

Viva Leisure announces the acquisition of 13 FitnFast clubs, launches capital raising and provides trading update.

2 December 2019

- Viva Leisure to acquire 13 FitnFast Health Clubs (“FnF”) located in the ACT (1), New South Wales (10) and Victoria (2)
- Total consideration of \$13.5 million
- A minimum of 21,500 members, and 15,600m² of leased club space providing for upside towards Viva Leisure’s target of 2.00 members per m²
- Strategically compelling acquisition in line with Viva Leisure’s stated strategy of expansion
- Further expands Viva Leisure’s customers, products and geographic footprint into new territories via established locations with a loyal membership base
- All 13 acquired locations are profitable, with four additional locations not being acquired after not satisfying Viva Leisure’s strict acquisition guidelines
- Transaction expected to be over 20% EPS accretive¹ to Viva Leisure shareholders
- Attractive acquisition multiple of 3.79 times FY19 normalised EBITDA² pre-synergies
- Net cost and revenue synergies of ~\$1.2 million per annum to be realised
- FY19 Revenue of acquired clubs of \$17.9 million and EBITDA² of \$3.6 million

Acquisition of FnF

Viva Leisure Limited (“Viva Leisure” or “the Company”), a leading, technology-focused Australian health club owner, is pleased to announce it has executed a binding business sale agreement for 13 FnF health clubs for an upfront consideration of \$13.5 million (the **Acquisition**).

FnF was founded and opened its first location in 2010 in Penrith, New South Wales. FnF’s original focus was on the low cost, big-box model of health clubs, being a pioneer in the sub-\$10 per week gym membership offering. FnF quickly grew to multiple locations in the ACT, New South Wales, Queensland and Victoria, however, was always primarily focused on New South Wales.

Viva Leisure is acquiring 13 of the 17 operating locations of FnF (**Acquired Locations**). The remaining 4 locations not acquired did not meet Viva Leisure’s strict acquisition guidelines, however, may be considered for future acquisition if their operating metrics change. The Acquired Locations have a combined membership of over 21,500 members at an average revenue per member of \$14.80 per week. 80% of the membership base of the Acquired Locations are based in New South Wales, with 13% in Victoria and 7% in the ACT. FnF was founded by Tony de Leede, the original Managing Director of Fitness First in Australia before departing in 2008 to establish FnF.

¹ EPS accretion based on FY20 Prospectus Forecast and adjusted for recent acquisitions and trading performance. EPS using NPATA excludes impacts of AASB16.

² EBITDA is Earnings before interest, tax, depreciation and amortisation (excluding impacts of AASB16).

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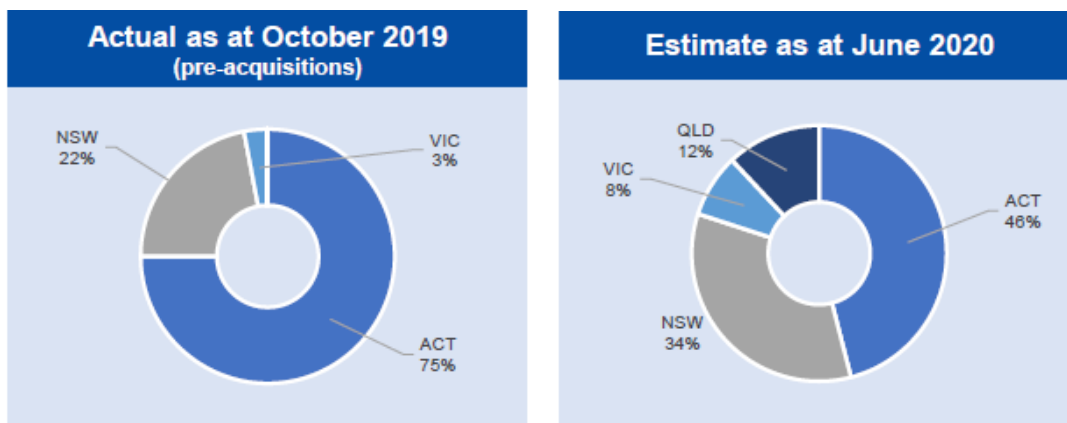


Viva Leisure's CEO and Managing Director, Harry Konstantinou said:

"The acquisition of FitnFast 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.

FnF is a highly complementary business to Viva Leisure, and there are considerable back-office synergies available to capitalise on, as well as the ability to implement Viva Leisure's unique hub-and-spoke model and bespoke information technology systems to further increase the performance of the FnF locations and business."

Post the Acquisition, Viva Leisure's membership segmentation by State will reflect the continuing diversification and reduced reliance on the ACT membership since listing in June 2019.



Financial Metrics

The combined group of Viva Leisure's existing clubs plus the Acquired Locations would have achieved >\$50 million Revenue and >\$10 million EBITDA (on an FY19 audited basis). Approximately 200 employees will join the Viva Leisure team, bringing the combined group to ~800 including the recently announced Healthworks acquisitions in Queensland.

The Acquisition represents a historic FY19 EBITDA multiple of 3.79 times pre-synergies. Net cost and revenue synergies of ~\$1.2 million per annum are expected to be realised. Under Viva Leisure's ownership, FnF is forecast to achieve FY19 Pro-forma EBITDA of \$4.7 million (post synergies).

The Acquisition is estimated to be greater than 20% EPS accretive on pro-forma full-year basis.

Timetable and Conditions of Acquisition

A condition precedent to the Acquisition completing is the assignment of all property leases by existing landlords. The transaction is expected to be completed by 31 March 2020.

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Equity Raising

In addition to the Acquisition, Viva Leisure is also undertaking a fully underwritten Equity Raising via way of an institutional placement (**Placement**) to professional and sophisticated investors to raise approximately \$20.0 million (the **Offer**).

Major shareholder, SHJA Management Pty Ltd (entities associated with Harry Konstantinou and Angelo Konstantinou) are not participating in the Placement to provide flexibility to introduce new institutional shareholders to the Viva Leisure share register.

The Placement of approximately 7.5 million ordinary shares (**New Shares**) will be issued using Viva Leisure's 15% placement capacity pursuant to ASX Listing Rule 7.1.

The New Shares will be issued at \$2.65 (**Issue Price**), representing a discount of:

- 8.0% to Viva Leisure's last closing price on 29 November 2019 of \$2.880; and
- 5.5% to the 10-day volume-weighted average price (VWAP) of \$2.803.

New Shares issued under the Offer will rank equally with existing Viva Leisure shares on issue.

Proceeds from the Offer will be used to fund the Acquisition of FnF, assist with accelerating new site rollouts, cash-backed funding of bank guarantees on leased properties, working capital flexibility and offer costs.

The Offer is fully underwritten by Ord Minnett Limited which is also acting as Sole Lead Manager and Bookrunner and Underwriter. Shaw and Partners are acting as Co-Manager.

Key Dates

Trading Halt	Monday 2 December 2019
Announcement of Completion of Equity Raising	Pre Market Open, Tuesday 3 December 2019
Trading Halt Lifted, Trading Recommences	Pre Market Open, Tuesday 3 December 2019
Settlement of New Shares Issued Under Placement	Thursday 5 December 2019
Allotment and Ordinary Trading of New Shares Issued Under the Placement	Friday 6 December 2019

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Trading Update

Viva Leisure provides the following trading update for FY20.

- The split of health club and boutiques currently open or secured and in various stages of opening is now 85 locations, of which 70 are Club Lime, and 15 are hiit republic and other Viva Leisure boutique offerings.
 - 82 locations are expected to be operating by 30 June 2020;
 - A further 3 locations are secured, but will not commence operating until FY21; and
 - The Company is currently reviewing an additional 10 opportunities.
- The forecast FY20 members guidance has been revised to include the Healthworks acquisition, the FnF Acquisition, additional greenfield locations as well as over-performance of the existing portfolio. The 30 June 2020 membership target is now 106,500 members.
- The forecast FY20 revenue guidance has been revised to include the expected contribution in FY20 of the Healthworks acquisition, the FnF Acquisition, new club openings and over-performance of the existing portfolio. The 30 June 2020 revenue target is now \$58.7 million.
 - The annualised June 2020 run-rate revenue is estimated to be ~\$85 million.
- The forecast FY20 EBITDA guidance has been revised to include the expected contribution in FY20 of the Healthworks acquisition, the FnF Acquisition, new club openings and over-performance of the existing portfolio. The 30 June 2020 EBITDA target is now \$14.2 million.
 - The annualised June 2020 run rated EBITDA is estimated to be ~\$21 million.

The Acquisition and associated transaction costs will be funded by a combination of funds from:

- The underwritten placement of \$20 million, and
- Part of the debt facility recently announced with Commonwealth Bank of Australia

The surplus cash will be used to expand further and accelerate Viva Leisure's greenfield site rollout plan, (in addition to sites already contemplated).

Additional Details

Further details of the Acquisition, Placement, and the Offer are set out in the Investor Presentation released to the ASX today. The presentation contains important information that shareholders and investors should consider, including information about risk factors and the foreign selling restrictions with respect to the Equity Raising.

ENDS

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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.

Important Notice and Disclaimer

This announcement has been prepared by Viva Leisure Limited ("Viva Leisure") in relation to the acquisition by Viva Leisure of FitnFast Health Clubs ("FnF") and an institutional placement of new fully paid ordinary shares in Viva Leisure to fund (in part) the acquisition of FnF. This announcement is not, and does not constitute, an offer to sell or the solicitation, invitation or recommendation to purchase any securities (including shares in Viva Leisure) or any other financial product and neither this announcement nor any of the information contained herein shall form the basis of any contract or commitment. In particular, this announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The securities referred to in this announcement have not been, and will not be, registered under the US Securities Act of 1933 ("US Securities Act") or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States unless the securities have been registered under the US Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable securities laws. The distribution of this announcement in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions.

No investment or financial product advice

The information contained in this announcement does not constitute investment or financial product advice (nor taxation, accounting or legal advice), is not a recommendation to acquire Viva Leisure shares and is not intended to be used or relied upon as the basis for making an investment decision. In providing this announcement, Viva Leisure has not considered the investment objectives, financial position or needs of any particular recipients. Each recipient of this announcement should make its own enquiries and investigations regarding any investment and in relation to all information in this announcement (including but not limited to the assumptions, uncertainties and contingencies which may affect future operations of Viva Leisure and the values and the impact that different future outcomes may have on Viva Leisure) and, before making any investment decisions, should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and should seek legal, accounting and taxation advice appropriate to their jurisdiction. Viva Leisure is not licensed to provide investment or financial product advice in respect of Viva Leisure shares. Cooling off rights do not apply to the acquisition of Viva Leisure shares pursuant to the Placement.

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Future performance

This announcement contains certain forward-looking statements and comments about future events, including Viva Leisure's expectations about the performance of its businesses and the acquisition of FnF. Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward-looking statements will not be achieved. A number of important factors could cause Viva Leisure's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, including the risk factors described under the "Key Risks" section of the Investor Presentation, and many of these factors are beyond Viva Leisure's control. Forward looking statements are provided as a general guide only and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainty and other factors, many of which are outside the control of Viva Leisure. As such, undue reliance should not be placed on any forward-looking statement.

Past performance information given in this announcement is given for illustrative purposes only and is not necessarily a guide to future performance and no re-announcement or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward-looking statements, forecast financial information or other forecasts.

No independent third party has reviewed the reasonableness of the forward-looking statements or any underlying assumptions. Nothing contained in this announcement nor any information made available to you is, or shall be relied upon as, a promise, re-announcement, warranty or guarantee as to the past, present or the future performance of Viva Leisure.