

9 November 2023

VIVA LEISURE TRADING UPDATE REVEALS CONTINUED MOMENTUM DURING FY24 YEAR TO DATE. AS NEW BANKING FACILITIES SECURED TO FUEL GROWTH

Viva Leisure Limited (ASX: VVA) ("**Viva Leisure**" or "**the Company**"), a leading technology-focused Australian health club owner and operator is pleased to provide a trading update for the 2024 financial year to date (FY24 YTD)

FY24 YTD Highlights:

- Strong performance and continued momentum across all business divisions
- New banking facilities secured to fuel the Company's growth in both greenfield and acquired locations
- Current trading reveals a number of record results for Viva Leisure, including:
 - October revenues of \$13.6 million (+5.5% versus June 2023), indicating annualised run rate of more than \$160 million
 - Strong organic membership growth, evidenced by 185,965 corporate members and an aggregate of 353,557 network members
 - Total corporate locations at 165; and
 - Portfolio utilisation of 74.1% (+140 bps versus June 2023)
- Strategic review progress meeting management targets and expectations
- Rollout of The Hub and Viva Pay officially commenced
- Vending machines sales continuing to grow
- Positive developments and growth in the Plus Fitness network in both Australia/New Zealand and India

FY24 YTD Trading Update

The start of the 2024 financial year continues to reveal strength across all underlying business divisions within Viva Leisure. October 2023 continued to deliver record performance across all key metrics:

Revenue:

- o Annualised Revenue Run Rate (ARRR) of \$160.1 million, up from \$156.4 million in June 2023
- o Monthly Revenue Run Rate (MRRR) of \$13.6 million, up 5.5% on June 2023 (\$12.9 million)
- Average Revenue Per Member per week (ARPM) at \$15.68 in October 2023, up from \$15.59 in June 2023

Members:

- o Network membersⁱ at 353,557 (at 31 October 2023), up from 343,325 in June 2023
- o Corporate members at 185,965 (at 31 October 2023), up from 181,950 in June 2023
- o There were no acquisitions completed during the period, all growth is organic

Locations:

- o Total network locations at 341 (down 5 from June 2023)
- o Total corporate locations at 165 (down 6 from June 2023)
- Portfolio utilisation of 74.1% (up from 72.7% in June 2023)



New Banking Facilities

At the request of the Company, the Commonwealth Bank of Australia has secured additional facilities to assist with the Companies growth plans.

The new facilities combined now exceed \$100 million and include:

Market Rate Facility

An increase in the market rate facility to \$45 million. This facility is used for acquisitions. In addition, the facility has been changed to a revolver facility, rather than the previous facility which was reducing with every principal repayment.

The facility drawdown requirements have also been changed from a maximum of 70% drawdown on acquisitions to (a maximum of) 100% on acquisitions up to \$15 million at the discretion of the Company.

Fitout Facility

A new Fit-out finance facility has been established at an initial limit of \$10 million. This new facility will allow us to accelerate the previously announced strategic upgrade and refurbishment program without utilising cash.

Asset Finance

The Companies asset finance facility for equipment has also been increased by \$10 million (to \$36 million).

Bank Guarantee Facility

In addition, the Bank Guarantee Facility has been increased by an additional \$10 million (to \$26.5 million) to assist with greenfield leases and acquired leases.

Gross Debt Leverage Ratio

To ensure a responsible management of debt moving forward, the Gross debt leverage ratio has been reduced from 2.25x to 1.75x. Management target is to ensure this ratio remains at 1.50x or below.

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

"As we embark on this exciting journey of growth and expansion, I am thrilled to announce the new banking facilities that will fuel our progress. With the Commonwealth Bank of Australia's support, we now have access to over \$100 million in resources to propel our vision forward.

These facilities not only provide us with significant flexibility in the deployment of capital towards acquisitions and greenfield opportunities but also assist with the refurbishment program, allowing us to strengthen our cash balance."



Strategic Review Progress

Progress on the Company's Strategic Review is in line with management expectations. The review has resulted in two hiit republic locations being closed, one Plus Fitness location, and two Rebalance locations closed. Another three hiit republic clubs merged into adjacent Club Lime locations and two hiit republic locations were repurposed as Club Lime Express (micro-gym).

Upgrade Year	FY23 Reported ROIC	Current ROIC	Target ROIC
FY23	43.4%	72.8%	70-75%
FY24	-	36.2%	80%

Reported ROIC based on actual as at 30 June 2023, and Target ROIC is after 12 months post location upgrades completed.

Technology Update

The Hub and Viva Pay, the bespoke business management system developed in-house by the Viva Labs team over the past 24 months is now rolling out across the Plus Fitness network, with the ACT now live, and Western Australia, Queensland, Victoria and South Australia scheduled to go live before the end of November 2023 followed by New South Wales in late December 2023.

Vending Machines

Vending machines continue to exceed expectations with the previous forecast of \$1.8 million per annum in revenue now being increased to between \$2.3 million and \$2.4 million. Margins remain the same at between 40-45%.

In addition, the business has commenced the rollout of dedicated protein vending machines across the network and expect to have 40 machines deployed before the end of the calendar year with the opportunity to increase this to over 80 machines over time. The protein vending machines require no capital outlay and are based on a commission model, representing essentially a 100% margin. The FY24 contribution is expected to be approximately \$0.1 million, increasing to \$0.3 million per annum in FY25.

Plus Fitness (AU and NZ)

Plus Fitness (AU and NZ) has continued to secure new territory sales from the momentum generated in the second half of FY23. Key statistics include:

- 7 new territory sales since 1 July 2023
- 20 new territory sales since 1 July 2022
- Highlighting the strength of the network for both new and existing franchisees, the mix of sales includes:
 - 8 new franchisees joining the network
 - o 7 multi-site owners acquiring additional locations
 - o 5 existing franchisees becoming multi-site franchisees



- Site openings in FY24
 - 3 new locations have opened
 - o 2 additional locations expected to open by 31 December 2023
 - 4 locations in final stages of development approval which are expected to open in H2-FY24
- New Club design
 - Approximately 65 locations now operating with the new design, representing over 30% of the network.

Plus Fitness (India)

The Company's India master franchisor has also experienced new territory sales, with 4 new locations secured in FY24 to date, with two openings YTD. There are now 6 operational Plus Fitness franchise locations operating in India, with another four locations expected to open before the end of FY24.

A strong outlook

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

"Our team's unwavering focus on building upon our exceptional FY23 performance during FY24 is poised to yield significant results in future years. With the new financial facilities at our disposal, including the headroom to acquire up to \$8 million of additional EBITDA at our standard 3.0 to 3.5x multiples, without the need for cash contributions, coupled with our strategic upgrade and refurbishment program which is well progressed and on the path of \$6 million annualised benefit once complete, and the full run rate of Viva Pay at \$3 million, we are confidently focused on our path forward. Furthermore, we anticipate a sustained growth in our cash balance, thereby enabling us to explore additional strategic and shareholder opportunities."

ENDS

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

For further information, please contact:

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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 160 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 over 175 franchised clubs in three markets – Australia, New Zealand and India.

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

¹ Includes Corporate Owned Members and Franchised members

^{II} Corporate owned members refers to direct members at Viva Leisure owned locations