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Martin Seibold

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Gathering existing, strong brands under one roof to create the new Life Fit Group made perfect sense

MARTIN SEIBOLD

CEO LIFE FIT GROUP

The newly-launched Life Fit Group aims to have a presence in each of Germany's booming fitness segments. CEO Martin Seibold says reviving the fortunes of Fitness First acted as the starting gun for the business.

Seibold is becoming somewhat of a turnaround specialist. In 2006, the then MD of Fitness First Germany was transferred to Fitness First UK, named

its COO and tasked with turning the business around. After a successful two-year project, he was rewarded with a promotion to a global role.

When the UK business found itself in trouble again just a few years later, its private equity owner Oaktree Capital called Seibold back – this time as MD. Between 2012 and 2017 he again revived Fitness First UK, this time through a £40m+ transformation programme that

repositioned the chain by nudging it upmarket and reducing the estate from 185 clubs to just 65.

After helping Oaktree sell the UK business to DW Fitness in 2016 he was then – in May 2017 – called on to perform a similar turnaround of Fitness First Germany.

In the two years since, he and the teams across the clubs haven't as much resuscitated the business, as fitted it with ▶



Seibold has turned Fitness First Germany from an outdated offering to one at the forefront of innovation



After turning
around Fitness
First UK, Seibold
was called back
to do the same
in Germany



Seibold and the teams across all the Fitness First Germany clubs have resuscitated the business

- ▶ new organs and given it a new purpose in life. What started as a three-year plan to prepare the estate for sale has become a long-term project to create a multi-brand group of companies featuring best-in-class operations in a number of vertical markets.

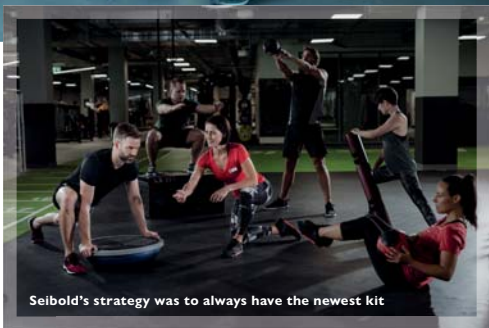
CHANGING DIRECTION

"Three years ago Fitness First Germany was in a very difficult state," Seibold says. "There was no clear vision or philosophy, and there was confusion over what the strategy was."

"There had been attempts to introduce new services and enter new segments – such as the launch of a boutique offering, efforts to move into the mind and body segment and to enter the digital space. But these had led to a further loss of focus on what the core product was."

"There wasn't any innovation at the clubs either. The estate had some great locations and people, but the sites were full of outdated equipment."

Seibold set out to modernise the network. Most of the changes he instigated were simple – such as ditching the "garish brown and magenta" colour scheme, installing wifi access at every club and making sure equipment and programming were brought up to date.



In total, €15m was spent across the 60+-strong club portfolio, while around €6m of 'unnecessary costs' were taken out of the operation.

"Within 18 months we'd turned Fitness First Germany from an operator with an outdated offer to one which is at the forefront of innovation," Seibold said of the changes. "Our strategy was to be the operator that gets there first when it comes to new kit."

CHOOSING A FUTURE PATH

Once it was clear the company was back on track, its private equity owner Oaktree Capital was faced with a choice: what to do next? Should it continue to prepare the estate for sale, or adopt a different approach?

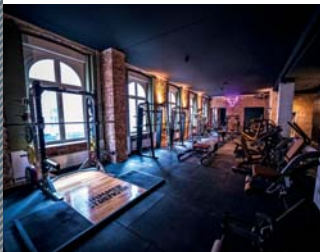
During discussions, an option which had recently been tested – and proven – on the other side of the world was brought up.

"I sat down with Federico Alvarez-Demalde, the senior VP at Oaktree, to consider our options," Seibold says. "He suggested that we might want to look at how Greg Oliver had grown a portfolio of fitness brands in Australia."

Oaktree was very familiar with Oliver's Fitness & Lifestyle Group (FLG). Oaktree had sold Fitness First Australia to FLG in 2016 and kept a minority stake in the business. Since then, FLG has acquired a number of operators and become Asia-Pacific's largest diversified fitness and wellness group with a portfolio that includes nine brands and around 500 sites.



Fitness First Germany's private equity owner, Oaktree Capital, decided to build a diverse portfolio of fitness brands



Seibold recalls the conversation: "Federico said 'Martin, fly to Australia and speak to Greg and his team. Check it out. If you come back and say that we can do in Germany what they've done there, we'll go for it.'"

STUDY VISIT

Seibold visited FLG in May 2018, spoke to Oliver and met the MDs of all the individual brands.

"It was an eye-opener," Seibold says. "Gathering existing, strong brands under one roof made perfect sense.

"Firstly, they could centralise a lot of the processes and leverage the cost base. Secondly, they were able to offer consumers recognised premium, budget and boutique studios without the need to build separate brands from scratch.

"Thirdly, it offered them flexibility in organising the estate. FLG had converted and 'downgraded' some of the smaller Fitness First clubs to run under the Goodlife brand – but also upgraded some of the larger Goodlife site to be branded Fitness First."

Seibold had made up his mind. "I came back, sat down with Oaktree and said 'guys, we have to do this.'"

GROWING AS A GROUP

Within six months of returning from his fact-finding mission, Seibold – with strong support from Oaktree – had negotiated the first deal. In December 2018, Fitness First acquired elbgym – a highly-regarded regional operator with three gyms in the city of Hamburg.

This was followed by the securing of rights to operate Barry's Bootcamp in Germany and a deal to bring Dutch operator The Gym Society – headed by industry veteran Frank Polman – to Germany. Most recently, in July, a deal was struck to acquire budget operator Smile X and its 17 sites. The six-strong portfolio of companies is completed by the addition of digital fitness app NewMoove.

A new company – Life Fit Group – was then set up to oversee the six different brands, with Seibold named as CEO. The next stage will see the group expand in each segment.

Seibold says Frank Polman will be an asset in growing the business, due to his franchising experience gained from spreading the Curves brand across Europe. "We're looking to franchise Elbgym, so its MD, Wilhelm Schröter, will

be able to meet regularly with Frank and discuss strategy," Seibold says.

"That's the beauty of what we're doing – we aren't just adding best-in-class brands, we are gathering best-in-class knowhow. As well as Frank's franchising expertise, we have the boutique prowess of Barry's Bootcamp and a deep understanding of the German budget market through Smile X and its strong management team, headed by Christian Müller.

"Life Fit's management structure will reflect this – we'll establish a round table system, where the individual CEOs of the companies come together to discuss our forward plans and to share their experiences."

As Life Fit prepares for the next, exciting stage, Seibold is keen to highlight the role played by Oaktree Capital – and especially Federico Alvarez-Demalde and his team. "As owners, they have been incredibly supportive and crucial in making this happen," Seibold says.

"Without Oaktree and its trust in me, our team and this process, it would not have been possible. The relationship we have is a great example of how private equity ownership can work and be a positive force in business." ●