

VIVA
LEISURE



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

22 July 2020

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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.

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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.*”



ACQUISITION OF AUSTRALIAN FITNESS MANAGEMENT – MASTER FRANCHISOR OF PLUS FITNESS

home of hiiit

A row of exercise bikes is parked in a gym. The background is a wall with horizontal slats. The bikes are black and silver, with some having yellow accents. To the right, there are colorful weight plates (yellow, green, red, blue) stacked on a rack.

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

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A wide-angle photograph of a modern gym interior. Rows of black treadmills are arranged in a long line, facing a large wall of floor-to-ceiling windows. The windows provide a clear view of an outdoor green field, a paved path, and some trees under a cloudy sky. The gym's ceiling is high with exposed black metal beams and large, dark, cylindrical ventilation ducts. The floor is a light-colored, polished concrete. In the background, to the left, there is a white wall and some gym equipment. A yellow banner with white text is overlaid at the bottom of the image.

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

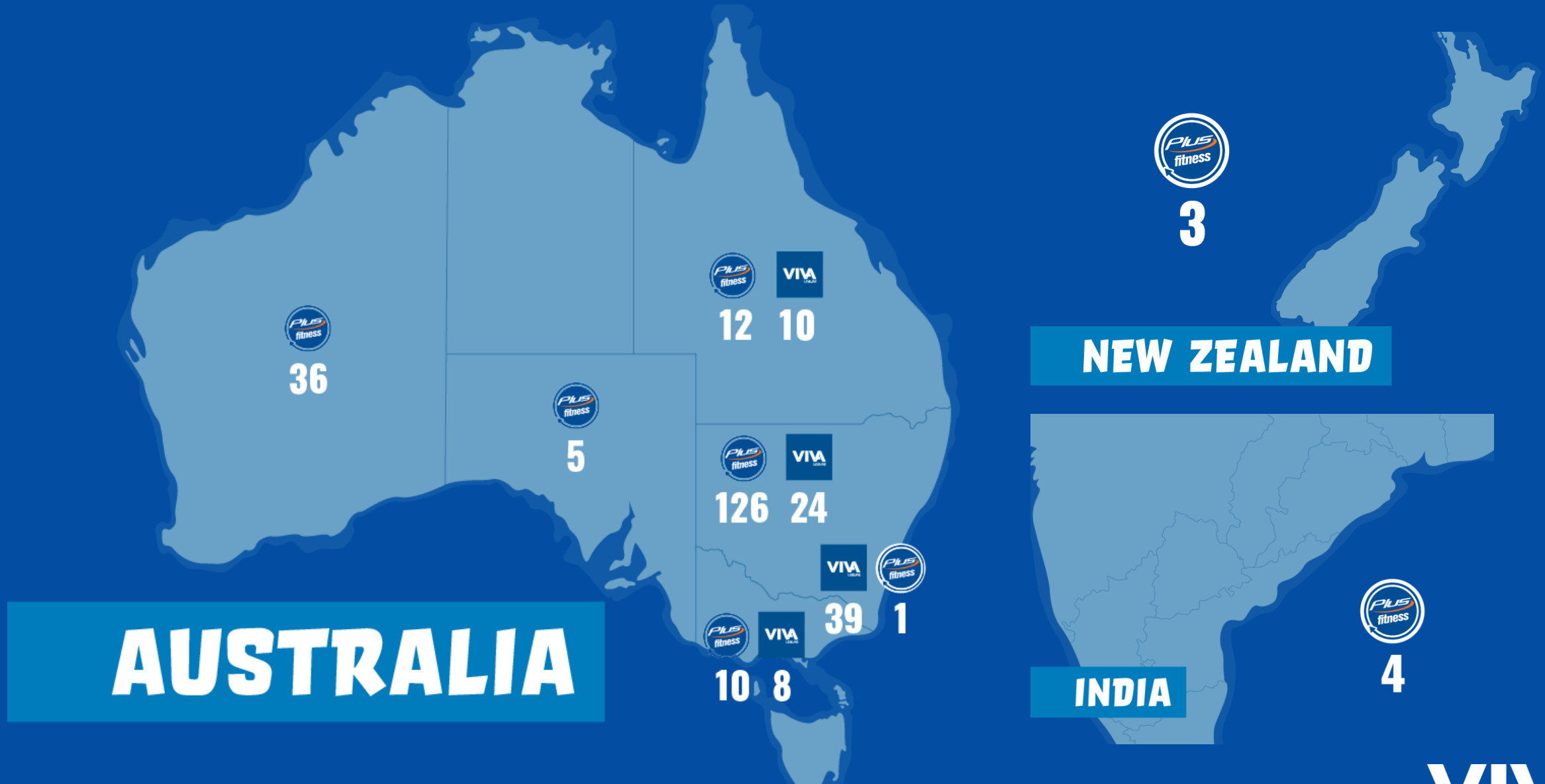


Note 1: Acquisition is of the Master Franchisor, not individual Franchisees

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

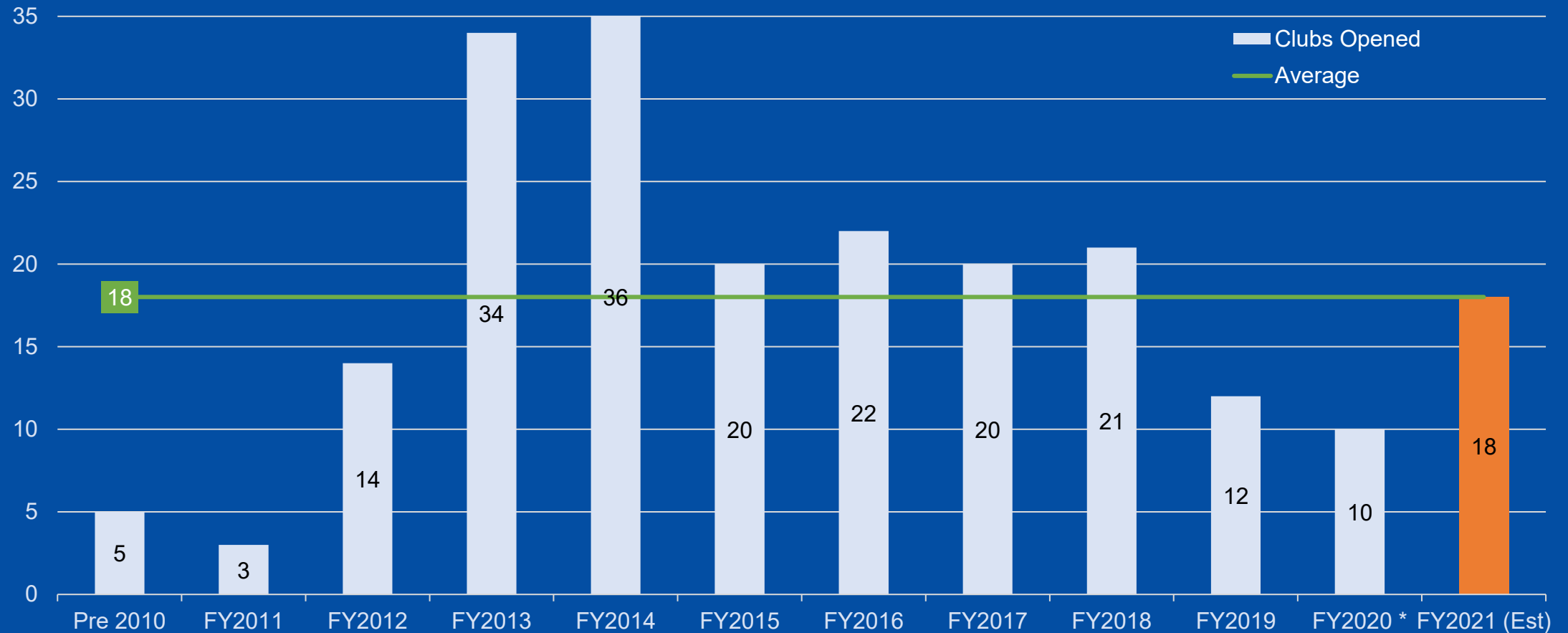
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Overview of Plus Fitness Locations



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Plus Fitness New Club Openings



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

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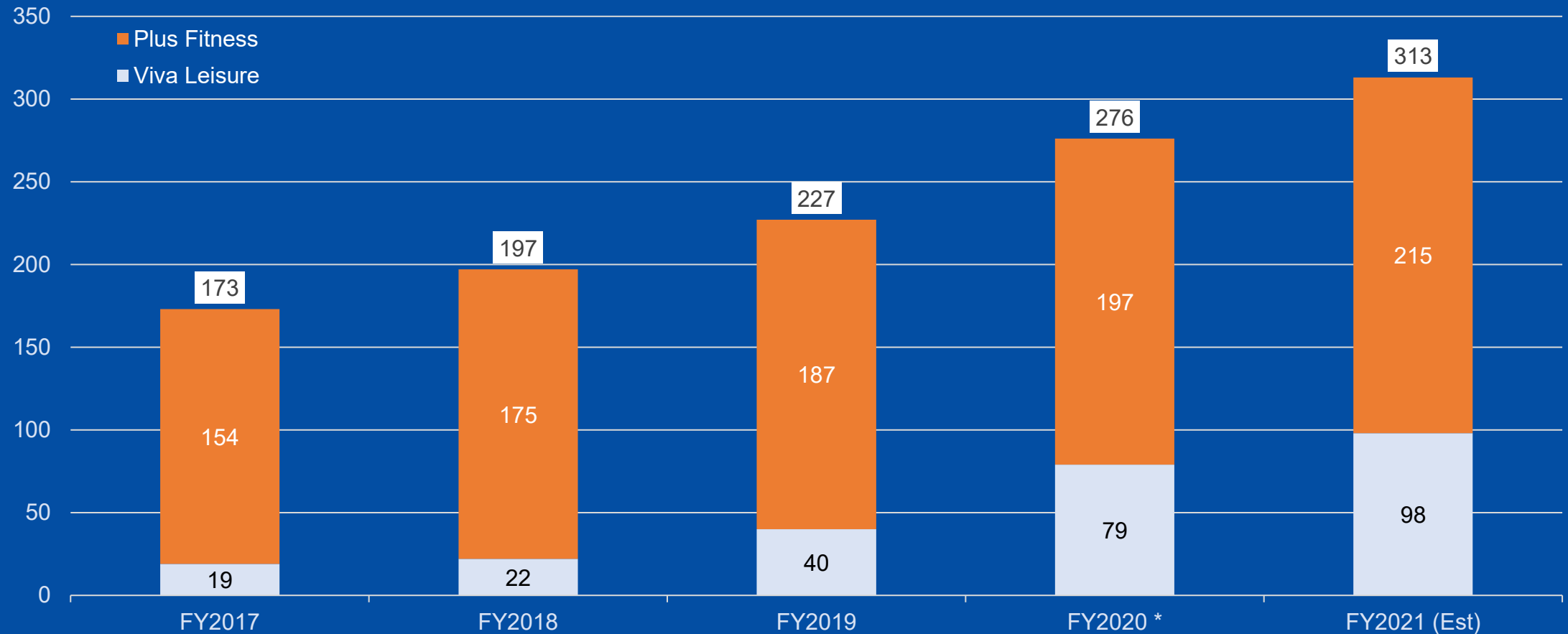
homefit

“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.

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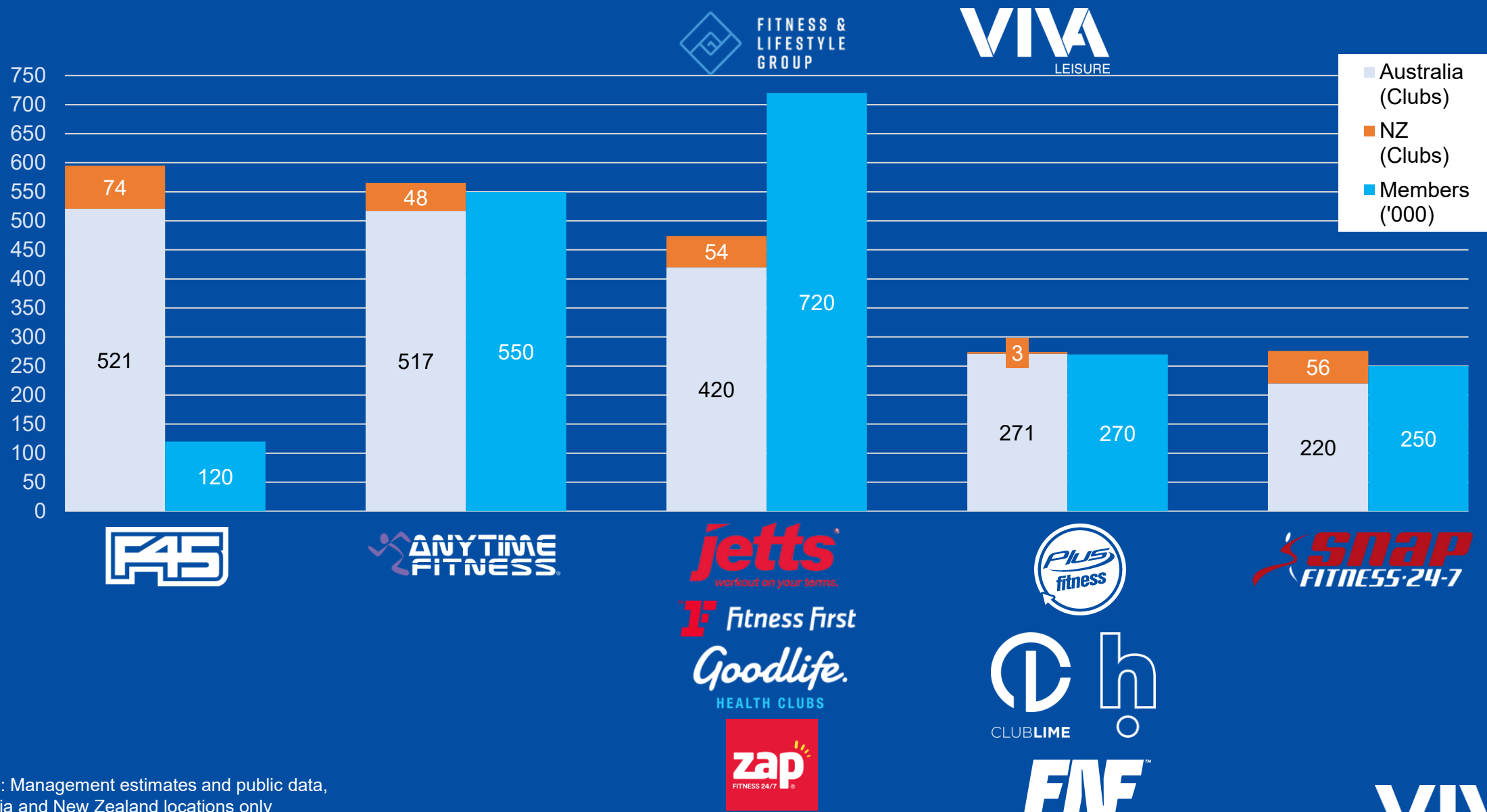
A wide-angle photograph of a modern gym interior. The space is filled with various exercise machines, including treadmills and strength training equipment. A person is visible in the background, working out on a machine. The gym has a clean, professional look with bright lighting and a polished floor. A large, semi-transparent text box is overlaid in the center of the image.

“ 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

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Competitor Review



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

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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 Metrics ³			
EBITDA Multiple			8x
NPAT Multiple			12x

Note 1: results are un-audited

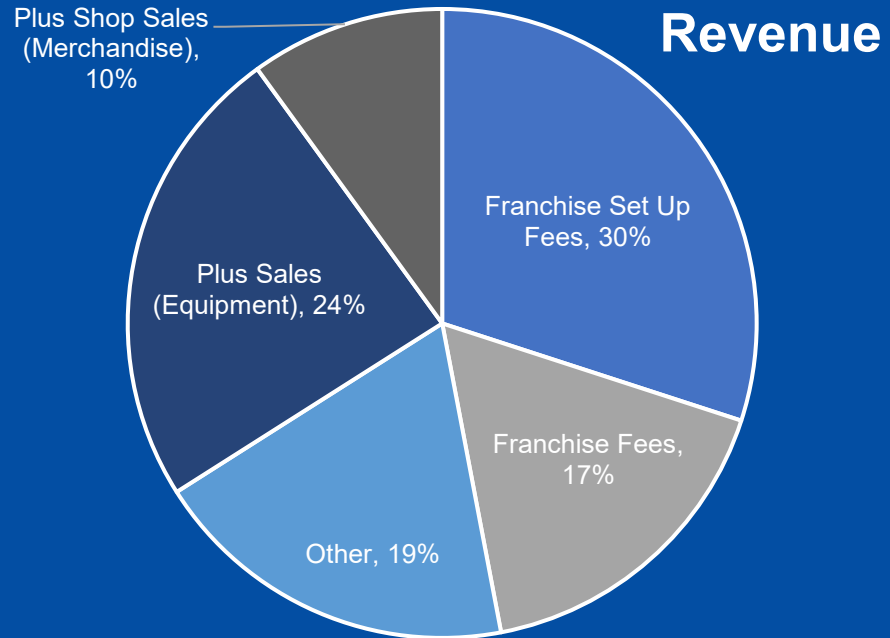
Note 2: Normalised, ex AASB15 and AASB16

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

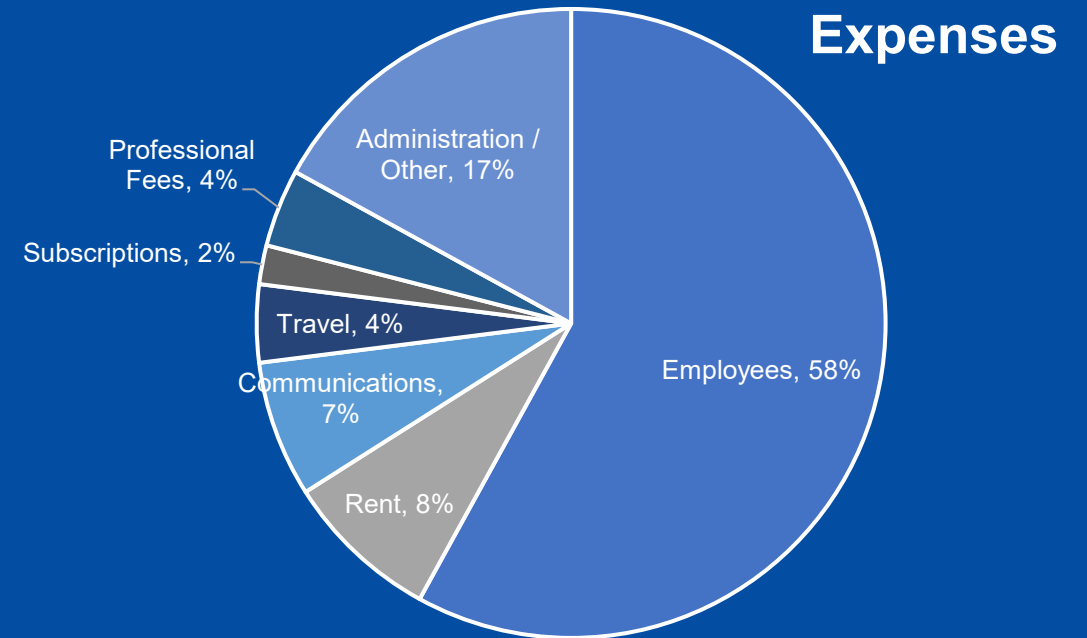
Revenue & Expenses



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