

# VIVALEISURE

## MARKET ANNOUNCEMENT

11 September 2024

### VIVA LEISURE ACQUIRES STRATEGIC INTEREST IN BOUTIQUE FITNESS STUDIOS (BFS)

**Viva Leisure Limited (ASX: VVA)** ("**Viva Leisure**" or "**Viva**" or "**Company**") is pleased to announce it has entered into a binding agreement for a strategic investment of \$2.0 million for 34% of Boutique Fitness Studios (BFS), the Australian and New Zealand Master Franchisee of four brands from Xponential Fitness (NYSE:XPOF).

The investment is strategic in nature as BFS is a fast-growing franchise business with four strong brands: **Rumble Boxing, Club Pilates, StretchLab and CycleBar**. The investment, which also includes an option to acquire up to 100% of BFS, further diversifies the Viva business. Existing Viva technology will be implemented across the BFS network in the future, including Viva Pay and The Hub. Viva also sees an opportunity for the inclusion of the BFS brands into the Viva Pass product that is currently under development and will be launched in H2-FY2025.

#### Key Highlights:

- BFS is a significant player in the boutique fitness space within Australia with four key franchised brands under licence from Xponential Fitness
- 48 studios open, with 106 licences sold across all four brands
- An additional 25 studios are expected to open over the next 12 months, with the BFS network expected to generate system-wide sales of approximately \$25.0 million per annum over the next 12 months
- Consistent with Viva's focus on replicating its successful growth strategies across all segments of the fitness market
- Economically compelling by acquiring the largest shareholding, with the option at Viva's discretion at a later point to acquire the entire business
- Significant synergy opportunities
- BFS founders are staying on, with an earn-out opportunity to continue to drive the business and launch in New Zealand
- Contracted Viva Pay and The Hub implementation to occur
- Viva has a proven track record of successfully integrating a franchise acquisition and extracting synergies
- Incorporating BFS' studios, Viva will have more than 400 corporate and network locations
- Fully funded with existing cash and banking facilities
- As part of the investment, Viva has secured a position on the BFS Board

#### Harry Konstantinou, CEO and Managing Director of Viva Leisure Limited, said:

*"The investment into BFS expands Viva's network to over 400 locations across multiple disciplines and brands, enhancing our diverse offering while simultaneously introducing a new market for Viva Pay and other Viva technologies."*

*"We look forward to working with BFS founder and CEO Matt Gordin and his team, and the wider Xponential Fitness team to grow the brands in Australia and New Zealand."*

# VIVA LEISURE

## MARKET ANNOUNCEMENT

**Bob Kaufman, President of International, Xponential Fitness:**

"We are excited to see Boutique Fitness Studios take the next step in its evolution by joining forces with Viva Leisure. The Australian market is an important strategic region for Xponential's brands, and we look forward to seeing this drive further growth for Club Pilates, StretchLab, Rumble Boxing, and CycleBar."

**Matt Gordin, CEO Boutique Fitness Studios:**

"I couldn't be happier to partner with Australia's fastest growing and most diverse fitness group. This partnership will allow us to continue to grow our team to support our franchisees. The synergies and platform that Viva brings will help drive our brands forward and our studios to grow stronger and more profitable."

**BFS is highly complementary, providing cross-sell opportunities**

The investment in BFS presents a well-located franchise studio portfolio that is complementary to Viva Leisure's existing network, offering potential cross-sell opportunities in the future. It aligns with Viva's stated strategy to expand, providing a highly complementary fit in terms of both geography and customer demographic. Additionally, it offers an opportunity for Viva to realise further revenue growth and for BFS to benefit from operating synergies. The founders will remain with the business, with an earn-out opportunity, ensuring their continued leadership and focus on growth, including plans for a launch in New Zealand.

Looking ahead, there is significant potential to further integrate BFS into Viva's operational network. The option to implement The Hub as the core member management platform could streamline member services and operations. Furthermore, there is an opportunity to introduce Viva's proprietary technology, such as door control, app access, multi-brand access, and digital signage, enhancing the customer experience and operational efficiency across the expanded studio network.

Once launched, the BFS franchise network will join Viva Pass, unlocking additional revenue upside for both franchisees and Viva, while offering more choices for members. The acquisition also provides an opportunity to rebrand corporate-owned Rebalance Pilates & Yoga studios into Club Pilates, leveraging the strength of a larger brand network. Additionally, this expansion offers a low-cost avenue to promote the recently launched Supp Society across a broader platform, increasing exposure and driving further growth.

### Transaction Overview

Viva Leisure has entered into binding agreement for the acquisition of:

1. A 34% interest in Boutique Fitness Studios (BFS).
  - BFS is the Master Franchisee in Australia and New Zealand of four brands from Xponential Fitness (NYSE:XPOF)
  - The licenced brands are Rumble Boxing, Club Pilates, StretchLab and CycleBar
  - Viva is replacing existing shareholders for its 34%, simplifying the existing share register and becoming the largest single shareholder
2. Future option of 100% acquisition
  - Viva has a call option to acquire the rest of the BFS shareholding for a price of \$5.8 million plus a potential earn-out based on net studios opened and sold.

# VIVALEISURE

## MARKET ANNOUNCEMENT

### 3. Convertible Note

- Viva has agreed to offer a Convertible Note (at-call line of credit) to assist with BFS growth on the following key terms:
  - Maximum amount of \$600,000
  - 8% interest
  - Maximum term: 24 months

### 4. Funding

- The investment is fully funded from existing cash reserves and available bank facilities

### 5. Financial Impacts

- As a result of the continued roll-out of new studios and re-investment by BFS, the transaction is not expected to contribute to Viva's FY25 financial performance.
- Viva is confident that the growth trajectory of BFS and the technology opportunities will positively contribute in future years.
- Viva is expected to derive additional revenue from the implementation of Viva technologies in the near term such as Viva Pay and The Hub.

#### Additional Details:

Further details of the strategic investment into BFS and its brands are set out in the Investor Presentation released to the ASX today

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

#### For further information, please contact:

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##### About Viva Leisure:

Viva Leisure is the leading and fastest growing provider of health and fitness clubs across Australia. With a mission to connect more Australians to a healthier lifestyle, Viva operates a portfolio of brands across various fitness categories, offering premium, boutique, flexible, and affordable fitness options.

For further information, please visit:

- <https://www.vivaleisure.group/>
- <https://www.clublime.com.au/>
- <https://www.plus.fitness/>
- <https://groundup.studio/>
- <https://rebalance.studio/>
- <https://hiitrepublic.com.au/>