

18 August 2022

Record revenue achieved via a strong H2 FY22 with all H2 guidance milestones met

Viva Leisure Limited (ASX:VVA) (“Viva Leisure” or “the Company”), a leading, technology-focused Australian health club owner, is pleased to release its results for Full Year ended 30 June 2022 (“FY22”).

FY22 operational highlights

- Revenue of \$90.8 million, up 8.5% (FY2021: \$83.7 million) driven by strong H2 FY22 post lockdown restrictions lifted
- H2 FY22 revenue of \$56.8 million, above guidance range \$54-\$56 million
- June Monthly Revenue Run Rate (MRRR) of \$10.2 million, above milestone target of \$10.0m and in line with guidance of >\$10.0 million
- Total corporate and franchise (“Network”) locations increased to 334 at 30 June 2022, up 25 (8%) on pcp
- Viva Leisure owned club locations increased to 151 at 30 June 2022, up 36 (+31%) on pcp
- Network membership at 320,161 at 30 June 2022, up 7.3% on pcp
- Corporate members at 159,546 at 30 June 2022, up 26.6% on pcp
- Record utilisation rate of 69.3% across owned portfolio at 30 June 2022
- FY22 EBITDA margin of 16.4%, in line with guidance range of 15-17%
- June 2022 Run Rate EBITDA margin of 20.2%, in line with guidance of >20%
- Statutory NPAT of \$(12.1) million (H1 FY22 Statutory NPAT of \$(10.4)million), reflecting the impact of COVID restrictions in the first half
- Strong balance sheet with cash balance of \$10.1 million at 30 June 2022
- Strategic acquisition of Rebalance Pilates and Yoga studios completed in December 2021
- Entered the Western Australia market with seven corporate owned Plus Fitness locations, with one additional location completed in August 2022
- Funding of growth plan supported by increased banking facility limits and ability to offer scrip acquisition option

Commenting on the Company’s FY22 performance, Viva Leisure CEO and Managing Director Harry Konstantinou said:

“This is an excellent result that cements Viva’s position as Australia’s second largest operator in the Australian health and leisure industry, and the only one that operates in all four segments of the fitness industry. Despite the H1 FY22 results impacted by COVID lockdown constraints, I am particularly buoyed and optimistic by the H2 FY22 result as we saw a strong rebound of the business with membership growth accelerating and key metrics surpassing pre-COVID levels. H2 FY22 revenue of \$56.8 million exceeded guidance, resulting in a record FY22 total revenue of \$90.8 million. In the month of June 2022, we achieved a record Annualised Revenue Run Rate of \$124.5 million based on June 2022 revenue.

“Despite COVID restrictions, we remained focused and committed to our operational and growth plans over first and second half. Our highly scalable growth strategy allows us to enter new territories quickly and effectively with complementary services. We continued to invest in club acquisitions and greenfield locations, with our expansive footprint now at 334 gym locations across six Australian states and territories and three countries. Memberships continued to grow with more than 320,000 members across our network, of which ~160,000 are Corporate members as at the end of financial year 2022.

“The Viva story is no longer focused on COVID recovery but growth. Looking at locations that were operating pre-COVID (February 2020) and comparing their performance to June 2022 we can see that a full recovery has occurred. Revenue is up 8.3% at these locations between these dates, and memberships have increased 3.1% during the same period. This confirms the lifestyle nature of our business. Health clubs are no longer about waist lines, they form an integral part of members lifestyles and wellness irrespective of the economic climate.

“EBITDA margins have improved driven by increased utilisation across our corporate owned locations. The Viva team have been able to improve the utilisation rate to 69.3% across the portfolio, up 3.7% on January 2022, and fast approaching our long-term target utilisation range of 75-80% per location. Our industry-leading propriety technology platform provides in-depth data-analytics into the use of all gym locations, which enables our team to continually assess each location across many assessment criteria, make necessary changes to deliver exceptional member experience. As such, we are ideally placed to welcome back previous members and reach and engage new audiences now that the focus on fitness and physical activity returns to normal.”

FY22 financial performance

<i>(\$m) unless otherwise stated</i>	H1 FY2022	H2 FY2022	FY2022	FY2021
Revenue	34.0	56.8	90.8	83.7
EBITDA*	(3.8)	9.3	5.5	12.0
NPAT*	(7.2)	1.7	(5.5)	0.9
Statutory NPAT	(10.4)	(1.7)	(12.1)	(6.4)

*Group adjusted EBITDA/NPAT less normalised rent, excluding impacts of AASB16

The main driver of earnings performance is membership revenue which was severely impacted by mandated closures of facilities throughout H1 FY22. Locations were on average closed 52% of the first four months of H1 FY22, equivalent to Viva Leisure locations being closed for 35% of the entire first half. COVID lockdowns also slowed the roll-out of new locations.

Since November 2021, all locations have been permitted to open. As locations opened, we have experienced the expected strong rebound in suspended members returning, with a corresponding reacceleration in revenue growth. H2 FY22 revenue was \$56.8 million, representing 63% of FY22 total revenue of \$90.8 million. As a result H2 FY22 EBITDA recovered strongly at \$9.3 million, resulting in a FY22 EBITDA margin of 16.4% in line with guidance of 15 to 17%. Based on the June run rate, EBITDA margin improved to 20.2%.

Membership growth

	30 June 2022	31 Dec 2021	30 Jun 2021
Viva owned	159,546	132,190	126,006
Franchisee	160,615	165,021	172,370
Total	320,161	297,211	298,376

Memberships grew to 159,546 (Viva owned) at 30 June 2022, up 26.6% on FY21. The membership increase was largely attributable to the strategic acquisitions made through FY22 and the strong rebound since COVID lockdowns lifted. Across Viva-owned and franchisee locations, total membership was 320,161, an increase of 7.3% on FY21.

Strategic and operational achievements in FY22

- The number of owned operating locations increased from 115 (FY21) to 151 (FY22)
- Geographic diversification across States broadened with Viva Leisure expanding into Western Australian via seven corporate owned Plus Fitness locations as at 30 June 2022
- ACT now represents approximately 34% of total revenue across portfolio, compared to more than 70% at IPO in June 2019. NSW now also represents 34% of total revenue
- Total network locations increased to 334 operating locations at June 2022 (309 in FY21)
- In December 2021, completed acquisition of the master franchise of Rebalance Pilates & Yoga studios, including eight corporate owned locations, expanding Viva Leisure's wellness offering

Commenting on the Company's operations, Mr. Konstantinou said:

"Viva Leisure's growth strategy to broaden both geographies and services with additional complementary boutique offers is paying off. In December 2021, we completed the strategic acquisition of the master franchise of Rebalance Pilates & Yoga studios which forms part of our boutique portfolio and expands our wellness health offer. The boutique market is seeing increasing demand, as members extend their fitness and wellbeing goals, and is a key growth category for Viva. We also successfully continued to expand our geographic footprint into Western Australia with seven corporate owned Plus Fitness acquisitions over the second half of FY22. The diversification of revenue across Australia continues to improve with ACT and NSW now both representing 34% each of total revenue across the portfolio."

Positive outlook for FY2023

- In line with previous years, we expect to continue our growth through both acquisitions and greenfield locations in FY2023
- Solid location pipeline with 12 new greenfield locations secured and 12 under negotiation
- Growth will occur through Viva's Leisure's boutique brands, providing higher yielding memberships and a unique opportunity to offer multiple brands across one membership
- Funding of growth plan supported by increased banking facility limits and ability to offer scrip acquisition option
- Bank Facility:
 - Bank facility limits increased to \$58.6 million for Senior Loan Facility (for acquisitions) and Bank Guarantee facility, split \$42.1 million and \$16.5 million respectively
 - As at 30 June 2022, Viva has \$22.0 million available under the Senior Loan Facility for future acquisitions
- Scrip Acquisition Option:
 - Acquisition funding options expanded to include offering VVA scrip
 - Acquisitions utilising scrip will be combination of scrip and bank debt or scrip, bank debt and cash
 - Expanding funding options will preserve cash to allow for further greenfield sites to be rolled out
 - There are currently six acquisitions (five Western Australia; one in NSW) with sale terms agreed with vendors with all including a scrip component to the total consideration. These acquisitions are currently in the process of executing a binding Sale of Business Agreement
 - Acquisitions via cash and bank debt will remain an option for acquisition funding
- Technology upgrade project "the Hub" underway
 - Representing largest investment in IT to date, \$1 million to be invested in development costs in FY2023 to upgrade existing systems to latest technology frameworks
 - Project to deliver significant upgrade to franchisee data analytics and reporting and management capabilities to strengthen entire network

- Introducing innovative Micro-gym concept
 - Small footprint gym (150-200m²) with no staff, delivering a low cost, low service offering with target membership price of <\$10 per week
 - Target locations include residential multi-use development, industrial and commercial areas
 - Possible franchising opportunity, however initial 10 locations to be Viva owned whilst proving concept
 - First location to open in FY2023

Commenting on the Company's strong growth outlook, Mr. Konstantinou said:

"With mandated lockdowns now lifted, we have seen a positive rebound of the business and membership growth now accelerating beyond pre-COVID levels. Having exceeded revenue guidance in H2 FY22, we are confident membership growth momentum will continue to accelerate supported by a strong pipeline of acquisitions and openings that will see our footprint continue to increase during this financial year.

"Increased leveraging of our boutique brands through the network will provide higher-yielding memberships and a unique opportunity to offer multiple brands across one membership. We have a very strong pipeline of 12 new greenfield locations secured, with Hiit Republic and GroundUp to be the initial focus followed by Rebalance Pilates and Yoga accounting for the majority of new locations.

"We are well positioned to execute on our growth plans through a strong balance sheet and our increased bank facility limit and newly introduced acquisition funding option to offer VVA scrip. We have had strong initial interest from vendors to include scrip as part of the total consideration with six acquisitions, with agreed terms with vendors, all including a component of VVA scrip. This strategic capital management initiative will support further liquidity via cash preservation, allowing for further greenfield sites to be rolled out and upgrades to our technology platform to ensure it remains industry-leading in its ability to provide a seamless experience for members."

Date of 2022 Annual General Meeting

Viva Leisure Limited advises in accordance with ASX Listing Rule 3.13.1, that:

- The Annual General Meeting (AGM) of the Company will be held on Monday 24 October 2022 at 9:00am AEDT with full details to be provided in the Notice of Meeting which will be released to the market in late September 2022; and
- The closing time and date for receipt of nominations from persons wishing to be considered for election as a director is 5.00pm AEST 5 September 2022.

ENDS

This announcement has been approved for release by the Board of Directors of Viva Leisure Limited.

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. It operates over 152 locations within the Australian Capital Territory, New South Wales, Victoria, Queensland and Western Australia, together with the master franchise for the Plus Fitness group of approximately 200 clubs in three markets – Australia, New Zealand and India.

For further information, please visit: <https://www.vivaleisure.com.au/>