ORD MINNETT RESEARCH

Viva Leisure Limited

Capital to flex

With NSW giving the green light for gyms to operate with 100 people from 13-June, VVA expects more than 90% of its clubs to be operating at full capacity heading into FY21. Viva has done a stellar job managing the business through the crisis, holding onto more than 85% of its members and reducing operational cash burn to nil. Our prior forecasts assumed a more onerous shutdown, but with operations largely resuming by end-Jun and member fees to follow, our normalised (pre-AASB16) EPS forecast for FY21 rises 8% and 5% in FY22 (post dilution for the cap raise). With Viva soon back at full fitness, high return on capital greenfields in the pipeline, smaller operators on the buying block, organic member growth probable as competitors struggle with re-opening and management proving top-rate through the crisis, we retain a Buy.

Game on, gyms in all VVA regions to reopen by end-Jun

With NSW flagging the reopening of gyms from 13 June, more than 90% of VVA's gyms will be able to operate at full capacity. Combined with the fact VVA has retained more than 85% of its members, we expect FY21 to start strongly as member fees resume, members from other clubs not operating as effectively jump ship to Club Lime and greenfield rollout ramps back up.

Adjusting forecasts for the state of play

Our prior forecasts assumed no rent relief and no JobKeeper subsidies, and as such were a worst case scenario. With this note we reflect what has eventuated which is an almost complete rent abatement or deferral, substantial JobKeeper payments and a resumption of operations during Jun-20. This sees our FY21 normalised (pre-AASB16) EPS rise 8% and 5% in FY22 after diluting for the recent capital raise. We model modest application of these proceeds which provides upside earnings risk if VVA can deploy capital more quickly.

Retain Buy, conviction increased on good management

VVA's good management of this crisis instils confidence in our Buy call. The recent capital raise will fuel an accelerated greenfield and roll-up agenda and drive compound EPS growth between FY21 and FY24 of 59% pa, making a FY22 PE of ~12x very cheap. Our $3.78 target offers upside of ~42%.

Key Financials

Year-end June ($)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue ($m)	24.1	33.1	39.5	78.9	124.0
EBITDA ($m)	4.2	7.5	5.1	19.9	36.3
EBIT ($m)	2.6	5.3	1.3	10.3	23.2
Reported NPAT ($m)	2.2	3.2	(5.5)	(3.8)	5.0
Reported EPS (c)	-	6.0	(8.7)	(5.4)	7.2
Normalised NPAT ($m)	2.2	3.3	0.5	6.2	15.0
Normalised EPS (c)	-	6.2	0.8	8.9	21.5
EPS Growth (%)	-	-	(86.5)	968.0	141.4
Dividend (c)	-	-	-	-	5.4
Net Yield (%)	-	-	-	-	2.0
Franking (%)	-	-	-	-	100
EV/EBITDA (X)	1.5	17.9	30.3	9.4	5.3
Normalised P/E (x)	-	43.1	-	30.0	12.4
Normalised ROE (%)	-	25.3	1.2	10.1	24.5

Source: OML, Iress, Viva Leisure Limited

Ord Minnett acted as lead manager to the IPO (Jun-19), placement (Dec-19) and rights issue/placement (Jun-20) in VVA and received fees for acting in these capacities

Last Price
A$2.67

Target Price
A$3.78 *(Previously A$3.00)*

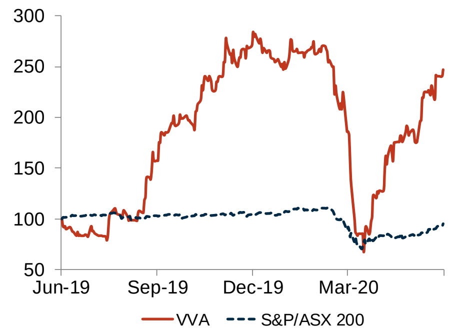
Recommendation
Buy

Risk
Higher

Leisure Facilities

ASX Code	VVA
52 Week Range ($)	0.73 - 3.07
Market Cap ($m)	186.3
Shares Outstanding (m)	69.8
Av Daily Turnover ($m)	
3 Month Total Return (%)	32.8
12 Month Total Return (%)	147.2
Benchmark 12 Month Return (%)	-4.6
NTA FY20E (¢ per share)	64.1
Net Cash FY20E ($m)	11.1

Relative Price Performance



Source: FactSet

Consensus Earnings

	FY20E	FY21E
NPAT (C) ($m)	-	-
NPAT (OM) ($m)	0.5	6.2
EPS (C) (c)	-	-
EPS (OM) (c)	0.8	8.9

Source: OML, Iress, Viva Leisure Limited

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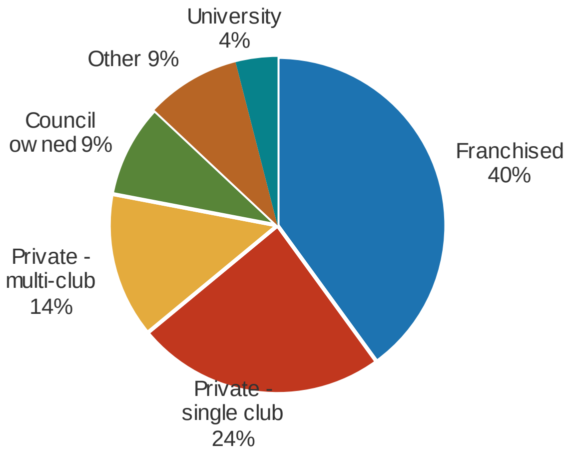
Bulk-up phase

- With this capital raise, VVA is in a much-improved position to further consolidate the fitness industry, with $25m at a 3-4x pre-synergy acquisition multiple implying an additional EBITDA of $6.3-8.3m (on a pre-deal EBITDA of ~$17m in FY21).
- VVA currently has ~100 clubs operating or soon-to-operate, representing a ~4-fold uplift over from Jun-18 (21 clubs). This growth has been fuelled by greenfields (35 clubs) and acquisitions (44 clubs).
- We are encouraged by the steady pace of both greenfield and roll-outs as acquired networks in new regions provide additional capacity to ramp up the greenfield strategy in previously unavailable territories.
- The overall fitness industry consists of >4,000 clubs (FY18), with the bulk of these franchised clubs (40%) and privately owned single clubs (24%). Private multi-club businesses account for 14% (includes the likes of Fitness and Lifestyle Group's Fitness First, Goodlife, Jetts, Barry's Bootcamp and Zap clubs).
- The primary target group among these operators are the single-club and multi-club private businesses. Excluding Fitness and Lifestyle Group's ~200 owned clubs leaves >1,000 single clubs and ~400 clubs in a multi-club business. With ~1,400 clubs within the target group, we estimate member numbers of ~1.25-1.47m members, or total revenue of ~$0.90-1.15b per annum (based on 850-1,000 members per club and $60-65 per month yield).
- This analysis indicates there is a substantial opportunity for continued roll-up in the sector.

Figure 1 – Australian fitness club landscape



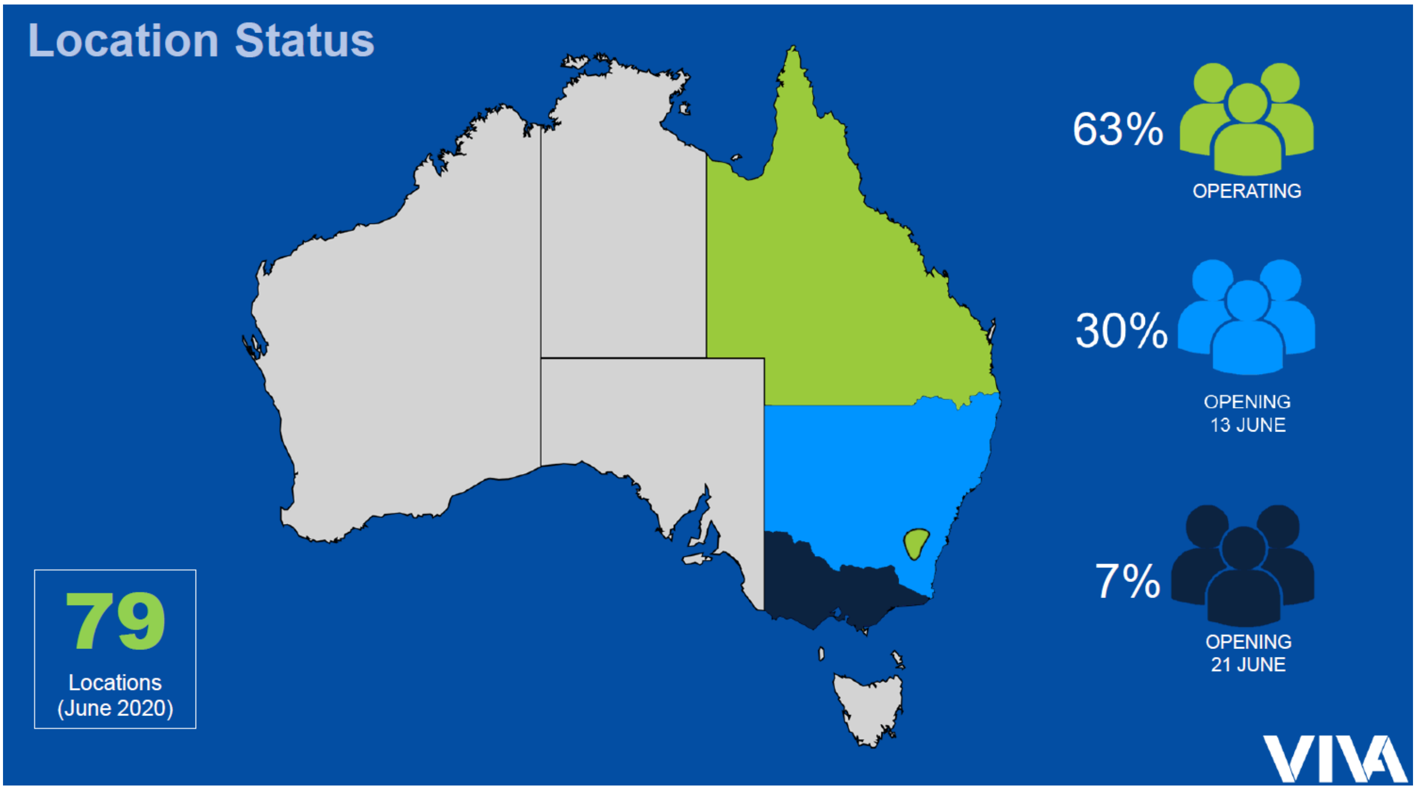
Source: OML and VVA

- In addition to the roll-up opportunity, Viva intends to continue ramping up its greenfield strategy, with returns on capital well over 100% justifying the extension of the Club Lime and hiit republic brands.
- Despite COVID-19 shutdowns, VVA is resuming FY21 with 21 soon-to-open clubs and an additional 11 clubs under lease negotiations.
- We have modelled in a gradual deployment of the proceeds across roll-out and roll-up, which combined with earlier than expected re-openings drives material improvement in our forecasts and valuation.

Opportunities around the current network

- Viva's club network covers QLD, NSW, the ACT and VIC, specifically:
  - Outer-Brisbane suburbs
  - Outer-Sydney suburbs
  - Regional NSW (Goulburn, Wollongong, Albury/Wodonga, Wagga)
  - All of the ACT
  - Suburban VIC in three locations
- So, while Viva is present in all eastern states, it has significant growth opportunities consisting of:
  - hiit rollouts in Brisbane and Sydney suburbs using the FitnFast and HealthWorks acquired networks as hubs to build around
  - Club Lime and hiit rollouts around Melbourne using the three acquired sites as a head-start
  - Select regional locations continue to offer strong economics and likely targeted through acquisition
  - WA, NT and SA offer whole new states to target over time

Figure 2 – Viva's network by state presence



Source: Viva

Reopening sooner than expected

- We previously anticipated gyms remaining closed until at least the end of June, and potentially out to September. The re-opening plan flagged by key states came as a positive surprise, with:
  - ACT opening from 30-May with 20 members per enclosed area
  - QLD opening 1-Jun with 20 members per club
  - NSW opening 13-Jun with 100 members per club
  - VIC opening from 21-Jun with 20 members per enclosed area
- This reopening plan provides for 100% of VVA's clubs to be operating by 30-Jun at near-full capacity, meaning FY21 should be largely unaffected by COVID-19, save for the ~14k members who cancelled through the shutdown instead of shifting to a suspended membership.
- We expect some of these cancelled memberships to come back, suspended members to largely resume by end-July or August and for new clubs, which have members already signed-on pre-opening, to boost member numbers over the year.
- With the average member age at Viva's clubs in the early-30s, we expect strong re-engagement and for limited member churn over the coming months, and strong sign-ups from members of other clubs not operating and people who never had memberships who need to get in shape post-COVID.

Changes to forecasts

- Increase in greenfields from 10 to 25 clubs in FY21
- Increase in acquired clubs from two to 15 in FY21 and FY22, (10pa FY23 on)
- Adjusted capital cost of acquisitions based on industry margins and a 4x pre-synergy EBITDA (high-end of recent deals)
- We now incorporate rental waivers and JobKeeper for the relevant months

Figure 3 – Changes to forecasts

	FY20 old	FY20 new	%Δ	FY21 old	FY21 new	%Δ	FY22 old	FY22 new	%Δ
Sales revenue	**40.7**	**39.5**	**-2.8%**	**69.0**	**78.9**	**14.5%**	**96.9**	**124.0**	**27.9%**
Opex	-37.8	-34.4	9.0%	-53.0	-59.0	-11.3%	-67.7	-87.7	-29.6%
EBITDA	**2.9**	**5.1**	**79.1%**	**16.0**	**19.9**	**24.8%**	**29.2**	**36.3**	**24.0%**
D&A	-3.9	-3.9	0.0%	-7.6	-9.6	-26.1%	-10.1	-13.1	-28.9%
Normalised EBIT	**-1.0**	**1.3**	**231.3%**	**8.3**	**10.3**	**23.6%**	**19.1**	**23.2**	**21.5%**
Net interest	-0.8	-0.5	31.9%	-1.2	-1.4	-16.9%	-1.5	-1.8	-21.8%
PBT	**-1.8**	**0.7**	**141.8%**	**7.1**	**8.9**	**24.8%**	**17.6**	**21.4**	**21.4%**
Tax	0.5	-0.2	-141.8%	-2.1	-2.7	-24.8%	-5.3	-6.4	-21.4%
Normalised NPATA	**-1.2**	**0.5**	**141.8%**	**5.0**	**6.2**	**24.8%**	**12.3**	**15.0**	**21.4%**
One-offs/Amort	-6.0	-6.0	0.0%	-10.0	-10.0	0.0%	-10.0	-10.0	0.0%
Reported NPAT	**-7.2**	**-5.5**	**24.4%**	**-5.0**	**-3.8**	**24.6%**	**2.3**	**5.0**	**113.1%**
Normalised EPS (NPATA)	**-2.2**	**0.8**	**-138.0%**	**8.3**	**8.9**	**7.6%**	**20.5**	**21.5**	**4.7%**
Greenfield clubs	18.0	18.0	0.0%	10.0	25.0	150.0%	25.0	26.0	4.0%
Acquired clubs	25.0	25.0	0.0%	2.0	15.0	650.0%	2.0	15.0	650.0%
Members	**63,257**	**85,426**	**35.0%**	**110,538**	**134,346**	**21.5%**	**134,857**	**172,125**	**27.6%**
Average members	62,753	73,219	16.7%	92,980	104,392	12.3%	122,698	153,235	24.9%
Revenue/member p/month	54.0	45.0	-16.7%	61.8	63.0	1.9%	65.8	67.4	2.4%
EBITDA/member p/year	45.8	70.3	53.5%	171.6	190.7	11.2%	238.4	236.8	-0.7%
EBITDA margin	**7.1%**	**13.0%**	**6.0%pts**	**23.1%**	**25.2%**	**2.1%pts**	**30.2%**	**29.3%**	**-0.9%pts**

Source: OML

Recommendation, valuation and price target

Recommendation

- We retain a Buy recommendation, with management proving highly adept during the COVID-19 shutdown, preserving significant cash, negotiating effectively with landlords, keeping the greenfield and acquisition pipelines alive and reopening safely, effectively and profitably in the ACT and QLD .
- With the worst of the lock-down behind us and FY21 starting at almost a full run-rate (save for lost members along the way), we see VVA well positioned to resume growing immediately.
- Smaller club competitors are likely not to have handled the shutdown so effectively and so offer opportunity for VVA to 1) pick up members churning from clubs unable to reopen effectively and 2) acquire clubs from operators that are finding it too hard to reopen under the burden of lower membership and higher rents (as deferral catch-ups kick in).

Valuation

Discounted cash flow (DCF) – Captures the long-term nature of Viva's greenfield and acquisition plans and balances the short-term headwind from the COVID-19 factored in, Viva's finance leases and strong cash flow conversion.

We capture all capex and finance lease payments in our free cash flow forecasts (and hence use gross cash to exclude finance leases), to appropriately account for all expenditures on maintenance and expansion capex.

The DCF also captures some value for the long-term acquisition strategy on some conservative assumptions.

Figure 4 – DCF valuation

DCF inputs	
Beta	1.20
Risk free rate	5.0%
Market risk premium	6.0%
Cost of equity	12.2%
Debt premium	4.0%
Cost of debt (after tax)	6.3%
D/E	0.0%
WACC	**12.2%**
Terminal growth rate	**2.0%**

DCF valuation	
Forecast cash flows ($m)	44.6
Terminal value ($m)	184.6
Enterprise value ($m)	**229.2**
add FY20e gross cash ($m)	31.3
Equity value ($m)	**260.5**
Equity value per share ($)	$\boxed{3.73}$
CAGR (FY19-24)	
Members	33.9%
Revenue	40.8%
EBITDA	50.3%
Normalised NPAT	50.2%
FY22 metrics	
Implied FY22 EV/EBITDA (x)	6.3
Implied FY22 PE NPAT (x)	17.4

Source: OML

FY22 PE comp – compares Viva to other domestic leisure and discretionary businesses, as well as international fitness centres. We apply an FY22 PE multiple of 14x to FY22 NPAT as this will be the first full year post-COVID and is in line with comps.

Figure 5 – FY22 PE valuation

FY22 PE valuation	
FY22 NPAT	15.0
PE multiple (x)	14.00
Equity value ($m)	**209.8**
Equity value per share ($)	3.01

FY22 metrics	
Implied FY22 EV/EBITDA (x)	5.8
Implied FY22 PE NPATA (x)	14.0

Source: OML

Price target

Price target – Based on the average of our DCF and PE valuations, rolled forward at our cost of equity, we derive a price target of $3.78 per share, implying 42% upside to the last price of $2.67.

Figure 6 – Price target derivation

Price target derivation	
DCF valuation ($ ps)	3.73
FY22 PE ($ ps)	3.01
Average	**3.37**
Cost of equity (%)	12.2%
Rolled-forward valuations ($ ps)	**3.78**
Less dividend ($ ps)	0.00
One-year forward price target ($ ps)	**3.78**

FY22 metrics	
Implied FY22 EV/EBITDA (x)	7.0
Implied FY22 PE NPATA (x)	17.6

Source: OML

Comparables

Figure 7 – Domestic leisure discretionary and health comparison set

Domestic leisure

		Mkt Cap	PE			EV/EBITDA			EPS Growth		
Code	**Company**	**AUD**	**FY20**	**FY21**	**FY22**	**FY20**	**FY21**	**FY22**	**FY20**	**FY21**	**FY22**
EVT AU	EVENT Hospitality Ltd	1,572	21.7	19.1	14.6	11.5	9.9	8.4	-35%	13%	31%
SLK AU	SeaLink Travel Group Ltd	1,016	25.0	18.4	15.1	15.2	9.0	7.9	5%	36%	22%
VRL AU	Village Roadshow Ltd	439	-	48.9	12.9	11.5	9.9	7.9	n/a	n/a	280%
THL NZ	Tourism Holdings Ltd	316	27.1	60.0	9.2	6.4	7.2	5.1	-38%	-55%	553%
ALG AU	Ardent Leisure Group Ltd	252	-	-	-	8.4	8.6	5.8	n/a	n/a	n/a
EXP AU	Experience Co Ltd	78	-	-	35.0	17.3	23.1	5.9	-48%	n/a	n/a
ATL AU	Apollo Tourism & Leisure Ltd	65	-	8.5	5.6	10.2	7.6	6.7	-23%	n/a	51%
	Average (excl. EXP/ATL/THL)		**23.3**	**28.8**	**14.2**	**11.6**	**9.3**	**7.5**	**-15%**	**25%**	**111%**
	Median (excl. EXP/ATL/THL)		**25.0**	**34.0**	**13.7**	**11.5**	**9.0**	**7.9**	**-35%**	**13%**	**156%**

Domestic discretionary and health (sub $1b mkt cap)

		Mkt Cap	PE			EV/EBITDA			EPS Growth		
Code	**Company**	**AUD**	**FY20**	**FY21**	**FY22**	**FY20**	**FY21**	**FY22**	**FY20**	**FY21**	**FY22**
LIC AU	Lifestyle Communities Ltd	984	35.4	23.5	15.6	18.1	13.3	9.7	-31%	50%	51%
GEM AU	G8 Education Ltd	937	32.0	13.8	9.7	31.8	19.7	14.0	-76%	131%	42%
LOV AU	Lovisa Holdings Ltd	783	33.1	26.3	17.8	16.2	13.0	8.7	-37%	26%	48%
AX1 AU	Accent Group Ltd	781	19.7	16.9	13.7	10.2	9.4	8.2	-26%	16%	24%
IDX AU	Integral Diagnostics Ltd	720	25.5	22.2	18.6	15.0	13.2	11.6	-13%	15%	19%
API AU	Australian Pharmaceutical	589	18.1	13.6	12.2	7.7	6.5	5.8	-39%	33%	11%
CCX AU	City Chic Collective Ltd	561	34.6	25.5	18.7	18.9	15.2	11.8	-1%	36%	36%
NCK AU	Nick Scali Ltd	480	14.7	18.6	15.5	12.8	16.3	14.4	-22%	-21%	20%
RDC AU	Redcape Hotel Group	464	11.2	10.8	11.7	20.0	19.8	18.7	12%	4%	-8%
BBN AU	Baby Bunting Group Ltd	412	22.6	19.3	16.0	17.0	14.7	12.3	29%	17%	21%
ADH AU	Adairs Ltd	345	13.2	13.6	10.7	8.6	8.6	7.3	-12%	-3%	27%
PFP AU	Propel Funeral Partners Ltd	286	20.4	17.1	15.4	12.2	9.9	9.0	13%	20%	11%
VRT AU	Virtus Health Ltd	272	12.9	12.2	12.0	7.7	7.6	7.2	-26%	5%	10%
TRS AU	Reject Shop Ltd/The	251	34.6	43.9	28.6	5.1	5.2	4.9	n/a	-21%	53%
PSQ AU	Pacific Smiles Group Ltd	246	47.1	37.2	22.9	17.0	14.5	11.0	-44%	26%	63%
MVF AU	Monash IVF Group Ltd	234	15.0	15.0	12.0	12.0	10.3	8.7	-52%	0%	25%
CAJ AU	Capitol Health Ltd	225	24.4	20.0	12.2	15.7	13.9	9.6	-25%	22%	64%
ONT AU	1300 Smiles Ltd	129	15.5	14.2	13.0	9.6	9.0	8.3	2%	9%	10%
	Average		**23.9**	**20.2**	**15.3**	**14.2**	**12.2**	**10.1**	**-20%**	**20%**	**29%**
	Median		**21.5**	**17.9**	**14.6**	**13.9**	**13.1**	**9.3**	**-25%**	**17%**	**24%**

Offshore fitness centres

		Mkt Cap	PE			EV/EBITDA			EPS Growth		
Code	**Company**	**AUD**	**FY20**	**FY21**	**FY22**	**FY20**	**FY21**	**FY22**	**FY20**	**FY21**	**FY22**
PLNT US	Planet Fitness Inc	8,733	109.1	39.1	32.5	40.1	22.6	19.9	30%	-59%	179%
BFIT NA	Basic-Fit NV	2,170	-	61.2	25.1	14.9	8.2	6.3	-2%	-	n/a
8462 TT	Power Wind Health Industry	679	24.4	21.1	-	11.6	10.2	-	21%	17%	16%
TVTY US	Tivity Health Inc	791	118.2	9.2	7.2	10.3	8.2	7.4	-1%	-96%	1185%
GYM LN	Gym Group PLC/The	538	-	27.3	16.7	25.0	8.7	7.4	18%	-	n/a
SPORTS MM	Grupo Sports World SAB	79	-	-	-	5.1	4.6	-	-	n/a	-
ATIC SS	Actic Group AB	44	26.2	7.4	6.0	5.6	4.9	4.7	-73%	-25%	256%
	Average		**69.5**	**27.5**	**17.5**	**16.1**	**9.6**	**9.2**	**-1%**	**-41%**	**409%**
	Median		**67.6**	**24.2**	**16.7**	**11.6**	**8.2**	**7.4**	**9%**	**-42%**	**218%**

Source: OML and Bloomberg *prices as at 2 June 2020

Viva Leisure Overview

About Viva Leisure

Viva Leisure Pty Ltd (Viva) commenced operations in Canberra in January 2004. The aim was to facilitate the fitness goals of customers through the “Club Lime” brand. Over the last 15 years, Viva has expanded within the ACT, regional New South Wales, regional Victoria and now Queensland.

Viva has improved its utilisation rate (assuming a baseline of two members per square metre) to 75% at FY19, driven by strong visitation (~6 visits per month per member in FY18) effective new member sign-up and strong churn management.

Viva offers flexible membership options, including fortnightly direct debits, to suit a variety of target demographics. Viva operates under a “hub and spoke” model, whereby, larger clubs are surrounded by smaller clubs within specific catchments. This model is a point of differentiation and enhances Viva’s operating efficiency.

Key brands

Figure 8 – Key brands in the Viva Leisure portfolio

- **CLUB LIME**
  - Core brand offering
- **CLUB LIME – LADIES ONLY**
  - Core brand offering but exclusively targeting the female market
- **CLUB LIME – SWIM SCHOOL**
  - Offers swimming lessons for a range of levels
- **CLUB LIME – ACQUATICS**
  - Pool access and lane bookings
- **CLUB LIME – PSYCLE LIFE**
  - Indoor cycle studio with a classes only offering
- **GYMMY PT**
  - Offers 1-on-1 personal training and group classes operating in CLUB LIME locations
- **HIIT REPUBLIC**
  - Indoor “High Intensity Interval Training (HIIT)” classes
- **CLUB MMM**
  - A day spa offering a variety of treatments
- **STUDIO BY CLUB LIME**
  - Group exercise in a boutique club

Source: OML and Viva Leisure

Key risks

Execution risk and reliance on membership

Due to Viva leisure's operating model offering "no contract" memberships, Viva Leisure is particularly exposed to execution risk. Viva Leisure faces execution risk in the form of day-to-day management of the business. This includes management of budgets, people and individual locations. Management will also need to be diligent in assessing lease expirations, including finance and operational location leases. Viva Leisure aim to mitigate this risk through the implementation of real-time reporting, analytics and operational technological enhancements.

Acquisition and start-up risk

Viva Leisure's current rapid rate of growth leads to the business facing heightened exposure to acquisition and new location start-up risk. This risk occurs in the form of a new business combination or built location not meeting growth or profitability expectations and requiring additional resources or liquidation.

In order to reduce the overall likelihood of acquisitions or new built locations not performing as planned, Viva Leisure undertake significant due diligence and utilise data analysis. Viva Leisure will leverage population statistics, proximity to current locations and previous acquisition experience to ensure that its acquisitions are successful. Its recent track record has had its last three recent Club Lime openings reaching break-even within 6 weeks.

Reputational risk

Viva Leisure could potentially suffer negative consequences should there be significant dissemination of negative publicity. The negative consequences could be in the form of non-renewal or cancellation of memberships, employee attrition and a reduction in the quality of talent attracted all combining to reduce Viva Leisure's capacity to earn.

Economic discretionary spend

As noted within the industry section of this report, there is currently economic pressure surrounding consumer discretionary spending. Given the substitute for a gym membership is exercising outdoors, Viva Leisure needs to ensure they are able to ensure consumers maintain their memberships.

Viva Leisure could also at risk should there be a decline in consumer discretionary spending attributable to adverse economic conditions.

Competition from new gyms, facilities and fitness concepts

Viva Leisure are potentially exposed to increased competition within the already saturated fitness and health club market. Given the large portion of consumers that select gym offerings based on location and convenience, Viva Leisure needs to ensure that they are either of significantly higher quality or they are able to compete on price.

Another area that Viva Leisure may be potentially impacted by are the ever-changing trends within the fitness market. Viva Leisure need to ensure that they remain on-trend and are able to target the next opportunity ahead of other competitors.

Concentration risk

Viva generated ~40% of its revenue in FY19 from the CISAC site, dropping to <20% going forward, across the Club Lime, MMM and aquatic operations. This has come down in concentration from FY18 (48%), but we note the site remains vitally important to group earnings. This concentration reduces over time as new sites are built or acquired. A number of competing operations exist around CISAC already, but further competition could impede the centre's earnings. We note that no proposed project is of the scale of CISAC nor as centrally located, helping to mitigate this competitive risk. Further, the club's rating on Google reviews is 4.3 stars (4.1 for MMM – Ladies).

Viva Leisure Limited

Buy

PROFIT & LOSS (A$m)	2018A	2019A	2020E	2021E	2022E
Revenue	24.1	33.1	39.5	78.9	124.0
Operating costs	(20.0)	(25.6)	(34.4)	(59.0)	(87.7)
Operating EBITDA	**4.2**	**7.5**	**5.1**	**19.9**	**36.3**
D&A	(1.5)	(2.1)	(3.9)	(9.6)	(13.1)
EBIT	**2.6**	**5.3**	**1.3**	**10.3**	**23.2**
Net interest	(0.5)	(0.7)	(0.5)	(1.4)	(1.8)
Pre-tax profit	**2.1**	**4.7**	**0.7**	**8.9**	**21.4**
Net tax (expense) / benefit	0.1	(1.4)	(0.2)	(2.7)	(6.4)
Significant items/Adj.	-	(0.1)	(6.0)	(10.0)	(10.0)
Normalised NPAT	**2.2**	**3.3**	**0.5**	**6.2**	**15.0**
Reported NPAT	**2.2**	**3.2**	**(5.5)**	**(3.8)**	**5.0**
Normalised dil. EPS (cps)	-	6.2	0.8	8.9	21.5
Reported EPS (cps)	-	6.0	(8.7)	(5.4)	7.2
Effective tax rate (%)	(2.9)	30.0	30.0	30.0	30.0
DPS (cps)	-	-	-	-	5.4
Dividend yield (%)	-	-	-	-	2.0
Payout ratio (%)	-	-	-	-	25.0
Franking (%)	-	-	-	-	100.0
Diluted # of shares (m)	-	52.6	62.6	69.8	69.8

CASH FLOW (A$m)	2018A	2019A	2020E	2021E	2022E
EBITDA incl. adjustments	4.2	7.5	5.1	19.9	36.3
Change in working capital	(2.0)	0.9	0.5	2.8	3.2
Net Interest (paid)/received	(0.5)	(0.6)	(0.5)	(1.4)	(1.8)
Income tax paid	-	(0.5)	(0.2)	(2.7)	(6.4)
Other operating items	-	-	-	-	-
Operating Cash Flow	**1.7**	**7.3**	**4.8**	**18.6**	**31.2**
Capex	(1.8)	(3.9)	(17.5)	(6.8)	(7.0)
Acquisitions	(0.0)	(7.1)	(18.5)	(9.1)	(9.7)
Other investing items	-	(0.3)	-	-	-
Investing Cash Flow	**(1.8)**	**(11.2)**	**(36.0)**	**(15.8)**	**(16.7)**
Inc/(Dec) in equity	-	22.5	42.9	-	-
Inc/(Dec) in borrowings	0.6	(5.5)	5.2	(7.1)	(9.1)
Dividends paid	-	-	-	-	(1.5)
Other financing items	-	-	-	-	-
Financing Cash Flow	**0.6**	**17.1**	**48.1**	**(7.1)**	**(10.6)**
FX adjustment	-	0.6	-	-	-
Net Inc/(Dec) in Cash	0.4	13.2	16.9	(4.3)	3.9

BALANCE SHEET (A$m)	2018A	2019A	2020E	2021E	2022E
Cash	1.1	14.4	31.3	27.0	30.8
Receivables	0.1	0.2	0.3	0.5	0.8
Inventory	0.1	-	-	-	-
Other current assets	0.1	0.4	0.4	0.4	0.4
PP & E	9.6	19.2	41.9	54.1	65.2
Intangibles	0.0	6.6	23.1	32.1	41.8
Other non-current assets	0.3	3.5	143.5	143.5	143.5
Total Assets	**11.4**	**44.3**	**240.5**	**257.7**	**282.7**
Short term debt	4.9	2.3	12.1	15.3	18.5
Payables	2.0	2.5	3.0	6.1	9.5
Other current liabilities	2.1	4.0	4.0	4.0	4.0
Long term debt	2.5	5.7	8.1	12.9	17.7
Other non-current liabilities	0.0	1.4	147.4	157.4	167.4
Total Liabilities	**11.5**	**18.5**	**177.3**	**198.3**	**219.8**
Total Equity	**(0.1)**	**25.8**	**63.2**	**59.4**	**62.9**
Net debt (cash)	6.3	(6.4)	(11.1)	1.2	5.4

DIVISIONS	2018A	2019A	2020E	2021E	2022E

KEY METRICS (%)	2018A	2019A	2020E	2021E	2022E
Revenue growth	-	37.1	19.5	99.6	57.1
EBITDA growth	-	79.1	(31.2)	286.7	82.2
EBIT growth	-	102.1	(75.8)	697.1	125.7
Normalised EPS growth	-	-	(86.5)	968.0	141.4
EBITDA margin	17.3	22.6	13.0	25.2	29.3
OCF /EBITDA	53.0	112.4	108.8	113.9	108.7
EBIT margin	10.9	16.1	3.3	13.0	18.7
Return on assets	-	13.4	0.6	2.9	6.0
Return on equity	-	25.3	1.2	10.1	24.5

VALUATION RATIOS (x)	2018A	2019A	2020E	2021E	2022E
Reported P/E	-	44.5	-	-	37.3
Normalised P/E	-	43.1	-	30.0	12.4
Price To Free Cash Flow	-	39.2	-	15.7	7.7
Price To NTA	-	7.3	4.2	6.8	8.9
EV / EBITDA	1.5	17.9	30.3	9.4	5.3
EV / EBIT	2.4	25.1	120.9	18.2	8.3

LEVERAGE	2018A	2019A	2020E	2021E	2022E
ND / (ND + Equity) (%)	101.1	(33.3)	(21.2)	2.0	7.9
Net Debt / EBITDA (%)	151.8	(86.1)	(215.1)	6.1	14.8
EBIT Interest Cover (x)	5.0	7.8	2.4	7.3	12.8
EBITDA Interest Cover (x)	7.9	11.0	9.4	14.0	20.0

SUBSTANTIAL HOLDERS	m	%
Konstantinou Family	21.7	31.1%
BAEP	9.1	13.1%
Mark McConnell	4.5	6.5%

VALUATION	
Cost of Equity (%)	12.2
Cost of debt (after tax) (%)	9.0
D / EV (%)	-
WACC (%)	**12.2**
Forecast cash flow ($m)	44.5
Terminal value ($m)	184.2
Franking credit value ($m)	-
Enterprise Value ($m)	260.0
Less net debt / add net cash & investments ($m)	(31.3)
Equity NPV ($m)	**228.7**
Equity NPV Per Share ($)	**3.73**
Multiples valuation method	FY22 PE
Multiples	14.0
Multiples valuation	3.01
Target Price Method	Rolled fwd DCF and PE
Target Price ($)	3.78
Valuation disc. / (prem.) to share price (%)	41.6

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Guide to Ord Minnett Recommendations

SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historic volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

Ord Minnett acted as lead manager to the IPO (Jun-19), placement (Dec-19) and rights issue/placement (Jun-20) in VVA and received fees for acting in these capacities