

Future of Fitness: Online or In-Person?



INTRODUCTION

Before COVID-19, hitting the gym or taking a class after work was a common way to get in the daily required exercise and stay healthy, especially for city dwellers. But as the virus outbreak progressed and 2020 changed the world into one of mask-wearing and social distancing, the idea of working out indoors with a sweaty stranger beside you has many running in fear. While the future of traditional gyms remains unclear, fitness habits and the idea of gym memberships are evolving.

Shift to the Suburbs



Particularly as many employees continue to work from home at least until the end of 2020 and even prepare for homeschooling and online education for their children, going to the gym is no longer an on-the-way-to-work activity. And with New Yorkers and Bay Area dwellers alike fleeing their small apartment spaces and over-priced rent for the suburbs, they are now far away from the fancy gyms and boutique studios whose memberships were once a symbol of healthy living. With real estate selling fast in the suburbs, families not only are offered more space to separate kids from work but also have the new luxury of building their workout space at home.



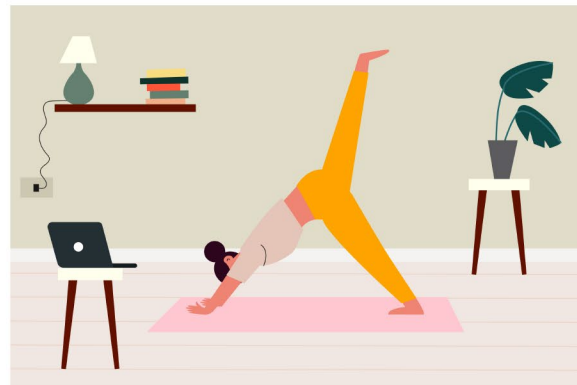
At-Home Fitness and On-demand Training Booming

Fitness-focused companies from subscription-based fitness platforms to traditional home fitness equipment sellers are seeing their businesses thrive in 2020. At-home fitness equipment sellers that also feature on-demand subscription-based fitness classes for users at home like [Peloton](#) and [Mirror](#) had already made a mark pre-COVID. Peloton racked up an \$8.1B valuation at its IPO in September last year (now a \$25B valuation at its 1-year IPO anniversary) and Mirror inked a \$500M deal to sell to Lululemon Athletica in June 2020. The double hit of COVID-19 and the nationwide lockdown that followed brought at-home fitness to the forefront. With big names like [Apple](#) joining the race to cash in on the at-home fitness trend with its \$9.99 per month low-cost fitness program [Fitness+](#), it's easy to say that working from home will be a new norm.

Other startups are also taking a cut of the pie. For example, Mirror competitor [Tempo Interactive](#) is gaining traction for its smart 3D sensor and A.I. technology used in its fitness equipment that can analyze as well as give real-time feedback. Coupled with its on-demand subscription model, it attracted Series B funding in July 2020 totaling \$60M, at a valuation of \$300M. Another company cashing in on smart devices is [Whoop](#), a privately-held company that offers a wearable consumer product and membership package that is said to monitor sleep, measure recovery, and help with fitness training. Lastly, [Tonal Systems](#) offers a similar product to Mirror with a wall-mounted fitness system but its focus is on strength training.

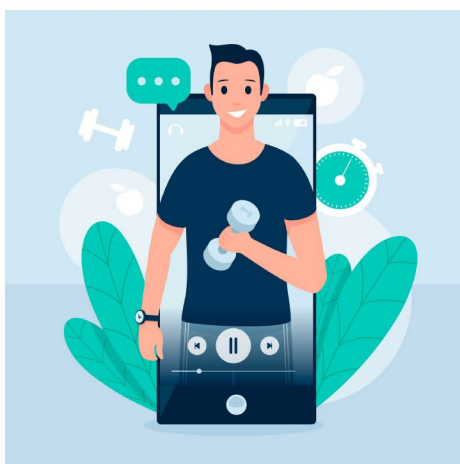
Through subscription-based on-demand coaching and digitally-connected personalized exercises as well as electromagnetics technology, the systems can offer just the right resistance for deadlifts and more.

Although not offering a single piece of smart equipment, privately-held companies like [Beachbody](#), [Core Health & Fitness](#), and [Icon Health & Fitness](#) who develop in-home fitness products and equipment continue to maintain strong businesses since their early foundings through an established portfolio of



products. [Beachbody LLC](#) is a privately-held company that develops popular in-home fitness and weight loss solutions and derives its revenue from sales of its brands through television and direct marketing. [Core Health & Fitness](#) is one of the market leaders in producing some of the more popular stationary bikes, ellipticals, stepping machines, and other fitness-related products for the commercial as well as home use fitness industry. [Icon Health & Fitness](#) is a privately-held manufacturer of home fitness equipment. Its product portfolio includes treadmills, elliptical machines, stationary bikes, home gyms, weight benches, yoga and Pilates equipment, hand-held exercise, and performance apparel.

Lastly, Obe Fitness is an up-and-coming privately-held subscription-based fitness platform offering online, live workouts through a digital platform and mobile app. While it doesn't offer any equipment with its products, it reimagines the boutique studio classes' experience and brings them to people's homes. Coincidentally, Classpass, whose selling point had been offering access to multiple in-person boutique studio classes and has struggled with layoffs due to COVID-19, is also shifting its focus to online classes.



Traditional Gyms and Studios Struggle

With gyms only recently reopening in places like New York City, traditional gyms and other fitness studios have been struggling to stay afloat. 24 Hour Fitness, Gold's Gym, NYSC, and Flywheel Sports have all filed for bankruptcy protection while other large studios have permanently closed locations. And even while gyms are opening up, restrictions like limited capacity, mandatory upgrades to facilities, and a strict cleaning regimen have made it hard for business operations.

Nationwide gyms like 24 Hour Fitness, Gold's Gym, Equinox, Anytime Fitness, and LA Fitness who all offer pristine gym spaces, a range of top of the line fitness equipment, and in-studio classes have all shifted their business model to continue to attract members, adding online on-demand fitness classes, in addition to access to their facilities. Meanwhile, Life Time Fitness operates as a health club with some facilities offering full-service gyms, basketball courts, pools, kid facilities, and day camps, while focusing on stricter cleaning regimes with the hope that members will return.

Meanwhile, Town Sports International Holdings who run NYSC and Flywheel Sports have both filed for bankruptcy. Both have taken the approach of limiting gym openings, stricter cleaning practices, and set rules for gym users while they reconsider their operations and struggling finances in an attempt to emerge from bankruptcy. Town Sports International Holdings operates most of its full-service gyms in New York, Philadelphia, and Connecticut. Flywheel Sports, a Soulcycle and Peloton competitor, focuses on stadium cycling and group classes.



While it may still be too early to predict what is the future for physical gyms, newer service providers that offer at-home solutions -- particularly ones that capture recurring revenue like on-demand subscription services -- see a bright future. And with traditional gyms unable to leverage the advantage of the physical connection with other workout peers, driving an online community and building virtual connection may, in fact, be the new norm.



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