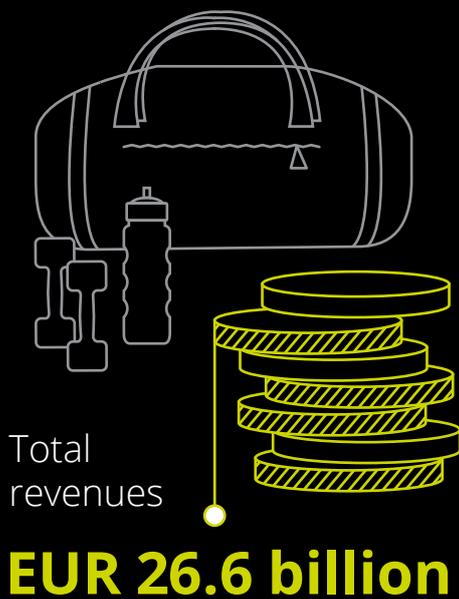
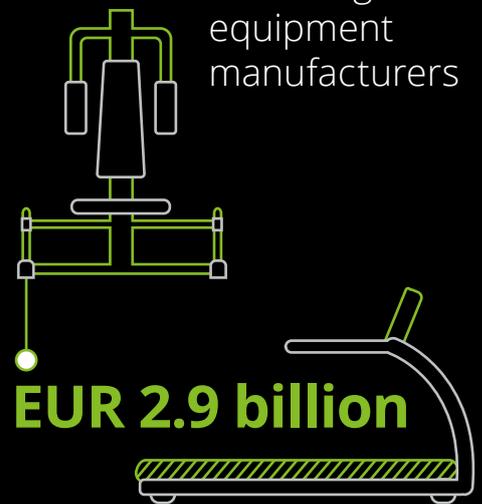




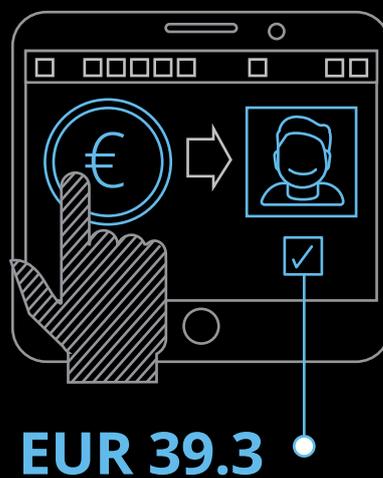
M&A deals



Global net sales of leading equipment manufacturers



Average gross membership fee per month



Market growth is again primarily driven by a 3.2% increase in the number of clubs across all countries, supported by an increase in the average membership per club (+0.7%), leading to a total increase in members of 4.0% to 60.0 million.

Executive Summary

In this fifth edition, the 2018 EuropeActive European Health & Fitness Market Report presents the most comprehensive analysis of the European health and fitness industry to date. The report contains current information on the major European fitness markets and club operators, recent merger and acquisition activities, a snapshot of the leading equipment manufacturers, a chapter on the functional fitness trend as well as interviews with leading fitness executives.

In terms of revenue, the European health and fitness market grew by 1.9% to EUR 26.6 billion in 2017. In addition to the 28 European Union member countries, this figure also includes Norway, Russia, Switzerland, Turkey and Ukraine. The revenue development was, however, negatively affected by exchange rate effects in Turkey (-18.9%), the UK (-6.8%), Ukraine (-3.9%), Switzerland (-1.9%), Sweden (-1.7%), and Norway (-0.3%), which was partly offset by positive currency developments in Russia (+11.8%), Poland (+2.6%), and Denmark (+0.1%). At constant currency exchange rates, the year-on-year growth rate amounts to 3.8%.

Market growth is again primarily driven by a 3.2% increase in the number of clubs across all countries, supported by an increase in the average membership per club (+0.7%), leading to a total increase in members of 4.0% to 60.0 million. This is partly offset by a negative development of average monthly membership fees, which decreased by

-0.1% at constant currency, following the continued expansion of low-cost operators.

As shown in the chapter on the leading operators, the top 10 European fitness operators, as measured by revenue, achieved total revenues of EUR 3.1 billion in 2017. While their market share increased from 11.4% to 11.7%, the European fitness market nonetheless remains relatively fragmented. With respect to membership, the 30 largest operators increased their combined market share by 1.0 percentage points to 23.5% and their membership by 1.2 million (+9.5%) to 14.1 million from 2016 to 2017.

This development was predominantly driven by low-cost operators Basic-Fit (+310,000 members), The Gym Group (+159,000), McFIT Group (+110,000), FitX (+108,000) and Pure Gym (+103,000), which ranked as the five fastest-growing companies in terms of absolute membership. While the German operator McFIT Group (1.73 million members), Netherlands-based Basic-Fit (1.52 million) and British market leader Pure Gym (923,000) solidified their positions as the top 3 European operators in terms of membership, The Gym Group (607,000) and FitX (550,000) made significant leaps to fifth and eighth in the overall ranking.

Membership growth of 94,000 was reported by British premium operator David Lloyd Leisure (DLL). In contrast to the aforementioned low-cost chains, this growth is largely

inorganic following the acquisition of 14 clubs in the UK from rival Virgin Active in June 2017. In addition, DLL further expanded its international presence in 2017 with the opening of a second Spanish club in Madrid in February as well as the acquisition of the Malaspina Sporting Club in Milan. As a result, DLL not only defended its sixth spot in the membership ranking with 580,000 members, but also overtook Virgin Active to become the European market leader in terms of revenue (EUR 483 million).

Ranking second is the Switzerland-based Migros Group (EUR 388 million), which acquired Silhouette Wellness (22 clubs) in 2017 and operated 311 clubs with 466,000 members at year-end. After the sale of 14 clubs in the UK and the divestment of its Iberian business, Virgin Active ranks third with estimated revenues of EUR 356 million, followed by Scandinavian market leader Health & Fitness Nordic (EUR 349 million) and McFIT Group (EUR 347 million). The top 10 by revenue now contains five low-cost operators, namely McFIT Group, Basic-Fit, Pure Gym, Fitness World and clever fit.

In 2017, health and fitness club operators remained highly attractive to investors from both inside and outside the industry. As presented in the merger and acquisitions section, there were 20 major M&A transactions in 2017, which represents the highest number ever reported in all five annual editions of this report.

In addition to its focus on club operators, this report also provides a snapshot of the global equipment industry, highlighting the position and development of leading fitness equipment suppliers. 2017 was another year of strong growth for the global commercial fitness equipment industry, increasing to an estimated market size of EUR 2.88 billion. 28.8% thereof is estimated to relate to the European market. The selected leading manufacturers, which account for 78% of the total commercial equipment market, achieved growth of 2.7% in 2017.

This report also provides profiles of the largest national fitness markets in Europe. Together, the 19 countries analysed (Ukraine was added for the first time in this report) have 57.6 million members (96.0% of the European market), revenues of EUR 25.9 billion (97.2%) and 53,892 clubs (91.3%).

With a total market volume of about EUR 26.6 billion, Europe continues to be the largest fitness market in the world. By comparison, the United States recorded revenues of EUR 24.9 billion (USD 27.6 billion) in 2016 according to the IHRSA Global Report 2017 despite a significantly higher penetration rate of about 17.5% in the US market, which underlines a further growth potential of the European health and fitness market. At the same time, the total market volume exceeds that of the European football market, which amounted to EUR 24.6 billion in the 2015/16 season.

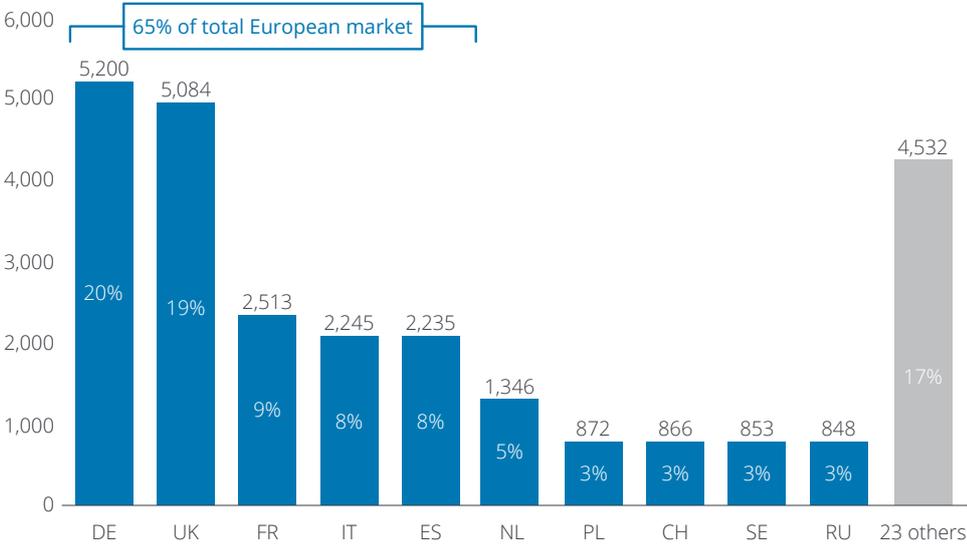
As shown in Figure 1, Germany (EUR 5.2 billion market size) and the United Kingdom (EUR 5.1 billion) are the two largest national fitness markets in Europe, with Germany taking first place for the first time in 2017. However, this was due to the depreciation of the GBP relative to the EUR: the UK market grew by 6.8% at constant currency in 2017 compared to a 3.0% growth in the German fitness industry. When combined with France (EUR 2.5 billion), Italy (EUR 2.2 billion) and Spain (EUR 2.2 billion), the five leading countries account for 65% of the total European health and fitness market.

In terms of membership, Germany remains the largest market in Europe with a total of 10.6 million members (+5.3%), followed by the UK (9.7 million), France (5.7 million), Italy (5.3 million) and Spain (5.2 million). As shown in Figure 2, the three largest markets also displayed above-average membership growth rates in 2017, mainly driven by the continued expansion of low-cost operators in all three countries.

At the same time, considerable differences between the individual markets remain. Markets such as Sweden (21.4% penetration rate) and the Netherlands (17.0%) represent medium-sized countries with high membership figures relative to the population, largely due to the high proportion of physically active people, relatively high urbanisation rates and the presence of large fitness operators in these countries. At the same time, markets such as Turkey and Russia still display considerable market potential with penetration rates of 2.4% and 2.0% respectively.

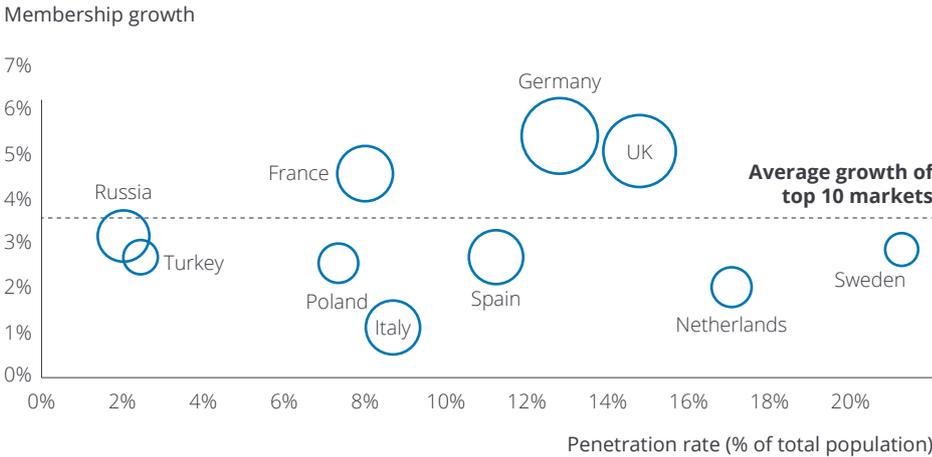
This report is the most comprehensive piece of research on the European health and fitness market to date, but it is still only a step towards more transparency and knowledge in this industry. Obtaining reliable data on the development of individual national markets and leading fitness operators of the European health and fitness industry remains challenging.

Fig. 1 - Top 10 European fitness markets by revenue in million EUR and share of the European market (2017)



Sources: EuropeActive, Deloitte

Fig. 2 - Total membership, membership growth and penetration rate of top 10 European fitness markets (2017)



Note: Bubble size represents total membership as of 2017
Sources: EuropeActive, Deloitte



Germany

Market insights

After a historical year 2016 surpassing 10 million members and EUR 5 billion in revenues, the German fitness market continued its growth in 2017, increasing its membership to 10.61 million and its total revenues to EUR 5.2 billion. Thus, 12.9% of the total population are members at one of the 8,988 private fitness clubs. It should be noted that the underlying "Eckdatenstudie" published by the DSSV, DHfPG and Deloitte does not include non-profit sports clubs ("Vereine"), as these offer a wide range of sports in addition to the commercial fitness and sports providers and are therefore generally less relevant to the total market picture compared to other countries such as the United Kingdom.

Overall, the ten leading regular operators have a market share of 12% in terms of clubs and 33% in terms of members. While micro club franchise operator Mrs.Sporty (361) remains ahead in terms of club numbers, the low-cost operators McFIT Group (1.17 million members), clever fit (577,000), FitX (550,000), EASYFITNESS (220,000) and FIT/ONE (ca. 100,000) were the fastest-growing companies in absolute terms with 320,000 additional members (+13.9%) and account for almost one fourth of the total membership base. Relevant players from the premium and upper mid-market segments include Switzerland-based Migros, which purchased franchise system INJOY in 2016 in addition to its premium brand ELEMENTS, as well as Kieser Training and Fitness First. The standard VAT rate is 19% with no discount on fitness services.

National association

DSSV
Arbeitgeberverband deutscher
Fitness- und Gesundheitsanlagen

Birgit Schwarze
<http://www.dssv.de/>

Fig. 47 - Leading regular operators by number of clubs

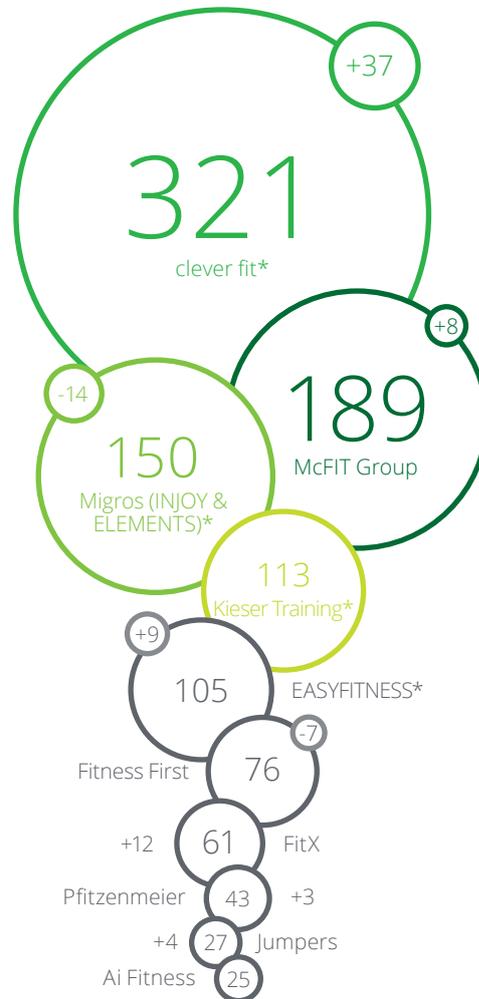
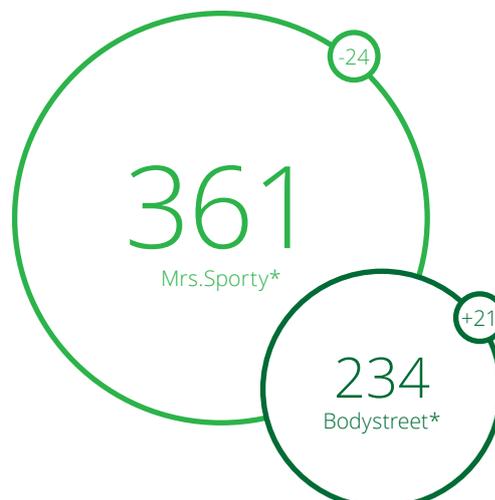


Fig. 48 - Leading micro club operators by number of clubs



* fully or partly a franchise operation

Fig. 49 - Market share of leading regular operators



	2016	2017	Ø top 19 countries
Total population	82.2m	82.2m	
Population 15+	71.3m	71.3m	
 Disposable income / person*	EUR 27,926	EUR 27,818	EUR 23,167
% of population engaging in physical activity**	48.0%	48.0%	42.5%
% of population with fitness club membership	12.3%	12.9%	8.0%
% of 15+ population with fitness club membership	14.1%	14.9%	9.7%
Fitness club members	10,080,000	10,610,000	
 Number of clubs	8,684	8,988	
Members / club	1,161	1,180	1,068
Physically active people / club**	4,542	4,389	4,110
 Total revenue (excl. VAT)	EUR 5,050m	EUR 5,200m	
Average membership fee / month (incl. VAT)	EUR 44.8	EUR 44.0	EUR 39.7
Average membership fee as % of disposable income	1.9%	1.9%	2.1%

*Disposable income figures relate to the respective prior year periods.

**Physical activity relates to people that are physically active with at least some regularity, according to the EU Eurobarometer "Sport and Physical Activity" published in 2018.

External sources: Eckdaten der deutschen Fitness-Wirtschaft 2018 (DSSV/DHfPG/Deloitte)

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