

## SATS could accelerate M&A plans to seize post-coronavirus opportunities – CEO

- More sizeable transactions and targets in new cities considered
- Advisory pitches welcome
- Management focus on running public company

**SATS**, a Norwegian fitness-centre chain, could accelerate its M&A strategy on the back of the coronavirus pandemic and would consider more and bigger deals, CEO Sondre Gravir said.

The fitness sector has been hit hard by COVID-19 and interesting M&A opportunities will arise as a result, Gravir said. NOK 3.5bn (EUR 330m) market-cap SATS is interested in both healthy businesses and those with stretched balance sheets, he added.

The group's finance team is responsible for M&A and is in ongoing parallel talks with potential targets, he said. Advisors pitching targets are welcome, he added.

Potential targets could range from smaller family-owned clubs to bigger chains, he said. To date, SATS has focused on smaller, in-fill acquisitions, but it is increasingly considering bigger deals to gain scale, he said without specifying sizes.

While SATS previously focused on M&A strategy on cities in which it is already present, it is now also interested in entering new regions, either via M&A or greenfield development, Gravir said. It is important to offer members access to a number of clubs across a city, and SATS is not interested in chains with one club in one city only, he said; acquisitions must be in sizeable cities where it can build a cluster of clubs. Many of its members regularly use several locations, and consider themselves members of SATS rather than of a specific club, he added.

Management will continue to look for acquisition opportunities in existing locations, he said. It is only looking at the Nordic market for now, but has not ruled out further geographical expansion going forward, he said. SATS is present in Copenhagen, Helsinki, Stockholm, Gothenburg, Malmo, Oslo, Stavanger, Bergen and Kristianstad.

SATS is the main pan-Nordic consolidator in the fragmented market, Gravir said, adding that upcoming sector consolidation will gather speed on the back of the coronavirus pandemic.

The group has closed several smaller acquisitions during the last two years, he said. Targets have often been family-owned clubs and transactions can be lengthy, he said. Recent deals include Stockholm-based gym chain **Body Joy** this year, and Oslo-based **Fitness Xpress** and Stockholm-based **Gym&Motion** last year, Gravir said. Transaction details were not disclosed.

**Classification:**

**Regional Head Offices**

**EMEA:** 10 Queen Street Place, London, EC4R 1BE, United Kingdom Tel: +44 (0)20 3741 1000

**Americas:** 330 Hudson Street, 4th Floor, New York, NY 10013 USA Tel: +1 212 686 5606

**APAC:** Suite 1602-06, Grand Millennium Plaza, 181 Queen's Road, Central, Hong Kong Tel: +852 2158 9790

SATS has no set target for size or number of deals it wants to make, Gravir said. The board and management have not set an upper limit on deal size, he said.

The group has the financial capacity to support M&A, he said. How a deal is funded will depend on its size, but SATS has debt and equity options to hand, he said. To date, it has financed acquisitions via its cash flow without any challenges, he said, and going forward, it aims to finance deals via its cash flow and/or debt. A share issue is currently not under consideration, he added.

The company has a NOK 2.5bn revolving credit facility with **Swedbank** and **Bank of China**, and it is on a temporary covenant holiday until June 2021, Gravir said. The covenant holiday is important, as 2020 will be a financially challenging year, he added.

SATS [announced](#) on 2 July that the original leverage covenant on the revolver, of 4.25x adjusted LTM EBITDA until 6 September 2021 and 4x thereafter, has been temporarily waived and replaced with minimum levels for LTM EBITDA and maximum levels for CAPEX per quarter. SATS will not distribute dividends during this period.

In 2Q20, it reported NOK 774m revenue and NOK 289m EBITDA, significantly down from NOK 1bn and NOK 401m respectively during the same period last year. Its 2Q20 net debt was NOK 1.3bn, compared to NOK 1.5bn during the same period last year, and its operating cash flow was NOK -5m, down from NOK 121m.

The gym sector has suffered significantly due to the pandemic; SATS closed all its clubs on 12 March and staggered reopening between late March and mid-June, depending on individual countries' policies, Gravir said. Its new sales business was hit particularly hard, he added.

The group lowered its cash burn during the closures by cutting costs, he said. In Norway, it temporarily laid off most of its staff within 24 hours due to the country's policies, he said; and it also managed to lower some rental costs, and received government-support packages from Norway and Denmark.

In one or two years' time, SATS group will be stronger thanks to the pandemic, and M&A and digitalisation will play a part in this, he said. SATS had invested in its digital offering ahead of the pandemic, and was able to extend it throughout the closure, he said. As people travel less this summer, consumers visit gyms more frequently, and year-on-year visits in Norway were up 17% in the first week of July, he said.

The underlying market is growing by 3.5-4.5% per annum due to the general population growth and urbanisation, as well as consumers' increasing interest in healthy lifestyles, Gravir said. About 20% of the Nordics' population has a gym membership, compared to 12% on average in the EU, he said.

Earlier this year, SATS [divested](#) nine clubs in Jylland and Fyn in Denmark, as reported. The divestment was part of the company's initial game plan after buying Danish **FitnessDK** in 2018, Gravir said. In Denmark, SATS want to focus on the Greater Copenhagen area only for now, he said, adding that it has no further divestments planned.

**Classification:**

**Regional Head Offices**

**EMEA:** 10 Queen Street Place, London, EC4R 1BE, United Kingdom Tel: +44 (0)20 3741 1000

**Americas:** 330 Hudson Street, 4th Floor, New York, NY 10013 USA Tel: +1 212 686 5606

**APAC:** Suite 1602-06, Grand Millennium Plaza, 181 Queen's Road, Central, Hong Kong Tel: +852 2158 9790

SATS listed on the Oslo exchange in October last year when Swedish private equity firm **Altor** exited the company. The offering was set at NOK 23.50 per share, as [reported](#) by this news service, giving the fitness chain an around NOK 4bn market cap. Today (30 July), SATS's share trade at NOK 20.50.

This news service has previously reported that private equity firms in the Nordics could be interested in opportunities to take private recently exited investments if they see falling valuations. SATS' management is focused on running the business under its present structure, Gravir said.

**Classification:**

**Regional Head Offices**

**EMEA:** 10 Queen Street Place, London, EC4R 1BE, United Kingdom Tel: +44 (0)20 3741 1000

**Americas:** 330 Hudson Street, 4th Floor, New York, NY 10013 USA Tel: +1 212 686 5606

**APAC:** Suite 1602-06, Grand Millennium Plaza, 181 Queen's Road, Central, Hong Kong Tel: +852 2158 9790