

25 February 2022

Operational progress in H1 positions Viva for growth

Viva Leisure Limited (ASX:VVA) (“Viva Leisure” or “the Company”), a leading technology-focused Australian health club owner and operator, is pleased to release its results for the six months ended 31 December 2021 (“1H FY2022”) and its latest bi-monthly market update.

Key 1H FY2022 operational highlights

- Revenue of \$34.0 million (1H FY2021: \$36.0 million) reflecting COVID lockdown constraints
- Viva Leisure owned club locations increased to 132 at 31 December 2021, up 17 (+15%) on 30 June 2021
 - At 137 clubs on 21 February 2022
- Total corporate and franchise (“Network”) locations increased to 325 at 31 December 2021, up 16 (+5%) on 30 June 2021
 - At 329 Network locations on 21 February 2022
- Network membership at 297,211 at 31 December 2021, slightly down 1,165 (-0.3%) on 30 June 2021
 - At 309,869 members on 21 February 2022
- Statutory NPAT of \$(10.4) million
- Strong balance sheet with cash balance of \$11.8 million at 31 December 2021
- Strategic acquisition of Rebalance Pilates & Yoga studios completed in December 2021

Commenting on the Company’s 1H FY2022 performance, Viva Leisure CEO and Managing Director Harry Konstantinou said:

“We have remained focused on our operational plans and growth aspirations even with COVID lockdown constraints creating earnings headwinds across the health club industry in the first half. We continued to invest in club acquisitions and greenfield locations, growing our footprint to 325 locations across five states and territories in Australia and three countries.

“These expansions are a great example of how we can efficiently transition our business model into new markets.

“Now that trading conditions are improving we are seeing the trust we have created in our brands paying dividends with increasing member enrolments. We remain dedicated to providing an exceptional member experience and providing a fitness environment that meets our members’ needs.

“Our industry-leading technology platform that provides frictionless sign-ups and data analytics provides this first-class experience, which we will bring to more people across Australia through the strategic acquisition of Rebalance Pilates and Yoga studios, complementing the increasing demand for boutique offerings.

1H FY2022 financial performance reflected the impact of COVID lockdown constraints

<i>(\$m) unless otherwise stated</i>	1H FY2022	1H FY2021
Revenue	34.0	36.0
EBITDA*	(3.8)	5.6
NPAT*	(7.2)	0.7
Statutory NPAT	(10.4)	

*excluding impacts of AASB16

The main driver of earnings performance is membership revenue which was severely impacted by mandated closures of the facilities throughout 1H FY2022. Locations were on average closed 52% of the first four months of 1H FY2022, or put another way, Viva Leisure was closed 35% of the entire first half. In addition, operating expenses increased to support the additional 37 club locations opened or acquired since 1H FY2021.

Since November 2021, all locations have been permitted to open. As locations have opened, we have experienced (as expected) a strong rebound in suspended members returning and growth in revenues has reaccelerated.

Membership growth

	21 Feb 22	31 Dec 2021	30 Jun 2021
Viva owned	142,996	132,190	126,006
Franchisee	166,873	165,021	172,370
Total	309,869	297,211	298,376

Memberships grew to 132k (Viva owned) at 31 December 2021, and stood at 143k at 21 February 2022. The increase in memberships largely attributable to the strategic acquisitions made through 1H FY2022. Across Viva-owned and franchisee locations, total membership was down slightly at 297k, but since COVID lockdowns lifted, now stands at 309k.

Strategic and operational achievements in 1H FY2022

- The number of owned operating locations increased from 115 (at 30 June 2021) to 132 (at 31 December 2021) due mainly to acquisitions and a number of greenfield locations
- Geographical diversification across States is broadening with ACT now representing approximately 38% of all locations, compared to more than 70% at IPO in June 2019
- The Network comprised 325 operating locations at 31 December 2021 (now at 329 locations)
- Completed acquisition of Rebalance Pilates & Yoga studios, opening new opportunities to expand wellness offering

Commenting on the Company's operations, Mr. Konstantinou said:

"Viva Leisure has continued to invest in growth, most notably over the last six months via the acquisition of Rebalance Pilates & Yoga studios. This acquisition will form part of our growing boutique offering, which now represents more than a quarter of our total portfolio.

“The boutique market is seeing increasing demand, as members extend their fitness goals. The Rebalance brand will offer Pilates and yoga through our customer-first technology platform, at a competitive price point so even more Australians can access programs to become healthier and happier.”

“Fitness and physical activity is now even more front of mind after sustained periods of lockdowns and isolation over the past two years, and the fitness sector now faces the challenge of reaching and engaging these new audiences, especially those who’ve been living an inactive lifestyle. This opens up significant opportunities”

Positive outlook for renewed growth in 2H FY2022

- Solid pipeline of locations with 20 Viva Leisure corporate locations secured and 16 under negotiation, and an additional 23 Plus Fitness franchise territories sold
- Strong membership growth momentum, with currently >310,000 total members
- February 2022, showing significant membership net growth momentum with net increase of ~2,200 members already for the month at corporate owned locations
- Guidance provided for 2H FY2022:
 - Revenue between \$54m and \$56m¹
 - EBITDA margin of between 15% to 17%
 - June 2022 month run-rate¹ estimate for revenue of at least \$10 million and EBITDA margin of at least 20%

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

“With mandated lockdowns lifted, we are seeing an immediate rebound of the business with membership growth reaccelerating over the last few months. We now have more than 310,000 members across our network of 329 gyms.

“Our February 2022 corporate owned location membership numbers have been particularly strong, with a net increase of 2,200 members [excluding acquisition]. This growth is well supported by the direct debit nature of the business and the seamless member experience we offer through our technology platform that sets us apart in the industry.

“With this membership growth momentum, we are expecting a strong second half this financial year, guiding to revenue of at least \$55 million for the half. This is particularly significant as the second half revenue guidance substantially exceeds our total full year revenue in FY20.

“We have a terrific, dedicated team in place, and I am confident that our team, combined with our industry-leading technology and strong balance sheet, puts us in a strong position to sustainably grow in Australia and abroad.”

ENDS

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

¹ Excluding any one-off adjustments and no future COVID lockdowns

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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 137 locations within the Australian Capital Territory, New South Wales, Victoria and Queensland, together with the master franchise for the Plus Fitness group of approximately 200 clubs in three markets – Australia, New Zealand and India.

For more information, please visit <https://www.vivaleisure.com.au/>.

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