

15 February 2024

## **Viva Leisure continues its strong growth record, achieving record set of H1 FY2024 results, including \$79.1 million Revenue (+17.3%) and \$16.6 million EBITDA (+18.6%), provides FY2024 and Q4 run-rate guidance.**

Viva Leisure Limited (ASX:VVA) (“Viva Leisure” or “the Company”), a leading, technology-focused Australian health club owner, is pleased to report its financial and operational results for the Half Year ended 31 December 2023 (“HY2024”).

### **HY2024 HIGHLIGHTS**

- Revenue increased by 17.3% to \$79.1 million (HY2023: \$67.4 million), driven by strong organic growth
- EBITDA (pre-AASB16) increased by 18.6% to \$16.6 million (HY2023: \$14.0 million), reflecting improved margins and operational efficiency
- EBITDA margin of 21.0%, up from 20.7% in pcp, with Q2 margin eclipsing 22.0%
- NPAT (pre-AASB16) increased over pcp by 14.3% to \$4.8m
- Strong balance sheet with cash balance of \$4.3 million on 31 December 2023 (>\$8.0m as at 15 February 2024) with free cash flow for the period reinvested in acquisitions, greenfield sites, refurbishments, and our technology platforms
- Membership increased<sup>1</sup> by 9.8% to 180,071 in owned locations and by 6.2% to 345,317 in all locations
- Utilisation increased<sup>1</sup> by 120 basis points over pcp to 70.9% in owned locations, indicating strong demand and customer satisfaction
- Locations increased by 6 to 168 in owned locations and by 7 to 345 in all locations over pcp, despite several club closures with the restructure plan
- Free cash flow before tax was \$6.7 million for HY2024 (compared with \$12.3m for full year result in FY2023), reiterating our strategy for on-going self-funded growth
- Re-investment for growth amounted to \$8.5 million, including greenfield sites, acquisitions, technology, and site upgrades

### **Commenting on the Company’s HY2024 performance, Viva Leisure CEO and Managing Director Harry Konstantinou said:**

"Our HY2024 results continue to highlight the resilience and robustness of Viva Leisure's strategic direction and operational capabilities. On the back of a significant surge in revenue last financial year, this has continued in the first half with a 17.3% increase to \$79.1 million for the half (~7% increase half-on-half). This increase comes during a period where the Company slowed its greenfield program and focused on its previously announced strategic review which included accelerating its refurbishment and upgrade program, whilst also having to close several locations which were under-performing and approaching the end of their lease term.

Our EBITDA has climbed to \$16.6 million, an increase of 18.6% from PCP and 9.2% half-on-half, a reflection of our relentless pursuit of improved margins and operational excellence. The increase in EBITDA margin to 21.0%, and notably surpassing 22% in the second quarter, demonstrates our Company's capacity for sustained financial performance.

Utilisation rates remained strong, and our continued reinvestment back of \$8.5 million for the half into the Company sets the stage for continued expansion and innovation."

<sup>1</sup> Over pcp after adjusting for removal of Fitness Passport members

## GUIDANCE RUN RATE

### HY2024 financial performance

\$m unless otherwise stated	HY 2024	HY 2023	Growth %
Revenue	79.1	67.4	17.3%
EBITDA <sup>2</sup>	16.6	14.0	18.6%
NPAT <sup>2</sup>	4.8	4.2	14.3%
Statutory NPAT	1.5	1.5	0.0%
EBITDA Margin	21.0%	20.7%	

- EBITDA Margin increased to 21.0% for the half (after adjustments) notwithstanding the impacts from continued inflation and wage increases
- Q2 achieved an EBITDA Margin 22%

### FY2024 Guidance

Based on information currently available and barring any unforeseen events, Viva Leisure provides this guidance for the FY2024 year:

FY2024 Guidance	Range
Revenue Range	\$162 million to \$164 million
EBITDA Range	\$35 million to \$35.5 million
EBITDA Margin Range	21% to 22%

### Q4 Run Rate Guidance

Viva Leisure expects continual improvement of earnings throughout the second half, and guides Q4-FY2024 to the following ranges:

Q4-FY2024 Forecast Run Rate	Range	Annualised
Revenue	\$42.5m to \$43.5m	\$170m to \$174m
EBITDA	\$9.5m to \$10.0m	\$38m to \$40m
EBITDA Margin	22% to 23%	

- The above results are based on information currently available and barring any unforeseen events.
- For comparison purposes, the Company achieved EBITDA of \$16.6m for the first half and is guiding towards \$9.5m to \$10.0m to be achieved for the Q4-FY2024
- Management is forecasting to exit Q4 with a margin between 22-23%

<sup>2</sup> Group adjusted EBITDA/NPAT, excluding impacts of AASB16

## STRATEGIC AND OPERATIONAL ACHIEVEMENTS IN HY2024

### Members

- During the period members increased by ~6,000, or approximately 1,000 net member movement per month. The majority of this growth was from existing and greenfield locations as only a couple of small acquisitions were completed during the period. This highlights the resilience of our product and the increasing importance and prioritisation from the population to improve their health and wellbeing. The growth was driven by:
  - Refurbishment program as highlighted at the FY2023 result presentation; and
  - Marketing campaigns
- A record number of member enrolments and organic net member movement in the history of the Company for the month of January at ~5,000 corporate members (plus ~4,000 franchise members) as the market commenced the new year with a focus on health
  - The business grew by ~6,000 members in HY2024 and a further ~5,000 in the month of January, nearly doubling the net member growth for the year to date
- During the period, the Company withdrew from the Fitness Passport corporate program which resulted in removing 8,395 low yielding members. The current net revenue impact is less than 0.5%.

### Refurbishment Program

- The refurbishment program as announced for FY2024 is well underway with 17 of the 27 projects completed in the half. On track to complete all by EOFY
- ROI for those complete already exceeds 50%, signalling that the internal investment was the correct strategy
- We expect to gain the benefits from those over the next 12 months

### Acquisitions

- The Company is engaged in late-stage due diligence with several acquisitions
- It is anticipated that these acquisitions (if completed) will be funded through a mix of available debt facilities and existing cash reserves

### Rollouts and Club numbers

- The greenfield site rollout program slowed during the half as capital was diverted towards the strategic refurbishment and upgrade program announced as part of our FY2023 results
- As the refurbishment and upgrade program is over 60% complete and is expected to be fully completed over the next few months, the Company has now recommenced the greenfield site rollouts, having identified 21 new locations and agreed to lease terms.
- These are expected to rollout over the next 12-24 months as they become available for our fit-out and achieve the relevant development approvals from Councils
- Furthermore, the Company is actively evaluating 35 potential new greenfield sites, a notably higher number compared to past instances. Due to the varying durations from lease agreement to the start of fitouts, we anticipate a steady and increased cadence of new site openings during the second half of FY2024 and across FY2025
- In addition to completing (17) refurbishments, during the period:
  - Two Hiit Republic locations, one Rebalance, and one corporate Plus Fitness locations closed
  - Two Hiit Republic locations were repurposed into Club Lime (unstaffed) micro-gyms. The performance of these micro-gyms is encouraging and already generating better returns per month than the previous Hiit Republic operations at these locations
  - One GroundUp location was opened
  - Completed several Plus Fitness acquisitions/buy-backs

## Plus Fitness Network

- The Plus Fitness franchise network has opened two new clubs during the period
- In addition, 12 territories have been sold this financial year (and 17 since 1 June 2023). These are in various stages of DA or build
- A total of 23 locations have been secured by new and existing franchisees and all are expected to open within the next 12-18 months
- During FY2024, the Plus Fitness Australian network is expected to exceed 200 locations opened for the first time.
  - There are currently a total of 204 locations operating in Australia (194), New Zealand (2) and India (8)

## Viva Labs technology update

- Approximately 10% of Plus Fitness locations are now operating using The Hub and Viva Pay. Full deployment is expected by Q4-FY2024
- In anticipation for the full roll-out of the new technology and billing platform:
  - All Plus Fitness locations are now utilising the Viva Labs door controllers, with over 400 deployed during December and January)
  - Various rounds of training for franchisees have been completed
  - The Plus Fitness MemberID app has been deployed across all locations live on the Hub and released to the App stores.
- In-club Digital Signage program is now operational and early signs are encouraging with inbound enquiries increasing. Currently generating over \$25,000 per month in advertising income

## Cash

- Our cash balance on 31 December was \$4.3 million, with significant free cash flow reinvested in the accelerated refurbishment program during the period
- The Company has now commenced drawing against the bank fit-out facilities to enable continued capital allocation for EBITDA accretive investments and to optimise leverage on the balance sheet

## Debt

- As previously announced, the new Commonwealth Bank facilities are now in place including:
  - Increase in the Market Rate Facility to \$45m with the ability to fund acquisitions to 100%
  - Fitout Facility of \$10m
  - Increase in Lease Finance Facility of \$10m
- Total debt as of 31 December 2023 is at \$40.3m up from \$37.7m for FY2023, so leverage remains low

## Business Strategy & Outlook

- In HY2024 the Company completed 17 site upgrades of the 27 sites earmarked (63%) in the refurbishment program.
- The target of \$6.0 million in additional EBITDA from the program has already seen the achievement of \$2.0 million (annualised), notwithstanding the 12-month maturation period generally required
- As the refurbishment program is nearing completion, and in line with previous years we expect to continue our growth through both acquisitions and greenfield locations in the second half of FY2024
- Solid location pipeline with 21 new greenfield locations secured and a further 35 greenfield locations under negotiation
- The vending machine network together with the in-club digital signage program is expected to generate in excess of \$3 million of revenue in FY2024 at significant margins

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

"Viva Leisure has produced yet another outstanding performance in the first half of FY2024. In this period, we continued to execute our articulated strategy, concentrating on refurbishment and modernisation initiatives, and strategically repurposing or divesting from locations that fell short of our benchmarks. Although our attention to these priorities moderated the pace of our greenfield and acquisition efforts, with 63% of identified locations now finalised, we are poised to rapidly advance these programs in the second half of FY2024.

The strategic initiatives implemented in the first half are anticipated to yield considerable contributions by Q4-FY2024, setting a strong foundation for a robust run-rate. Consequently, the Company has issued guidance that reflects these expected outcomes.

This is our strongest trading half since Viva Leisure became a public company, and demonstrates the uniqueness of our business model, the advantage of our proprietary billing and membership platform, and the strength of our team to execute. This is further evidenced during a half which focused on refurbishments and upgrades as opposed to location growth and acquisitions, but still managed to generate over 17% growth in revenue and over 18% growth in EBITDA over PCP.

As the appreciation for health and fitness maintains its upward trajectory around the world and in Australia, Viva Leisure remains at the forefront, ready to cater to the expanding demand within our established markets and beyond. A recent study<sup>3</sup> underscores this trend, with over 70% of participants acknowledging the significance of investing in personal health and appearance, and upwards of 60% citing the gym as a fundamental aspect of their wellness regimen. This positions Viva Leisure advantageously in the market."

*ENDS*

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

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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 approximately 170 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 175 franchised clubs in three markets – Australia, New Zealand and India.

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

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<sup>3</sup> <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-trends-defining-the-1-point-8-trillion-dollar-global-wellness-market-in-2024>