

# Health conscious not putting Fitness First

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Hands up who's feeling the pinch ... Fitness First Australia has seen profit and members fall. *Photo: Richard Briggs*

## **Fitness chains are feeling the strain as the economy sours, writes Miriam Steffens.**

Belts are being tightened, and it's not because of exercise: the sports-conscious have cut back on spending money on gyms as the economy soured, latest figures of the nation's biggest fitness chain show.

Just months before an expected sharemarket float of its international parent company, Fitness First Australia has hit a roadblock in its expansion, losing members and sales in the downturn amid a rise of budget gym operators.

Its new boss, former Procter & Gamble Australia chief Peter Manuel, is now charged with turning around the trend, seeking to lure new members with crazes like the Latin dance workout Zumba and an overhaul of its fitness offering.

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Fitness First's local membership fell by 16,000 people, or almost 5 per cent, to 332,000 members in the year to October 2010, its latest accounts filed with the corporate regulator reveal. Net profit fell by a third to \$28.5 million, dragged down by asset write-downs for "non-performing clubs" and depreciation expenses to reflect a change in the estimated useful life of its club fit-outs.

The earnings drop came as revenue slipped 1 per cent to \$339.6 million, halting almost a decade of stellar growth since the company entered Australia in 2000. The chain opened just one new club over the year, taking its total number to 93.

Fitness First is majority-owned by the London private equity firm BC Partners. BC is reportedly seeking to list the international fitness group, which also runs gyms in Britain, Germany and some Asian countries, as early as next month on the Singapore exchange in an initial public offering valued at up to \$700 million (\$550 million). The gym operator is targeting the Asia-Pacific region as its main growth market. Australia has been one of the strongest performers in its network.

The country's lacklustre results coincided with a management reshuffle. Fitness First Australia's managing director, Peter Stirling Benson, resigned in February, followed by the finance director, Mark Forrest, in June.

Mr Manuel, who took the helm in early May, confirmed the global financial crisis "had an impact" on gym operators, forcing the company to put off opening new clubs.

The global financial crisis "also had an impact on how consumers chose to spend their income and now there's also increased competition," he said, citing the expansion of budget operators such as Anytime Fitness with its 24-hour gyms, Fit n Fast and Crunch, as well as specialist studios and personal trainers.

A similar rate of decline in members and revenue has continued in the current financial year, he said, but "we're working on plans which will see us return to the positive growth levels of previous years".

Mr Manuel said the company was looking at the types of classes it was offering and other changes, declining to give details before the planned overhaul.

Fit n Fast, founded by Fitness First Australia's founding chief executive, Tony de Leede, is attacking its larger rival with a budget gym chain offering 30-minute workout "quickies".

Fitness First garners about 21 per cent of the nation's \$1.8 billion fitness industry. The next-biggest organisation, YMCA Australia, is behind by a wide margin with a 5 per cent market share, according to an IBISWorld industry report.

Fitness First made headlines in 2009 when the consumer group Choice singled it out for heavy-handed tactics to recruit customers.

It has been a tough year for a business accustomed to bumper profits. Consumer confidence is on the wane, and many people have switched from gym contracts to less expensive options such as jogging or cycling, IBISWorld said. Across the industry, revenue fell 1.4 per cent in Australia during 2009-10.

However, IBISWorld tipped demand would rebound in the next five years, boosted by new products and older customers. It is not alone - this month the private equity firm CVC Capital Partners took a controlling stake in Richard Branson's fitness chain Virgin Active, which is also pushing into the market.

Read more: <http://www.smh.com.au/business/health-conscious-not-putting-fitness-first-20110828-1jgc1.html#ixzz1ZHlqj14B>