

Viva Leisure preparing to re-open health clubs

25 May 2020

- Cash balance remains strong, with no requirement to draw on recently announced \$6m overdraft facility
- Operational cash-burn slightly lower than management's expectations
- Available cash enabled the acceleration of refurbishments and completion of new locations during the shutdown, resulting in improved facilities on re-opening
- Membership cancellations currently at 14% of pre-closure membership level. This positively compares to forecast of up to 30% possible cancellations
- Gyms included in Stage 2 restricted re-opening plan

Strong Balance Sheet

As announced to the market on 25 March 2020 immediately after gyms were subjected to mandatory closure, Viva Leisure Limited (**Viva Leisure**) (ASX:VVA) confirms it continues to maintain a strong balance sheet.

Viva Leisure currently holds over \$6 million cash at bank, a reduction of \$5 million since closure. Available cash expenditure was allocated to pre-closure creditors, acceleration of refurbishments and completion of sites which were under development and business improvements during the shutdown.

The cash balance excludes the May 2020 JobKeeper reimbursement, which is expected to be approximately \$950,000.

Viva Leisure has not drawn any funds from its \$6 million overdraft facility.

Acceleration of Refurbishments and new locations

Viva Leisure took the opportunity to improve its portfolio during the shutdown. It has undertaken a program of significant refurbishments and completion of fit-outs, including:

- Five of the 10 Queensland locations will re-open fully refurbished and with upgraded equipment;
- Four locations currently under development/fit-out, two of which will be completed before re-opening, with the remaining two being Nunawading (to be completed in July 2020), and Pyrmont (to be completed in late August 2020 at this stage); and
- Two new locations have completed during the shutdown and are ready to open (Gungahlin Club Lime, and Wagga Wagga Hiit Republic)

Property Leases

Under the National Cabinet Mandatory Code of Conduct (Code) on SME Commercial Leasing, Viva Leisure commenced good faith negotiations with its 83 landlords. Most States and Territories now have a localised Code in place. This delay from the State and Territory Governments meant that some negotiations could not commence until recently.

In summary:

- 25 locations have agreed to deferral or a reduced monthly rental payment, resulting in a saving of \$444,000 per month on cashflow for a period up to six months, providing significant assistance to the recovery of the business on re-opening; and
- 58 locations are still under negotiation; however, no rental has been paid. Various landlords are waiting for gyms to re-open, so that any arrangement, including deferral amounts, can be agreed.

Viva Leisure thanks those landlords who have supported the business during the shutdown.

Gyms to re-open in Stage 2

Gyms are included in the Commonwealth Governments CovidSafe plan to get Australian businesses re-opened. It is up to the individual States and Territories to determine when is the most appropriate time for Stage 2 to commence. A summary of which is below:

- ACT Gyms scheduled to open from 30 May 2020;
- QLD Gyms scheduled to open from 12 June 2020;
- VIC Gyms scheduled to open from 21 June 2020; and
- NSW Announcement on opening imminent.

We now have confirmed opening dates for 70% of Viva Leisure locations with the ACT, Queensland and Victoria announcements. It is expected that Stage 2 will continue to have restrictions in place, likely to be 20 members within the gym, or different parts of each gym at one time, the final details are not yet known.

Whilst any restriction on members within each facility is not ideal, Viva Leisure has implemented systems including bookings and automated people counters which restrict entry into the facility to assist with this short-term restriction. Members will be able to determine how busy each location is before attending outside of booked times.

Stage 3, which is expected to follow 3-4 weeks post Stage 2, is expected to allow 100 members within the gyms simultaneously. This will enable Viva Leisure to operate most locations at full capacity.

Pools in the ACT open

The ACT Government has approved Commercial Pools to open, and Viva Leisure has commenced operating its Australian National University aquatic facilities from Saturday 23 May 2020, and the hydrotherapy facilities at the Canberra International Sports & Aquatic Centre from Monday 25 May 2020.

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

"As we commence the tenth week of the mandatory shutdown of our clubs, our team has been working overtime to ensure we are ready to open our doors as soon as permitted to do so.

It is promising to know that over 70% of our locations could be open within the next 3-4 weeks, albeit with some initial restrictions.

The feedback from members we have received during this shutdown is encouraging, with a large percentage of members keen to get back into it.

Also encouraging is the data released from overseas clubs which have opened with the majority seeing higher than expected attendance and new member signups.

While the mandatory shutdown is not something any business wants, it has allowed our team to reset, recharge and be ready to go. As expected, significant opportunities are now in front of us, and with our strong balance sheet, we will capitalise on them."

ENDS

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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. The Company currently operates within the Australian Capital Territory, New South Wales, Victoria and Queensland, with the majority operating under the Club Lime brand.