

VIVA

LEISURE

home of hiit

GROUNDÛP

1H FY20 RESULTS

25 February 2020

FNF™

CLUBLIME

CLUBLIME LADIES ONLY

CLUBLIME AQUATICS

CLUBLIME SWIM SCHOOL

CLUBLIME PSYCLE LIFE

GymmyPT

hiit republic

Studios
BY CLUB LIME

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Presenting Today



Harry Konstantinou
Managing Director & Chief Executive Officer



Kym Gallagher
Chief Financial Officer

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home of hiit



Performance Highlights

1H FY20 Performance Highlights

REVENUE

\$23.0m

PCP 52.7% ↑

EBITDA*

\$5.61m

PCP 79.8% ↑

NPAT*

\$2.81m

PCP 121.2% ↑

EBITDA MARGIN*

24.4%

PCP 20.7%

MEMBERS

70,886

PCP 40,073 ↑

CLUB m2

49,373

PCP 26,381 ↑

LOCATIONS[^]

60

PCP 25 ↑

UTILISATION

71.0%

Based on 2 members
per square metre

* Excluding impacts of AASB16

* Results for HY2019 refer to the same Group under common control

[^] Opened Locations as at 31 December 2019

Operational Achievements

75

Locations
(Feb 2020)

Locations (ACT)

29 June 2019	37 Feb 2020
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Locations (NSW)

10 June 2019	23 Feb 2020
------------------------	-----------------------

Locations (QLD)

0 June 2019	10 Feb 2020
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Locations (VIC)

1 June 2019	5 Feb 2020
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Monthly Recurring Revenue*

\$3.34m June 2019	\$4.38m Dec 2019
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Monthly Member Visitations

282,668 June 2019	443,641 Feb 2020
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Membership Split (Multi/Single)

~50% June 2019 Multi-Club	~60% Dec 2019 Multi-Club
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Instructor led Classes

4,040 June 2019	8,284 Dec 2019
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* Only part month impact of Healthworks acquisition. Does not include FitnFast acquisition which was completed in February 2020



Financial Results

1H FY20 Results

Profit and Loss (\$m)	HY2020	HY2019*	Variance %
Revenue	22.99	15.05	52.7%
Operating Costs	(17.38)	(11.93)	45.6%
EBITDA	5.61	3.12	79.8%
Depreciation / Amortisation	(1.54)	(1.02)	51.1%
EBIT	4.07	2.10	93.7%
Finance Costs	(0.27)	(0.31)	(13.5%)
NPBT	3.80	1.79	112.5%
Tax	(0.99)	(0.52)	89.7%
NPAT	2.81	1.27	121.2%

Comments

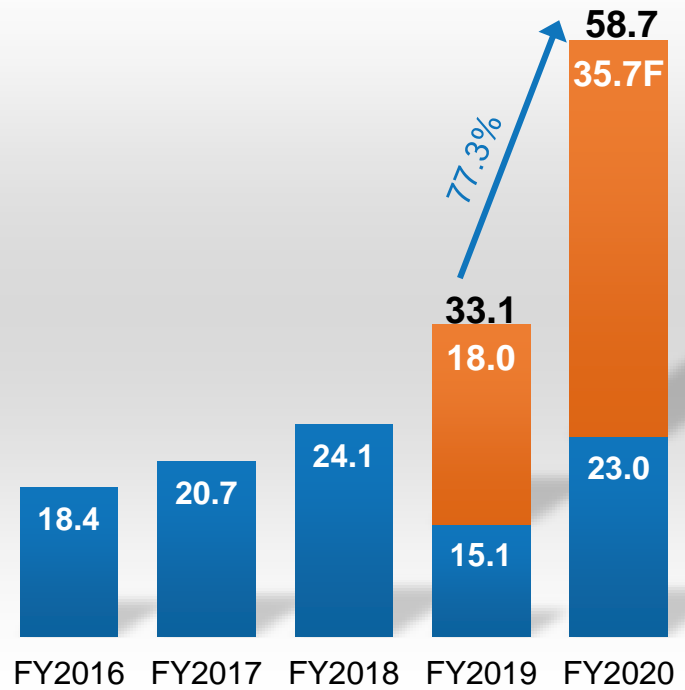
- Strong growth over PCP on all lines with club openings, acquisitions and organic growth
- EBITDA includes impact of one off expenses relating to capital raise and acquisitions
- EBITDA margin improvement from 20.7% to 24.4%

HY2020 results above exclude impacts of AASB16

* Results for HY2019 refer to the same Group under common control.

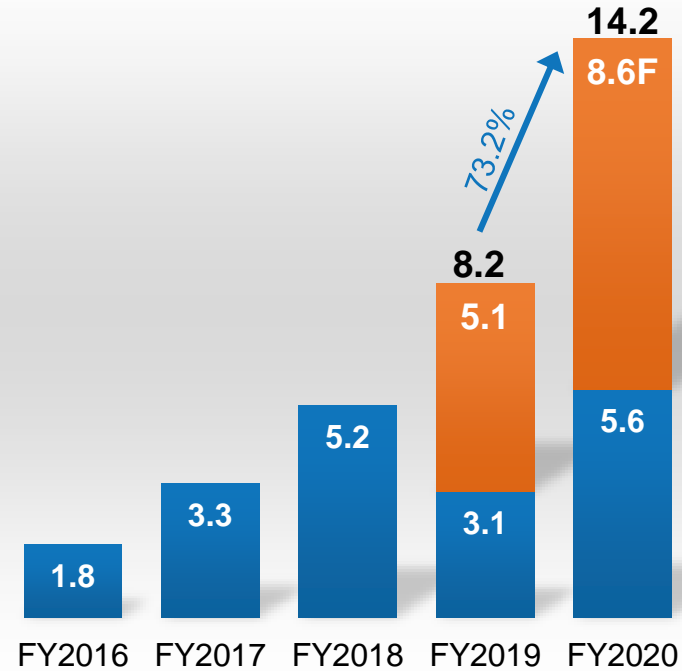
Financial Snapshot

Revenue (\$m)



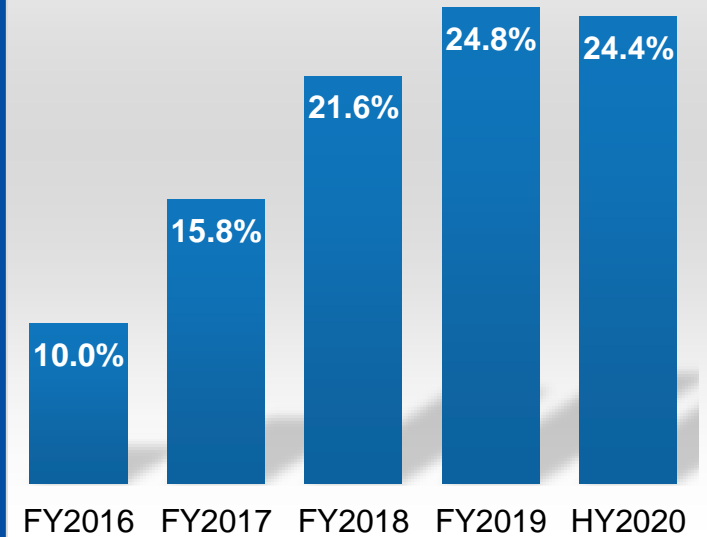
Represents H2

EBITDA (\$m)



Represents H2

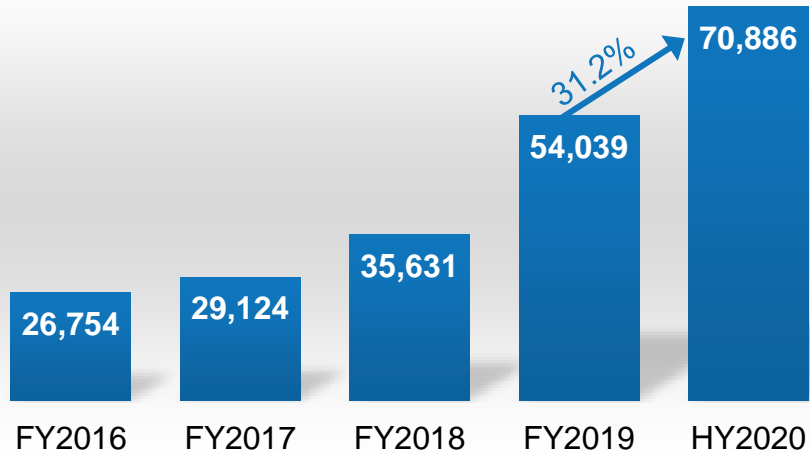
EBITDA margin(%)



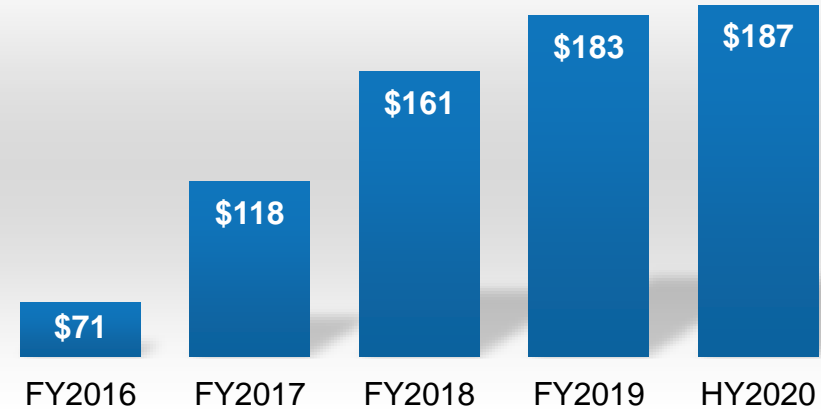
EBITDA Margin % slightly reduced in HY2020 due to lower margin at Healthworks and from H1 greenfield rollouts not yet contributing.

Member Snapshot

Members (31 Dec 2019)

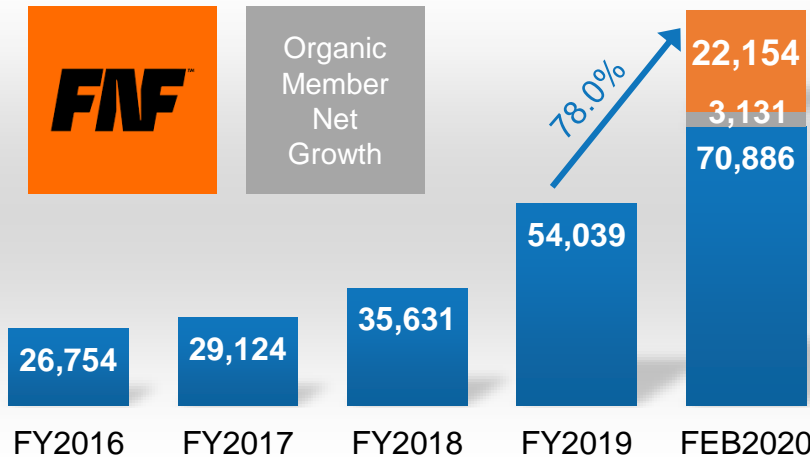


EBITDA per member (\$ p.a.)

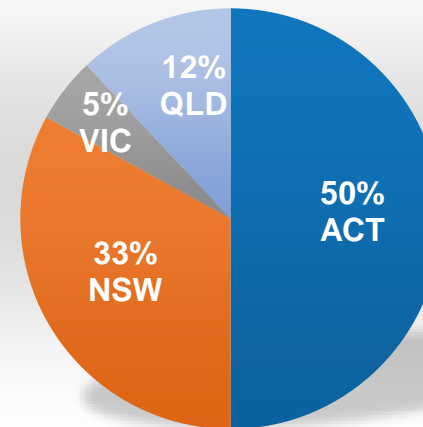


EBITDA per member based on average member number for the year.
HY2020 based on December 2019 result

Members (24 Feb 2020)



Members by State (Feb 2020)



Member Growth



Balance Sheet

Balance Sheet (\$m)	HY2020	FY2019*
Cash	27.10	14.39
Receivables and other CA's	1.89	0.70
Plant and Equipment	25.98	19.20
Intangibles	9.85	6.56
Deferred Tax	0.71	3.46
Total Assets	65.53	44.31
Trade and other Payables	3.33	2.54
Contract Liabilities	1.06	2.59
Borrowings - Bank	1.30	-
Borrowings - Equip Leases	7.72	7.94
Current and Deferred Tax	0.91	4.17
Other Liabilities	1.47	1.29
Total Liabilities	15.80	18.54
Net Assets	49.73	25.76

Highlights

- Strong closing cash balance after successful capital raise
- Strong investment in new clubs and acquisitions
- Bank debt used to partially fund Healthworks acquisition
- Equipment finance leases kept to a similar level as FY2019
- Total external debt remains low at a total of \$9.0m (\$8.7m of undrawn Bank facility for acquisitions)

Cashflow

Cashflows (\$m)	HY2020	HY2019*
Opening cash	14.39	0.51
Cashflows from operations	4.40	3.08
Investment in plant and equipment	(7.08)	(1.65)
Acquisition of businesses	(3.87)	(3.29)
Impact of capital raising	19.15	3.50
Proceeds/(repayment) of debt	1.30	(0.26)
Lease payments	(1.19)	(0.92)
Cash acquired through Group restructure	-	0.64
Closing cash	27.10	1.61

Highlights

- Strong investment in P&E for rollouts
- Acquisition of Healthworks, Wodonga and Mitchell
- Proceeds of capital raise less costs

HY2020 results above exclude impacts of AASB16

* Results for HY2019 refer to the same Group under common control.



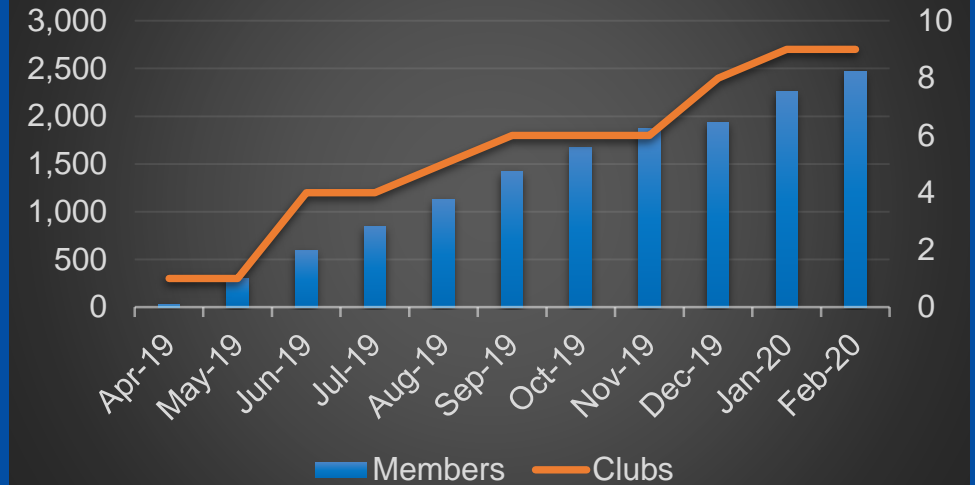
Case Studies

Case Study

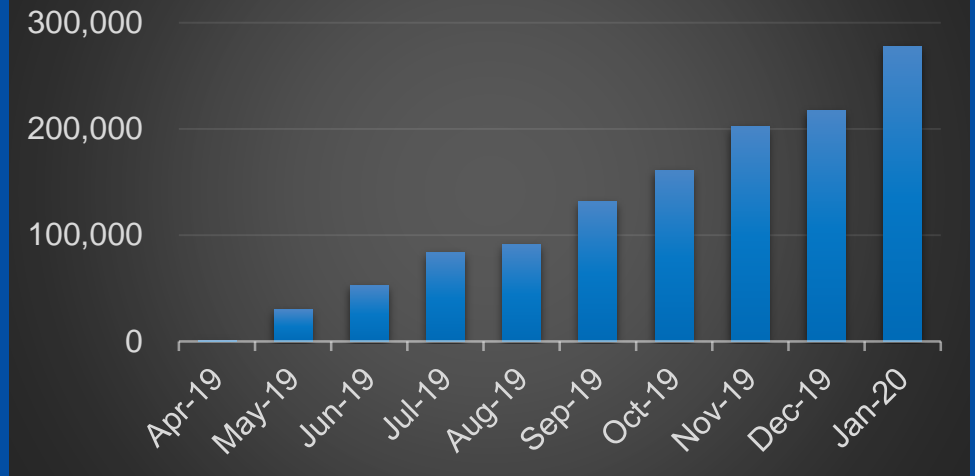


Average size of club	332 m2	
Clubs Opened and Operating	9	(Feb 2020)
Additional Clubs Opening Soon	10	
Total Members	2,483	
Average members per club	276	
Average EBITDA margin	50.0%	(within 6 months)
Average Utilisation	55.1%	(at 1.5 members per m2)
First Club Opened	March 2019	
Average Revenue per member	\$34.26	(per week)
Current Revenue Run-rate	~\$300,000	(per month)

Members –v- Clubs



Revenue



Case Study



healthworks
FITNESS CENTRES

Acquisition Completed	12 December 2019
Total Members	~12,000
Clubs Acquired	10 (two acquisitions)
Average members per club	1,200
Average EBITDA margin	14.5%
Average Utilisation	66.7% (2.0 members per m2)
Average Revenue per member	\$12.61 (per week)

Progress since acquisition

- Equipment ordered and arriving March-May 2020
- Fit-out upgrade plans finalised for 2 locations (Victoria Point and Redcliffe) with work commencing late February 2020
- Club synergies have been implemented creating a wage saving of ~\$200k pa, and a further ~\$100k pa scheduled to commence on 1st of March 2020 due to intelligent rostering now that Viva's systems are in place
- Membership database was migrated to Viva systems within 14 days of acquisition. Membership data and online joining occurred simultaneously
- Viva access control systems installed with MemberID and WatchID apps operating
- Building Signage and branding has occurred as part of the conversion to Club Lime (refer photos)
- Membership has remained static, however with wage and back-office (ie: direct debit fees, software licencing, insurances) savings, the performance has improved significantly since acquisition
 - Membership expected to increase as upgrades are completed



Case Study

Before



After




healthworks
FITNESS CENTRES
West End

Deagon

VIVA
LEISURE

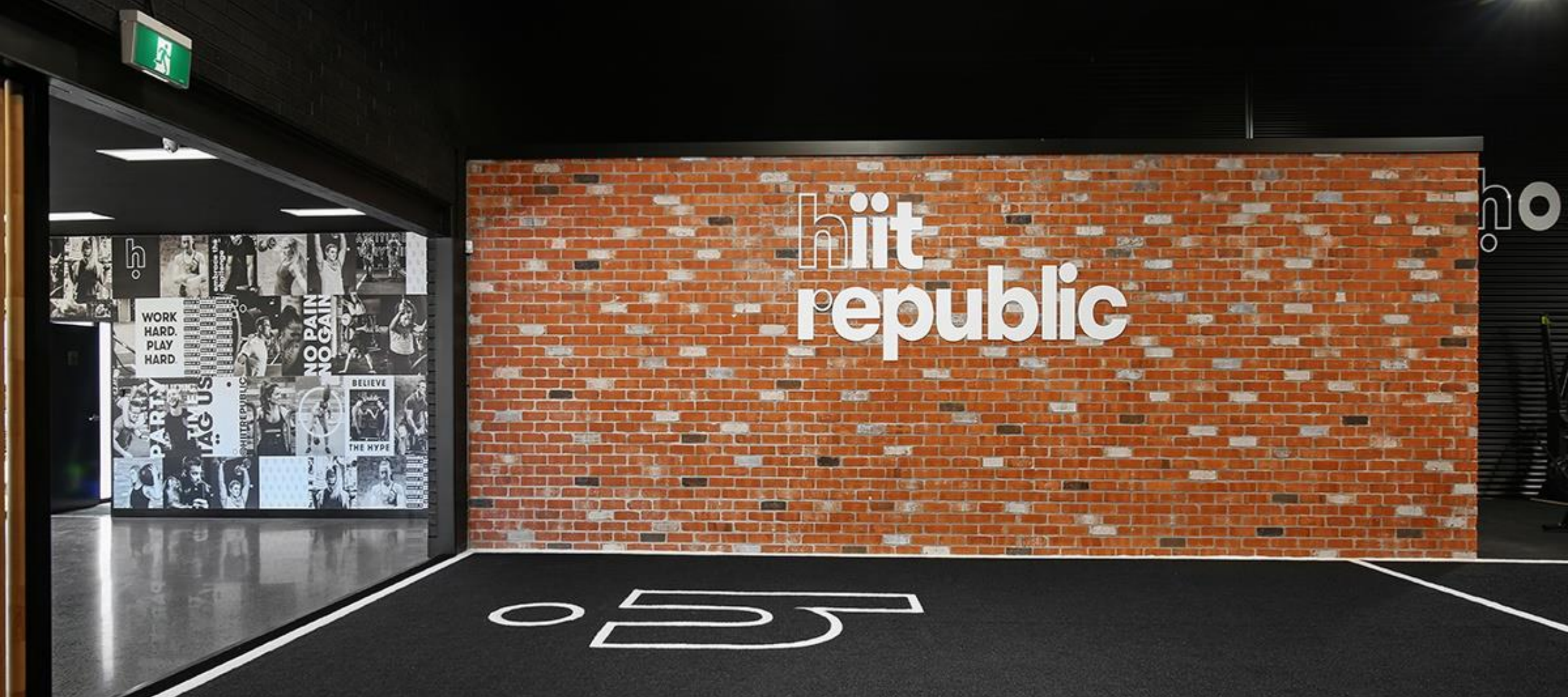
Case Study



Acquisition Completed	13 February 2020
Total Members	22,154
Clubs Acquired	13
Average members per club	1,704
Average EBITDA margin	19.4%
Average Utilisation	70.4% (2.0 members per m2)
Average Revenue per member	\$14.80 (per week)

Progress since acquisition

- Equipment ordered and arriving April-June 2020
- Fit-out upgrade plans finalised for 2 locations (Rouse Hill and Wetherill Park) with work commencing March 2020
- Head office synergies have commenced
- Membership database analysis nearing completion and expected to transition to Viva systems within the next 14 days
- Close Proximity Locations:
 - Belconnen (ACT) location will be re-branded to Club Lime, reduced in size from 1300m2 to 850m2 and a 450m2 *GroundUp* new boutique concept will be opened
 - Shellharbour (NSW) location has maintained its membership post opening of the new Club Lime Shellharbour (~400 new members in 4 weeks) and we will continue to monitor options



Business Overview and Outlook

The Viva Leisure Ecosystem



96,000 members

Paying \$15-\$40 per week

Growing organically and with acquisitions

Membership base
3 yr CAGR > 25%



4 States of Australia

- ACT
- New South Wales
- Victoria
- Queensland

75+ locations



Unique Value Proposition

- Multiple brands
- Multiple fitness options
- Multiple opportunities for secondary spend
- Tech focused executive

Viva is unlike any other health and fitness provider in Australia



One Membership

Current

- Club Lime
- hiit republic
- Psycle Life
- Aquatics
- Learn to Swim

Coming Soon

- GroundUp Mind&Body
- Classes On Demand
- More at home options

Locations *Reaching more Australians*

75

Operating
locations

Our Club Lime and hiit republic brands continue to expand into new markets

21

New locations
opening soon

Our pipeline of new locations already secured will continue to grow our brands into new markets

12

Locations under
negotiation for
lease

Our pipeline never stops growing as we enter new markets and deploy our unique hub and spoke model into existing markets. With our recent acquisitions, the opportunities for hiit republic locations has increased

7

Locations under
negotiation to
acquire

Building on our strong experience of acquiring and integrating new strategic locations

As at 25 February 2020

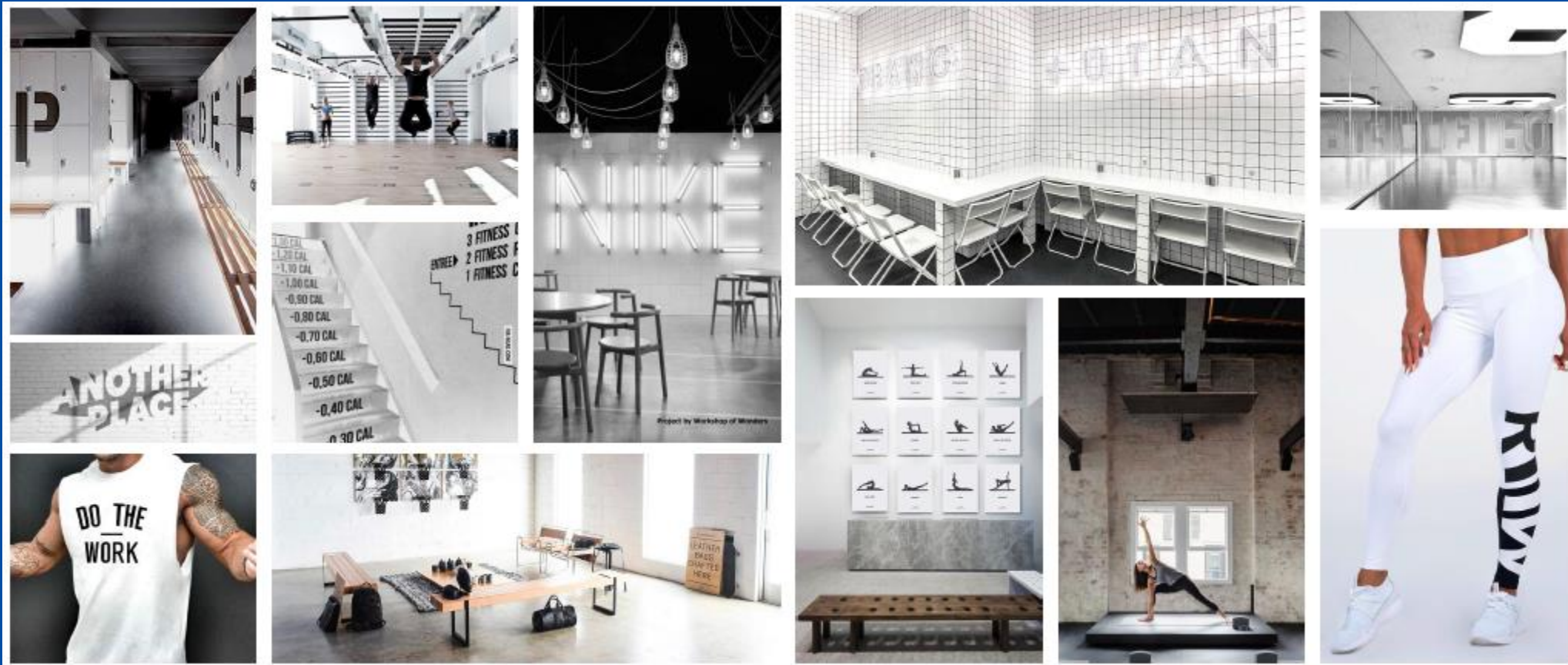
GROUNDÛP

Yoga. Pilates. Barre.

Our new boutique offering

- Yoga, Pilates and Barre – 3 studios, 1 location, 1 membership
- Clean, white, natural fit-out
- Fixed fortnightly fee, including all 3 studios, and a Club Lime upgrade option for less than the cost of competing boutiques
- Locations now being secured

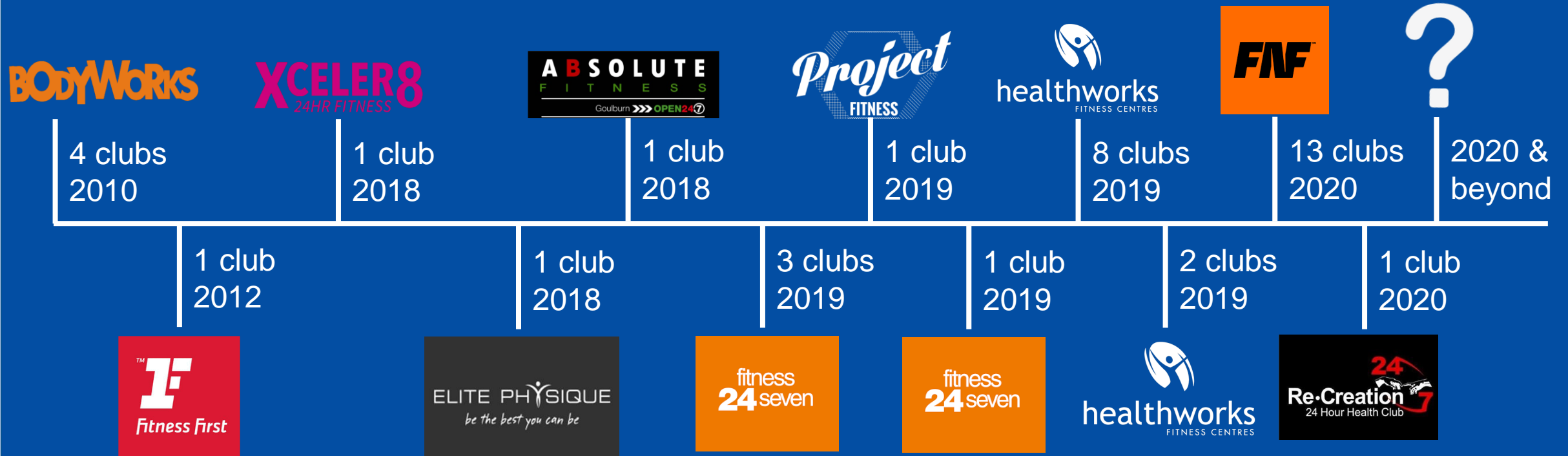
Mood board Concepts



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LEISURE

Acquisition timeline


12 Acquisitions **37** Locations



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Fitness as a Service (FaaS) *our data is what makes us different*

The Viva Fitness as a Service (FaaS) model

	Viva Leisure's Model	Traditional Model
Pricing	Affordable, no contract, no joining fee	Expensive locked-in pricing model with joining fees
Sign-up Process	Online, 3 minutes to complete, no paper forms	Paper based, completed in person, sometimes requiring an 'interview to join'; or join online by completing direct debit authority, and then membership form in club (on paper)
Capacity	Targeting 2 members per square metre, additional spoke locations added as target approaching; ensures quality of service offering maintained	Sign-up as many members as possible and hope they don't all use their membership as will cause overcrowding
Terms	Flexible terms, no fixed contracts, 28-day cancellation process	Locked-in long term contracts, difficult to exit
Facilities	With locations of all sizes, the complete service, class and equipment offering is available across the network of facilities	Limited offering based on available space. Franchise operators offering identical equipment in all locations
Offering		One membership limited to one brand or offering
Ease of Use	Intuitive membership self-serve portal and app to manage membership	All membership management via email, telephone or in-person at the club
Decision Making	Using real-time data available to all management. Technology focused decision-making processes used throughout the entire business	Based on experiences of the proprietor(s)



Outlook for FY2020

Viva Leisure confirms it is on track to meet the guidance set out in the December 2019 Investor presentation

REVENUE	EBITDA	LOCATIONS [^]	MEMBERS
\$58.7m	\$14.2m	82	106,500

Management looks forward to continuing to update the market in relation to new club openings and acquisitions currently under negotiation

[^] Refers to open and operating locations



AASB 16 : LEASES

AASB 16 Leases

Impact of AASB 16 Leases at 31 December 2019

Profit & Loss

- EBITDA impact – increase of \$4.7m
 - NPAT impact – reduction of \$1.6m
-

Balance Sheet

- Recognition of Right of Use Asset and Lease Liability
 - Total Assets impact – increase of \$147.7m
 - Total Liabilities impact – increase of \$151.0m
 - Net Asset impact – reduction of \$3.3m
-

Adoption date and comparatives

- AASB 16 was adopted from 1 July 2019
 - Applied prospectively with no prior period reinstatement
-

Statutory Reconciliation

Underlying & AASB 16 for the Half Year Ended 31 December 2019

Profit and Loss (\$m)	HY20 Statutory	AASB16 Impact	HY20 (pre AASB16)
Revenue	22.99	0.00	22.99
EBITDA	10.34	(4.73)	5.61
Depreciation and Amortisation	5.90	(4.36)	1.54
EBIT	4.44	(0.37)	4.07
Finance Costs	2.97	(2.70)	0.27
Profit Before Tax	1.47	2.33	3.80
Income Tax Expense	0.29	0.70	0.99
Net Profit After Tax	1.18	1.63	2.81
Earnings per share (basic - cents)	2.19	3.04	5.23

Statutory Reconciliation

Underlying & AASB 16 as at 31 December 2019

Balance Sheet (\$m)	HY20 Statutory	AASB16 Impact	HY20 (pre AASB16)
Cash	27.10		27.10
Receivables and other CA's	1.89		1.89
Plant and Equipment	16.27	9.71	25.98
Right of Use Asset	122.60	(122.60)	-
Intangibles	9.85		9.85
Deferred Tax	35.56	(34.84)	0.71
Total Assets	213.26	(147.73)	65.53
Trade and other Payables	3.33		3.33
Contract Liabilities	1.06		1.06
Borrowings - Bank	1.30		1.30
Borrowings - Equip Leases	7.72		7.72
Borrowings - Property Leases	113.32	(113.32)	-
Current and Deferred Tax	35.75	(34.84)	0.91
Other Liabilities	4.30	(2.83)	1.47
Total Liabilities	166.79	(150.99)	15.80
Net Assets	46.47	3.26	49.73

Statutory Reconciliation

Underlying & AASB 16 for the Half Year Ended 31 December 2019

Cashflows (\$m)	HY20 Statutory	AASB16 Impact	HY20 (pre AASB16)
Opening cash	14.39		14.39
Cashflows from operations [^]	9.13	(4.73)	4.40
Investment in plant and equipment	(7.08)		(7.08)
Acquisition of businesses	(3.87)		(3.87)
Impact of capital raising	19.15		19.15
Proceeds/(repayment) of debt	1.30		1.30
Lease payments	(5.93)	4.73	(1.19)
Cash acquired through Group restructure	-		-
Closing cash	27.10	-	27.10



hiit
republic

ATTITUDE IS
EVERYTHING.



The Viva difference

The Viva business *health is the new wealth*

- Viva Leisure Limited (**Viva Leisure**) operates in the health and leisure industry in Australia, originally commencing operations in January 2004 with one facility and now operating 75 different business sites, the majority of which are health clubs under the **CLUBLIME** brand
- Of the 75 different business locations, all have been organically established apart from 12 separate acquisitions which added a total of 37 clubs

Viva operates in all four segments of the fitness industry, unlike any of its competitors

- The fitness industry in Australia is big business and gaining momentum. This is not surprising, given the amount of Australians who are overweight or obese and the increased awareness of health matters. Industry forecast to grow to \$2.5 billion in FY2023 (FY2013-FY2023 CAGR of 3.6%)
- Viva Leisure's mission is to connect health and fitness to as many people as possible by providing affordable, accessible and awesome facilities within the reach of all. This statement (affordable, accessible and awesome) forms the core of both our commitment to the community and our commercial goals

Our Brands



Scalable business model *fitness is an essential part of life*

Viva Leisure's hub and spoke model

- Viva Leisure operates what it calls a 'hub and spoke' model with larger (big box) health clubs being supported by smaller (standard, express and boutique) health clubs
- Viva Leisure differs from the traditional model with concentration on one segment (i.e. big box, standard, express or boutique health clubs). Viva strives to provide for multiple offerings and options to suit individual members' preferences
- This model allows the Company to be dynamic in its approach to new greenfield or acquisition sites. Selecting them based on the analysis and identification of the primary customer demand in order to determine the appropriate 'foundation' health club
- As Viva Leisure's brand recognition and membership base grows in the new market, it will build out the spokes to satisfy excess demand by tailoring solutions to meet members' needs
- Viva Leisure's membership proposition is based on:
 - striving to provide members with an affordable membership pricing structure;
 - access to health clubs 24 hours a day, 7 days a week; and
 - providing "no contract" membership offers
- The Company's "no contract" offering is an attractive proposition as the industry works to increase the penetration of members and encourages high standards to be maintained

New concepts, new USP's



As Viva Leisure rolls out new concepts, it introduces new USP's to the market, even if we are not first to market

Improving the functional boutique fitness model by:

- Offering a true boutique environment and experience; the full experience with amazing fitness and personal amenities;
- Located outside of big box health clubs, not a separate section within;
- No two classes are ever the same, mixing it up;
- Roaming between hiit republic locations for members (additional costs apply);
- 24 hour access for members outside of scheduled class times (no additional cost applies – part of the membership);
- Operating a Personal Training licencing model from each location generates additional revenue opportunities for Viva Leisure, and for the full-time staff;
- Full online membership portal, allowing members to turn-on or turn-off a hiit republic membership as their habits and requirements change;
- Affordable – from \$29.90 per week, unlimited classes at a single location, scaling to \$39.90 per week for all locations, including a Club Lime (health club) membership
- A true boutique + health club membership that is currently unmatched in Australia



Investment highlights *not all health clubs are built the same*

Growth opportunity	Attractive member proposition	High quality facilities	Technology focused operator	Strong cash flow from model
<p>Highly fragmented market with 42% of operators not part of a franchise or larger group.</p> <p>Significantly underserved regional markets with limited competition, attractive margins and existing operators lacking access to capital.</p> <p>Less sophisticated owners allows us to implement our technology for immediate synergies.</p> <p>Growing market expected to reach \$2.5 billion of revenue in 2023.</p> <p>Business model allows for rapid break-even cash flow (~8 weeks) on greenfield locations.</p>	<p>High levels of member acquisition and growth with multiple options and removal of barriers to membership purchase.</p> <p>Market leading, bespoke membership joining and management system, join online in under 3 minutes.</p> <p>Well-respected brand.</p> <p>Low entry point to experience offering.</p> <p>Reinvestment and on-going product enhancement ensures high quality offering throughout entire portfolio.</p>	<p>Data driven site selection process, ensures correct facilities are built for the local market.</p> <p>Unique hub and spoke model, not duplicated in market, offers unique opportunity to continue expansion of locations and service offering.</p> <p>Attractive option for landlords enables securing of premium locations.</p> <p>Existing locations still growing:</p> <ul style="list-style-type: none"> • 90.4% of existing portfolio had membership growth in FY2019 • 89.8% of existing portfolio had membership growth in FY2018 	<p>Technology focused decision-making processes used throughout each part of the business.</p> <p>In-house member management system allows for lower administration costs.</p> <p>Bolt on acquisitions integrated into Viva Leisure technology eco-system quickly and efficiently (normally within 48 hours of acquisition settlement)</p> <p>Full back-office integration of acquired locations and members, requiring no member data entry or form completion.</p> <p>'Real-time' data available to management</p> <p>IT systems already built to scale 100+ locations.</p>	<p>Recurring income from flexible fortnightly membership options.</p> <p>>95,000 members with >88% on fortnightly direct debit.</p> <p>Opportunity to increase yield by upgrading single club members to multi-club membership.</p> <p>>\$2.0 million fortnightly direct debit payments enhances cash-flow. Direct debit managed internally not by third party.</p>



Thank you!