

**VIVA**  
LEISURE



ACQUISITION OF FITnFAST, TRADING UPDATE & CAPITAL RAISING

**FNF**<sup>TM</sup>

**Qmax**<sup>TM</sup>  
HIGH INTENSITY TRAINING

**Yogabar**<sup>®</sup>

2 December 2019

# Important Notice and Disclaimer

## Important Notice and Disclaimer

This presentation has been prepared by Viva Leisure Limited ("Viva Leisure") in relation to the acquisition by Viva Leisure of FitnFast Health Clubs ("FnF") and an institutional placement of new fully paid ordinary shares in Viva Leisure to fund (in part) the acquisition of FnF.

## Summary information

This presentation contains summary information about Viva Leisure and FnF (and their associated entities) and their activities current as at the date of this presentation. The information contained in this presentation is for information purposes only. The information contained in this presentation is of general background and does not purport to include or summarise all information that an investor should consider when making an investment decision. It should be read in conjunction with Viva Leisure's other periodic and continuous disclosure announcements lodged with the ASX, which are available at [www.asx.com.au](http://www.asx.com.au).

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# Important Notice and Disclaimer (continued)

## Financial data

All dollar values are in Australian dollars (\$) or AUD unless stated otherwise. All references starting with "FY" refer to the financial year ending 30 June. For example, "FY19" refers to the financial year ending 30 June 2019.

Investors should note that this presentation includes both audited and unaudited financial information for FnF that has been prepared by FnF management for various periods and has been adjusted by Viva Leisure management based on their due diligence. Pro-forma adjustments have been made in order to exclude one-off transaction costs associated with the Placement and Acquisition from reported earnings. Investors should note that this information has not been audited and is based on management estimates and not on financial statements prepared in accordance with applicable statutory requirements. Accordingly, investors should treat this information with appropriate caution.

Financial information in relation to the assets to be acquired pursuant to the Acquisition has been derived from financial statements and other financial information made available by FnF in connection with the Acquisition. The pro forma financial information for Viva Leisure following the acquisition of FnF is provided for illustrative purposes only.

Investors should also be aware that certain financial data included in this presentation including TTV, EBITDA, EV, and measures described as "pro-forma", are "non-IFRS financial information" under ASX Regulatory Guide 230 (Disclosing non-IFRS financial information). The non-IFRS financial information financial measures do not have a standardised meaning prescribed by AIFRS and, therefore, may not be comparable to similarly titled measures presented by other companies, nor should they be construed as an alternative to other financial measures determined in accordance with AIFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial measures included in this presentation. Viva Leisure's definition of such non-IFRS measures are included in the Glossary.

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Statements made in this presentation are made only at the date of the presentation. Viva Leisure is under no obligation to update this presentation. The information in this presentation remains subject to change by Viva Leisure without notice. Viva Leisure reserves the right to withdraw or vary the timetable for the Acquisition and Placement without notice.

# Agenda

1. Executive Summary
2. Transaction Overview
3. Strategic Rationale
4. Financial Metrics
5. Trading Update
6. Equity Raising Overview & Timetable
7. Business Overview
8. Foreign Selling Restrictions
9. Key Risks



A blue-tinted photograph of a busy gym. In the foreground, several people are standing, some looking towards the camera and others looking away. In the background, a person is performing a burpee on the floor. Gym equipment like barbells, kettlebells, and treadmills are visible. Large windows in the background let in bright light. A dark blue horizontal banner is overlaid across the middle of the image, containing the text 'EXECUTIVE SUMMARY' in white, bold, uppercase letters.

# EXECUTIVE SUMMARY

# Executive Summary

## Acquisition Overview

- Viva Leisure has agreed to acquire 13 FitnFast Health Clubs (“FnF”) located in the ACT (1), New South Wales (10) and Victoria (2)
- In FY19 FnF (13 clubs) produced revenue of \$17.9 million and EBITDA<sup>1</sup> of \$3.6 million
- Viva Leisure to pay cash consideration of \$13.5 million
- Expected to complete before 31 March 2020, subject to assignment of property leases

## Overview of FnF

- FnF currently operates 17 health club locations in the ACT, New South Wales and Victoria
- Viva Leisure is acquiring 13 FnF sites, all of which are profitable
- ~21,500 members at the 13 acquired locations / ~1,650 average members per club
- 15,600m<sup>2</sup> of leased gym space, equates to an average 1.38 members/m<sup>2</sup>, below the Viva Leisure target of 2.00 members/m<sup>2</sup>
- Strong track record of quality service since commencing operations in 2010

## Transaction metrics

- Under Viva Leisure’s ownership, FnF is forecast to achieve FY19 pro forma EBITDA \$4.7 million (post synergies) - representing growth of 32.9%<sup>1</sup>
- Acquisition implies a historic FY19 EBITDA multiple of 3.79 times
- Net cost and revenue synergies of ~\$1.2 million per annum to be realised
- Transaction is expected to be greater than 20% EPS accretive in the first full financial year<sup>2</sup>

Note 1: EBITDA is earnings before interest, tax, depreciation and amortisation (excluding impacts of AASB16)

Note 2: EPS Accretion based on FY20 Prospectus Forecast and adjusted for recent acquisitions and trading performance. EPS using NPATA excludes impacts of AASB16.

# Executive Summary

## Strategic rationale

- Well located club portfolio, conducive to Viva Leisure's hub and spoke model
- Fits Viva Leisure's stated strategy to expand
- Highly complementary fit in terms of geography and customer demographic
- Opportunity to realise further revenue growth and operating synergies with similar back-office
- High quality operation ensures integration simplicity

## Transaction funding

- Upfront cash consideration of \$13.5 million less customary adjustments for unearned income and leave entitlements
- Fully underwritten placement to new and existing institutional shareholders of \$20.0 million
- Viva Leisure may elect to use part of its recently announced Debt Facility with Commonwealth Bank of Australia to part fund the acquisition
- There is no deferred or earn-out consideration

## Timetable & Conditions

- Conditions precedent include the assignment of all property leases by existing landlords
- The transaction is expected to complete by 31 March 2020

Note 1: EBITDA excluding impacts of AASB16

A group of five women are sitting in a row on a light-colored wooden floor in a studio, practicing meditation. They are all in a lotus or similar seated position, with their hands resting on their knees in a mudra. The studio has large windows in the background, and a ballet barre is visible on the right side. The entire image has a light blue tint.

# TRANSACTION OVERVIEW



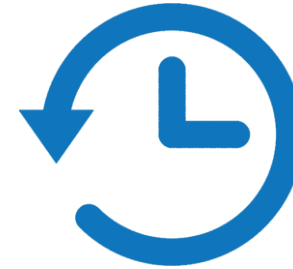
# Overview of FnF<sup>1</sup>



~200 Employees  
60% Casual



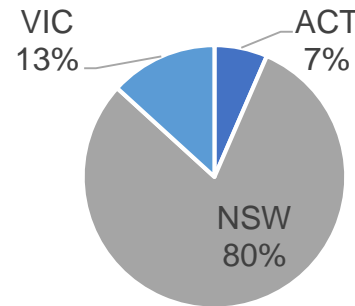
13 acquired locations  
ACT (1), NSW (10), VIC (2)



Established in 2010  
by Tony de Leede  
Original Fitness First Australia  
Managing Director



~21,500 Members



Members by  
Location

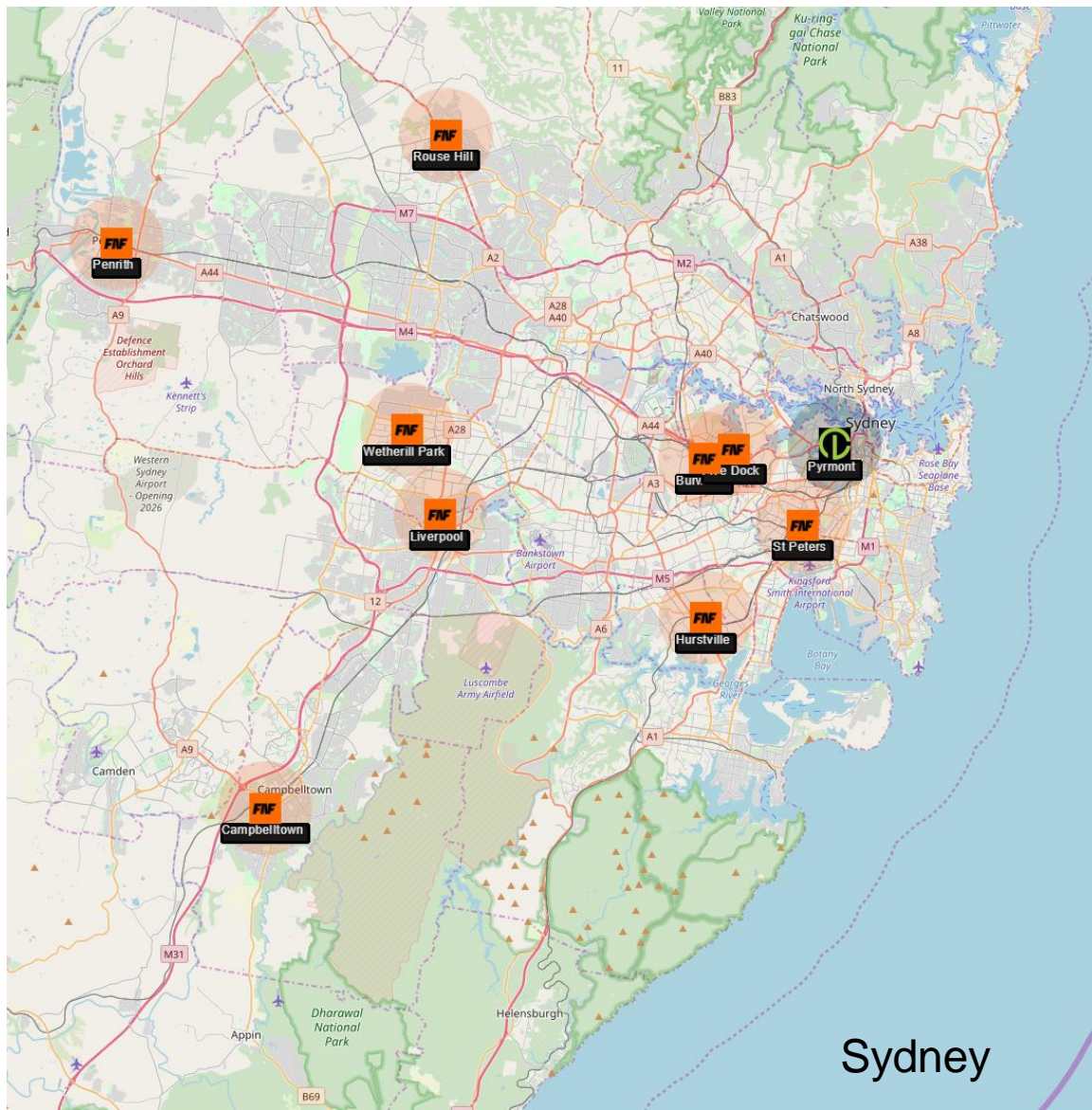


Average revenue  
\$14.80/pw per  
member

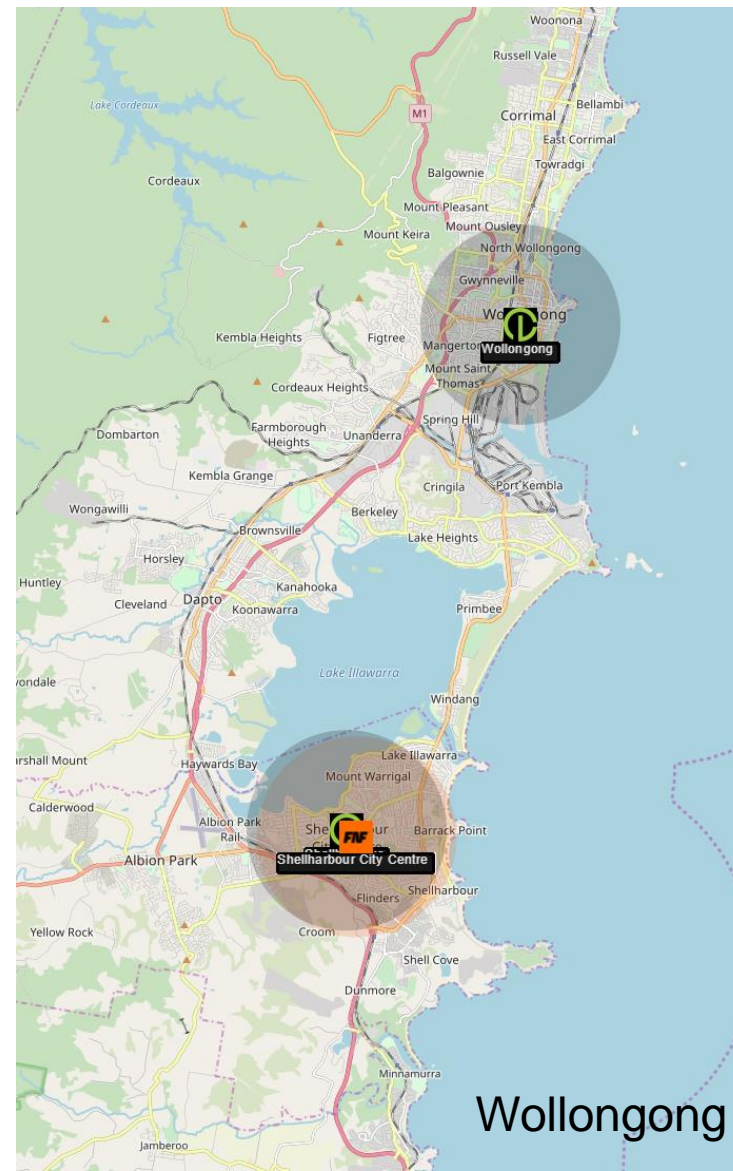


Note 1: Four locations not acquired include Westfield Sydney CBD, Liverpool Street, Sydney CBD, Charlestown, NSW and Cheltenham, Victoria

# Overview of FnF – NSW Locations



Sydney



Wollongong

## Comments

### Sydney

- No overlap of locations
- New geographic areas reached
- Opportunities for hub and spoke to occur in multiple locations

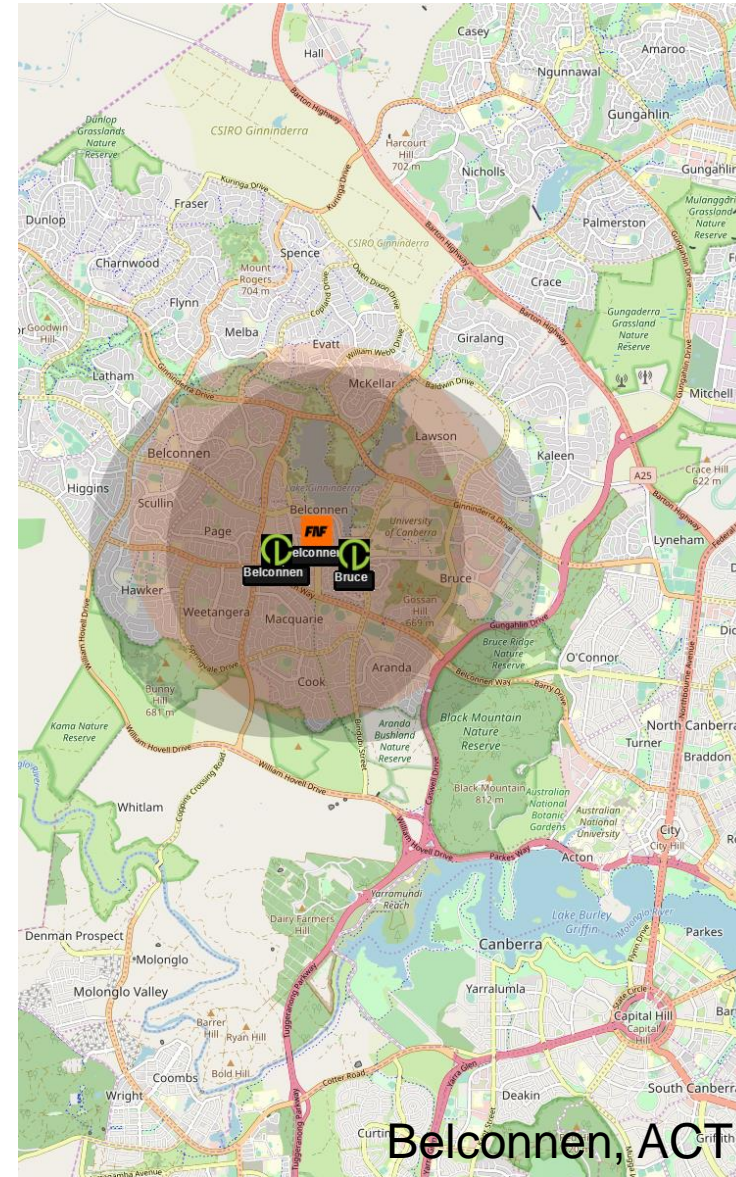
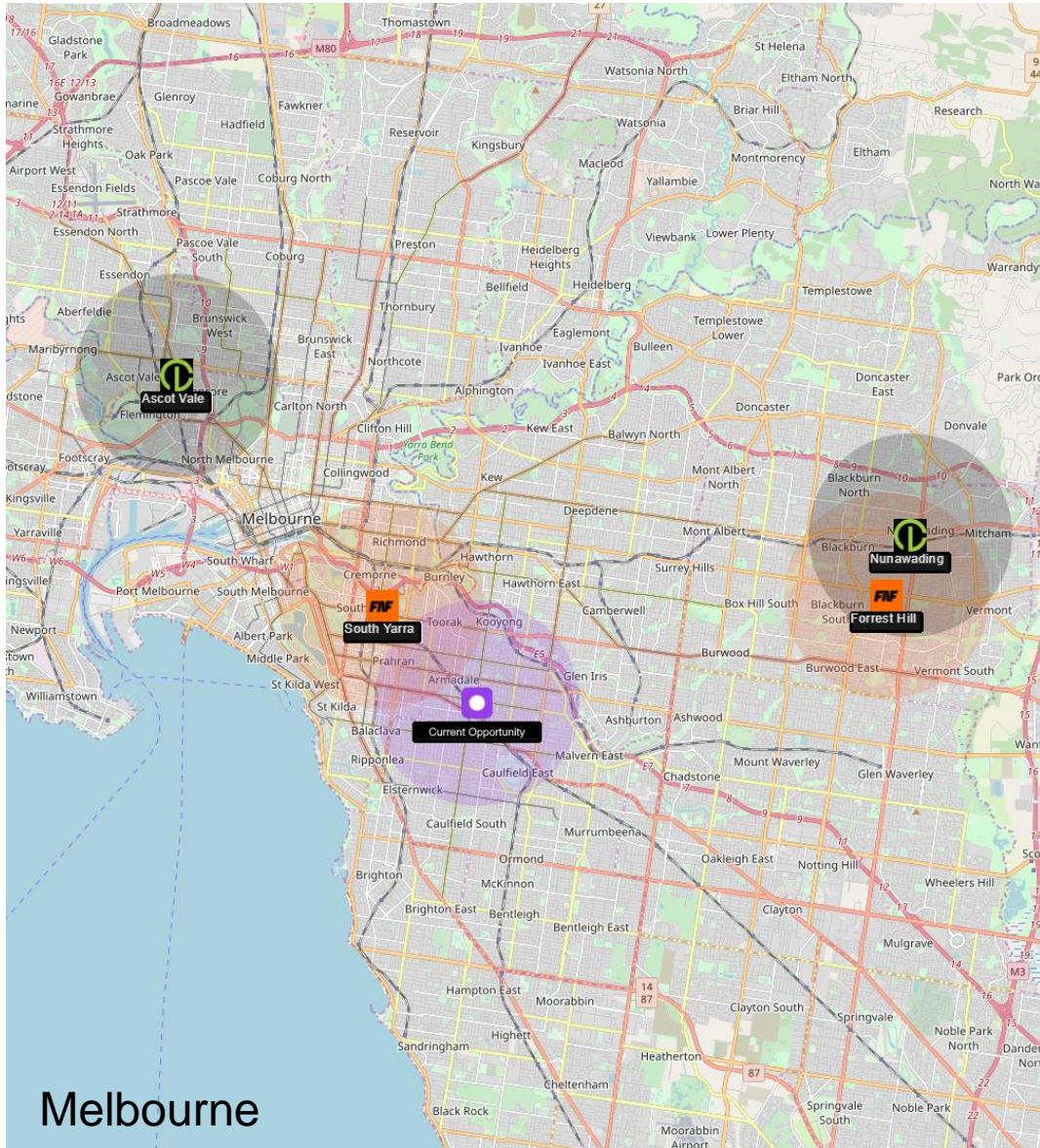
### Wollongong

- Overlap in location at Shellharbour
- FnF location likely to be re-branded to something other than Club Lime and compete with new Club Lime currently undergoing fit-out

### Notes

- Shaded areas represent 3km radius from club location

# Overview of FnF – ACT and Victoria Locations



## Comments

### Melbourne

- New geographic areas reached
- Opportunities for hub and spoke to occur in multiple locations
- Forrest Hill will complement new Nunawading location currently under development
- Opportunity for hub and spoke on a new location under review, but not yet secured

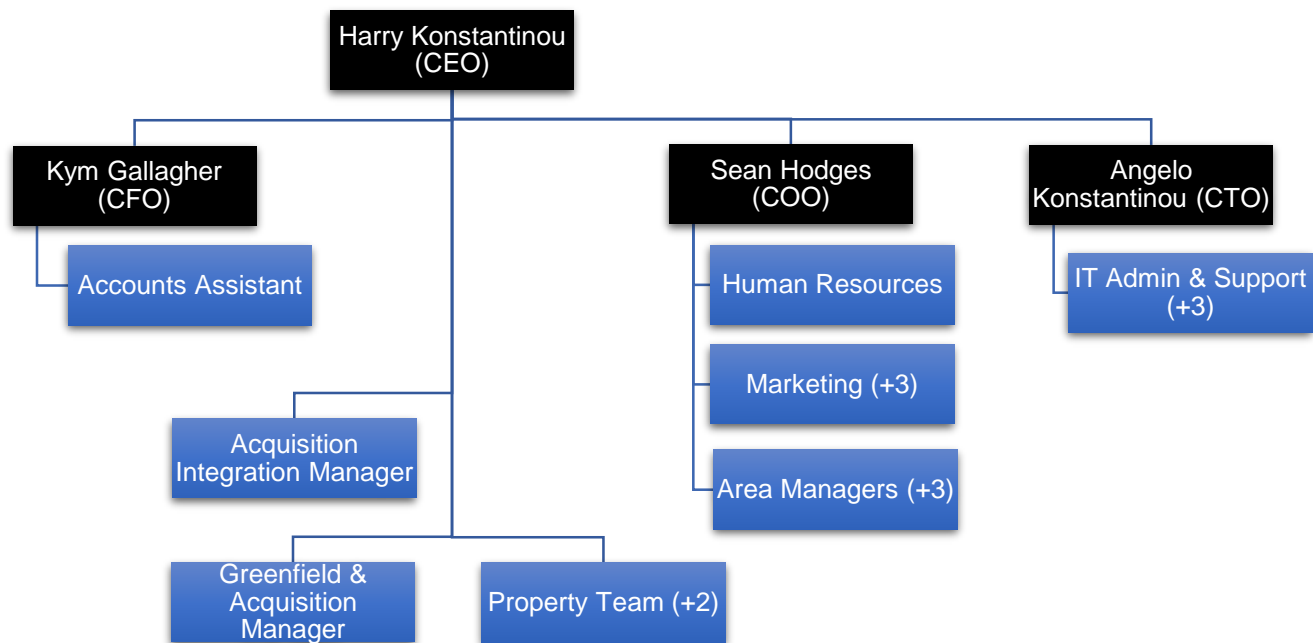
### Belconnen, ACT

- Overlap in locations
- FnF location likely to be re-branded and reconfigured to something other than Club Lime

### Notes

- Shaded areas represent 3km radius from club location

# Head Office Additional Executive Support



Comments
Head Office Executive Support
Increased in FY20 to support the continued growth of the business and the Healthworks acquisition.
Additional support will be added for FnF

Human Resources (+1)

Area Manager (+1)

IT Support (+1)

Member Support (+1)

Accounts (+2)

Additional Executive Support as part of FnF Acquisition

# STRATEGIC RATIONALE

ATTITUDE IS  
EVERYTHING

hiit  
republic



# Strategic Rationale

Acquisition supports plan to grow into new territories and markets

- Fits Viva Leisure's stated strategy of expansion
- Strengthens Viva Leisure's reach into new territories via established locations with loyal membership base
- Significant opportunity to implement Viva Leisure's hub and spoke model and introducing boutique offerings such as hiit republic
- New locations are predominantly focused in New South Wales, which establishes an excellent base from which to expand

Increases scale and earnings

- Opportunity to use Viva Leisure's systems to grow FnF membership base from ~1.38 members/m<sup>2</sup> to 2.00 members/m<sup>2</sup>
- Implementation of Viva Leisure's back-office systems will help reduce manual membership administration processes and save costs
- Potential upside to supplier and landlord terms, arrangements and relationships
- Revenue increase of >\$18 million per annum

Synergy opportunities

- Increased membership base provides further opportunity to drive revenue growth of new products via channel expansion (i.e. digital offerings)
- Support function efficiencies and removal of duplication
- Centralised head office procurement and management drives efficiencies
- Opportunity for Yogabar brand to be rolled out as a separate boutique offering

# Strategic Rationale (continued)

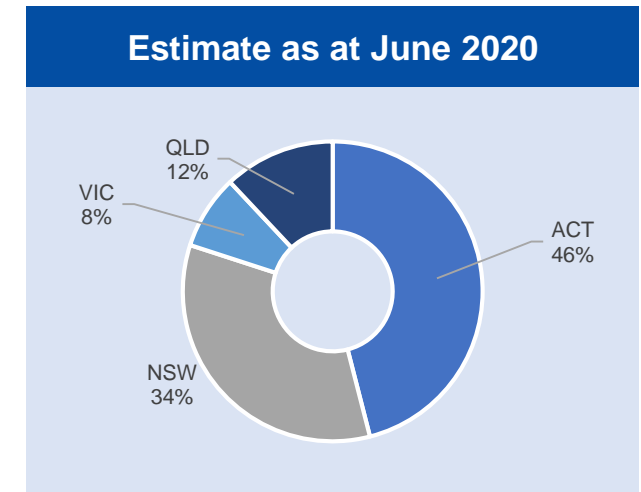
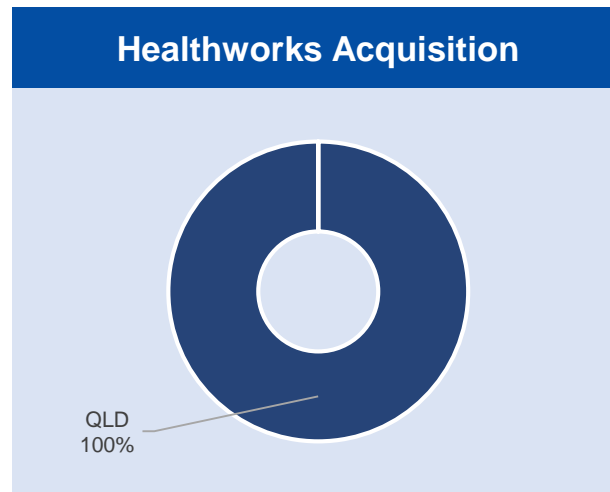
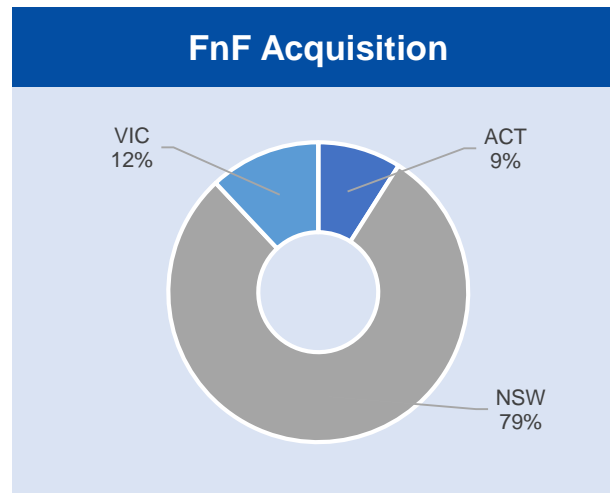
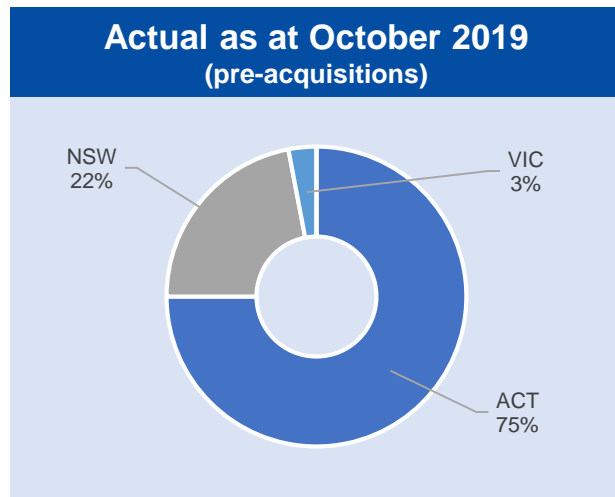


## Combined Group

<b>Product Offering</b>	Health Clubs, Boutique Functional Fitness, Boutique Cycling Studios, Aquatic Facilities, Swim School	Health Clubs, Functional Fitness (within Club), Yoga and Barre facilities (within Club)	
<b>Segment</b>	Boutique, Express, Standard and Big Box	Standard and Big Box	All four segment types
<b>Years of Operation</b>	Commenced January 2004 (15 years)	Commenced June 2010 (9 years)	15 years
<b>FY19 Revenue (audited)</b>	\$33.1 million	\$17.9 million	>\$50 million
<b>FY19 EBITDA (audited)</b>	\$7.3 million	\$3.6 million	>\$10 million
<b>EBITDA Margin</b>	22.0%	20.0%	21.4%
<b>Operating States</b>	ACT, NSW, VIC, QLD	ACT, NSW, VIC	ACT, NSW, VIC, QLD
<b>Locations Opened &amp; Planned</b>	72 <sup>1</sup>	13	85 <sup>1</sup>
<b>Members</b>	~71,000 <sup>1</sup>	~21,500	~92,500 <sup>1</sup>
<b>Employees</b>	~600 <sup>1</sup>	~200	~800 <sup>1</sup>

Note 1: Including Healthworks Acquisition

# Forecast FY20 Members by State







# FINANCIAL METRICS

# Financial Metrics

(\$ millions)	FnF (FY19)	Viva Leisure Synergies (FY19)	FnF pro forma (FY19)	FnF est. (FY20) Contribution <sup>1</sup>
<b>Income</b>	<b>17.9</b>	<b>0.8</b>	<b>18.6</b>	<b>4.5</b>
Operating Costs <sup>2</sup>	14.3	(0.4)	13.9	3.6
<b>EBITDA (ex AASB16)</b>	<b>3.6</b>	<b>1.2</b>	<b>4.7</b>	<b>0.9</b>
Depreciation & Amortisation			2.9	0.7
EBIT			1.8	0.2
Finance Costs			0.4	0.1
NPBT			1.5	0.1
Tax			0.4	>0.1
<b>NPAT</b>			<b>1.0</b>	<b>0.1</b>
NPATA			2.1	0.3
EBITDA Margin	20.0%		25.4%	20.0%

## Synergy Notes

### Revenue

- \$750k equates to 975 new members or 4.5% growth in member base

### Operating costs

- De-duplication of support costs
- Optimisation of club staff costs

## Current Trading

- FnF is currently trading slightly behind FY19, however Viva Leisure management expect to be able to drive significant improvement in performance post completion

Note 1: Based on completion of acquisition on 31 March 2020

Note 2: Operating costs include one-off M&A related costs for the acquisition



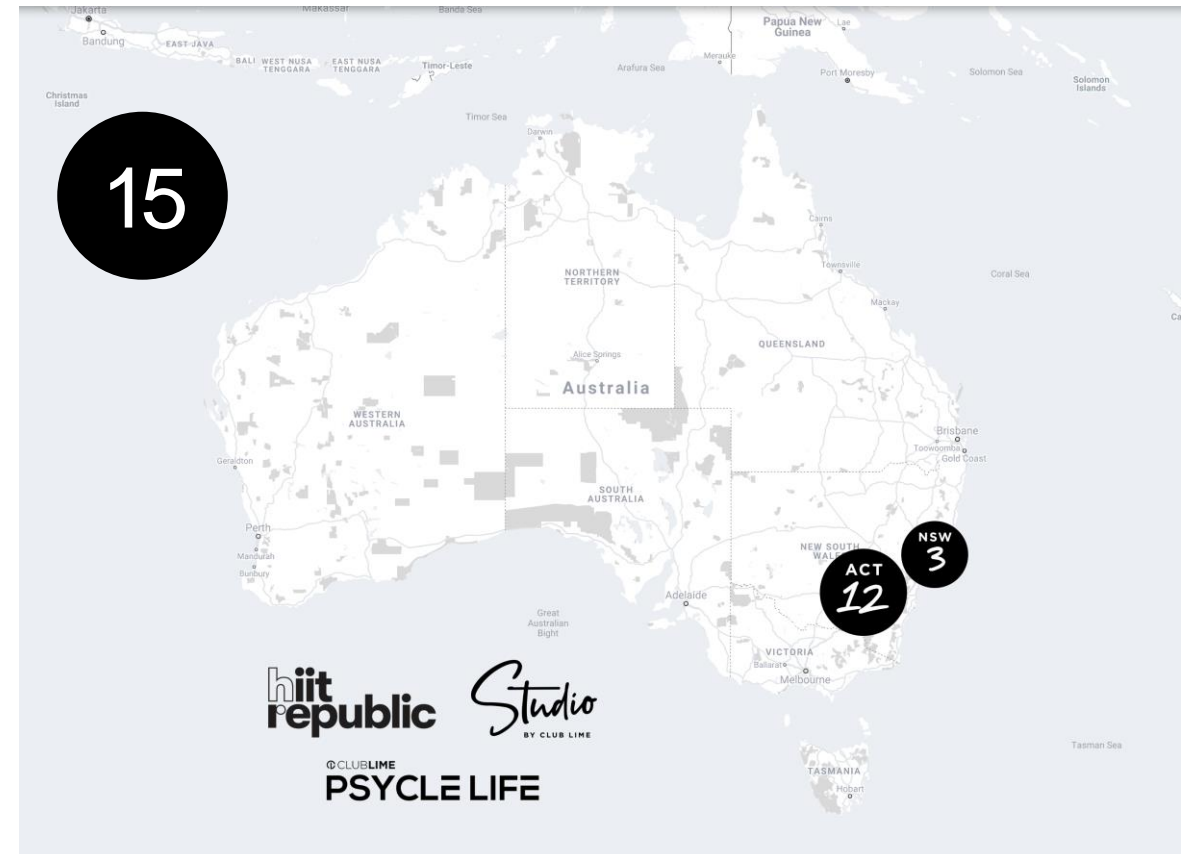
# TRADING UPDATE

# Geographical Coverage *opened and secured locations*

## Health Clubs

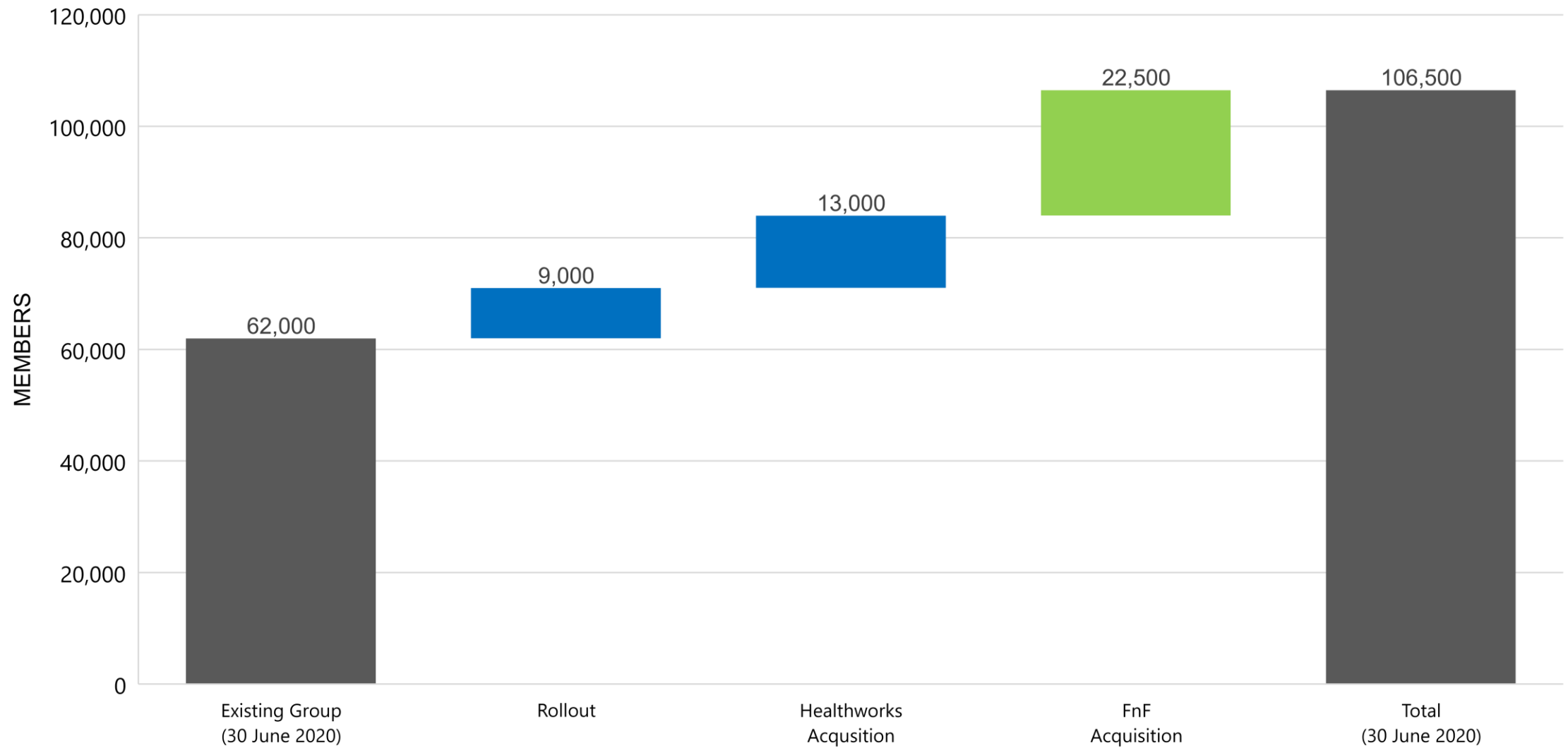


## Boutiques

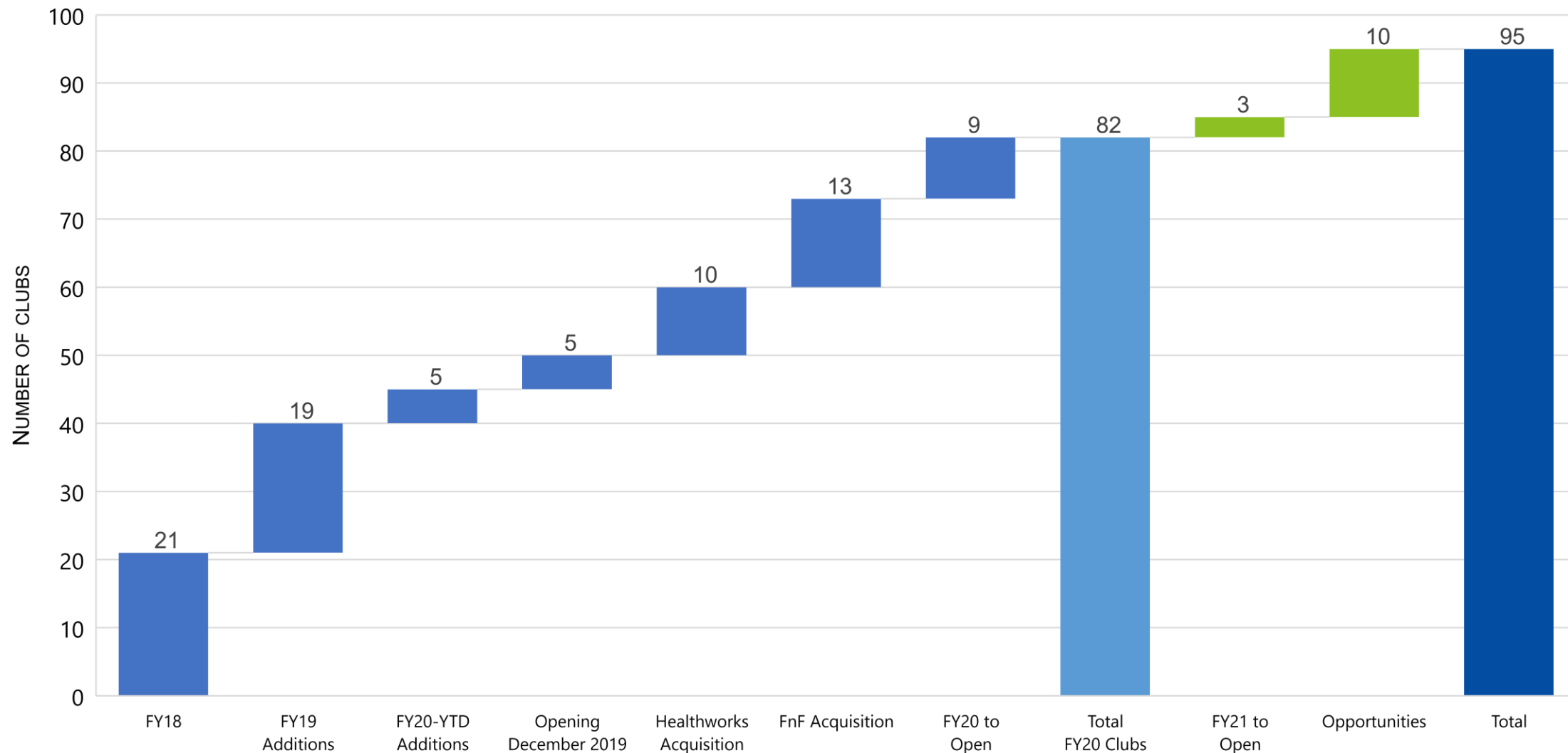


As at 30 November 2019, includes open locations, secured locations not yet open, Healthworks and FnF locations  
 First **hiit republic** location opened in March 2019

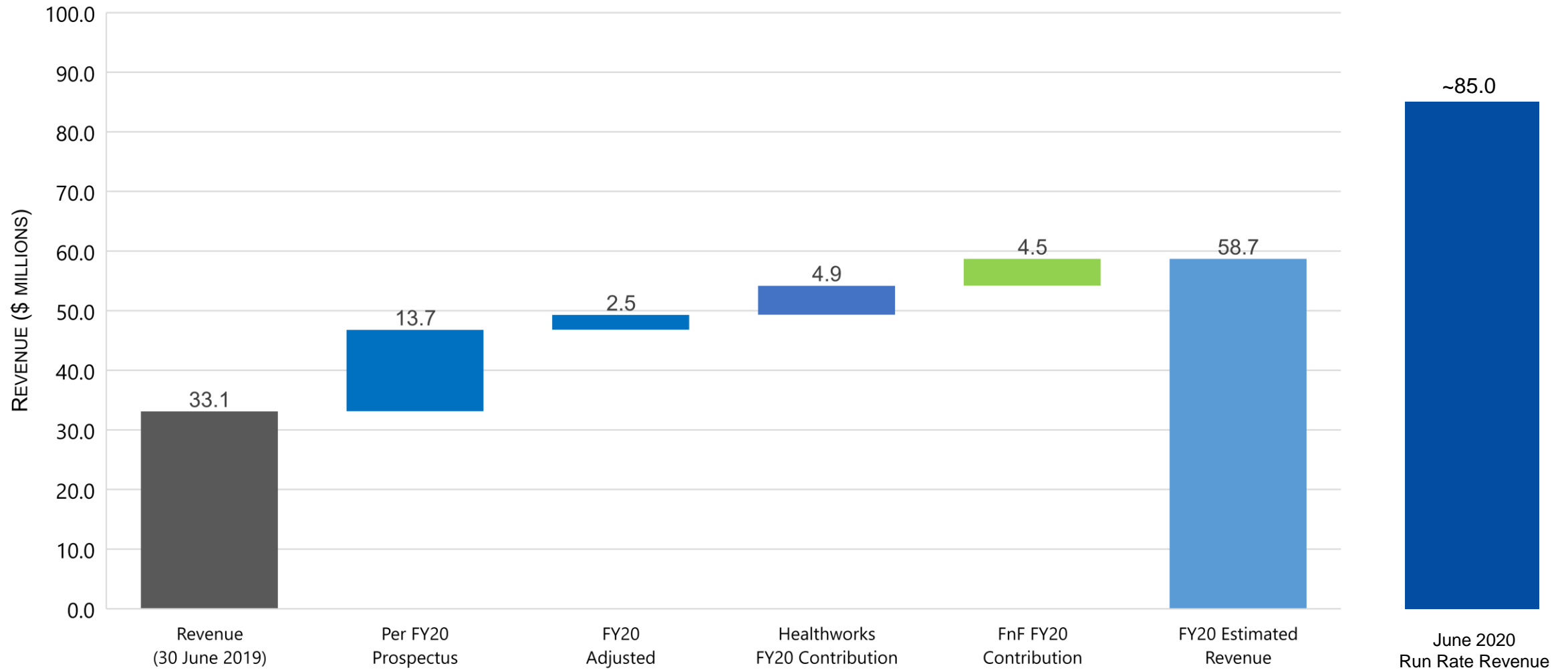
# Forecast FY20 Members Guidance



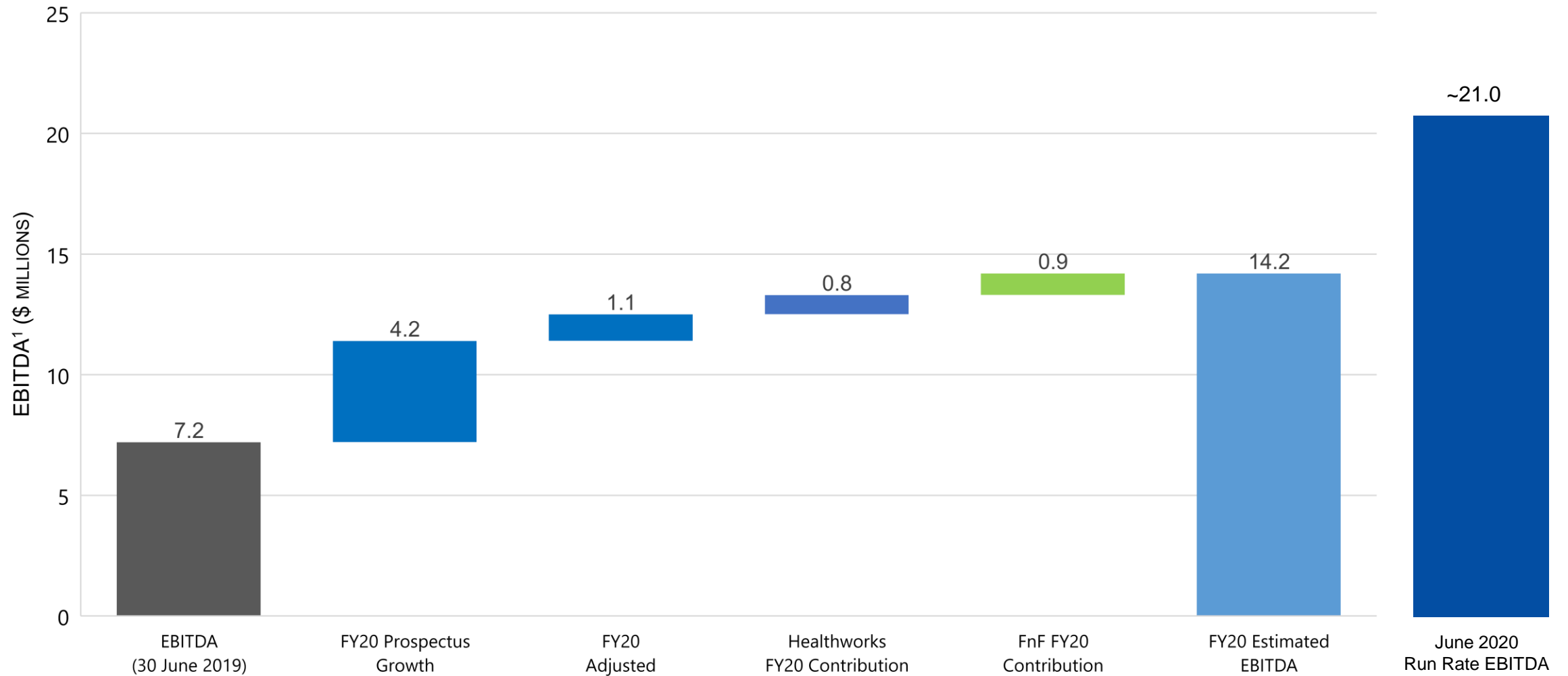
# Forecast FY20 Clubs



# Forecast FY20 Revenue Guidance



# Forecast FY20 EBITDA Guidance



Note 1: EBITDA excludes impacts of AASB16





# **EQUITY RAISING OVERVIEW & TIMETABLE**

# Equity Raising Overview

## Offer Structure and Size

- Fully underwritten institutional placement (“Equity Raising” or “Placement”) to professional and sophisticated investors to raise \$20.0 million (the “Offer”)
- Major shareholder, SHJA Management Pty Ltd (entities associated with Harry Konstantinou and Angelo Konstantinou) are not participating in the Placement to provide flexibility to introduce new institutional shareholders to the Viva Leisure share register
- The Placement of 7.5 million ordinary shares (“New Shares”) will be issued using Viva Leisure’s 15% placement capacity pursuant to ASX Listing Rule 7.1

## Offer Price

- New shares will be issued at a fixed price of \$2.65 (“Issue Price”), representing a discount of:
  - 8.0% to Viva Leisure’s last closing price on 29 November 2019 of \$2.880; and
  - 5.5% to the 10-day volume weighted average price (VWAP) of \$2.803.

## Ranking

- New shares issued under the Offer will rank equally with existing Viva Leisure shares on issue

## Use of Proceeds

- Proceeds from the Offer will be used to fund the acquisition of FnF, assist with accelerating new site rollouts, payment of bank guarantees, working capital flexibility and offer costs

## Lead Manager and Underwriting

- The Offer is fully Underwritten
- Ord Minnett Limited is acting as Sole Lead Manager, Bookrunner and Underwriter
- Shaw and Partners is acting as Co-Manager

# Sources and Uses of Funds

Sources and Uses of Funds	(\$ millions)
<b>Sources of Funds</b>	
Capital raising	20.0
Debt Funding	6.8
<b>Total Sources</b>	<b>26.8</b>
<b>Uses of Funds</b>	
Acquisition of FnF	13.5
Assist with accelerating new site rollout	10.6
Bank Guarantees (Cash backed)	1.7
Transaction costs	1.0
<b>Total Uses</b>	<b>26.8</b>

Sources
<ul style="list-style-type: none"> <li>Capital raise of \$20.0 million via underwritten institutional placement</li> <li>Debt funding through CBA Senior Facility to assist with purchase (up to 50% LVR)</li> <li>Debt funding through use of lease facilities and CBA Senior Facility to assist with equipment refreshment and club rebranding</li> </ul>
Uses
<ul style="list-style-type: none"> <li>Purchase price of FnF acquisition will be adjusted for unearned revenue and leave liabilities to be finalised at completion</li> <li>Cash to be set aside in term deposits for Bank Guarantees over FnF property leases</li> <li>Estimated investment in rebranding, refurbishing, refreshing of equipment (will be funded part cash part debt) in line with Viva Leisure's existing club equipment refresh programme</li> </ul>

# Equity Raising Timetable

Event	Date <sup>1</sup>
Trading Halt	Monday, 2 December 2019
Announcement of Completion of Equity Raising	Pre Market Open, Tuesday, 3 December 2019
Trading Halt Lifted, Trading Recommences	Pre Market Open, Tuesday, 3 December 2019
Settlement of New Shares Issued Under the Placement	Thursday, 5 December 2019
Allotment and Ordinary Trading of New Shares Issued Under the Placement	Friday, 6 December 2019

Note 1: All dates and times are indicative and subject to change without notice; Australian Eastern Standard Time.

Republic

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EVERYTHING

# BUSINESS OVERVIEW



# The Viva Business *health is the new wealth*

- Viva Leisure Limited (“**Viva Leisure**”) operates in the health and leisure industry in Australia, originally commencing operations in January 2004 with one facility and now operating 55 different business sites, the majority of which are health clubs under the **CLUBLIME** brand.
- The Company has successfully completed and integrated over 10 separate acquisitions

*Viva operates in all four segments of the fitness industry, unlike any of its competitors*

- The fitness industry in Australia is big business and only gaining momentum. This is not surprising, given the amount of Australians who are overweight or obese and the increased awareness of health matters. Industry forecast to grow to \$2.5 billion in FY2023 (FY2013-FY2023 CAGR of 3.6%)
- Viva Leisure’s mission is to connect health and fitness to as many people as possible by providing affordable, accessible and awesome facilities within the reach of all. This statement (affordable, accessible and awesome) forms the core of both our commitment to the community and our commercial goals.

## Our Brands



# Scalable Business Model *fitness is an essential part of life*

## Viva Leisure's hub and spoke model

- Viva Leisure operates what it calls a 'hub and spoke' model with larger (big box) health clubs being supported by smaller (standard, express and boutique) health clubs.
- This differentiates Viva Leisure from the traditional concentration on one segment (i.e. big box, standard, express or boutique health clubs). Striving to provide for multiple offerings and options to suit individual members' preferences.
- This model allows the Company to be dynamic in its approach to new greenfield or acquisition sites. Selecting them based on the analysis and identification of the primary customer demand in order to determine the appropriate 'foundation' health club.
- As Viva Leisure's brand recognition and membership base grows in the new market, it will build out the spokes to satisfy excess demand by tailoring solutions to meet members' needs.
- Viva Leisure's membership proposition is based on:
  - striving to provide members with an affordable membership pricing structure;
  - access to health clubs 24 hours a day, 7 days a week; and
  - providing "no contract" membership offers.
- The Company's "no contract" offering is an attractive proposition as the industry works to increase the penetration of members and encourages high standards to be maintained.

## New concepts, new USP's



As Viva Leisure rolls out new concepts, it introduces new USP's to the market, even if we are not first to market.

Improving the functional boutique fitness model by:

- Offering a true boutique environment and experience; the full experience with amazing fitness and personal amenities;
- Located outside of big box health clubs, not a separate section within;
- No two classes are ever the same, mixing it up;
- Roaming between hiit republic locations for members (additional costs apply);
- 24 hour access for members outside of scheduled class times (no additional cost applies – part of the membership);
- Operating a Personal Training licencing model from each location generates additional revenue opportunities for Viva Leisure, and for the full-time staff;
- Full online membership portal, allowing members to turn-on or turn-off a hiit republic membership as their habits and requirements change;
- Affordable – from \$29.90 per week, unlimited classes at a single location, scaling to \$39.90 per week for all locations, including a Club Lime (health club) membership
- A true boutique + health club membership that is unable to be matched.



# Investment Highlights *not all health clubs are built the same*

Growth opportunity	Attractive member proposition	High quality facilities	Technology focused operator	Strong cash flow from model
<ul style="list-style-type: none"> <li>Highly fragmented market with 42% of operators not part of a franchise or larger group.</li> <li>Significantly underserved regional markets with limited competition, attractive margins and existing operators lacking access to capital.</li> <li>Unsophisticated owners allows us to implement our technology for immediate synergies.</li> <li>Growing market expected to reach \$2.5 billion of revenue in 2023.</li> <li>Business model allows for rapid break-even cash flow (~8 weeks) on greenfield locations.</li> </ul>	<ul style="list-style-type: none"> <li>High levels of member acquisition and growth with multiple options and removal of barriers to membership purchase.</li> <li>Market leading, bespoke membership joining and management system, join online in under 3 minutes.</li> <li>Well-respected brand.</li> <li>Low entry point to experience offering.</li> <li>Reinvestment and on-going product enhancement ensures high quality offering throughout entire portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>Data driven site selection process, ensures correct facilities are built for the local market.</li> <li>Unique hub and spoke model, not duplicated in market, offers unique opportunity to continue expansion of locations and service offering.</li> <li>Attractive option for landlords enables securing of premium locations.</li> <li>Existing locations still growing:               <ul style="list-style-type: none"> <li>90.4% of existing portfolio had membership growth in FY19</li> <li>89.8% of existing portfolio had membership growth in FY18</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Technology focused decision-making processes used throughout each part of the business.</li> <li>In-house member management system allows for lower administration costs.</li> <li>Bolt on acquisitions integrated into Viva Leisure technology eco-system quickly and efficiently (normally within 48 hours of acquisition settlement)</li> <li>Full back-office integration of acquired locations and members, requiring no member data entry or form completion.</li> <li>'Real-time' data available to management</li> <li>IT systems already built to scale 100+ locations.</li> </ul>	<ul style="list-style-type: none"> <li>Recurring income from flexible fortnightly membership options.</li> <li>&gt;70,000 members with &gt;86% on fortnightly direct debit.</li> <li>Opportunity to increase yield by upgrading single club members to multi-club membership.</li> <li>&gt;\$1.6 million fortnightly direct debit payments enhances cash-flow. Direct debit managed internally not be third party.</li> </ul>



# Introducing FaaS *our data is what makes us different*

The Viva Fitness as a Service (FaaS) model

	Viva Leisure's Model	Traditional Model
<b>Pricing</b>	<ul style="list-style-type: none"> <li>Affordable, no contract, no joining fee</li> </ul>	<ul style="list-style-type: none"> <li>Expensive locked-in pricing model with joining fees</li> </ul>
<b>Sign-up Process</b>	<ul style="list-style-type: none"> <li>Online, 3 minutes to complete, no paper forms</li> </ul>	<ul style="list-style-type: none"> <li>Paper based, completed in person, sometimes requiring an 'interview to join'; or join online by completing direct debit authority, and then membership form in club (on paper)</li> </ul>
<b>Capacity</b>	<ul style="list-style-type: none"> <li>Targeting 2 members per square metre, additional spoke locations added as target approaching; ensures quality of service offering maintained</li> </ul>	<ul style="list-style-type: none"> <li>Sign-up as many members as possible into the one location, no understanding of service offering, hope they don't all use their membership</li> </ul>
<b>Terms</b>	<ul style="list-style-type: none"> <li>Flexible terms, no fixed contracts, 28-day cancellation process</li> </ul>	<ul style="list-style-type: none"> <li>Locked-in long term contracts, difficult to exit</li> </ul>
<b>Offering</b>	<ul style="list-style-type: none"> <li>With locations of all sizes, the complete service, class and equipment offering is available across the network of facilities</li> </ul>	<ul style="list-style-type: none"> <li>Limited offering based on available space. Franchise operators offering identical equipment in all locations.</li> </ul>
<b>Ease of Use</b>	<ul style="list-style-type: none"> <li>Intuitive membership self-serve portal and app<sup>1</sup> to manage membership</li> </ul>	<ul style="list-style-type: none"> <li>All membership management via email, telephone or in-person at the club</li> </ul>

Note 1: App launched September 2019

# What's coming up *opportunities to continue delivering profitable growth*

## New Locations

Growing our portfolio of locations organically and by acquisition

## New Revenue

Generating more from our extensive and loyal membership base



## Digital

Expanding our digital presence and footprint

## Membership Offering

Leveraging our data analytics expertise to expand into new boutique offerings

# hiit republic

**FOREIGN SELLING RESTRICTIONS**



# Foreign Selling Restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

## Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

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This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered to retail investors within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of such financial products is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. The New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

## Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing member of the Company, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## United States

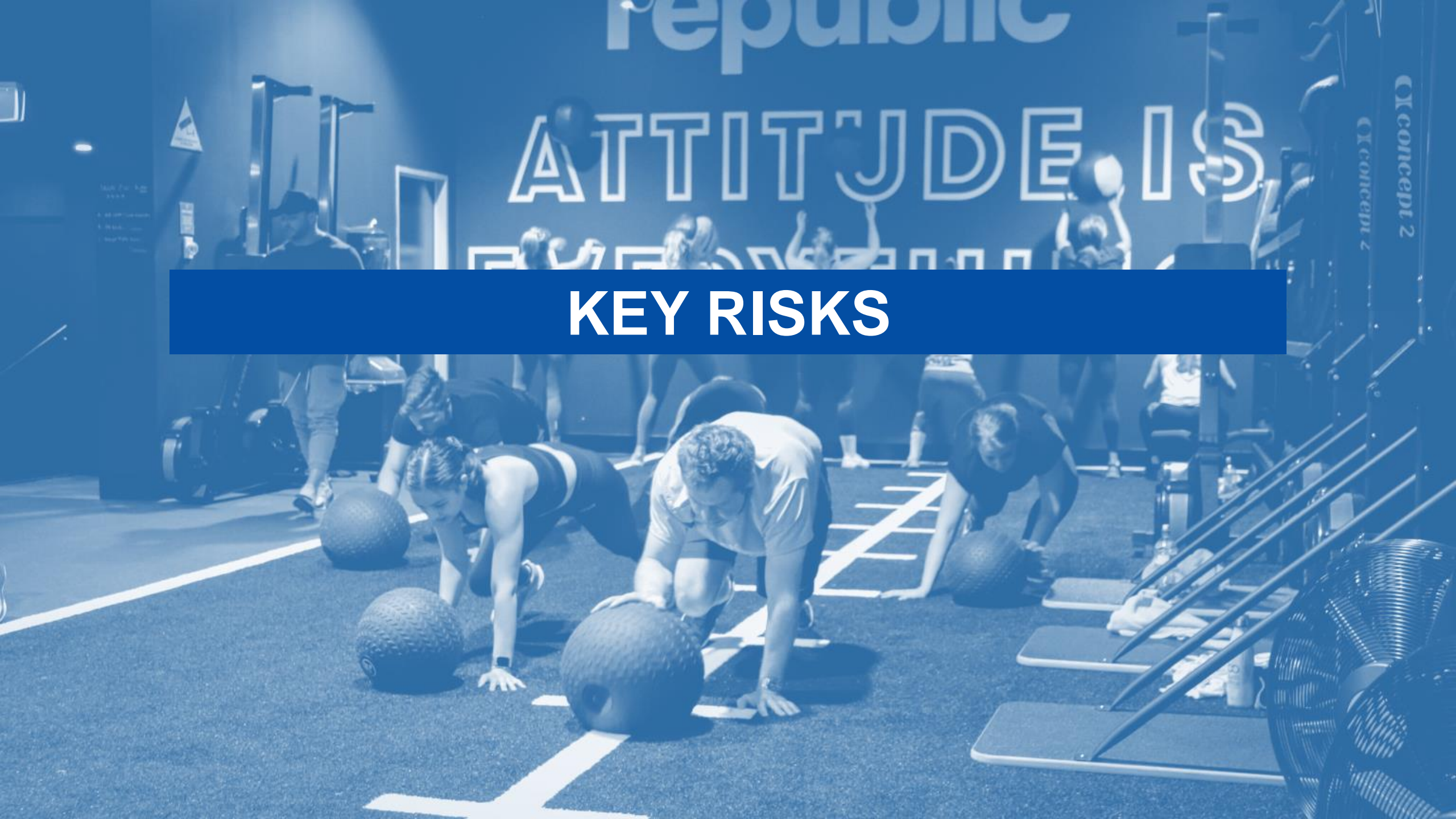
This presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares to be offered and sold in the Offer have not been, and will not be, registered under the U.S. Securities Act 1933, as amended ("U.S. Securities Act"), or the securities laws of any state or other jurisdiction of the United States, and may not be offered and sold to, directly or indirectly, any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. There will not be a public offer of the New Shares in the United States. This presentation may not be distributed or released in the United States.

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# KEY RISKS



# Key Risks

This section outlines some of the key risks associated with an investment in Viva Leisure shares, together with risks relating specifically to the acquisition and participation in the Institutional Placement. This is not an exhaustive list of the relevant risks and the risks set out below are not in order of importance.

Additional risks not presently known to Viva Leisure, or that are not presently considered by Viva Leisure to be material, may also become important factors that adversely affect Viva Leisure. If any of the following risks materialise, Viva Leisure's business, financial condition and financial performance, and the price of its shares may be adversely affected. Investors should note that the occurrence or consequences of some of the risks described in this section are partially or completely outside of the control of Viva Leisure, its Directors and senior management.

In deciding whether to participate in the Institutional Placement, you should read this presentation in its entirety and carefully consider the risks outlined in this section. You should also read this presentation in conjunction with Viva Leisure's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange ("ASX"), which are available at [www.asx.com.au](http://www.asx.com.au) (ASX:VVA). You should also have regard to your own investment objectives, financial situation and particular needs, and consider consulting your financial or legal adviser for professional guidance so as to ensure you fully understand the terms of the Institutional Placement and the inherent risks.

## Transaction specific risks

### Reliance on information provided for due diligence

Viva Leisure has undertaken a due diligence review in respect of the acquisition of the 'Fit n Fast' chain of health clubs ("FnF"). Despite taking reasonable steps, Viva Leisure has not been able to verify the accuracy, reliability or completeness of all the information provided against independent data.

Although Viva Leisure has undertaken due diligence in relation to the acquisition of FnF and included standard warranty and indemnity protections in the sale agreement, there is a risk that information provided by the seller (including financial information) was incomplete, inaccurate or unreliable and there is no assurance that the due diligence was conclusive or identified all material issues in relation to the acquisition. In this regard, Viva Leisure may suffer loss or damage flowing from historical events relating to the acquisition which are not recoverable against the seller.

### Completion risk

Completion of the acquisition of FnF is conditional on the landlords of the health clubs consenting to an assignment of the various leases to Viva Leisure (or its related entity) which is considered by Viva Leisure to be a customary condition for a transaction of this nature and Viva Leisure anticipates that the condition will be able to be satisfied in the required timeframe. There is a risk that this condition may not be able to be satisfied or waived and that completion of the acquisition may be delayed or cancelled. If Viva Leisure fails to complete, Viva Leisure will need to consider alternative uses for the proceeds of the equity raising or options for returning capital. Failure to complete the acquisition may have an adverse impact on Viva Leisure's financial performance, financial position and share price.

### Acquisition accounting

In accounting for the acquisition, Viva Leisure has performed a preliminary fair value assessment of all of the assets, liabilities and contingent liabilities of FnF to be acquired, which included the identification and valuation of identifiable intangible assets. Viva Leisure will undertake a formal fair value assessment of all of the assets, liabilities and contingent liabilities of FnF post-acquisition, which may give rise to a materially different fair value allocation to that used for the purposes of the financial information set out in this presentation. Such a scenario will result in a reallocation of the fair value of assets and liabilities acquired to or from goodwill and also an increase or decrease in depreciation and amortisation charges in Viva Leisure's income statement (and a respective increase or decrease in net profit after tax).

### Reliance on membership

Viva Leisure's ability to attract and retain members is crucial to the profitability of Viva Leisure. A deterioration in the number of members of Viva Leisure could adversely affect Viva Leisure's business, results of operation or financial condition and performance. There are many factors which could affect Viva Leisure's membership levels, including:

- a. increased competition within the fitness industry;
- b. specific issues arising at any of Viva Leisure's health clubs which adversely impact the reputation or the perception of Viva Leisure; or
- c. a deterioration in general economic conditions.

### Changes to the regulatory framework

Viva Leisure is currently required to comply with The Fair Trading (Fitness Industry) Code of Practice 2009 (ACT Fitness Code). The ACT Fitness Code is a mandatory code of practice for fitness centres and fitness industry professionals in the Australian Capital Territory. The National Fitness Industry Code of Practice (National Fitness Code) was released by Fitness Australia on 15 November 2018. The National Fitness Code takes six previous State and Territory codes of practice, the Fitness Australia Business Principles guide, current Australian consumer law and extensive industry consultation to form a consolidated new standard of business operation in the Australian fitness industry. Where there is any conflict or inconsistency between the National Fitness Code and any Commonwealth, State or Territory legislation or regulation, that legislation or regulation will prevail to the extent of that inconsistency or conflict. In this context, Viva Leisure will continue to comply with the relevant Commonwealth, State or Territory legislation or regulation.

There is a risk that regulatory restrictions may become more burdensome in the future. If this occurs, Viva Leisure may be required to dedicate more time and resources to ensuring that it complies with these regulations, which could adversely affect its financial performance and future prospects. For instance, these adverse changes may include changes to accreditation standards, changes to the requirements for operating unstaffed health clubs and changes to the terms and conditions which apply to membership agreements.

Failures by Viva Leisure to comply with industry codes may result in compliance orders being issued against Viva Leisure and reputational damage.

# Key Risks (continued)

## Reputational damages

Viva Leisure's reputation could be adversely impacted if it suffers from any adverse publicity. Examples of adverse publicity include health and safety issues or incidents affecting members, poor maintenance of equipment, potential breaches of the Australian Consumer Law, poor service to members and employment related disputes. Adverse publicity may result in members cancelling their Viva Leisure health club memberships and moving to other fitness industry competitors, reducing Viva Leisure's ability to attract new members or having an adverse effect on Viva Leisure's ability to engage quality fitness trainers. Each of these circumstances could adversely impact Viva Leisure's financial performance and future prospects.

## Increased competition

Viva Leisure operates in a sector with established competitors, including a number of other health club providers with a large number of facilities across multiple jurisdictions in Australia. Viva Leisure may face increased competition from these established competitors and from new entrants in the fitness industry, through:

- a. competitors undertaking aggressive expansions, marketing campaigns and discounting strategies;
- b. consolidation of existing competitors;
- c. existing competitors upgrading facilities; or
- d. competitors providing its members with novel services, benefits or technology.

An increase in competition could result in, among other things, Viva Leisure experiencing a decline in its ability to attract and retain members, revenue reductions, reduced operating margins and loss of market share.

Viva Leisure may also face competition for suitable acquisition opportunities which may reduce the pool of acquisition opportunities available to Viva Leisure or increase seller price expectation.

The actions of existing and new competitors could, among other things, affect the establishment and growth of Viva Leisure experiencing lower than anticipated revenue and earnings.

In addition, there is also a risk that the expected benefit of an acquisition will not be realised due to an inability to successfully integrate the acquired health club. In particular, potential issues may arise from the inability to maintain uniform standards, controls, procedures and policies. These types of integration risks may detract from the expected benefits contemplated by Viva Leisure and affect the financial performance and growth of Viva Leisure or damage the reputation and branding of Viva Leisure.

## General risks

### General economic condition

Changes in the general economic outlook in Australia may impact the performance of Viva Leisure and its businesses. Such changes may include:

- contractions in the Australian economy or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economy activity);
- increases in expenses (including the cost of goods and services used by Viva Leisure);
- increases in unemployment rates; and
- fluctuations in equity markets in Australia.

### General market and share price risks

There are general risks associated with any investment in the share market. The price of Viva Leisure shares may increase or decrease due to a number of factors. Those factors include fluctuations in domestic or global financial markets and general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the removal or inclusion of Viva Leisure from market indices, and the nature of markets in which Viva Leisure operates. These factors may cause the price of Viva Leisure shares to trade below the price at which they are offered under the Institutional Placement, notwithstanding Viva Leisure's financial position or performance.

### Tax and accounting

Australian accounting standards and tax laws (including GST and stamp duty taxes), or the way they are interpreted, are subject to change from time to time, which may impact Viva Leisure's financial position or performance.

### Dividends

There are a range of factors that determine the payment of dividends on Viva Leisure's shares. These include the profitability of the business, its cash reserves, future capital requirements and obligations under debt facilities. Viva Leisure's Board will determine any future dividend levels based upon Viva Leisure's operating results and financial standing at the time. There is no guarantee that any dividend will be paid by Viva Leisure, or guarantee that future dividends will equal or exceed previous payments.

### Litigation

Legal proceedings and claims may arise from time to time in the ordinary course of Viva Leisure's business and may result in high legal costs, adverse monetary judgments and/or damage to Viva Leisure's reputation which could have an adverse impact on Viva Leisure's financial position or performance and the price of its shares.

### Other risks

For further information in relation to other risks which might affect Viva Leisure, please refer to Viva Leisure's 2019 Annual Report and Viva Leisure's Prospectus dated 14 May 2019.