

Viva enters Queensland market with the acquisition of eight Healthworks locations, provides trading update.

16 October 2019

Viva Leisure Limited (“Viva Leisure” or “the Company”), a leading, technology-focused Australian health club owner, is pleased to announce it has today signed a binding sale and purchase agreement for eight Healthworks Fitness Centres in Queensland (“Healthworks Acquisition”). The acquisition sees Viva Leisure enter the Queensland market and comes just 60 days after Viva Leisure completed its previous acquisition in regional Victoria.

The eight centres are located in Aspley, Deagon, Ipswich, Mooloolaba, Newstead Gasworks, Redcliffe, Teneriffe, and West End.

The acquisition price is \$2.7m and represents a headline multiple of 3.25 times FY19 normalised EBITDA, before synergies. Given the benefit of Viva Leisure’s historical acquisition expertise, management expect to realise all post acquisition synergies and, on this basis, expect the effective purchase price to represent a multiple closer to 2.0 times FY19 on a full year run-rate. The acquisition is expected to be immediately EPS accretive.

The acquisition will be fully funded through existing cash reserves.

Completion is expected to occur within the next 30 days and will add approximately 10,000 new members to Viva Leisure’s growing portfolio. Back office integration of the acquired clubs is expected to be completed quickly with rebranding of the locations to Club Lime to start immediately upon completion. Viva Leisure expects to overlay its membership sign up and on-line model to enhance the existing and new member experience at the Healthworks sites.

Our data and research indicate that our hub and spoke model is conducive for the Queensland market and the sites acquired show attractive propositions based on this research and analysis. Under the Company’s hub and spoke model, Viva Leisure expects to open additional locations in Queensland, both under the Club Lime and hiit republic brands, in the short to medium term to compliment the Healthworks Acquisition.

Post completion, Viva Leisure will be operating across all the Eastern states of Australia with clubs in Queensland, New South Wales, Victoria and the Australian Capital Territory. These additional eight locations will mean Viva Leisure has now secured 70 locations with 52 clubs acquired or currently operating, five undergoing fit-out to open shortly, and a further 13 club locations secured and in various stages of pre fit-out commencement. Viva Leisure operated 40 clubs at 30 June 2019, representing a significant achievement and demonstrates the Company’s ability to expand and integrate quickly as opportunities arise.

Harry Konstantinou, CEO and Managing Director of Viva Leisure commented:

“Entering the Queensland market for the first time with such a high-quality acquisition of the eight Healthworks clubs is an exciting milestone for the Company. The opportunities that it provides to extend our hub and spoke model into these new territories is significant. We expect to be operating over 15 locations in Queensland within the next 12 months.”

Viva Leisure also provides the following trading update as at 15 October 2019.

Membership

- Total membership (excluding the Healthworks Acquisition) is currently 58,342, an increase of 8% from 30 June 2019;
- The Healthworks Acquisition will add approximately 10,000 new members which represents a 26% increase in overall membership YTD; and
- Net member growth (excluding acquisitions) continues to run at approximately 1,100 members per month.

Locations

- Pipeline and operating locations expanded by 75% to 70 (Jun 2019: 40);
- 52 operating locations including the eight Healthworks sites, five locations currently under fit-out expected to open shortly; 13 additional locations in different stages of pre fit-out commencement; and
- The pipeline of new sites continues to be strong with a further eight greenfield locations currently under negotiation in Viva Leisure's new and existing operating locations;

hiit republic

- There are now six hiit republic locations in operation
- All six locations have opened in the previous five months
- Current hiit republic membership exceeds 1,565 members (Jul 2019: 775);
- Target of nine locations operating by HY20.

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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 over 40 health clubs within the Australian Capital Territory, New South Wales and Victoria, with the majority operating under the Club Lime brand.