

VIVA
LEISURE



**ACQUISITION OF PLUS FITNESS
(MASTER FRANCHISOR)**

22 July 2020

Important Notice and Disclaimer

Important Notice and Disclaimer

This presentation has been prepared by Viva Leisure Limited ("Viva Leisure") in relation to the acquisition by Viva Leisure of Australian Fitness Management Pty Limited, Master Franchisor of Plus Fitness ("Plus Fitness").

Summary information

This presentation contains summary information about Viva Leisure and Plus Fitness (and their associated entities) and their activities current as at the date of this presentation. The information contained in this presentation is for information purposes only. The information contained in this presentation is of general background and does not purport to include or summarise all information that an investor should consider when making an investment decision. It should be read in conjunction with Viva Leisure's other periodic and continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au.

This presentation is not and does not contain all of the information which would be required to be disclosed in a prospectus, product disclosure statement or any other offering document under Australian law or any other law (and will not be lodged with ASIC or any foreign regulator).

Not an offer

An investment in shares in Viva Leisure is subject to known and unknown risks, some of which are beyond the control of Viva Leisure, including possible loss of income and principal invested. Viva Leisure does not guarantee any particular rate of return or the performance of Viva Leisure, nor does it guarantee any particular tax treatment. This presentation 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 presentation nor any of the information contained herein shall form the basis of any contract or commitment.

No investment or financial product advice

The information contained in this presentation 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 presentation, Viva Leisure has not considered the investment objectives, financial position or needs of any particular recipients. Each recipient of this presentation should make its own enquiries and investigations regarding any investment and in relation to all information in this presentation (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.

Future performance

This presentation 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 Plus Fitness. 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 but not limited to, general economic conditions in Australia and worldwide; exchange rates; competition in the markets in which Viva Leisure and Plus Fitness operate, the inherent regulatory risks in the businesses of Viva Leisure and Plus Fitness and the duration of the COVID-19 pandemic, 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 presentation is given for illustrative purposes only and is not necessarily a guide to future performance and no representation 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 forecast.

Neither Viva Leisure nor any independent third party has reviewed the reasonableness of the forward-looking statements or any underlying assumptions. Nothing contained in this presentation nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of Viva Leisure.

Financial data

All dollar values are in Australian dollars (\$) or AUD unless stated otherwise. All references starting with "FY" refer to the financial year ending 30 June. For example, "FY19" refers to the financial year ending 30 June 2019.

Investors should note that this presentation includes unaudited financial information for Plus Fitness that has been prepared by Plus Fitness management for various periods and has been adjusted by Viva Leisure management based on their due diligence. Investors should note that this information has not been audited and is based on management estimates and not on financial statements prepared in accordance with applicable statutory requirements. Accordingly, investors should treat this information with appropriate caution.

Investors should also be aware that certain financial data included in this presentation including EBITDA, EV, and measures described as "pro-forma", are "non-IFRS financial information" under ASX Regulatory Guide 230 (Disclosing non-IFRS financial information). The non-IFRS financial information measures do not have a standardised meaning prescribed by AIFRS and, therefore, may not be comparable to similarly titled measures presented by other companies, nor should they be construed as an alternative to other financial measures determined in accordance with AIFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial measures included in this presentation.

Effect of Rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

Disclaimer

No representation or warranty, express or implied, is made as to the accuracy, reliability, completeness or fairness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, neither Viva Leisure, its related bodies corporate, shareholders or affiliates, nor any of their respective officers, directors, employees, affiliates, agents or advisers, guarantees or makes any representations or warranties, express or implied, as to or takes responsibility for, the accuracy, reliability, completeness, currency or fairness of the information, opinions and conclusions contained in this presentation. Viva Leisure does not represent or warrant that this presentation is complete or that it contains all material information about Viva Leisure or which a prospective investor or purchaser may require in evaluating a possible investment in Viva Leisure or an acquisition or other dealing in Viva Leisure shares. To the maximum extent permitted by law, Viva Leisure expressly disclaims any and all liability, including, without limitation, any liability arising out of fault or negligence, for any direct, indirect, consequential or contingent loss or damage arising from the use of information contained in this presentation including representations or warranties or in relation to the accuracy or completeness of the information, statements, opinions or matters, express or implied, contained in, arising out of or derived from, or for omissions from, this presentation including, without limitation, any financial information, any estimates or projections and any other financial information derived therefrom. Statements made in this presentation are made only at the date of the presentation. Viva Leisure is under no obligation to update this presentation. The information in this presentation remains subject to change by Viva Leisure without notice.

Contents

- 5. Executive Summary
- 7. Transaction Overview
- 11. Better Together
- 14. Competitor Overview
- 17. Financial Metrics
- 20. Acquisition Priorities

5
KG

CLUBLIME

Word from our CEO

“*The acquisition of the Plus Fitness brand, systems and Master Franchisor, including the Master Franchise licence for New Zealand, and a first right of refusal on the existing 197 locations makes this the most exciting and largest opportunity in our history.*”



home of hiit



Executive Summary

Executive Summary

Acquisition Overview

- Viva Leisure Limited has agreed to acquire all the issued share capital in Australian Fitness Management Pty Ltd (“AFM”)
- AFM is the Master Franchisor of the Plus Fitness franchise of health clubs
- The Plus Fitness network operates 197 locations across Australia (190), New Zealand (3) and India (4), with a further 40+ territory locations already having received deposits from franchisees
- The Plus Fitness network revenue exceeds \$100 million¹
- Viva Leisure to pay cash consideration of \$18 million, with an earn-out potential of a further \$2 million
- Expected to complete before 31 August 2020

Strategic rationale

- AFM has a right of first refusal on all franchises should they wish to sell
- Significant opportunity for acquiring or opening franchise locations
- Extensive runway for accelerated growth of the business using Viva Leisure capital and systems
- Fits Viva Leisure’s stated strategy to expand into new markets using both Plus Fitness and Viva Leisure brands
- Highly complementary fit in terms of target markets
- Opportunity to realise further revenue growth and operating synergies for both AFM and Franchisees
- High quality operation ensures integration simplicity

Transaction metrics and funding

- AFM is forecast to achieve FY2020 pro forma EBITDA² of \$2.5 million (pre synergies)
- Acquisition implies a normalised maintainable EBITDA² multiple of 8.0x, and an NPAT multiple of 12x assuming achievement of earn-out³
- The acquisition is expected to be immediately EPS accretive
- Acquisition fully funded through existing cash reserves on balance sheet
- Upfront consideration of \$18 million subject to customary adjustments for net debt and working capital
- A deferred earn-out consideration of up to \$2 million may be payable on achievement of a minimum of 15 new franchise locations (18 for full consideration) within the first 12 months post-completion

Timetable & Conditions

- Conditions precedent include existing landlords of property leases consenting to the change of control of AFM
- The transaction is expected to complete by 31 August 2020

Note 1: The Plus Fitness network refers to franchisee revenue, not AFM. Viva Leisure is not acquiring franchisees as part of this transaction.

Note 2: EBITDA is earnings before interest, tax, depreciation and amortisation (excluding impacts of AASB16)

Note 3: Main target for achievement of earn-out is a minimum of 15 new franchise locations (18 for full consideration) within the first 12 months post-completion



Transaction Overview

Overview of Australian Fitness Management¹



~200 franchisee locations
AU (190), NZ (3), INDIA (4)



Owens first right of refusal
to acquire franchisees, sell territories or open a new location within a territory

\$100+
MILLION

Franchise Network Revenue²



~175,000 Franchise Network Members²



~25 Employees



Established in 2009
by John Fuller & Nigel Miller
(staying on to manage the business)



Membership rate
between \$13.95 and
\$16.95/pw per member



Note 1: Acquisition is of the Master Franchisor, not individual Franchisees

Note 2: The Plus Fitness network refers to franchisee revenue, not AFM. Viva Leisure is not acquiring franchisees as part of this transaction

ACQUISITION OF AUSTRALIAN FITNESS MANAGEMENT – MASTER FRANCHISOR OF PLUS FITNESS

Overview of Plus Fitness Locations

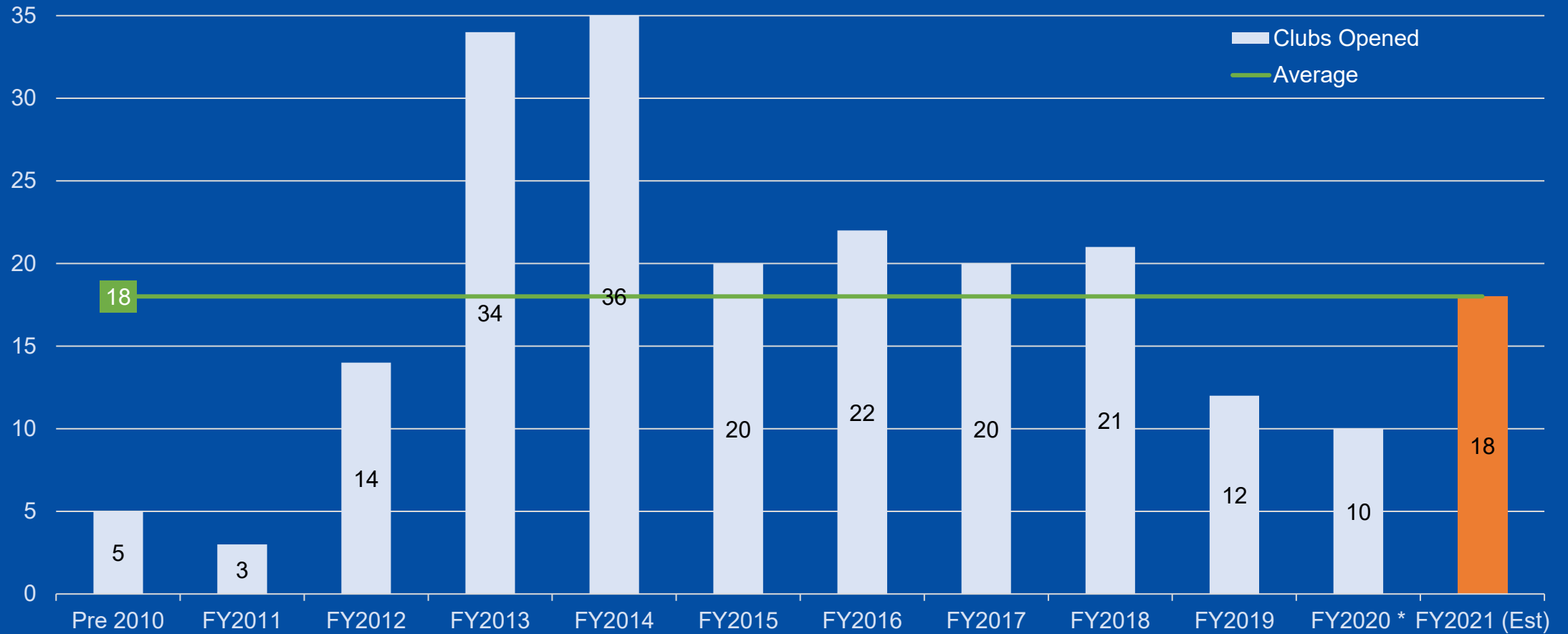


AUSTRALIA

NEW ZEALAND

INDIA

Plus Fitness New Club Openings



Source: Management estimates and public data; FY2020 rollout was COVID-19 interrupted

ACQUISITION OF AUSTRALIAN FITNESS MANAGEMENT – MASTER FRANCHISOR OF PLUS FITNESS



A man in a dark t-shirt and shorts is captured mid-air, performing a high jump over a bar. He is wearing red socks with white stripes at the top. In the background, several other people are working out in a gym setting. The gym has a dark, slatted wall with the word "home" and "it" visible in large white letters. The overall atmosphere is energetic and focused on fitness.

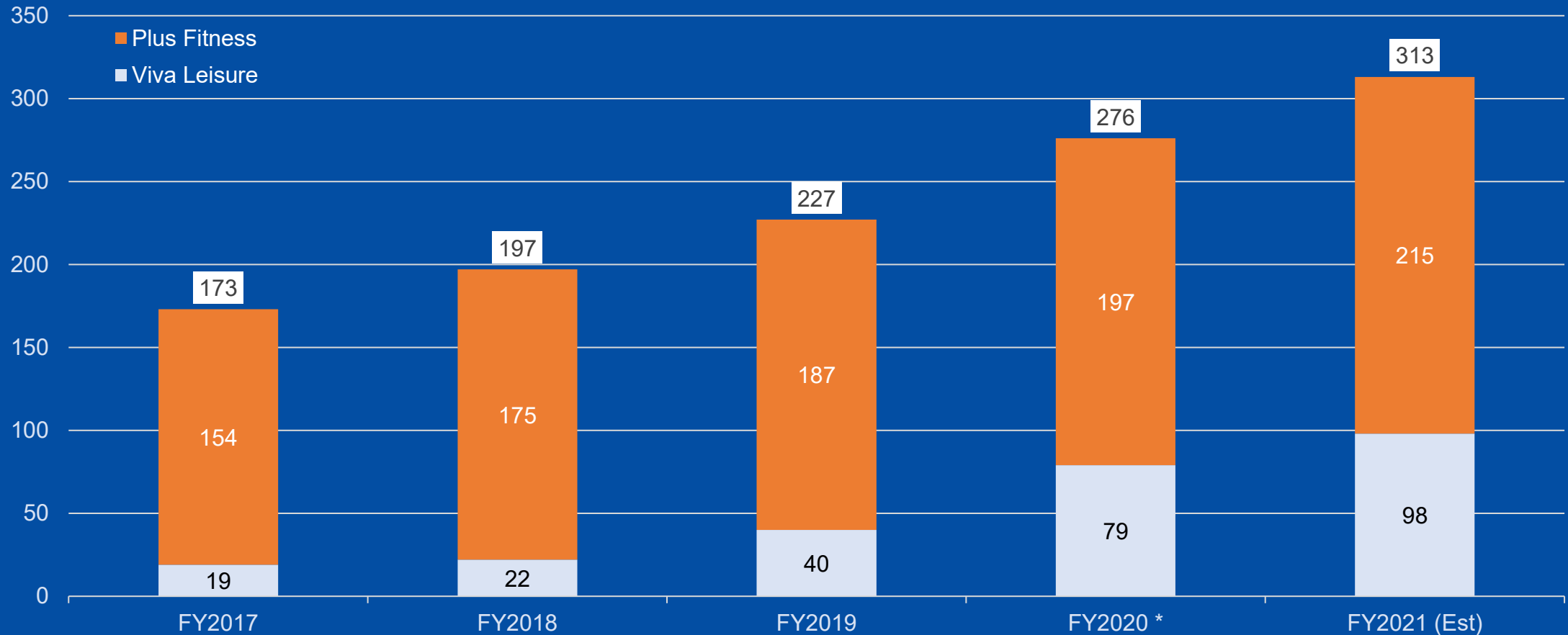
home **it**

“ Viva Leisure can now leverage a diversified network of **Corporate, Franchised and Franchised Corporate** owned clubs ”

Harry Konstantinou, Managing Director & CEO

Better Together

Club History (Viva Leisure with Plus Fitness)



Source: Management estimates and public data; FY2020 rollout was COVID-19 interrupted

Summary




Combined Group

Product Offering	Health Clubs, Boutique Functional Fitness, Boutique Cycling Studios, Aquatic Facilities, Swim School	Franchised Health Clubs	
Segment	Boutique, Express 24/7, Standard and Big Box	Express 24/7	All four segment types
Years of Operation	Commenced January 2004 (16 years)	Commenced 2009 (11 years)	16 years
Operating States	ACT, NSW, VIC, QLD	ACT, NSW, VIC, QLD, WA, SA NEW ZEALAND & INDIA	ACT, NSW, VIC, QLD, WA, SA NEW ZEALAND & INDIA
Locations Opened & (Planned)	81 (17)	~197 (40)	~278 (57) ¹
Members	~95,000	~175,000	~270,000 ²
Direct Employees	~1,000	~25	~1,025

Note 1: Clubs Opened and (Planned) to open as at 20 July 2020; Note 2: Total of all members, including Franchise network members.

ACQUISITION OF AUSTRALIAN FITNESS MANAGEMENT – MASTER FRANCHISOR OF PLUS FITNESS



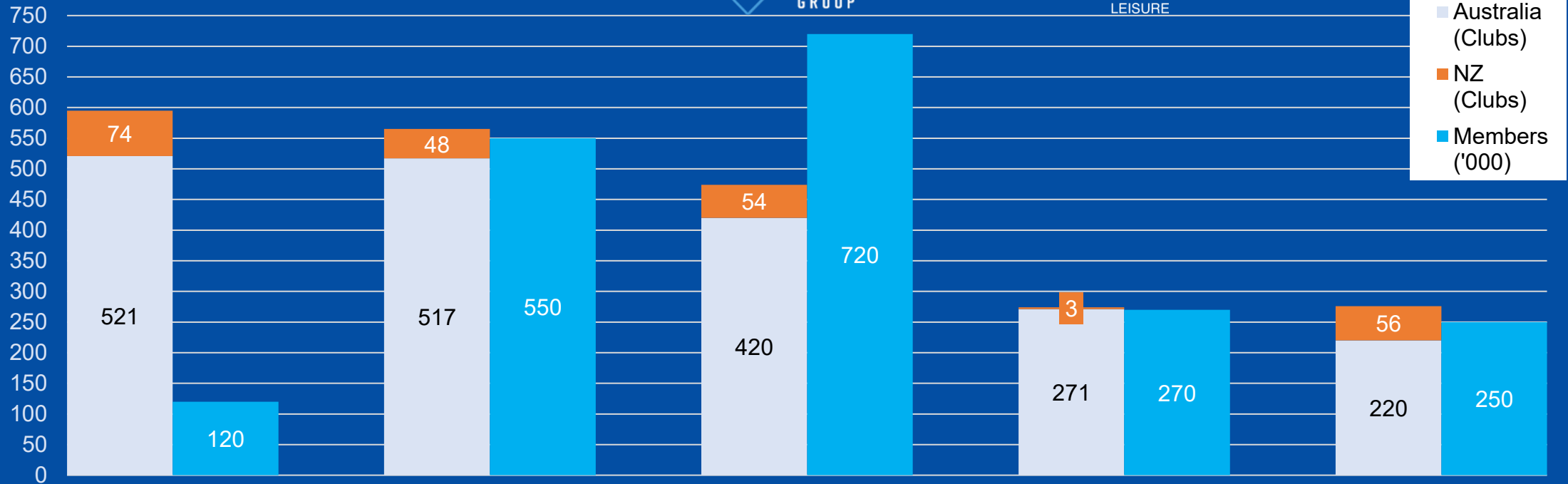
A wide-angle photograph of a modern gym interior. The gym is brightly lit with recessed ceiling lights. In the foreground, there are several pieces of exercise equipment, including a large black machine with 'HAMMER STRENGTH' branding. In the background, a person is sitting on a piece of equipment, and another person is visible further back. The gym has a clean, professional appearance with a polished floor and blue walls. The word 'SLIME' is visible in large green letters on the wall in the upper left corner.

“ Our data tells us that in every market, **proximity, location and accessibility** matter. With an increased network and reach, Viva Leisure will grow its significant market share. ”

Harry Konstantinou, Managing Director & CEO

Competitor Overview

Clubs (Owned and Franchised) by Brand



Source: Management estimates and public data, Australia and New Zealand locations only

ACQUISITION OF AUSTRALIAN FITNESS MANAGEMENT – MASTER FRANCHISOR OF PLUS FITNESS




Competitor Review



Source: Management estimates and public data of franchised health club groups

ACQUISITION OF AUSTRALIAN FITNESS MANAGEMENT – MASTER FRANCHISOR OF PLUS FITNESS





ATTITUDE IS
EVERYTHING.

“

This transaction buys Viva Leisure a **pipeline** of future acquisitions, while **diversifying** our revenue stream and providing another option for **roll-outs**”

Kym Gallagher, CFO

Financial Metrics

Financial Metrics of Australian Fitness Management

(\$ millions)	FY2019 ¹	FY2020 ¹	FY2020 ¹ (pro forma)
Income (Normalised)	11.8	11.4	14.4
Gross Profit (Normalised)	5.2	5.1	5.8
Expenses	3.4	3.1	3.3
EBITDA²	1.8	2.0	2.5
NPAT²	1.2	1.3	1.7
Franchises Rolled Out	12	10	18
EBITDA Margin	15.2%	17.5%	17.4%
Transaction Metrics³			
EBITDA Multiple			8x
NPAT Multiple			12x

Note 1: results are un-audited

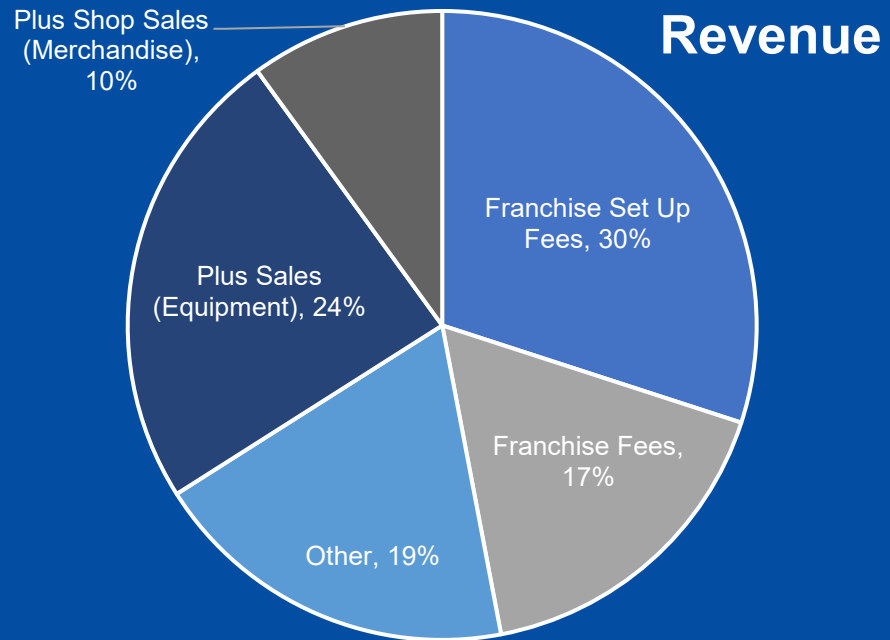
Note 2: Normalised, ex AASB15 and AASB16

Note 3: Assumes full purchase price paid including deferred earnout

Notes

- Based on Management P&L's and Viva's assessment of Normalised Maintainable EBITDA
- FY 2020 results based on results to February and annualised (COVID Impacted)
- Permanent structural savings made by the vendors during FY2020
- FY2020 Pro forma assumes an additional 8 Franchise Territories rolled out compared to FY2020
- No synergies assumed in the pro forma numbers
- No club fit-outs or further cash expense required
- Minimal below EBITDA expenses
- No additional CAPEX spend required
- Assumes acquisition funded from cash reserves
- Significant contribution to bottom line

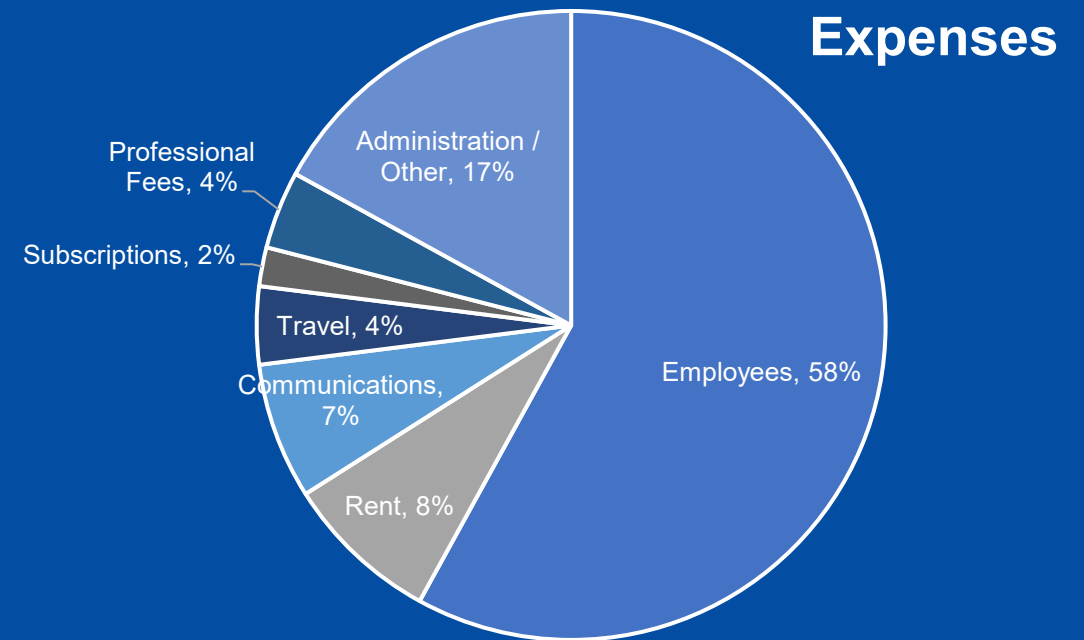
Revenue & Expenses



Five distinct maintainable revenue streams

- Franchise setup costs
- Recurring Franchise Fees
- Plus Sales (Equipment)
- Plus Shop Sales (Merchandise)
- Other

Revenues are shown as gross amounts



- Employee costs amount to 58% of all costs
- Other major costs include Rent and Communications



Acquisition Priorities

Opportunities for Growth

Immediate Priorities (<12 months)

Use the available runway and identified territories to roll-out new franchisee locations, both Corporate and non-Corporate

Acquisition and conversion of existing franchisee locations who wish to exit

Accelerate roll-out in New Zealand market where Plus Fitness only has minimal locations – significant opportunity

Review portfolio of clubs and use Viva Leisure's proven strategies to assist underperforming franchisees

Engage with suppliers (equipment, billing and other) to improve arrangements

Roll-out Viva Leisure IT systems where operational and financial benefit to both Franchisor and Franchisee exist

Implement any successful Plus Fitness systems, arrangements or procedures into Viva Leisure's existing locations where beneficial to do so.

Opportunities for Growth

Ongoing Initiatives (>12 months)

Expand franchisee and Corporate locations

Review additional opportunities to franchise any existing Viva Leisure brands, or new franchisee opportunities

Review market to see if any additional Master Franchisor opportunities exist

Leverage group systems and processes to drive efficiencies

Look to expand Franchise arrangements (either directly or via Master Franchisee) in the Asian market

Take advantage of additional international sourcing opportunities due to larger network and requirements

Review additional opportunities to upsell or integrate digital products, apparel, supplements, etc amongst larger customer base

Target 500+ locations using a combination of Viva Leisure owned clubs operating in a hub and spoke model, and franchised clubs

Achieve 500,000+ members in multiple countries



Plus Fitness 24/7 Ambarvale



Plus Fitness 24/7 Edmondson Park