

Vita Group Limited half-year results 2011

.the way we work .the way we succeed .the way we learn .the way we relate
.the way we grow .the way we inspire .the way we succeed .the way we serve
.the way we inspire .the way we relate .the way we relate .the way we learn
.the way we play .the way we grow .the way we inspire .the way we succeed



28 February 2011



- 1H11 overview
- Financial performance
- Operational review
- Strategy & outlook

.1H11 overview – financial

- Strong sales growth across all channels
 - Operating revenue up 37% to \$198.5m (1H10: \$144.9m)
 - 52% like for like revenue growth in Telecommunications
 - 29% like for like revenue growth in Next Byte stores
- Earnings on track with full year guidance
 - Underlying EBITDA¹ of \$4.3m (1H10: \$1.5m)
 - Reported EBITDA down 11% to \$12.0m (1H10: \$13.5m)
 - reduced trailing commission payment
 - NPAT down 16% to \$6.3m (1H10: \$7.5m)
- Dividend recommenced – fully franked interim dividend of 2.0 cps

1. Excluding one-off payout of trailing commission from Telstra of \$7.7m in 1H11 and \$12.0m in 1H10

.1H11 overview – operational

- T store roll-out on track
 - first phase of 25 stores completed in Nov 10
 - second phase of 25 stores being rolled out; to be completed by Nov 11
 - 27 T stores opened by 31 Dec 10; 9 stores acquired
- Fone Zone offering being refreshed
 - increased product mix and improved store layout
 - early signs are encouraging
 - benefiting from Telstra's current pricing and marketing initiatives
- Next Byte underperformed
 - good revenue growth driven by new products
 - EBITDA impacted by lower performance from Service division

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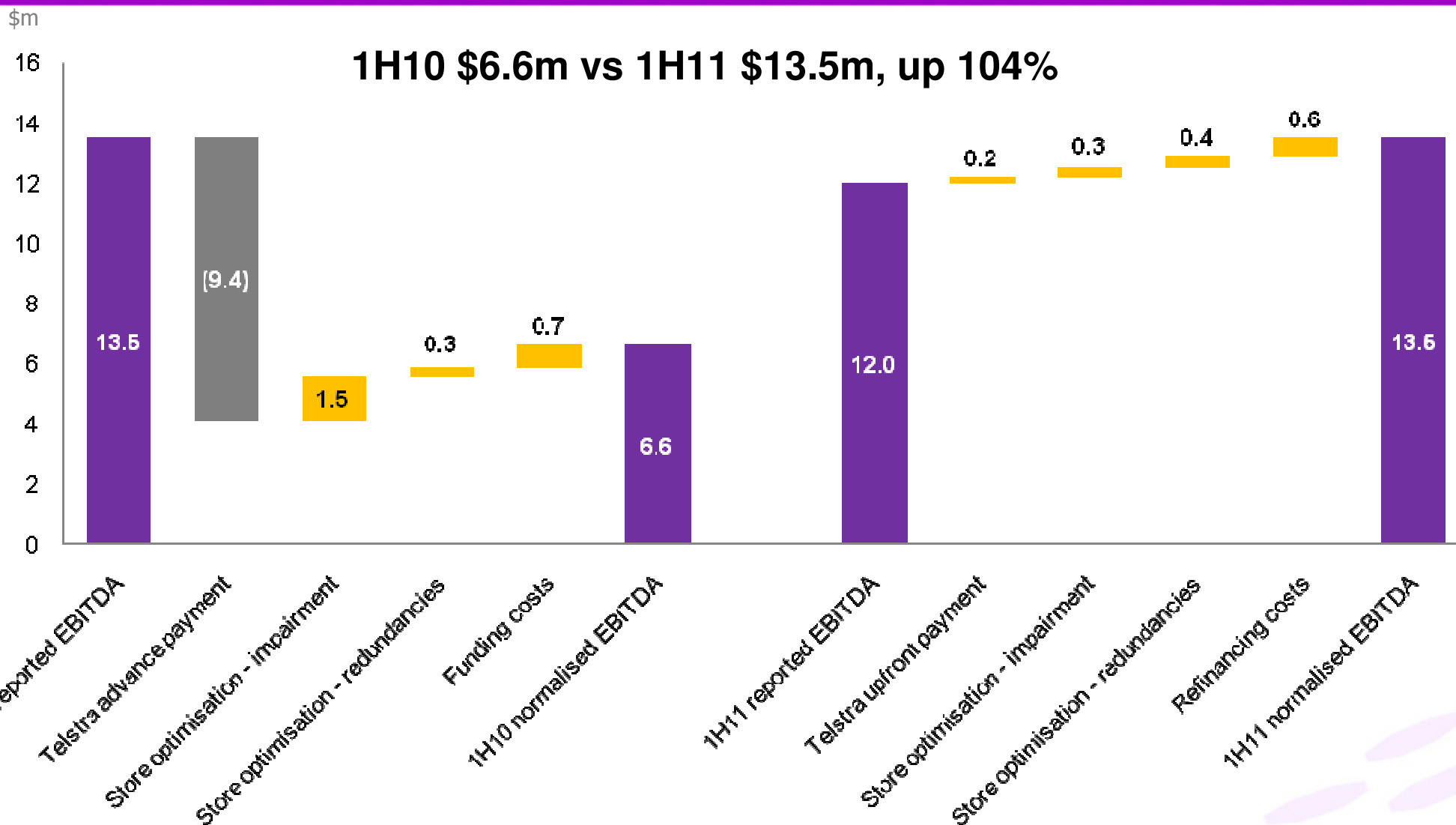
.financial results



.the way we performed

(\$m) Six months to 31 Dec	2010	2009	Change
Total operating revenue	198.5	144.9	37%
Gross operating margin	64.7	56.5	15%
<i>Gross operating margin %</i>	32.6%	39.0%	
EBITDA	12.0	13.5	(11)%
EBIT	9.4	10.7	(12)%
EBT	9.1	10.4	(13)%
NPAT	6.3	7.5	(16)%
Earnings per share (cps)	4.43	5.31	(17)%
Interim dividend per share (cps)	2.0 fully franked	-	
Return on equity	12%	16%	4%

.normalised earnings#

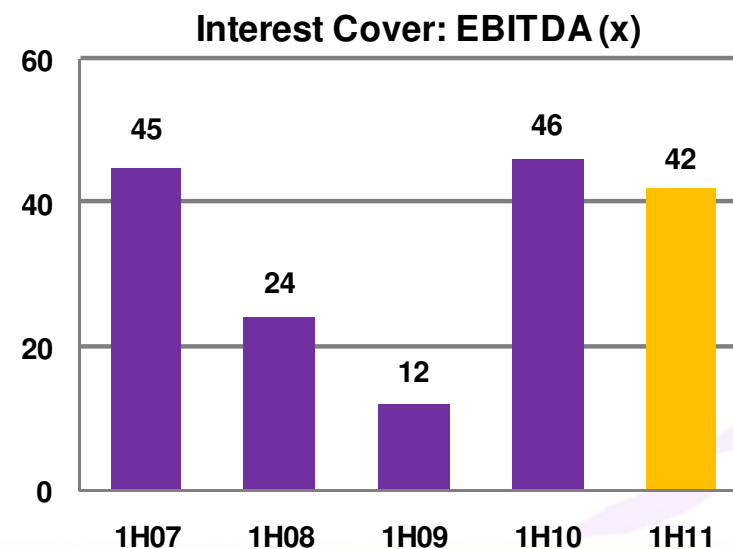
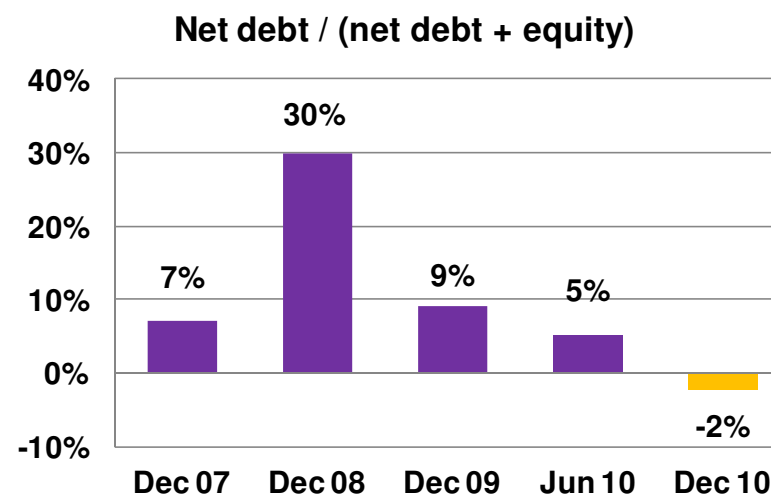


#normalised earnings includes trailing commission payout which has been adjusted for payment timing differences

.balance sheet & gearing

(\$m)	31 Dec 2010	30 Jun 2010
Current assets	51.6	51.6
Non-current assets	81.9	73.7
Total assets	133.5	125.3
Current liabilities	66.6	67.7
Non-current liabilities	12.9	10.2
Total liabilities	79.5	77.9
Shareholders equity	54.0	47.4

- Non-current liabilities up \$2.7m due to an increase in trade payables
- Net cash position of \$1.3m
- New 4 year finance facility put in place with ANZ in Dec 10 to fund complete T store roll-out



(\$m) Six months to 31 Dec	2010	2009
Operating cash flows	14.1	14.8
Investing cash flows	(10.6)	(3.0)
Financing cash flows	(4.8)	(12.6)
Net movement in cash	(1.3)	(0.8)
Opening cash balance	12.5	9.9
Closing cash balance	11.1	9.1

- Excluding additional \$4.3m of Telstra trailing commission payments in 1H10 vs 1H11, operating cash flows grew due to increased sales
 - Significant increase in investing cash outflows due to new store investment (\$7.3m) and acquisitions (\$3.1m) as part of T store roll-out
 - Financing cash outflows decreased in line with reduced debt repayments, net of lease funding
- Given Vita Group's improving trading performance and completion of debt reduction program, Directors have declared a fully franked interim dividend of 2 cents per share

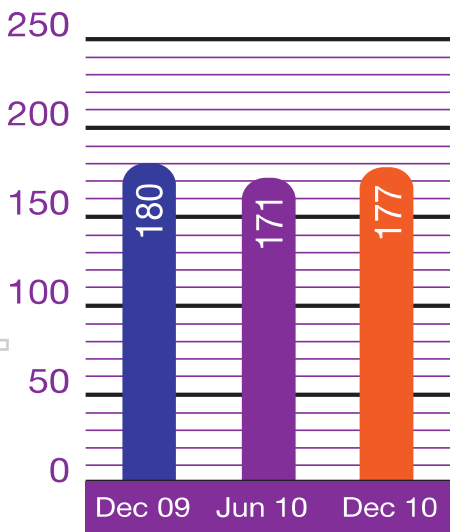
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.operational review



.retail store footprint

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COLOUR KEY

- Fone Zone
- Next Byte
- One Zero
- Telstra Store
- Telstra Business Centre

State/Territory	Fone Zone Stores	Next Byte Stores	One Zero Stores	Telstra Stores	Telstra Bus. Centres
Queensland	25	4	26	17	4
New South Wales	18	5	8	4	1
South Australia	3	2	1	3	0
Tasmania	7	1	0	2	0
Victoria	7	4	3	2	0
Western Australia	16	2	2	6	0
ACT	2	0	0	1	0
Northern Territory	1	0	0	0	0

Store numbers	31 Dec 09	30 Jun 10	Opened	Closed	31 Dec 10*
Telecommunications					
Fone Zone	98	89	-	(10)^	79
One Zero	48	41	1	(2)	40
Telstra Stores (inc T stores)	12	21	15	(1)#	35
Telstra Business Centres	-	1	4	0	5
Computing					
Next Byte	22	19	-	(1)	18
	180	171	20	14	177

(*) A further 2 Telstra Stores have been opened between 31 Dec 10 and 25 Feb 11

(^) 1 Fone Zone store was converted to Telstra Stores during 1H11

(#) 1 Telstra Store closed and A Telstra Business Centre opened at the same site

<i>Six months to 31 December</i>	2010	2009	Change
Operating revenue (\$m)	125.8	86.5	45%
Gross operating margin ¹	59%	84%	<
EBITDA (\$m)	12.4	13.5	(9)%
Stores at period end	159	158	1

(1) Includes gross margin on handset sales, Telstra incentives and commissions, and other revenue

- Revenue up 45% to \$125.8m
 - Fone Zone up 52% on like for like store revenue
 - Telstra stores up 52% on like for like store revenue
 - increase in Telstra branded stores to 40 at 31 Dec 10
- Gross operating margin down to 59% due to decreased margins on mobile hardware (mainly iPhones) and \$4.3m reduction in trailing commission in 1H11 compared to 1H10
- Change to segmental reporting – support service costs now allocated to segments based on support centre head count (prior year comparatives restated on same basis)
- EBITDA down 9% to \$12.4m due to reduction in Telstra’s payment of historic trailing commissions (down \$4.3m)

Six months to 31 December	2010	2009	Change
Operating revenue (\$m)	72.7	58.3	25%
Gross operating margin	15%	18%	
EBITDA (\$m)	(0.4)	(0.1)	
Stores at period end	18	22	(4)

- Revenue up 25% to \$72.7m
 - 29% like for like revenue growth in Next Byte stores
 - new products launched – iPad and iPhone 4
- Gross operating margin down to 15% due to lower performance of Service division and large volumes of iPad at lower margin
- Change to segmental reporting – support service costs now allocated to segments based on support centre head count (prior year comparatives restated on same basis)
- EBITDA down to \$(0.4)m loss due to lower performance of Service division
 - Substantial restructuring of Next Byte’s Service division has been undertaken in 2Q11, with positive results from these improvements expected to flow through in future periods

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.strategy & outlook



- Retail conditions remain uncertain
 - consumer confidence patchy – affected by interest rates and floods
 - VTG well placed as participant in high growth sectors of mobile communications and Apple
- Telecommunications
 - smart phones to continue to underpin market growth
 - Telstra offerings more competitive – winning back market share
- Computing
 - competition to remain tough as Apple market penetration increases
 - new products (eg updated iPad and next generation iPhone) to drive market growth

Telecommunications

- Successfully continue T store rollout
- Capitalise on Telstra's increasing market share
- Launched the first of Telstra's recently announced 100 new format retail stores
- Continue to refresh Fone Zone positioning
- Expand Business offerings and points of presence

Computing

- Opened Next Byte store incorporating Apple's new global fit out for its reseller community
- Increase Gross Margin – improve Service performance, introduce new products and services
- Increase Telstra connectivity

Group

- Guidance reiterated – despite decline in Telstra trailing payment in H1, FY11 EBITDA to be similar level to FY10

- Strong sales growth across all brands
- T store roll out on track and stores performing well
- Fone Zone benefiting from more competitive Telstra pricing and marketing initiatives
- Addressing Next Byte underperformance
- Strong balance sheet with net cash
- Dividend recommenced

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.Q&A



The material in this presentation is a summary of the results of Vita Group Limited (Vita) for the six months ended 31 December 2010 and an update on Vita's activities and is current at the date of preparation, 25 February 2011. Further details are provided in the Company's half year accounts and results announcement released on 25 February 2011.

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This presentation should be read in conjunction with other publicly available material. Further information including historical results and a description of the activities of Vita is available on our website, www.vitagroup.com.au

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