Viva Leisure Limited

High intensity growth

ORD MINNETT RESEARCH

Viva is executing across three avenues of growth; 1) like-for-like member growth for FY20 (to 24-Feb) of >9%, 2) compelling roll-out success, with >3k new members FYTD and 3) highly accretive acquisitions broadening the opportunity set for high-ROI greenfield roll-outs. The hiit republic concept is a huge success, recording club-level EBITDA margins of 50% (vs high-30% in standard clubs) on average member yields 2x the network. The runway for further hiits is long, with Sydney-based FitnFast and Brisbane-based Healthworks networks opening up new geographies to the concept. We retain a Buy on Viva, with our price target of $3.80 per share offering a return of 40%. The stock trades on a compelling FY21 PE of 13x considering our forecast compounding EPS growth of 33% pa FY20-23.

Management execute in 1H20, setting up a big FY21

Management executed incredibly well in 1H20, acquiring 25 clubs, rolling out eight and growing members organically by >9%. 1H20 has established some important pillars for growth; 1) the hiit republic concept has proven highly compelling, with 2,500 members across 9 clubs showing 2x higher yields and 25% higher club level EBITDA margins, 2) acquired club networks open up suburban Sydney and Melbourne to greenfield roll-outs, having previously been focused on regional NSW and the ACT and 3) member growth has accelerated, with 400 net new members added per week in the first eight weeks of 2020.

Early settlement of FnF and member growth drives upgrades

We upgrade EBITDA 2% in FY20 thanks to strong member growth and the early settlement of the FnF acquisition, while our EPS forecast is up 12.5% on lower D&A. We forecast >60% EPS growth in FY21 but leave our EPS unchanged.

Compelling growth at a cheap price, Buy

Viva has put in place the building blocks for strong medium term growth driven by 1) organic member growth from mature and maturing clubs, 2) roll-out of the compelling hiit republic concept, 3) extraction of synergies from acquired clubs and 4) opening up capital markets to funding further accretive acquisitions. With VVA trading on 13x FY21 PE, growing EPS compound 33% pa (FY20-23) and our $3.80 price target offering a return of 40%, we retain a Buy.

Key Financials

Year-end June ($)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue ($m)	24.1	33.1	60.1	94.7	113.3
EBITDA ($m)	4.2	7.5	14.8	26.5	32.5
EBIT ($m)	2.6	5.3	10.7	18.6	22.5
Reported NPAT ($m)	2.2	3.2	3.4	6.7	9.5
Reported EPS (c)	-	6.0	5.9	11.2	15.8
Normalised NPAT ($m)	2.2	3.3	7.0	12.1	14.7
Normalised EPS (c)	-	6.2	12.3	20.2	24.5
EPS Growth (%)	-	-	99.5	63.5	21.4
Dividend (c)	-	-	-	8.1	10.4
Net Yield (%)	-	-	-	3.0	3.9
Franking (%)	-	-	-	100	100
EV/EBITDA (X)	1.5	18.1	10.8	6.2	5.0
Normalised P/E (x)	-	43.6	21.9	13.4	11.0
Normalised ROE (%)	-	25.3	19.1	24.0	26.8

Source: OML, Iress, Viva Leisure Limited

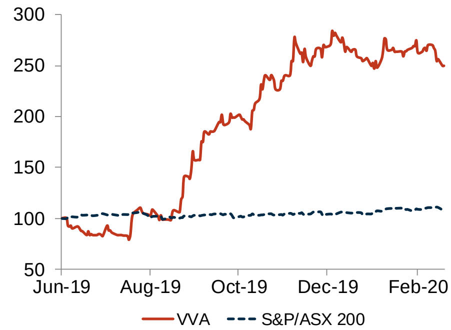
Ord Minnett acted as lead manager to the IPO and Placement in VVA shares in 2019 and received fees for acting in this capacity

Last Price
A$2.70
Target Price
A$3.80 *(Previously A$3.65)*
Recommendation
Buy
Risk
Higher

Leisure Facilities

ASX Code	VVA
52 Week Range ($)	-
Market Cap ($m)	142.0
Shares Outstanding (m)	52.6
Av Daily Turnover ($m)	
3 Month Total Return (%)	0.0
12 Month Total Return (%)	-
Benchmark 12 Month Return (%)	11.0
NTA FY20E (¢ per share)	45.5
Net Debt FY20E ($m)	5.2

Relative Price Performance



Source: FactSet

Consensus Earnings

	FY20E	FY21E
NPAT (C) ($m)	6.2	11.8
NPAT (OM) ($m)	7.0	12.1
EPS (C) (c)	10.9	19.7
EPS (OM) (c)	12.3	20.2

Source: OML, Iress, Viva Leisure Limited

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1H20 result continues the gains

- **Member numbers** as at 31 December 2019 were in line with OMLe at 70.9k and up 47.3% half-on-half.
  - Viva has continued to see strong **organic net member growth rates** from period end through to 24 February 2020, growing at ~400 members per week.
  - Factoring in the acquired FNF members, VVA has a member base of over 96k as at 24 February 2020.
- **Revenue** was up 53% on pcp largely driven by strong acquired and organic member growth. We note that revenue was slightly behind OMLe (-5%) with the difference attributable member yield per month of $63.9 being slightly below OMLe of $64.8 (-1.4%). This was largely due to acquired members being on lower fee structure. We would anticipate this to reverse into the future as VVA rolls out its refurbishment upgrades and continued customer uptake of VVA's higher margin products (i.e. hiit republic and new GROUNDUP offering).
- **Costs** were pleasingly below OMLe with efficiencies leading to a reduction in staff costs (10% below OMLe) the core driver of the better than anticipated costs.
- **EBITDA** of $5.6m was in line with OMLe ($5.7m) and growing 91% on pcp, with lower than anticipated opex a positive.
- **EBITDA margin** rose on 5.3%pts on pcp as more clubs' earnings (40% EBITDA margin on average at maturity) were leveraged over the overhead base.
- **Normalised NPAT** was $2.8m, 18% ahead of OMLe at $2.4m attributable to the cost improvements and continued strong revenue growth.

Figure 1: 1H20 result summary

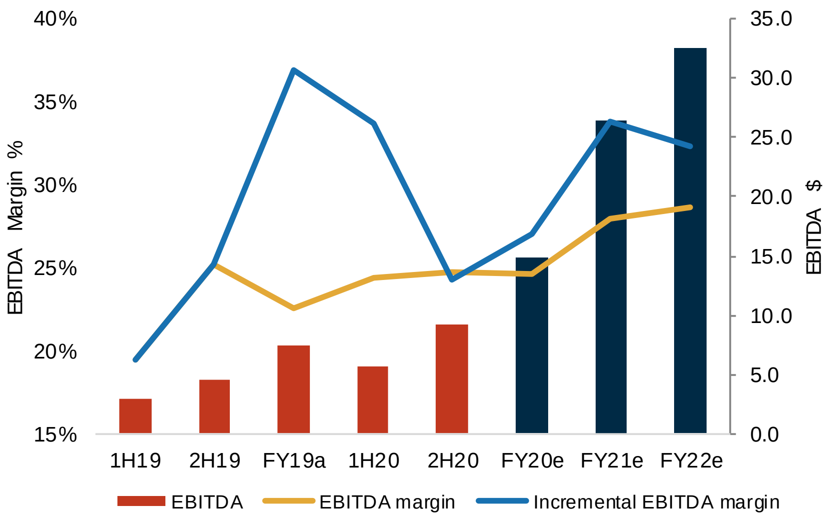
	FY18a	1H19a	2H19a	FY19a	1H20a	%∆ pcp	1H20e	%∆ OMLe
Sales revenue	**24.1**	**15.1**	**18.0**	**33.1**	**23.0**	**52.7%**	**24.2**	**-5.0%**
Rental expense	-4.9	-3.2	-4.0	-7.1	-4.9	-55.6%	-5.2	5.8%
Staff	-8.3	-5.2	-5.0	-10.2	-6.8	-31.0%	-7.5	9.7%
Other expenses	-6.7	-3.8	-4.5	-8.3	-5.7	-49.8%	-5.8	1.8%
Other	0.0	0.0	0.0	0.0	0.0	n.a.	0.0	n.a.
Opex	**-20.0**	**-12.1**	**-13.5**	**-25.6**	**-17.4**	**-43.4%**	**-18.5**	**6.1%**
EBITDA	**4.2**	**2.9**	**4.6**	**7.5**	**5.6**	**91.3%**	**5.7**	**-1.4%**
D&A	-1.5	-1.0	-1.1	-2.1	-1.5	-47.2%	-2.0	23.6%
Normalised EBIT	**2.6**	**1.9**	**3.4**	**5.3**	**4.1**	**114.9%**	**3.7**	**10.3%**
Net interest	-0.5	-0.3	-0.4	-0.7	-0.3	13.7%	-0.3	-2.1%
PBT	**2.1**	**1.6**	**3.1**	**4.7**	**3.8**	**140.1%**	**3.5**	**10.9%**
Tax	0.1	-0.5	-0.9	-1.4	-1.0	-89.7%	-1.0	4.6%
Normalised NPAT	**2.2**	**1.1**	**2.2**	**3.3**	**2.8**	**164.5%**	**2.4**	**17.6%**
Adjustments	0.0	-0.2	-0.4	-0.1	-1.7	-657.7%	-1.6	-7.2%
Reported NPAT	**2.2**	**0.8**	**1.8**	**3.2**	**1.1**	**31.8%**	**0.8**	**38.3%**
EBITDA margin	17.3%	19.5%	25.2%	22.6%	24.4%	5.3%pts	23.5%	0.9%pts
						%∆ hoh		
Members	35,631			54,039	70,886	47.3%	71,500	-0.9%

Source: OML and VVA

FY20 outlook and business profile

- Management have reiterated guidance despite settling FnF ahead of expectations:
  - Revenue of $58.7m vs OMLe $60.1m
  - EBITDA of $14.2m vs OMLe $14.8m
- **We view the EBITDA number as having capacity for upside risk given VVA's historical ability to roll-out sites efficiently. We also note the early settlement of the FnF acquisition has contributed to EBITDA upgrades in our forecasts.**

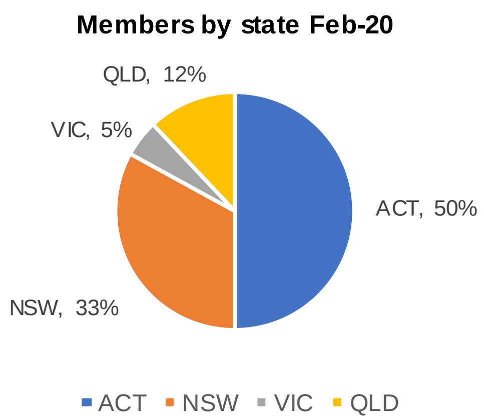
Figure 2: EBITDA margin



Source: VVA, OMLe

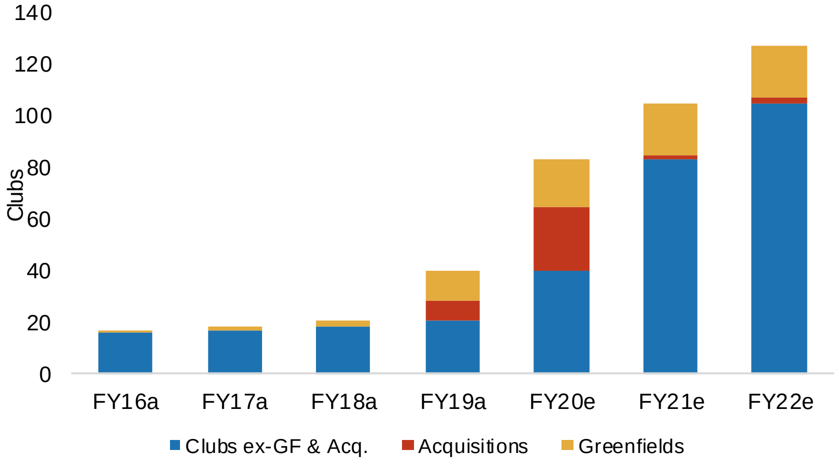
- Members by state are now significantly more diversified due to newly acquired sites and greenfields. ACT, in prior periods, represented ~75% of VVA's member base, this is now ~50% as at Feb-20. The current split is as follows:

Figure 2: Members by state Feb-20



Source: OMLe, VVA

Figure 3: Club rollout profile



Source: OMLe and VVA

Changes to forecasts

- Increased FY20 revenue forecast and member numbers
- Upgraded EBITDA 2% in FY20 to account for early settlement of the FnF acquisition
- Adjusting yield for acquired members

Figure 4: Changes to forecasts

	FY20 old	FY20 new	%∆	FY21 old	FY21 new	%∆	FY22 old	FY22 new	%∆
Sales revenue	**57.0**	**60.1**	**5.5%**	**94.0**	**94.7**	**0.7%**	**111.2**	**113.3**	**1.8%**
Opex	-42.5	-45.3	-6.7%	-68.3	-68.2	0.1%	-80.0	-80.8	-1.0%
EBITDA	**14.5**	**14.8**	**2.0%**	**25.7**	**26.5**	**2.9%**	**31.2**	**32.5**	**4.1%**
D&A	-4.9	-4.1	17.3%	-7.4	-7.9	-6.9%	-9.5	-9.9	-4.7%
Normalised EBIT	**9.6**	**10.7**	**11.9%**	**18.4**	**18.6**	**1.2%**	**21.7**	**22.5**	**3.8%**
Net interest	-0.7	-0.7	-3.1%	-1.2	-1.3	-8.5%	-1.4	-1.5	-5.3%
PBT	**8.9**	**10.1**	**12.5%**	**17.2**	**17.3**	**0.7%**	**20.3**	**21.1**	**3.7%**
Tax	-2.7	-3.0	-12.5%	-5.2	-5.2	-0.7%	-6.1	-6.3	-3.7%
Normalised NPATA	**6.3**	**7.0**	**12.5%**	**12.1**	**12.1**	**0.7%**	**14.2**	**14.7**	**3.7%**
One-offs/Amort	-3.7	-3.7	0.0%	-5.4	-5.4	0.0%	-5.2	-5.2	0.0%
Reported NPAT	**2.6**	**3.4**	**30.5%**	**6.7**	**6.7**	**1.3%**	**9.0**	**9.5**	**5.8%**
Normalised EPS (NPATA)	**11.0**	**12.3**	**12.5%**	**20.0**	**20.2**	**0.7%**	**23.6**	**24.5**	**3.7%**
Members	**107,208**	**107,958**	**0.7%**	**127,628**	**130,928**	**2.6%**	**147,497**	**152,003**	**3.1%**
Average members	72,561	76,948	6.0%	117,418	119,443	1.7%	137,563	141,466	2.8%
Revenue/member p/month	65.4	65.1	-0.5%	66.7	66.1	-1.0%	67.4	66.7	-1.0%
EBITDA/member p/year	199.9	192.2	-3.8%	219.2	221.6	1.1%	226.8	229.5	1.2%

Source: OML

Recommendation, valuation and price target

Recommendation

- We retain a Buy recommendation, seeing the business well placed to continue expanding its footprint in regional Australia through concerted club roll-outs and sensible roll-ups.
- VVA has posted a strong result, yet again. We view VVA well placed to capitalise upon its recent expansion efforts and to continue to drive yield and upside via refurbishments and the introduction of new offerings.
- VVA is also well funded and has numerous opportunities in the pipeline, which could be a further source of upside.

Valuation

Discounted cash flow (DCF) – Captures the long-term nature of Viva's greenfield and acquisition plans, 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), so as to appropriately account for all expenditures on maintenance and expansion capex.

Figure 5: 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 ($m)	57.5
Terminal value ($m)	141.1
Enterprise value ($m)	**198.5**
add FY20e gross cash ($m)	14.6
Equity value ($m)	**213.1**
Equity value per share ($)	3.54
CAGR (FY18-26)	
Members	27.5%
Revenue	29.9%
EBITDA	39.6%
Normalised NPATA	37.4%
FY21PF metrics	
Implied FY21 EV/EBITDA (x)	7.5
Implied FY21 PE NPAT (x)	17.6

Source: OML

FY20 PE comp – compares Viva to other domestic leisure and discretionary businesses, as well as international fitness centres. We apply an FY21 PE multiple of 16.0x to FY21 NPAT, implying a discount of ~8% to our Domestic discretionary and healthcare comp set.

We see a slight discount to these already listed comps as reasonable in light of Viva's lack of listed history, emerging expansion strategy into new, less known markets, finance leases (can distort EBITDA comparisons) and Viva's micro-cap status.

The company has now had a history of profit and EPS growth, making it sensible to assess Viva on a PE basis.

Figure 8: FY21 PE valuation

FY21 PE valuation	
FY21PF NPAT	12.1
PE multiple (x)	16.00
Equity value ($m)	**194.2**
Equity value per share ($)	3.23
FY21PF metrics	
Implied FY21PF EV/EBITDA (x)	7.3
Implied FY21PF PE NPAT (x)	16.0

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 $3.80 per share, implying 41% upside to the last price of $2.70.

Our $3.80 target only implies an 18.8x PE on an FY21 basis.

Figure 8: Price target derivation

Price target derivation	
DCF valuation ($ ps)	3.54
FY21 PE ($ ps)	3.23
Average	**3.39**
Cost of equity (%)	12.2%
Rolled-forward valuations ($ ps)	**3.80**
Less dividend ($ ps)	0.00
One-year forward price target ($ ps)	**3.80**
FY21PF metrics	
Implied FY21 EV/EBITDA (x)	8.8
Implied FY21 PE NPAT (x)	18.8

Source: OML

Comparables

- We look at domestic leisure and domestic retail/healthcare companies as comparable for our VVA valuation. The comp sets trade on an average of 15.8x. We value VVA relatively in line with this at 16.0x FY21 NPAT.
- We note that when compared to Domestic discretionary and health comp set, our valuation of 16.0x is at a relative 8% discount. We view this as fair given VVA's relatively limited listed company experience.
- We expect the discount could become a premium in the event that VVA continues to deploy capital effectively whilst maintaining positive growth metrics.

Figure 9: Domestic leisure discretionary and health comparison set

Domestic leisure										
		Mkt Cap	PE		EV/EBITDA		EPS Growth		PEG	
Code	Company	AUD	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21
EVT AU	EVENT Hospitality and Entertainment Ltd	1,934	18.8	16.8	12.2	11.2	-8%	12%	-2.37	1.37
VRL AU	Village Roadshow Ltd	732	32.6	23.0	7.8	6.9	na	42%	na	na
ALG AU	Ardent Leisure Group Ltd	530	-	-	8.7	5.7	na	na	na	na
THL NZ	Tourism Holdings Ltd	363	16.0	11.5	5.4	5.2	-38%	39%	-0.42	0.29
SLK AU	SeaLink Travel Group Ltd	847	15.5	12.1	10.6	6.8	5%	27%	3.04	0.44
EXP AU	Experience Co Ltd	114	68.3	15.8	10.2	7.0	-48%	333%	-1.42	0.05
ATL AU	Apollo Tourism & Leisure Ltd	49	4.3	3.4	6.3	5.7	-23%	28%	-0.19	-
	Average (excl. EXP/ATL)		**20.7**	**15.8**	**8.9**	**7.2**	**-14%**	**30%**	**0.08**	**0.70**
	Median (excl. EXP/ATL)		**17.4**	**14.4**	**8.7**	**6.8**	**-8%**	**33%**	**-0.42**	**0.44**

Domestic discretionary and health										
		Mkt Cap	PE		EV/EBITDA		EPS Growth		PEG	
Code	Company	AUD	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21
BAP AU	Bapcor Ltd	1,849	18.5	16.5	13.7	11.3	5%	12%	3.88	1.42
LOV AU	Lovisa Holdings Ltd	1,168	32.4	25.3	18.8	15.0	-3%	28%	-11.36	0.90
AX1 AU	Accent Group Ltd	989	16.9	15.5	9.6	8.8	10%	9%	1.66	1.67
LIC AU	Lifestyle Communities Ltd	871	24.3	16.8	18.3	12.7	-11%	44%	-2.27	0.38
NCK AU	Nick Scali Ltd	618	17.1	15.4	14.1	12.9	-13%	11%	-1.28	1.47
IDX AU	Integral Diagnostics Ltd	798	23.4	20.7	14.8	12.5	5%	13%	4.32	1.58
ADH AU	Adairs Ltd	443	13.0	11.4	10.0	8.7	15%	14%	na	0.82
CAJ AU	Capitol Health Ltd	219	17.8	15.8	9.2	7.8	33%	13%	0.53	1.27
	Average		**20.4**	**17.2**	**13.6**	**11.2**	**5%**	**18%**	**-0.65**	**1.19**
	Median		**18.1**	**16.2**	**13.9**	**11.9**	**5%**	**13%**	**0.53**	**1.34**

Source: OML and Bloomberg *prices as at 25 February 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 >58,000 members and through new clubs roll-outs and acquisitions we expect it to have close to 79,000 members and $51.8m of revenue in FY20. Viva has improved its utilisation rate (assuming a baseline of two members per square metre) to 75% currently, 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 12 – 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 <25% in FY20, 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	60.1	94.7	113.3
Operating costs	(20.0)	(25.6)	(45.3)	(68.2)	(80.8)
Operating EBITDA	**4.2**	**7.5**	**14.8**	**26.5**	**32.5**
D&A	(1.5)	(2.1)	(4.1)	(7.9)	(9.9)
EBIT	**2.6**	**5.3**	**10.7**	**18.6**	**22.5**
Net interest	(0.5)	(0.7)	(0.7)	(1.3)	(1.5)
Pre-tax profit	**2.1**	**4.7**	**10.1**	**17.3**	**21.1**
Net tax (expense) / benefit	0.1	(1.4)	(3.0)	(5.2)	(6.3)
Significant items/Adj.	-	(0.1)	(3.7)	(5.4)	(5.2)
Normalised NPAT	**2.2**	**3.3**	**7.0**	**12.1**	**14.7**
Reported NPAT	**2.2**	**3.2**	**3.4**	**6.7**	**9.5**
Normalised dil. EPS (cps)	-	6.2	12.3	20.2	24.5
Reported EPS (cps)	-	6.0	5.9	11.2	15.8
Effective tax rate (%)	(2.9)	30.0	30.0	30.0	30.0
DPS (cps)	-	-	-	8.1	10.4
Dividend yield (%)	-	-	-	3.0	3.9
Payout ratio (%)	-	-	-	40.0	42.5
Franking (%)	-	-	-	100.0	100.0
Diluted # of shares (m)	-	52.6	57.0	60.1	60.1

CASH FLOW (A$m)	2018A	2019A	2020E	2021E	2022E
EBITDA incl. adjustments	4.2	7.5	14.8	26.5	32.5
Change in working capital	(2.0)	0.9	1.9	2.4	1.3
Net Interest (paid)/received	(0.5)	(0.6)	(0.7)	(1.3)	(1.5)
Income tax paid	-	(0.5)	(3.0)	(5.2)	(6.3)
Other operating items	-	-	-	-	-
Operating Cash Flow	**1.7**	**7.3**	**13.0**	**22.4**	**26.0**
Capex	(1.8)	(3.9)	(18.0)	(5.5)	(5.5)
Acquisitions	(0.0)	(7.1)	(18.5)	(2.0)	(2.0)
Other investing items	-	(0.3)	-	-	-
Investing Cash Flow	**(1.8)**	**(11.2)**	**(36.5)**	**(7.5)**	**(7.5)**
Inc/(Dec) in equity	-	22.5	19.0	-	-
Inc/(Dec) in borrowings	0.6	(5.5)	4.7	(5.4)	(7.0)
Dividends paid	-	-	-	(1.9)	(5.4)
Other financing items	-	-	-	-	-
Financing Cash Flow	**0.6**	**17.1**	**23.7**	**(7.3)**	**(12.4)**
FX adjustment	-	0.6	-	-	-
Net Inc/(Dec) in Cash	0.4	13.2	0.2	7.6	6.1

BALANCE SHEET (A$m)	2018A	2019A	2020E	2021E	2022E
Cash	1.1	14.4	14.6	22.2	28.3
Receivables	0.1	0.2	0.4	0.6	0.7
Inventory	0.1	-	-	-	-
Other current assets	0.1	0.4	0.4	0.4	0.4
PP & E	9.6	19.2	42.2	50.4	57.7
Intangibles	0.0	6.6	22.2	22.3	22.6
Other non-current assets	0.3	3.5	143.5	143.5	143.5
Total Assets	**11.4**	**44.3**	**223.3**	**239.5**	**253.2**
Short term debt	4.9	2.3	11.8	13.9	15.7
Payables	2.0	2.5	4.6	7.3	8.7
Other current liabilities	2.1	4.0	4.0	4.0	4.0
Long term debt	2.5	5.7	7.9	11.0	14.0
Other non-current liabilities	0.0	1.4	144.2	147.7	151.2
Total Liabilities	**11.5**	**18.5**	**175.2**	**186.6**	**196.2**
Total Equity	**(0.1)**	**25.8**	**48.1**	**52.9**	**57.0**
Net debt (cash)	6.3	(6.4)	5.2	2.7	1.4

DIVISIONS	2018A	2019A	2020E	2021E	2022E

KEY METRICS (%)	2018A	2019A	2020E	2021E	2022E
Revenue growth	-	37.1	81.7	57.6	19.6
EBITDA growth	-	79.1	97.7	79.0	22.7
EBIT growth	-	102.1	101.3	73.3	21.1
Normalised EPS growth	-	-	99.5	63.5	21.4
EBITDA margin	17.3	22.6	24.6	28.0	28.7
OCF /EBITDA	53.0	112.4	112.8	109.2	104.0
EBIT margin	10.9	16.1	17.9	19.6	19.9
Return on assets	-	13.4	5.6	5.6	6.4
Return on equity	-	25.3	19.1	24.0	26.8

VALUATION RATIOS (x)	2018A	2019A	2020E	2021E	2022E
Reported P/E	-	45.0	45.9	24.1	17.0
Normalised P/E	-	43.6	21.9	13.4	11.0
Price To Free Cash Flow	-	39.6	-	9.6	7.9
Price To NTA	-	7.4	5.9	5.3	4.7
EV / EBITDA	1.5	18.1	10.8	6.2	5.0
EV / EBIT	2.4	25.4	14.8	8.9	7.3

LEVERAGE	2018A	2019A	2020E	2021E	2022E
ND / (ND + Equity) (%)	101.1	(33.3)	9.7	4.9	2.3
Net Debt / EBITDA (%)	151.8	(86.1)	34.9	10.3	4.2
EBIT Interest Cover (x)	5.0	7.8	15.8	14.7	15.2
EBITDA Interest Cover (x)	7.9	11.0	21.7	20.9	22.0

SUBSTANTIAL HOLDERS	m	%
Konstantinou Family	21.7	41.2%
Mark McConnell	4.5	8.6%
Harry Konstantinou	1.5	2.9%

VALUATION	
Cost of Equity (%)	12.2
Cost of debt (after tax) (%)	9.0
D / EV (%)	-
WACC (%)	**12.2**
Forecast cash flow ($m)	57.5
Terminal value ($m)	141.1
Franking credit value ($m)	-
Enterprise Value ($m)	213.1
Less net debt / add net cash & investments ($m)	(14.6)
Equity NPV ($m)	**198.5**
Equity NPV Per Share ($)	**3.54**
Multiples valuation method	FY20 EV/EBITDA
Multiples	16.0
Multiples valuation	3.23
Target Price Method	Rolled fwd DCF and EV/EBITDA
Target Price ($)	3.80
Valuation disc. / (prem.) to share price (%)	40.7

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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.

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The analyst has certified that they were not in receipt of inside information when preparing this report; whether or not it contains company recommendations. This report has been authorised for distribution by Nicholas McGarrigle, Head of Institutional Research at Ord Minnett Limited.

Ord Minnett acted as lead manager to the IPO and Placement in VVA shares in 2019 and received fees for acting in this capacity