

Viva Leisure announces the acquisition of Australian Fitness Management, Master Franchisor of Plus Fitness, comprising 197 clubs across Australia, New Zealand and India.

22 July 2020

- Viva Leisure to acquire Australian Fitness Management Pty Ltd (“AFM”) Master Franchisor of Plus Fitness (“Plus”) with franchised clubs located in Australia (190), New Zealand (3 clubs) and India (4 clubs) and over 40 additional territories with deposits received to secure territories
- Upfront consideration of \$18.0 million, with an up to \$2.0 million deferred earnout component subject to achieving KPI’s (total potential consideration \$20.0 million)
- Plus comprises 197 franchised locations, with approximately 175,000 combined members and revenues in excess of \$100 million
- Significant opportunity to acquire existing franchise locations who may wish to exit and convert into corporate owned and operated locations
- Strategically compelling acquisition with Viva Leisure securing first right of refusal on any franchised club for sale
- Fits Viva Leisure’s stated strategy to expand into new markets - Western Australia, South Australia and New Zealand, while also providing exposure to India
- Opportunity to expand Viva Leisure’s other brands into new acquired markets
- Highly complementary fit in terms of target markets

Acquisition of AFM

Viva Leisure Limited (“Viva Leisure” or “Company”), a leading, technology-focused Australian health club owner, is pleased to announce it has executed a binding sale and purchase agreement for 100% of the issued share capital in AFM – the Master Franchisor of Plus comprising 197 clubs across Australia, New Zealand and India (“Acquisition”), for upfront consideration of \$18.0 million, with an up to \$2.0 million deferred earnout component subject to achieving KPIs relating to establishment of new franchisee locations within 12 months of completion (total potential consideration \$20.0 million).

Completion of the transaction is conditional on the satisfaction of customary conditions precedent and a restructuring of AFM's existing lease and sublease arrangements, and is expected to occur by 31 August 2020.

AFM opened its first franchised location in 2009 and quickly grew to multiple locations in New South Wales, before expanding into Western Australia, Victoria, Queensland and South Australia. AFM opened its first club in the ACT in February 2020 and entered New Zealand in 2015 and India in 2018.

Plus franchised clubs have combined membership of approximately 175,000 members across 197 clubs and generate over \$100 million in annual revenues.

Viva Leisure will retain the services of the AFM founders, John Fuller and Nigel Miller, under employment contracts with a minimum term of 12 months, reducing integration risk, and assisting with the continued expansion of the Plus brand.

Post the acquisition, the composition of Viva Leisure's members by geographic location will reflect the continuing diversification and reduced reliance on the ACT membership since it listed the business in June 2019.

Financial Metrics

The combined group of Viva Leisure's existing clubs and the acquired AFM business will extend to approximately 280 owned and franchised clubs comprising over 270,000 members, making it the 4th largest group in Australia by number of clubs and 3rd largest group by member numbers. Approximately 25 employees will join the Viva Leisure team, bringing the combined group to over 1,000 employees.

The Acquisition represents a historic FY2020 normalised maintainable pro forma EBITDA multiple of 8.0x or an NPAT multiple of 12x (including the deferred earnout payment of up to \$2.0 million) pre-synergies. The Acquisition will be funded through existing cash reserves.

Strategic Imperatives

The Acquisition of AFM provides multiple strategic opportunities under Viva Leisure's ownership:

- Provides a pipeline of future acquisitions;
- First right of refusal to acquire any franchised club for sale;
- 40+ additional territory locations with deposits received to secure territories allowing the rollout of new locations, both corporately owned and franchised;
- Geographic consolidation domestically in ACT, NSW, Victoria and Queensland with entry into the South Australia and Western Australia markets;
- Expansion into New Zealand and Asian markets;
- Implementation of hub and spoke model approach across new network with existing brands such as hiit republic;
- Engagement with suppliers utilising economies of scale across approximately 280 clubs; and
- Rollout of IT systems providing operational and financial benefits to both the Company and the franchisees.

Viva Leisure's CEO and Managing Director, Harry Konstantinou said:

"The acquisition of the Plus Fitness brand, systems and Master Franchisor, including the Master Franchise licence for New Zealand, and a first right of refusal on the existing 197 locations makes this the most exciting and largest opportunity in our history. It expands on and continues to cement Viva Leisure's position as a leading and fast-growing health club owner and operator in the Australian market."

Investor Presentation

Further details of the Acquisition are set out in the Investor Presentation released to the ASX today.

Conference Call

An Investor conference call has been scheduled as below:

Date: Wednesday 22 July 2020

Time: 11:00am AEST

Pre-Registration: We have arranged for participants to pre-register for the call. Pre-registering for this conference call gives you immediate access with no need to wait for an operator. To pre-register please click this link: <https://s1.c-conf.com/diamondpass/10008862-invite.html>

A calendar invite with dial-in details will be sent once you complete the pre-registration process.

Further details will also published online at: <http://www.openbriefing.com/OB/3907.aspx>

ENDS

This announcement has been authorised for release to ASX by the Board of Directors of the Company.

For further information, please contact:

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About Viva Leisure:

Founded in 2004, Viva Leisure operates health clubs (gymnasiums) within the health and leisure industry. Viva Leisure's mission is to connect health and fitness to as many people as possible and aims to provide its members with affordable, accessible and awesome facilities.

Viva Leisure offers customers several different membership options and a range of different types of facilities from big-box fitness facilities to boutique fitness facilities. The Company currently operates within the Australian Capital Territory, New South Wales, Victoria and Queensland, with the majority operating under the Club Lime brand.