

A BVR SPECIAL REPORT

EXCERPT FROM

WHAT IT'S WORTH:
**Valuing
Fitness Centers,
Health Clubs,
and Gyms**

WHAT IT'S WORTH:
**Valuing Fitness
Centers, Health Clubs,
and Gyms**

A BVR SPECIAL REPORT



111 SW Columbia Street, Suite 750, Portland, OR 97201-5814
503-479-8200 • www.bvresources.com



Copyright © 2023 by Business Valuation Resources, LLC (BVR). All rights reserved.
Printed in the United States of America.

No part of this publication may be reprinted, reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher or authorization through payment of the appropriate per copy fee to the Publisher. Requests for permission should be addressed to the Permissions Department, Business Valuation Resources, LLC, 111 SW Columbia Street, Suite 750, Portland, OR 97201-5814; (503) 479-8200; fax (503) 291-7955; permissions@bvresources.com.

Information contained in this book has been obtained by Business Valuation Resources from sources believed to be reliable. However, neither Business Valuation Resources nor its authors guarantee the accuracy or completeness of any information published herein and neither Business Valuation Resources nor its authors shall be responsible for any errors, omissions, or damages arising out of use of this information. This work is published with the understanding that Business Valuation Resources and its authors are supplying information but are not attempting to render business valuation or other professional services. If such services are required, the assistance of an appropriate professional should be sought.

Executive Editor: Andrew Dzamba

Associate Editor: Chris Horner

Production Manager: Monique Nijhout-Rowe

Senior Copy Editor: David Solomon

Chair and CEO: David Foster

President: Lucretia Lyons

Chief Revenue Officer: Lisa McInturff

PDF ISBN: 978-1-62150-254-8

Table of Contents

INTRODUCTION	5
SECTION I: INDUSTRY OVERVIEW	7
1. FITNESS CENTER INDUSTRY STRUCTURE AND HOW FIRMS OPERATE	9
2. MACRO DRIVERS OF PROFIT IN THE FITNESS CENTER INDUSTRY	15
3. ASSESSING THE RISKS INHERENT IN THE FITNESS CENTER INDUSTRY	17
4. QUESTIONS TO ASK MANAGEMENT: OPERATIONS AND RISKS	21
SECTION II: CURRENT TRENDS AND FORECAST	23
5. OVERALL TRENDS IMPACTING THE FITNESS CENTER INDUSTRY	25
6. RECENT DEVELOPMENTS IMPACTING FITNESS CENTERS	29
7. CASH-FLOW CONSIDERATIONS SPECIFIC TO THE FITNESS CENTER INDUSTRY	35
8. FORECAST FOR THE U.S. FITNESS CENTER INDUSTRY	39
9. QUESTIONS TO ASK MANAGEMENT: RECENT TRENDS AND CASH FLOW	41
SECTION III: FITNESS CLUB VALUATION CASE STUDY	45
10. CASE STUDY: SETTING THE STAGE	47
11. CASE STUDY: FORECASTING	65
12. CASE STUDY: DCF, COST OF CAPITAL, DISCOUNTS, AND FINAL VALUE	79
SECTION IV: ANALYSES OF KEY COURT CASES	85
13. ANALYSES OF KEY COURT CASES IN FITNESS CENTER VALUATION	87
<i>3925928 Manitoba Ltd., et al. v. 101029530 Saskatchewan Ltd., et al.</i>	89
<i>Beverly Hills Concepts v. Schatz & Schatz (I)</i>	90
<i>Beverly Hills Concepts v. Schatz & Schatz (II)</i>	92
<i>In re Body Transit</i>	94
<i>Freestyle Martial Arts Corp. v. Soco</i>	100
<i>Lacoste v. Lacoste</i>	103
<i>Life Time, Inc. v. Zurich Am. Ins. Co.</i>	106
<i>Pure Power Boot Camp v. Warrior Fitness Boot Camp</i>	108
<i>Schuetzle v. Lineberger</i>	112

Verghetta v. Lawlor 113

In re Yellowstone Mountain Club, LLC 120

SECTION V: BENCHMARKING DATA AND RESEARCH 125

14. SUMMARY VALUATION DATA AND MULTIPLES FROM DEALSTATS..... 127

15. RATIOS AND FINANCIAL BENCHMARKS..... 131

16. RULES OF THUMB FROM THE BUSINESS REFERENCE GUIDE..... 135

17. FITNESS INDUSTRY RESEARCH AND RESOURCES 145

Introduction

The purpose of this report is to provide valuation analysts with a solid foundational understanding of the business of fitness centers, health clubs, and gyms.

The report explains how these firms operate, the nature of their revenue streams, value drivers, the industry environment, the risks involved, and other factors. On the quantitative side, this report provides benchmarking data on transaction multiples, financial ratios, rules-of-thumb pricing, and advice from experts in the field. While the data presented are the most recent available, analysts must use data that are relevant to the valuation date of the subject entity or interest.

This report also contains a complete case study of a valuation of a multilocation fitness center franchise operation based on an actual engagement that ended up in litigation. Also included are a listing of court cases as well as case analyses from BVR's *BVLaw* platform.

The industry research in this report is drawn from information Vertical IQ provided that represents just a small part of what it offers. Vertical IQ's industry reports and regular updates have intelligence on small- and medium-size businesses in more than 500 industries that details the risks, industry trends, financial metrics, operations, and financial challenges.

There is an entire section devoted to benchmarking data from DealStats, financial ratios, pricing rules of thumb, and advice from experts in the field via the *Business Reference Guide*. There is also a listing of additional resources related to the industry, including trade associations.



Platforms include...

DealStats
Cost of Capital Professional
Economic Outlook Update
First Research
Vertical IQ
Business Valuation Update
BVRResearch Pro
BVLaw
Training Passport
And much more!

Guarantee you have the most current and comprehensive valuation data available with BVR's suite of products

Every informed stakeholder in business valuation, performance benchmarking, or risk assessment turns to Business Valuation Resources (BVR) for authoritative deal and market data, news and research, training, and expert opinion. Rely on BVR for the most trusted business valuation intelligence. BVR's data, publications, and analysis have won in the boardroom and the courtroom for over two decades.



DEAL & MARKET DATA

BVR's platforms, such as DealStats and Cost of Capital Professional, provide the most detailed data available on the market and are used by business appraisers, business brokers, investment bankers, and more.



NEWS & RESEARCH

BVR's searchable databases, reports, and books and guides capture the most timely content you need to stay abreast of the latest developments in the business valuation profession.



TRAINING & CPE

Stay current with the business valuation profession and earn CPE credits from anywhere with BVR's training programs featuring top thought leaders who address the most important and timely issues in the profession.

Learn more about all of our offerings at:
bvresources.com

Contact us at:
503-479-8200
info@bvresources.com