

11 August 2023

Viva Leisure achieves robust set of FY2023 results, including \$141 million Revenue (+55%) and \$29 million EBITDA (+429%), announces accelerated upgrade program.

Viva Leisure Limited (ASX:VVA) (“Viva Leisure” or “the Company”), a leading, technology-focused Australian health club owner, is pleased to report its financial and operational results for the Full Year ended 30 June 2023 (“FY2023”).

FY2023 highlights

- Revenue increased by 55.4% to \$141.2 million, driven primarily by strong organic growth
- EBITDA (pre-AASB16) increased by 429.2% to \$29.2 million, reflecting improved margins and operational efficiency
- EBITDA margin of 20.7%, up from 6.1% in pcp, and level with H1-FY2023 despite high inflationary pressures
- NPAT (pre-AASB16) increased by \$14.3 million to \$8.8 million, a significant turnaround from a loss in FY2022
- Statutory NPAT of \$3.4 million, a significant swing from a loss in FY2022 of (\$12.1) million,
- Strong balance sheet with cash balance of \$6.8 million at 30 June 2023 after a significant investment in acquisitions, greenfield sites, refurbishments and our technology platforms
- Membership increased by 14% to 181,950 in owned locations and by 7.2% to 343,325 in all locations
- Utilisation increased by 340 basis points to 72.7% in owned locations, indicating strong demand and customer satisfaction
- Locations increased by 20 to 171 in owned locations and by 12 to 346 in all locations, enhancing the company's network coverage and scale
- Free cash flow before tax was \$12.3 million for FY2023 (up 28% between H1-FY2023 and H2-FY2023), providing the opportunity for on-going self-funded growth as highlighted in the H1-FY2023 presentation
- Re-investment for growth amounted to \$17.8 million, including greenfield sites, acquisitions, technology, and site upgrades
- Completed a strategic review of existing network, identifying opportunities to optimise performance, increase utilisation, and improve margins

Commenting on the Company's FY2023 performance, Viva Leisure CEO and Managing Director Harry Konstantinou said:

"Our FY2023 results underscore the resilience and robustness of Viva Leisure's strategic direction and operational capabilities. The impressive 55.4% surge in revenue to \$141.2 million, primarily driven by our organic growth, speaks volumes about our team's commitment and our members' trust. The outstanding 429.2% rise in EBITDA to \$29.2 million and the EBITDA margin reaching 20.7%, despite external inflationary pressures, are testaments to our enhanced operational efficiency and improved margins.

We're particularly heartened by the significant improvement from last year in NPAT (pre-AASB16) of \$8.8 million representing a \$14.3 million improvement over FY2022. Our balance sheet and free cash flow remains strong, and our membership growth, coupled with the increase in utilisation rates, indicates the unwavering demand and satisfaction of our members.

The expansion in our locations solidifies our market presence, and our increased free cash flow paves the way for continued growth. Our investments in technology and strategic growth initiatives, including the imminent launch of Viva Hub and Viva Pay, are set to further boost our performance moving forward.

Following our strategic review, we're even more aligned and geared up to optimize performance and enhance shareholder value. This outstanding performance is not just a reflection of numbers but a manifestation of our vision, dedication, and the collective effort of the entire Viva family."

FY2023 financial performance

<i>(\$m) unless otherwise stated</i>	FY2023	FY2022	Variance \$	Variance %
Revenue	141.2	90.8	50.4	55.4%
EBITDA*	29.2	5.5	23.7	429.2%
NPAT*	8.8	(5.5)	14.3	nm
Statutory NPAT	3.4	(12.1)	15.5	nm

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

Membership growth

	30 June 2023	30 June 2022	Variance #	Variance %
Viva owned	181,950	159,546	22,404	14.0%
Franchisee	161,375	160,615	760	0.5%
Total	343,325	320,161	23,164	7.2%

Membership growth for the period was largely attributable to organic growth (based on growth from clubs owned prior to 30 June 2022).

Strategic and operational achievements in FY2023

- **Guidance Milestones Achieved:** Successfully met the guidance issued in October 2022, showcasing resilience despite economic headwinds, higher interest rates, and rising inflation. Achieved record levels in memberships, revenue, and locations.
- **Revenue Growth:** Impressive 55.4% revenue growth over the prior corresponding period (PCP), increasing revenue to \$141.2 million in FY2023. 89% of the revenue growth attributed to clubs opened prior to FY2023 showing the financial benefits of a maturing network.
- **Location Expansion:** Increased the number of owned operating locations from 151 (FY2022) to 171 (FY2023), and the total network locations reached 346 as of 30 June 2023.
- **Strategic Acquisitions and Openings:** Completed eleven separate acquisitions, including six Plus Fitness corporate buybacks, one Rebalance site, and four independent brands. Opened nine greenfield sites across various brands, strengthening the portfolio.
- **Utilization Growth:** Achieved an increase in utilization by 340 basis points to 72.7% in owned locations, indicating strong demand and heightened customer satisfaction across the network.
- **Technology Innovations:** Prepared to launch key technology initiatives such as Viva Hub, Viva Pay, and digital signage. These are expected to contribute approximately \$4 million annually when fully operational, enhancing member and franchisee experience as well as operational efficiency.
- **Strategic Reinvestment for Growth:** Invested \$17.8 million in growth opportunities including greenfield sites, acquisitions, technology, and site upgrades. This reinvestment underscores the company's commitment to continuous innovation and sustainable growth.

Business Strategy & Outlook

- In FY2023 the Company completed 21 site upgrades (16 of which occurred in H2-FY2023). The results were encouraging with an average 12% increase in membership in the first three months. This increase translates to additional annual EBITDA of ~\$2.5 million, on a cash investment of \$5.6 million, showing an impressive 43.4% ROIC. With the upgraded locations still increasing membership in FY2024, we have a target ROIC of between 70-75% within 12 months of each location re-opening post upgrades.
- The success of the FY2023 upgrade program has meant that FY2024's upgrade program has been expanded and accelerated with a total of 27 locations identified to be part of the program.
 - The FY2024 program expects to optimise ROI through multiple strategies
- In line with previous years, and business as usual, we also expect to continue our growth through both acquisitions and greenfield locations in FY2024
- Solid location pipeline with 11 new greenfield locations secured and a further 12 greenfield locations and acquisitions under negotiation
- The majority of growth will occur through Viva's Leisure's Club Lime brand which has performed exceptionally well in the current environment and we expect will continue to excel
- Non-Membership revenue
 - Non-Membership revenue is expected to reach \$20 million per annum, representing a significant percentage of total revenue. Non-Membership revenue, including licensing fees and processing fees is considered highly profitable.
 - In addition, further upside is expect from other opportunities being considered

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

"We are very pleased with our results for FY2023, which reflect the strong execution of our strategy and our ability to adapt to changing market conditions. We have delivered record revenue and EBITDA, exceeded our guidance and demonstrated the resilience and growth of our business model in what some would consider a tough economic environment. We have also expanded our portfolio of brands and locations, offering a diverse range of services and products to our customers across different segments and markets. Having invested significantly in technology over the past 18 months, we expect that to start generating highly profitable returns during FY2024.

Based on the success of our FY2023 upgrade program, our FY2024 accelerated upgrade program is expected to provide meaningful and significant contributions to EBITDA over the first 12 months. We are confident that we have a solid foundation for continued growth and profitability in FY2024 and beyond.

I am excited that the business is now generating close to \$600,000 EBITDA per week on average and look forward to growing that with my dedicated team of highly engaged, experienced and innovative people.

Our recent crowning in Singapore as the Fit Summit 2023 Fitness & Wellness Company of the Year for Australasia, voted on by our peers was a testament to Viva's contribution to the industry and our members."

ENDS

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

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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. It operates over 170 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 175 clubs in three markets – Australia, New Zealand and India.

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