Basic Fit , Q4 2021, Earnings Call
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Presentation

Operator

Good day, ladies and gentlemen. Welcome to the Basic-Fit's 2021 Year Results Conference Call and Webcast. Please note that this conference is being recorded.

I will now turn the call over to your host for today's conference, Richard Piekaar, Head of Investor Relations. Sir, you may begin.

Richard Piekaar

Well, thank you, John, and good afternoon, and welcome, everyone, to our conference call during which we will discuss our results of 2021. With me today are René Moos, our CEO; and Hans van der Aar, our CFO. This call is being broadcast live on our website, and a recording of the call will be available shortly afterwards.

As usual, I would like to point out that safe harbor applies. We will start today with René, who will discuss the highlights and the operational developments, followed by a more detailed look at the financial results from Hans. After these prepared remarks, we will open the call for questions. I would also like to note that this call will finish no later than 3:00.

And with that, René, I would like to hand over to you.

René M. Moos

Thank you, Richard. Welcome, everyone, and thank you for joining today's call. At this moment, a terrible war is going on in Ukraine. The images that we see in television are images we thought we would never see again in Europe. Our thoughts are with the Ukrainian people and everyone who is suffering in this conflict. This dreadful conflict puts things in perspective, including the results that we published this morning and which we will now be discussing.

Focusing on our markets, we see market condition improving as governments in our countries are lifting the COVID-19 restrictions. Our company is in great shape, and we are at the start of a new era of higher club and membership growth. We have the financial means and the team of enthusiastic professionals to achieve this. More people than ever before will be able to exercise in our high-value, low-cost clubs and live an active and healthier life. I'm excited that I can share with you that we are going to open our first club in Germany in the second half of this year, but more on that later. 2022 is also the year in which we will further accelerate our expansion in Spain. We will finish the year with at least 100 clubs, and this will make us the Spanish market leader. But also in the coming years, we will take further growth steps in Spain.

Let's go to Slide #2, where we summarize the highlights of the year. 2021 was the second year that our company was affected by the global pandemic, especially in the Netherlands, Belgium and France, clubs were closed for a long period. On a full year basis, our clubs were closed for 36% of the time. In spite of these difficult market conditions, we kept our focus, and we were able to grow our network to 1,015 clubs, an increase of 110 clubs compared to last year. We reopened our clubs in the Netherlands in May and in Belgium, France in June. And we saw that our members quickly came back to our clubs. After reopening, we also experienced a record inflow of new members. This continued until the end of July when France was our first country to introduce a health pass. Other countries followed later on, but really impacted our membership growth.

At the end of the year, we still had grown our membership base by 11% year-on-year to more than 2.2 million. Our revenue was EUR 341 million for the year. It was mainly lower because of a low membership starting point in combination with a long period of club closures from the start of the year. We ended the year with EUR 361 million of available liquidity, which allow us to execute our Club Growth Acceleration Plan.

Let's go to Slide 3. I really hope this is the last time I have to show this terrible graph. As you can see, we have had to deal with many different situations over the past 2 years. In 2021, as a whole, our clubs were closed 36% of the time. But in the first half of the year, this amounted to 81% of the time club closure.

If you look at Belgium and France, our clubs were closed for 8 to 9 consecutive months from October 2020 until June 2021. Although Spain still had restrictions like wearing a face mask while working on the machines, the government was one of the first to recognize the importance of fitness. At the time of arrival of the Omicron variant, more governments started to see the fitness as an essential industry as a result of which we could stay open. Only the Dutch government decided differently. Lately, however, we see here, too, that politicians and other policymakers are starting to treat us as an essential industry, such like supermarkets and pharmacies.

When I look at the current situation of the pandemic, I'm optimistic. At the end of February, we were able to stop our gym time reservation system. In the Netherlands and Belgium, we also got rid of the health pass, and France will stop the health pass on the 14th of March.

Let's now go to the next slide on club openings. While we see that our peers in Europe only have limited club growth, we have further strengthened our leading position in Europe with the addition of 110 clubs. At the end of 2021, we had a network of 1,015 clubs. In France, we further extended our leadership position to 528 clubs, thanks to the opening of 81 clubs. In the next few years, I believe we can more than double our number of clubs in France. Perhaps a special word for Spain, where our club growth acceleration plan was somewhat delayed due to the start of Pandemic in 2020. With a growth of 12 clubs to 56 at the end of 2021, we had a record number of openings for Spain. But that was just the beginning. Today, as we speak, the count is already 63. And at the end of this year, we will have more than 100 clubs. Also in the coming years, we see big opportunities in Spain.

Let's move to the next slide. If you look at the green line in the graph on Slide 5, you will see that we started the year with almost no monthly joiners because of our -- because the clubs were closed. Markings 2 and 3 on the same green lines show that the dramatic positive impact on our joiner rates after the reopening of our clubs in the Netherlands, Belgium and France. The month of June turned out to be our best month ever in terms of membership growth, with over 0.25 million people joining and a growth of our membership base of more than 200,000. Following a typical slower summer period in which France introduced a mandatory health pass for gym visitors, we again experienced strong joiner growth. Unfortunately, the arrival of the Omicron variant and implementation of new government restrictions temporarily slowed our recovery as from November.

In the Netherlands, the government first implemented an evening lockdown in November and later a full lockdown in the second half of December.

Let's go to the next slide, where I will say a few words on how the new year has started. We had a strong start of 2022, and our joiner growth rates gained further momentum after the Netherlands ended its lockdown on January 15. This development underpins my optimism, and I expect we will reach a record of 2.6 million members at the end of March. The growth of membership is coming from newly opened clubs in growth at clubs that never experienced a normal in growth period due to the lockdowns and all kinds of restrictions and, of course, a further recovery of our mature club network.

Let's go to the next slide on Germany. During the Capital Markets Day in November, we announced that we would start in a new country in the second half of this year. I'm excited that we will open our first clubs in Germany in the second half of this year and that we expect to open up to 20 clubs by the end of the year. For 2023, we even target to more than double the amount of openings in Germany. Our white space analysis points to a potential of around 600 clubs in the coming years.

Today, for competitive reasons, I'm not going to tell you where we're going to open our first clubs, but rest assured that we have a sensible strategy. With the fitness penetration rate of 14% before the start of the pandemic, Germany is a bit more mature, for example, than France, which has a fitness penetration rate of around 8%. But it is less mature than the Netherlands, which has a fitness penetration rate of around 17%. We see plenty of opportunity in this 83 million people market to increase the fitness penetration rate by opening clubs in white spaces and make value for money, fitness available to more Germans. I believe that fitness penetration rates like in the Netherlands or even higher are feasible in Germany.

If you look at the competitive landscape, we see a highly fragmented market in Germany with only a limited number of larger value for money operators. The largest of these is a franchise operator. The average membership fee per month is EUR 42, and it's above the average we see of EUR 35 in other European countries. We believe that with our expansion strategy and our fresh looking clubs, we will be very successful in a country that really appreciate value for money concepts.

That brings me to my last slide about the execution of our growth strategy. With all our clubs opened and a strong membership development since the start of this year, I believe we made the right decision last year to move forward and announce our plans to accelerate openings growth to between 200 and 300 a year as from 2020 onwards.

Year-to-date, we already opened 66 clubs. And as you can see in the graph, we have a full pipeline. Assuming no major new government measures due to COVID-19 or an escalation of the situation in Ukraine, we confirm our previous guidance of growing our network to around 1,250 clubs by year-end. In this number, our first human clubs are included.

This concludes my part of the presentation, and now I'll hand it over to Hans for the financial review.

Hans J. van der Aar

Well, thank you, René. My next first slide shows our income statement and the underlying performance. Of course, second year of COVID has had again a major impact on our reported numbers. The depreciation line, which reflects our network growth, is about the only item that's not entirely distorted in both 2020 and 2021.

For most other line items, it's incredibly difficult to say meaningful things or make year-on-year comparisons. Take for instance, group revenue. In 2021, group revenue was 10% lower because we had a low starting point, temporary club closures and as a result, an average lower membership base during the year.

On an underlying basis, we had an EBITDA profit of EUR 32 million for the year. This means that after a EUR 12 million loss in the first half of the year, our recovery gained traction in the second half of the year.

Let's go to the next slide on mature club development. As you know, I said it several times before, we consider a club mature if it is at least 24 months old at the start of the year. At the Capital Markets Day back in November, we told you that because of the pandemic, we will temporarily report mature club development based on the current 504 clubs that were matured before the start of the pandemic in March 2020.

At the end of '21, our 504 mature clubs had on average 2,646 memberships compared to 2,695 a year earlier. The small decline is entirely the result of more than 5 months of club closures in our largest markets of the Netherlands, Belgium and France. The introduction of the mandatory health passes for entering fitness clubs started in July in France and was later followed by Belgium, which definitely did not help.

In the Netherlands, we also had to introduce the health pass check. And in addition, we were confronted with a lockdown, first an evening lockdown in November, followed by a full lockdown in December. The fact that the number of mature members, on average, only decreased by 1% in view of what I just mentioned shows the incredible underlying strength of our business and the eagerness of people to join our clubs after reopening and despite all the restrictions we had to deal with.

By the end of the first quarter, we expect that the average number of members at the mature club will be around 3,000. By the end of 2022, we expect we will be back to around 3,300 members at mature clubs, the same level as before the COVID-19 pandemic started. I'm glad that with the lifting of restrictions, especially the health pass, we see a further recovery of our membership base. We started in the Netherlands, and we now also see this happening in Belgium and expect the same -- see the same in France as of March 14.

Let's go to the next slide on capital expenditure. I can't repeat this more than now. But regardless of the initial capex we have for a club, we only signed a lease contract for a new club when we expect to achieve a ROIC of at least 30%. More expensive, for example, city clubs should also achieve a ROIC of at least 30%. The initial capex per newly built club was on average of EUR 1.15 million compared to EUR 1.2 million in 2020. The cost of camera systems of around EUR 55,000 and a remote facility system of around EUR 10,000 are included in this average number. Underlying, we still see room to improve our building costs, thanks to increasing scale, benchmarking and choosing more cost-efficient materials.

Of course, I know there's a terrible war happening in Ukraine at this moment. And we don't know how that could impact supply chains. Still, we believe that the average initial capex amount should be around EUR 1.2 million in 2022.

On maintenance, we spent on average EUR 50,000 per club compared to EUR 42,000 in 2020. We decided to use the period that the clubs were closed to further optimize the club layout. We also continue to roll out of our smart camera system in more existing clubs. At the end of the year, the smart camera system was installed in all Benelux clubs.

For 2022, we expect maintenance capex to be on an average of EUR 50,000 -- EUR 55,000 per clubs, the level that you heard several times before. Other capex amounted to EUR 7.5 million and is related to ongoing investments in software and innovations. One such development is our new mobile phone app, which we developed in-house and which has significantly improved how we interact with our members. The app was launched mid-November '21 and already as close to 0.5 million daily users. The higher amount in 2020 included the acquisition of the full IP rights of our exclusive membership administration software. It is perhaps good to remind you that we own and develop all crucial IT systems ourselves, such as our membership administration, the smart camera system and the Basic-Fit app.

Let's go to my last slide before I hand it over back to René and that's the balance sheet. Thanks to the ongoing support of our shareholders and syndicate banks, we had available liquidity at the end of December '21 of EUR 361 million compared to EUR 90 million at the end of the previous year. To cope, the impact from the period our clubs were closed, but also to be able to accelerate club openings from 2022 onwards, we strengthened our balance sheet and financing structure. In April '21, we issued new shares at EUR 34 each, reaching -- raising EUR 204 million. And in June, we raised EUR 304 million through a convertible bond loan.

Excluding rent lease liabilities, our net debt amounted to EUR 548 million at year-end 2021. Based on an agreement with our syndicate banks for amended covenant testing at year-end '21, our net debt adjusted EBITDA multiple amounted to 2.1 compared to 4.9 at year-end 2020. As part of the same agreement with our syndicate banks, the amended covenant testing at the end of June 2022 will be based on using 2x the adjusted EBITDA of the fourth quarter of '21 plus the adjusted EBITDA of the first half of 2022.

And now I will turn back to -- I turn back over to René for outlook for 2022.

René M. Moos

Thank you, Hans. I will conclude our presentation with our outlook for 2022. Based on what we currently know, we continue to believe that for this year, a revenue of between EUR 800 million and EUR 850 million and underlying EBITDA of around EUR 240 million is feasible. Despite the negative impact that Omicron variant and the closure of our clubs in the Netherlands in December and January had on our results.

Following a strong start of the year, we expect membership growth of at least 1 million. And lastly, with 66 club openings year-to-date, we are on track to reach our target of 1,250 clubs by year-end.

This concludes the presentation. Operator, please open the lines for questions.

Question and Answer

Operator

We will take our first question from Adrija Chakraborty.

Adrija Chakraborty

It's Adrija here. Three questions for me, please. The first one is on Germany. Can you give us a bit more detail around the price point and club economics you expect in Germany, if it's different from the rest of the portfolio. And also what kind of market share you think you can achieve here? Secondly, can you talk a bit about the cost pressures and mitigating factors, if any, in the short term? And what do you expect the impact to be on the mature club EBITDA margin? And finally, can you please give us some guidance on the international overheads for this year, given the entry into a new market?

René M. Moos

I'll take the first 2 questions about detailed club economics and market share, and Hans will do the last 2. Well, the club economics, we expect more or less the same. If you look at the big clubs, the VIT in Germany is around 19% compared that to, for instance, France is 20%. So that will be similar. We also expect a similar income and member base. What we see with the fitness penetration of 14%, we think we could definitely grow that percentage. So the club economics will be similar to what you see in other countries where we are active.

And the market share, well, if we have 600 clubs open and on average, 3,300, then, well, depending on the fitness penetration, you can calculate market share that we have at that moment. But what we see is that around 600 clubs is definitely feasible and also the 3,300 members on a mature club is also feasible. Hans, the cost.

Hans J. van der Aar

Yes, the cost structure, yes, of course, we all see inflation kicking in, especially now with all the increase of prices of utilities of gas and electricity. Fortunately, we have all the prices for our gas and electricity all the utilities fixed until the mid of '23. So that won't have a large impact. Of course, we also see prices of equipment going up. But fortunately, we already built 66 clubs, and we already ordered a lot of equipment, which is already in our stock or in the stock from our suppliers. So we are -- I think for 2022, we won't have a big impact from inflation on our cost structure and on our -- the price of our capex. So what will happen in 2023, we will see then. But I think we are well suited for coping with this for 2022.

And, of course, also good to mention is that if you look at our club economics on the mature clubs, normally you have a margin of around 50%, meaning that 50% of our revenue is cost. Most of the cost is the rent, which is fixed and salary cost, employment cost, which is also more or less fixed. So the cost of utilities is just a small part of the total cost of the operational cost for our club. So the impact is there. We can't deny it, but it's a limited impact. Unfortunately, as I said, we already signed contracts and have prices fixed until mid '23.

René M. Moos

And the other thing is the international overhead, of course, Germany will have people here in this office already awaiting for the German expansion part of -- property team is already working for a few months on the expansion in Germany. As we just started with 20 clubs and going to 40 clubs in 2023, the impact on the international overhead will be limited.

Operator

We will now take our next question from Robert Vos.

Robert Jan Vos

I have a few questions as well. You said in the press release that you want to move quickly in Germany, how long do you think it could take to get to the 600 clubs that you target? And related to that, do you expect to achieve this mainly organically or is M&A likely or possible as well? And at the CMD, you've set some long-term targets as well. Do you expect to enter seventh country in the midterm future as well? That's the first one.

And then maybe for Hans. Do you still expect to be self-sufficient in financing growth from 2023 onwards? And can you remind me what this means? Does it imply a stable or decreasing net debt? Or does it imply a stable or decreasing leverage ratio? And then lastly, obviously you don't disclose the quarterly EBITDA, but you provided the leverage ratio and also the methodology to calculate it. So can you confirm that your underlying EBITDA in the second half of EUR 44 million was roughly split in EUR 11 million negative in Q3 and EUR 55 million positive in Q4? And if so, it seems that you have endured more restrictions in Q4 than in Q3 as shown on Slide 3. So how come that Q4 was so strong in terms of EBITDA?

René M. Moos

Well, Robert, there was a lot of questions there really in the detail. But I make a very long story so Hans can think long about the answers of your last questions. About how fast we will grow to the 600 clubs, that depends. But I think eventually, we can reach the same speed what we have seen in France. So the first year, we will bring -- we'll go up to a maximum of between 10 and 20 clubs. And end of next year, we will probably pass the 60 clubs in Germany. And from that year on we will speed up more.

About M&A or organic, we're focusing on organic growth. Of course, when there is an M&A opportunity, we will look at it. But our focus will be to open 600 clubs organically. About the seventh country, yes or no. I think for the short term, say, the coming years, we will focus where we are. We are busy still opening a lot of clubs in Spain, in France and in Germany. But also in the Benelux, for instance, the Netherlands, we think we can still open at least 125 clubs. Also, Belgium, we still think we can open at least 75 clubs. So country #7 will take a long time before we will enter that, and we will focus on the current countries where we are. Hans, about self-sufficient 2020?

Hans J. van der Aar

Yes. As I said at the Capital Market Day, Robert, we expect if everything goes like planned and of course, that was in November, things happened after November. But if everything goes like planned, we'll be cash flow positive in 2023, starting in 2023 and onwards, meaning, of course, that we can fund our capex and our investment in clubs with the EBITDA that we make. It depends, of course, on the amount of clubs that we want to open, the speed of those openings, the opportunities that we see in the countries that we're active like in Germany. You asked something about speed where we will have that 600 clubs. Well, it also depends on the success and the money that we make. So we'll definitely monitor that very closely. So it's difficult to say if we will have lower debt or -- but definitely, the covenants are to be met and there we don't see any difficulties in that.

René M. Moos

So I think self-sufficient in 2023, if we open 250 clubs. If we open a lot more, then it could be different. But...

Hans J. van der Aar

And it all depends on the timing of those openings.

René M. Moos

Openings, correct.

Hans J. van der Aar

And yes, the question on your covenant on Q4, yes, it's difficult to calculate because, of course, you -- the agreement that we made with the banks in this calculation of the covenant are -- yes, we can't share those details. We made the calculation for year '21 based on 4x Q4, but also includes the exceptional items and also the COVID-related items. And we made agreements with the banks on those topics and it's difficult to share those, and we are not allowed to share those details. But you can rest assure that Q4, of course, we had the exceptional items, with all the COVID-related -- with also the COVID-related compensation that we got from the government. So it's all based on a pro forma calculated EBITDA. So that's part of the whole calculation that we agreed upon with our banks. So it's difficult to share all the detailed agreements and detailed information on that. Sorry, I can't help you further.

Operator

We will take our next question from indiscernible

Unidentified Analyst

I just wanted to follow up on what you said about mature clubs. Did I catch you right at the end of 2022, you expect to have 3,000 members per mature club? And if you could also help us where are you right now? That would be super helpful.

Hans J. van der Aar

What I said is that we -- at the end of Q1 this year, we will be around 3,000 members at the mature clubs. And to add to that, we can only calculate the mature clubs of the number that were mature before the pandemic. So the 504 clubs. They will have 3,000 members at the end of Q1 of this year, and we expect to get them to the level we had pre-COVID and that's 3,300 members at the end of 2022. And at this moment, they are below the 3,000.

Operator

We will take our next question from Hans Pluijgers.

Hans Pluijgers

A few questions from my side. First of all, on the guidance, a little bit rephrase that compared to after Capital Markets Day. You now mentioned it is feasible. Have you become slightly more cautious on your revenue and EBITDA guidance? Is that correct to interpret it like that?

Then secondly, on the membership trend coming back on that, yes, end of this quarter and another 0.4 million in new members. How is the trend currently going? Is that, let's say, ahead of what you were looking for? Could you give some feeling on how it is performing compared to expectations?

And then for the moment -- sorry, 2 other questions. First of all, on pricing. What do you see in the market since reopening? I have seen some other players feeling some are even slightly increasing pricing. What are you seeing in general on pricing? And the last question on payments, a quite significant increase on your liability side of the payments. I assume that as related to payments still have to do regarding to the 66 clubs that you have opened in the first few months. yes, that's some exceptional high number, and we expect it will come down somewhat through the year.

René M. Moos

Yes. Hans, again, what a few questions in a row. Let's start with the first one, the guidance, if it's feasible, yes, we did put that word in. Reason is that we are a bit behind at the end of this year. We had to close down in the Netherlands. So we had -- after the same day, we did have some closures that didn't help. But we also saw in January when we opened, we had a bit more joiners than what we expected. And also, since this Monday, we had to -- we were able to open the clubs in Belgium completely, so no more health checks. So the health checks doesn't mean it worked. But if you're not vaccinated, you're not allowed to enter a gym, meaning in some cities, we're like 30%, 40% of the population was not vaccinated so they couldn't join. So that health pass was really not helpful.

And we see now that when that was lifted in Belgium a few days now only that you see a lot of joiners suddenly in Belgium. So we are very comfortable with this. That's why we also changed around EUR 1 million net growth to at least EUR 1 million net growth. So what we lost last year, we will think we will gain this year. So that's why the guidance changed a bit to -- it's feasible, even though we had to -- we were closed for 1.5 months more or less in the

Netherlands in December until 15th of January. And we do see a strong membership growth in the first 10 weeks of this year compared to expectations.

So overall, we think between EUR 800 million and EUR 850 million is a number we could reach and also the EUR 240 million EBITDA is a number we could reach. About the pricing increase with the competitors, we've seen that, especially in the U.S., a lot of companies increased their prices, but also more local in the Netherlands. And in France, we see some of our competitors increasing prices. This is not our goal. Our goal is not to increase prices, but our goal is to get more members into the premium membership. So that way, our yield will grow a bit but we have no plans to increase prices in the -- for this year or next year.

Hans, the last part about payments, did you find it?

Hans J. van der Aar

Yes. What you said is actually the reason, it's about the 66 club openings that we did in, of course, in the first months of this year. And of course, those clubs were already under construction. So payments were already done or will be done in the first months of this year. So that was on the balance sheet at the end of the year. That will normalize in the -- during the coming months.

René M. Moos

And maybe also good to mention that we -- what you can see in our year numbers that we had a lot of equipment on stock because of all the things that were happening, we thought it was smart to get more equipment in stock. So we would -- if we want to open clubs, we would at least have the equipment to work out on.

Operator

We will now take our next question from James Rowland Clark.

James Rowland Clark

My first question is just on your guidance. Just a follow-up on the last group of questions. Could you just remind us what the premium penetration ended 2021 at? And what level of premium penetration you think you need to see to hit the midpoint of that revenue guidance as it looks like it needs to be a yield per member of about EUR 24, which is a 7% growth versus H2 '21?

And then secondly, on your trends since you've reopened clubs, could you perhaps provide a bit of color on visitation trends and sort of how that compares across demographics in your core markets? And then finally, in terms of price, obviously, you've got fixed contracts on energy, which is keeping your club margins at a healthy level. But if we roll through to mid-2023, your cost base is going to look substantially higher as those contracts roll off. So would that be a time that you would consider changing your pricing or your membership subscription structure potentially?

René M. Moos

Yes. Maybe I'll start with the last -- I'll start with the beginning. The guidance on premium, I think when you look at our current base, it is around 23% of our members choose the premium membership. So 23% of our current member base is paying the Premium Membership. What we do see already is that the joiners, it is around 27%, 28% from the first few months of this year. So it's growing already, and we're adding some new things to the Premium Membership. And with that, we think we will get that percentage even higher maybe. So we will slowly see the 23% rise to, let's say, 26% or 27% this year and even to a higher percentage next year.

And with that, we -- what we -- the guidance we gave on the average price was EUR 22. Of course, if the premium percentage is going up, the EUR 23 on an average customer will also eventually go up, but it's too early to tell what that number exactly would be. But we do see already an increase of people taking the Premium Membership.

So that about the guidance and the visitation trends. I think what we've seen when we lifted the health check that we had a lot more members in. So before let's say, in the month of January, we still had to do reservations in all countries. So we limited the amount of people in our clubs at the same time on 100. So that also meant that sometimes people couldn't work out on the time that they preferred even though we can have like 150 or 200 people in at the same time, and they could all workout on their own machine. But we -- because of the COVID and keeping the distance, et cetera, et cetera, we kept it at 100 people in at the same time.

And you saw when the reservation was lifted at the fitness penetration, the people in at the same time grew a lot. So we see a lot of people using the gym again was it, let's say, 6 months ago, especially the more younger people than the last few months. You saw also the female members coming back. And now since the last few weeks, you also see some older members coming back. So it's been a trend that we saw in the first lockdown that is also happening now. So I think we will pretty soon, we will -- completely will be up to speed again with member visitation, which is, of course, crucial because if they don't visit, they eventually will stop.

Hans J. van der Aar

And your last question was about the cost increase that we could expect in 2023 and what impact that could have on our pricing. While it's not an intention to increase the pricing. We want more members in our clubs, and we want to add the take of the Premium Membership, we want to increase that. So then the yield can grow without increasing the pricing, and we can have more members in. But of course, we are flexible if the inflation is really keeping up for a very long period. Yes, maybe then we can look at it. But it's not our intention. Definitely, we will look at getting more revenue by increasing the length of stay of members and also increasing the rate of the Premium Membership.

René M. Moos

So our goal is to stay below EUR 20, and we think that is feasible because we think the fitness, the penetration of the premium membership will rise.

James Rowland Clark

What are you including in the premium subscription model that you don't already have?

René M. Moos

Well, we're including -- we're ahead of what our customers know them, but okay. We're including a discount on drinks and a discount on group classes, and we're adding massage chairs at the moment as we speak. So different things to make the Premium Membership more attractive.

Operator

We'll now take our next question from Marc Zwartsenburg.

René M. Moos

Marc, we can't hear you.

Marc Zwartsenburg

Can you hear me now, René? Can you hear me?

René M. Moos

Yes. We can hear you now.

Marc Zwartsenburg

Audio Gap use your massage chair now as well. A couple of questions left. First, on Germany, I think, René, you mentioned that you expect to go to 3,300 members per club in Germany, but -- and that's more the average number for the Benelux. For France, I think it was already 37.5. And Germany with larger cities. Wouldn't that be more in line then with the French number? That's my first question. Should I take them one by one. So you don't have to write them down.

René M. Moos

No, it's whatever you want, whether you can put them all together. I can already start thinking if it's a question for Hans, so maybe you put them all.

Hans J. van der Aar

You have to give me more time, Marc...

Marc Zwartsenburg

Sorry. Yes. And thinking about contract structure, is -- do you expect to see the same offering in Germany with the basic comfort premium and what have you all there or would you only sell maybe a premium and one other contract there? Would it be different from the other regions? And then on the overhead, you mentioned, yes, in the first 2 years, you have a small number of clubs in Germany already working with the team. But at some point, when you have 600 clubs, I can imagine that you will have a bigger overhead linked to Germany. Could you give maybe a sort of indication what kind of uplift in the longer term we should expect on the overhead from going to 600 clubs in Germany?

And then the final one on Germany. The capex per gym there is everything still as it was previously on the Capital Market Day that it will be more or less in line with what you have in the other regions? Or has anything changed that we should assume a slightly higher capex for

German clubs because of wage inflation, high construction costs and higher building material bill, et cetera. So that on Germany.

And then a few final ones, if I may. First of all, on the -- Robert Jan already asked the EBITDA Q4 used for the covenants. He mentioned the 55, I don't think we got an answer to that except for -- you're not going to give us the adjustments, which I don't need. But can you just give us a number that would be easy for calculation purposes that would, I think, be helpful.

And then my last question is on the equipment that will go into the new clubs to be opened, you say 60 gyms, the equipment for that is already in stock. But yes, we're planning to open, say, 250 in the year thereafter again. So at some point, I think Hans you also mentioned that the prices for equipment are going up. What will be the impact on the capex per gym you reckon on what you see currently in terms of the new equipment beyond what is currently in stock? Can you give us a bit of an idea what will be the uplift to the EUR 1.25 million per gym capex? That's it.

René M. Moos

Okay. Maybe to start with the last because the equipment we have in stock is already -- so that is clear, of course. We have signed new contracts with Technogym and Matrix. So the prices for equipment will be for this year and next year for both suppliers the same as what we have now. So there will be no raise in price for this year or next year for equipment. So that has no impact. If you look at the...

Hans J. van der Aar

No inflation -- correction. In those contracts, sorry to interrupt, René, there's no automatic inflation part...

René M. Moos

Yes. Yes, there have been some inflation correction already in the beginning of this year for the new 2- or 3-year contract that we just signed, but that was a limited amount, but it was an increase. But that is all in the EUR 1.2 million that we mentioned. So we expect that this year and next year that the capex will be around this EUR 1.2 million. So we're getting more smart on the build-out of clubs. We still have the advantage of scale. So I think the EUR 1.2 million per club for this year and next year will be -- it will not be higher.

So if you look at 2021, it was even lower. It was EUR 1.15 million, and we put in the camera system and we put in the system that we can change the lighting, the air conditioning, ventilation, et cetera, et cetera. So it is -- the EUR 1.2 million is a number you can calculate for this year and next year, for sure.

That's about the capex and equipment. Then about Germany, it's a bit early to tell if it's going to be 3,300 or 3,700. If you look at the VIT, which, of course, is a big part of our cost. If you compare, for instance, the Netherlands, it is 9%. And in France it's 20%. So even though we charge the same amount, EUR 19.99 per member, of course, it's a big difference if we have to pay 9% VIT like in the Netherlands or 20% like in France. Germany, the VIT is 19%. So it's comparable to France. The market is also very big. So we do see that the fitness penetration could be at least the same as in the Netherlands. So if we take 3% growth of fitness penetration in Germany, then, of course, we can open much more than 600 clubs but of course, also our competitors will open clubs.

So anyway, we -- it's too early to tell if it's going to be 3,300 or 3,700, but we do see very good opportunities in Germany for growth of members and growth of fitness penetration. About the contract structure, we will keep it in all countries the same. Sometimes we test things. So we're testing in Spain for just 1 club membership. So we will see at the end of this year, if we continue with that or even put it in more countries. We will also start testing with all in membership so that people can also workout in the club and have a piece of equipment at home. So we're testing that, as we speak, and we will do a big promotion in September, October this year when we will launch it in all countries where we're active. But if we do something, we tested just in 1 country. And once we are convinced, it's the right way then we will roll it out in all countries. But so there -- no, there will not be structural change in country #6.

Hans J. van der Aar

Then your question on overhead combined with the start in Germany, as I said, for the first 2 years, we don't expect a huge overhead growth for those limited amount of clubs. Of course, in due course, when we have 600 clubs, there will be, like in all countries, small headquarters also in Germany and with people responsible for HR and for local facility and also for the expansion. But the good thing about our company is that we are very centralized, organized that we have a lot of the IT and the finance departments already well equipped. So I don't see a huge growth on that.

And of course, what we will see is that the overhead absolutely will grow in numbers with relatively as a part of revenue, it will definitely start going down because we will -- of course, we were hit by COVID, but we were seeing operational leverage on that level, and we expect to see that again in '23 and onwards. So there will be more people in our head office, obviously, also to work with Germany. We need some more people in finance. We need more in legal department will be more people, but that's not really substantial.

René M. Moos

It's going to be a lower percentage of total cost. So it's going to drop, not rise.

Marc Zwartsenburg

Yes -- below 11% is still feasible that you once mentioned, Hans?

Hans J. van der Aar

It's still -- that will still be feasible.

Marc Zwartsenburg

And then the final one on the EBITDA?

Hans J. van der Aar

Yes, the trick question on the EBITDA without giving you too much details. Of course, we could amend the EBITDA of -- absolutely, the fourth quarter was better in EBITDA than in the third quarter. The calculation that Robert Jan made sense. You have to take into account that we also got a compensation from our French government for fixed costs, which I will not -- if you look at the annual accounts, you'll see that number, but we got the compensation for fixed costs and that was part of the fourth quarter. And we can adjust the EBITDA calculation for that quarter on exceptional items and also COVID-related items, and that was all based on an agreement that we did with the banks. But if you look at the calculation that Robert Jan made for Q4, that was close.

Marc Zwartsenburg

Yes, but it's a bit higher, I think?

Hans J. van der Aar

Yes, it's -- if I go to the number, it's around EUR 60 million for Q4 adjusted. And it's not real EBITDA of course, but it's the adjusted EBITDA for the...

Marc Zwartsenburg

Yes, for the calculation of indiscernible banks. Yes.

Operator

We have no further questions at this time.

Richard Piekaar

All right. Then if there are no further questions, I would like to thank everyone for their participation in their questions. And of course, as usual, if there are any follow-up questions, John, David and I are always available. So we're happy to talk to you in the coming days. Have a nice day. Bye-bye.

René M. Moos

Thank you.

Hans J. van der Aar

Thank you.

Operator

We have reached the end of today's conference call. Thank you for your participation. You may now disconnect.

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