

23 February 2023

CONSUMERS PRIORITISING HEALTH AND FITNESS IN THEIR DAILY LIVES

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 Half Year ended 31 December 2022 (“H1 FY23”).

H1 FY23 operational highlights

- Revenue of \$67.4 million, up 98.3% (HY22: \$34.0 million)
- Adjusted EBITDA¹ of \$14.0 million, up from a loss of \$3.8 million in pcp
- EBITDA¹ for the half is higher than any full year result in the Company’s history
- Adjusted EBITDA¹ margin of 20.7% for the half year
- Statutory NPAT² of \$1.5 million, up from a loss of \$10.4million in pcp
- Adjusted NPAT² of \$4.2 million, up from a loss of \$7.2 million in pcp
- Total corporate and franchise (“Network”) locations increased to 338 at 31 December 2022, up 13 (8%) on pcp
- Viva Leisure corporate club locations increased to 162 at 31 December 2022, up 30 on pcp
- Network membership at 333,423 at 31 December 2022, up 12.2% on pcp
 - Network membership now at 343,352 as at 20 February. This includes the India membership base for the first time of 3,457
- Corporate members at 172,406 at 31 December 2022, up 30.4% on pcp
 - Corporate members now at 177,279 as at 20 February 2023
- Utilisation rate of 72.7% across corporate portfolio at 31 December 2022, up from 63.2% pcp
- Strong balance sheet with cash balance of \$8.4 million at 31 December 2022
- Total debt levels (Senior debt and equipment finance) reduced during the half, improving overall leverage
- Free Cash Flows of \$5.4 million generated for the half
- Funding of growth plan supported by undrawn banking facility and Free Cash Flows generated
- FY23 guidance is reaffirmed, with some of the key drivers already exceeding targets

Commenting on the Company’s H1 FY23 performance, Viva Leisure CEO and Managing Director Harry Konstantinou said:

“This is an excellent result with record numbers across the key metrics of Revenue, EBITDA, NPAT, locations and members. With COVID now in the rear view mirror, the company has been able to demonstrate its potential for growth and use of operating leverage. It also highlights the resilience of our members and their enthusiasm to return to healthy lifestyles in a social and welcoming environment, which Viva facilities offer.

“This has resulted in H1 FY23 revenue of \$67.4 million exceeding any previous half year result by a wide margin, with adjusted EBITDA for the half year being larger than any previous full year result. EBITDA margins have improved driven by increased utilisation across our corporate owned locations, up by nearly 10% over the past 12 months.

¹ Group adjusted EBITDA less normalised rent

² Excluding impacts of AASB-16

“We continued to invest in club acquisitions and greenfield locations, with our expansive footprint now at 338 gym locations across six Australian states and territories and three countries. Memberships continued to grow with more than 333,000 members across our Network, of which ~172,000 are Corporate members as at the end of half year FY2023. With the holiday seasonal impacts now behind us, members have returned in record numbers, and we have seen growth of approximately 9,500 members across our Network to a total of 343,352 (including India members for the first time at 3,457) at 20 February 2023, and including an additional 4,873 corporate members to a total of 177,279 at 20 February 2023.

“In another milestone, we are pleased to note that our membership now exceeds 2% of the Australian population aged 15-69 years, an impressive statistic.”

H1 FY23 financial performance

(\$m)	H1 FY 2023 (ex AASB16)	H1 FY 2022 (ex AASB16)	Variance
Revenue	67.4	34.0	33.4
EBITDA (pre AASB-16)	14.0	(3.8)	17.8
EBITDA (including impacts of AASB-16)	31.9	11.2	20.7
NPAT ²	4.2	(7.2)	11.4

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

Membership growth

Member Numbers	20-Feb-23	31-Dec-22	30-Jun-22	31-Dec-21
Viva corporate	177,279	172,406	159,546	132,190
Franchisee	162,616	161,017	160,615	165,021
India	3,457	-	-	-
Total	343,352	333,423	320,161	297,211

Memberships grew to 172,406 (Viva corporate) at 31 December 2022, up 30.4% on pcp and a further increase to 177,279 by 20 February 2023. Across Viva Network locations, total membership was 333,423 an increase of 12.2% on pcp (343,352 at 20 February 2023 including India).

Strategic and operational achievements in H1 FY23

- The number of corporate operating locations increased from 151 (FY22) to 162 (H1 FY23)
- Geographic diversification across States broadened with Viva Leisure continuing its expansion into Western Australian having acquired a further five Plus Fitness locations during the period
- Total Network locations increased to 338 operating locations at December 2022 (325 in H1 FY22)
- Roll out of GroundUp continued with our third site opened in the ACT

Roy Morgan Independent member survey

Viva Leisure recently commissioned Roy Morgan to conduct an independent survey of Club Lime members on a range of topics related to their lifestyle. Some of the highlights from the survey include:

- 67% agree their Club Lime health club membership is a necessity, not a luxury
- 80% agree their membership helps them save on future costs associated with aging and illness
- The top 3 reasons Club Lime members engage in health activities are mental wellbeing (71%), achieving a personal fitness goal (59%) and to lose weight (51%)
- 86% agree their membership is important to their overall wellbeing
- 81% of members are satisfied with their membership
- 89% of members agree their Club Lime membership helps reduce their daily stress
- In a rising cost environment, 66% will cut back on eating out and takeaways, 65% will cut back on new clothes and shoes, while only 25% will cut back on gym and health costs

A copy of the full report is available on the Viva Leisure website at <https://vivaleisure.group/RMSurvey2023>

Commenting on the Roy Morgan survey, Mr. Konstantinou said:

“At Viva Leisure, we are invested in each and everyone of our member’s health journeys. We are excited to continue growing and providing exceptional health club services to more Australians around the country. Whether that’s keeping their stress levels in check, or working towards a fitness or weight loss goal, we have an option for everyone.”

Positive outlook for remainder of FY2023

- In line with previous years, we expect to continue our growth through both acquisitions and greenfield locations for the remainder of the year by reinvesting free cash flows and available debt facilities
- Solid location growth with 14 new greenfield locations secured and 2 acquisitions close to completion
- Growth will occur through Viva’s Leisure’s boutique brands, with three additional GroundUp facilities in development now. These produce higher yielding memberships and provide an opportunity to offer multiple brands across one membership
- Funding of growth plan is supported by undrawn banking facility and free cash flows generated from operations
- Free Cash: Viva is expected to generate \$900k+ per month in free cash flows (before tax) to allocate to its expansion
- Bank Facility: as at 31 December 2022, Viva has ~\$21.0 million available under the Senior Loan Facility for future acquisitions
- Technology upgrade projects “the Hub” and “Viva Pay” nearing completion
 - Representing largest investment in IT to date, \$1.4 million invested in development costs for the Hub, Viva Pay and other technology projects in H1 FY23
 - Viva pay in testing phase now and expected to launch before EOFY
 - Project to deliver significant upgrade to franchisee data analytics and reporting and management capabilities to strengthen entire Network
 - Both projects expected to deliver significant financial benefits to both Viva and our Network of Franchisees

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

"Calendar year 2022 was the first full year without COVID interruptions since we listed in 2019. This allowed us to demonstrate the Company's potential with continued expansion while improving overall utilisation and operating leverage. This has led to a significant improvement in margins and free cash generation. We have a very strong pipeline of 14 new greenfield locations secured, with Club Lime and GroundUp to be the initial focus.

"We are well positioned to utilise our available debt facilities and free cash, we expect to grow indefinitely without the need for additional funding with a target of 24+ sites over the next 12 months."

ENDS

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

For further information, please contact:

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 165 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 170 franchised clubs in three markets – Australia, New Zealand and India.

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