

Vita Group Limited FY11 full-year results

.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



29 August 2011



.today's agenda

- the way we performed – financial
- the way we performed – operational
- the way we are
- the way we're moving forward

- Transition of the Group continued
- Strong revenue growth – up 33%
- Reported EBITDA – down 4% due lower year on year trailing commission payments
- Underlying EBITDA (ex trailing commissions) – up 68%
- Comfortable gearing
- Dividend reinstated + strong yield
 - final FY11 dividend of 1.1 cps fully franked
 - total FY11 dividend of 3.1 cps fully franked (FY10: nil)

.the way we performed



.the way we performed

(\$m) 12 months to 30 June	2011	2010 ¹	Change
Total operating revenue	386.9	291.7	33%
Gross operating margin ²	124.9	103.3	21%
<i>Gross operating margin %</i>	32.3%	35.4%	
EBITDA	18.5	19.2	(4)%
EBIT	11.1	12.5	(11)%
NPAT	6.8	7.7	(12)%
Underlying EBITDA ³	8.9	5.3	68%
Earnings per share (cps)	4.80	5.43	(12)%
Dividends per share (cps)	3.1	0.0	>>
Return on equity	13.2%	16.2%	

(1) Refer to Appendix for FY10 restatements

(2) Includes gross margin on handset sales, incentives and commissions, and other revenue except finance revenue

(3) Excludes payment of historic trailing commissions (\$9.6m in FY11 and \$13.9m in FY10)



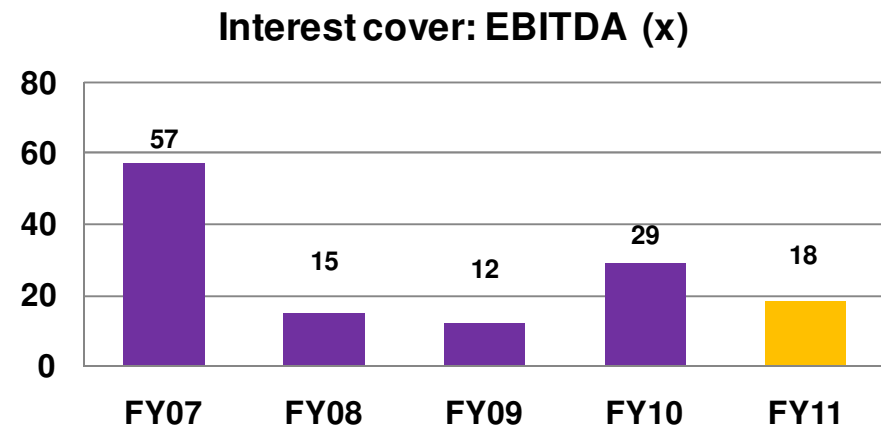
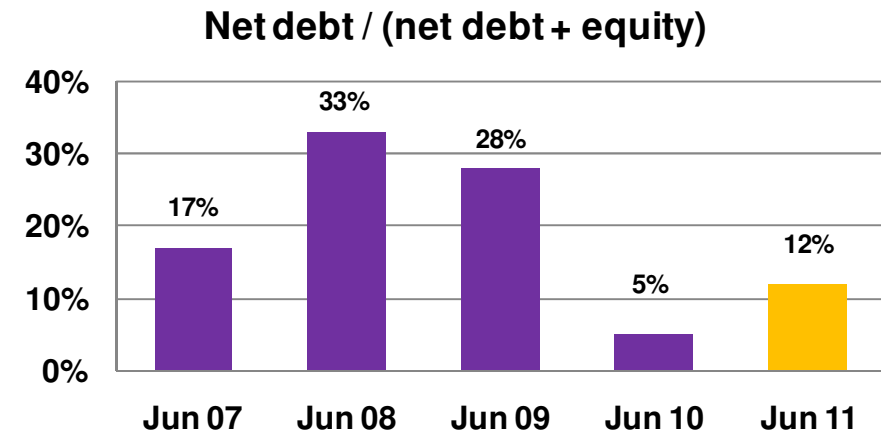
.the way we performed

- Strong revenue growth in tough trading conditions, up 33% to \$386.9m (FY10: \$291.7m)
 - strong growth in like-for-like store sales
 - continued roll-out of Telstra stores + strength of Telstra's offering in market
 - Next Byte growth due to success of Apple products and improved execution
- EBITDA of \$18.5m, marginally down on restated FY10 (\$19.2m)
 - new openings & organic performance, offset by lower trailing commissions
 - lower margins in Telecoms and Computing due to adverse product mix
 - underperforming points of presence closed or consolidated
- Underlying EBITDA up 68% to \$8.9m (FY10: \$5.3m)
- NPAT of \$6.8m (FY10: \$7.7m)
 - impacted by lower reported EBITDA, higher depreciation, interest costs
- Comfortable gearing (net debt / capital) at 12.2% due to growth investment
- Final fully franked dividend of 1.1 cps declared; total FY11 fully franked dividend of 3.1 cps (FY10: nil)
 - dividend yield of 12.7% as at 26 Aug 11

.balance sheet & gearing

(\$m) At 30 June	2011	2010
Current assets	42.3	51.6
Non-current assets	89.8	73.7
Total assets	132.1	125.3
Current liabilities	62.2	67.6
Non-current liabilities	18.3	10.3
Total liabilities	80.4	77.9
Shareholders equity	51.7	47.4

- Current assets down reflecting better control over inventory and receivables, and repayment of old short term debt
- Non-current assets increase reflects investment in stores
- Non-current liability increase reflects increased funding relating to new stores



(\$m) 12 months to 30 Jun	2011	2010
Operating cash flows	18.9	20.6
Investing cash flows	(21.1)	(3.7)
Financing cash flows	(2.4)	(14.2)
Net movement in cash	(4.6)	2.6
Opening cash balance	12.5	9.9
Closing cash balance	7.9	12.5

- Dividend reinstated in FY11
 - final dividend of 1.1 cps fully franked, resulting in total dividend for FY11 of 3.1 cps fully franked (FY10: nil)
 - dividend yield of 12.7% as at 26 Aug 11
- Operating cash flows remained strong at \$18.9m even after higher tax payments (up \$3.9m) and lower trailing commission payments (down \$4.3m)
- Significant increase in investing cash outflows due to new store investment (\$15.4m) and Telstra licensee acquisitions (\$5.6m)
- Financing cash outflows reflect interim dividends paid (\$2.8m). Cash from new bank facilities largely offset by pay down of old facilities.

12 months to 30 June	2011	2010	Change
Operating revenue (\$m)	251.2	169.2	48.5%
Gross operating margin ¹	41.7%	48.6%	(690) bps
EBITDA (\$m)	19.2	17.5	9.7%
Stores at period end	126	111	+15

- Revenue up 48.5% to \$251.2m due to strong like-for-like store sales and continued roll-out of Telstra stores. Fone Zone LFL +40%, Telstra LFL +41%
- Gross operating margin down to 41.7% reflecting adverse product mix, less profitable handset purchase options, softer call centre performance and \$4.3m reduction in trailing commissions (now ceased)
- EBITDA up 9.7% to \$19.2m even after reduction in trailing commissions
- Change to segmental reporting – support service costs now allocated to segments (prior year comparatives re-stated on same basis)

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

.Telstra branded roll-out update

38 Telstra branded stores opened over FY11



- 59 Telstra branded points of presence as at 30 June 2011 – 50 Telstra stores + 9 Telstra Business Centres
- Combination of new greenfield stores, Fone Zone conversions and acquisitions from other licensees
- Uplift in performance post conversion

<i>12 months to 30 June</i>	2011	2010	Change
Operating revenue (\$m)	135.7	122.4	10.9%
Gross operating margin	14.8%	17.2%	(240) bps
EBITDA (\$m)	(0.7)	1.7	<<
Stores at period end	15	19	-4

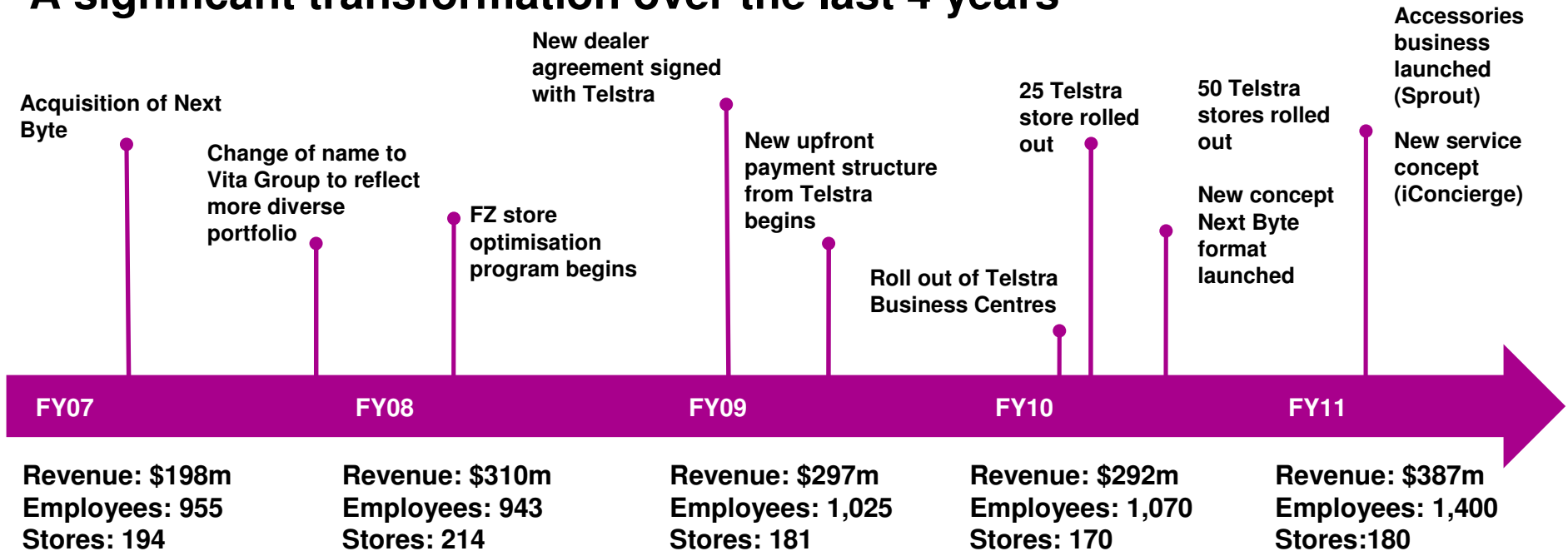
- Revenue up 10.9% to \$135.7m despite a smaller retail footprint
 - growth in demand for Apple products and improved execution drove an 18% increase in like-for-like stores sales
- Gross operating margin down to 14.8% reflecting lower Service contribution
- New Next Byte Apple Premium Reseller store opened – trading ahead of internal expectations
- Underperforming stores closed and operations consolidated
- EBITDA loss of \$0.7m after overhead allocation
- Change to segmental reporting – support service costs now allocated to segments (prior year comparatives re-stated on same basis)



.the way we are



A significant transformation over the last 4 years



Brands



Specialises in mobile communications solutions, complimented by the full range of Telstra offerings



Australia's largest and only national Apple Premium Reseller, providing Apple solutions to retail, corporate and education customers across Australia

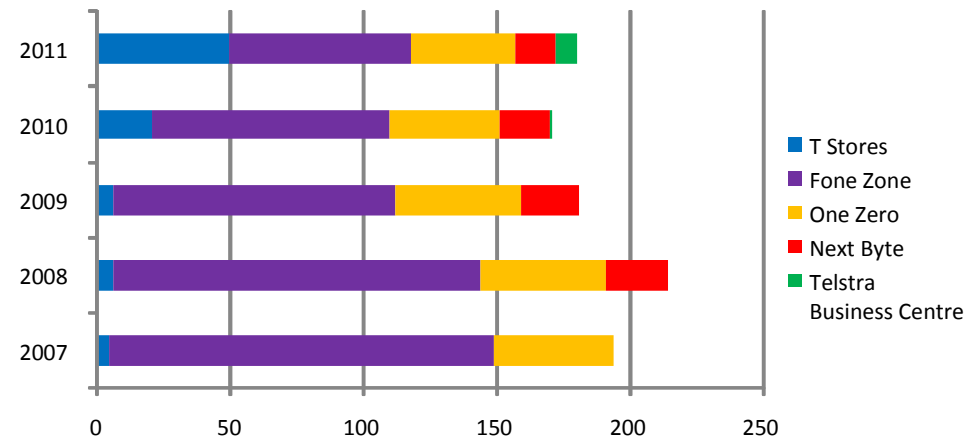


Independently operated dealer system offering a full suite of Telstra services. Targeted at small businesses



Interactive stores that provide demonstrations of the latest network solutions, and fixed and mobile technologies

Store numbers



	2007	2008	2009	2010	2011
Telstra stores	5	6	6	21	50
Fone Zone	144	138	106	89	67
One Zero	45	47	47	40	39
Next Byte	0	23	22	19	15
Telstra Business Centre	0	0	0	1	9
Total Stores	194	214	181	170	180

.new businesses in their infancy

Developing revenue opportunities from convergence of telecommunications and computing segments



Australia's newest accredited Apple repairs and services business offering repairs, equipment installation, upgrades, training sessions and tutorials



Provides tailored business communication and infrastructure solutions, audio visual systems, video security, technical support and maintenance



A new and unique brand of accessories supplying Vita Group's network of stores, and complementing third party ranges



Joint venture offering hospitality clients in-room entertainment technology, such as video on demand, internet access, access to room service, billing and housekeeping. Only global reseller of Apple solutions

.the way we're moving forward



- Whilst retail trading conditions remain challenging, Vita Group is well placed to further grow
 - operating in high growth mobile and Apple sectors
 - mobile communications growing fuelled by innovation
 - convergence of sectors creating new opportunities
- **Telecommunications**
 - demand for mobility products strong
 - smart phones to continue underpinning growth
 - Telstra offerings competitive
- **Computing**
 - Apple products and brand strength continuing to drive growth
 - competition likely to get tougher as Apple share continues to grow

.key priorities for FY12

Telecommunications

- Successfully continue T store rollout
- Expand business offerings and points of presence
- Bring Telstra stores to maturity as quickly as practicable
- Implement operational improvements and cost efficiencies to improve margins
- Leverage Vita Networks to deliver tailored business solutions
- Continue to trim underperforming points of presence
- Grow Sprout

Computing

- Improve product mix and pricing discipline
- Introduce new higher margin products and services
- Enhance engagement with customers
- Drive productivity improvements
- Roll-out new format APR stores (based on Townsville)
- Grow Enterprise and Education
- Leverage iConcierge to deliver the 'connected home'
- Increase mobility connections
- Build business through Square [i] International

- FY11 was a solid result in difficult trading conditions
 - strong like-for-like store sales growth across all brands
 - end of Telstra trailing commissions
 - strong balance sheet with capacity to fund future growth
 - dividend reinstated, with strong dividend yield
- Positive outlook for FY12
 - underlying market fundamentals positive even with challenging retail conditions generally, given demand for telecommunications and Apple solutions
 - Telstra store roll out on track, performing well and many maturing
 - Next Byte operational initiatives and new stores to drive profitable growth
 - attractive new business streams being developed

.Q&A



.appendix



.change in store portfolio

<i>Store numbers</i>	30 Jun 10	Opened	Closed	30 Jun 11*
<i>Telecommunications</i>				
Fone Zone	89	0	22 [^]	67
One Zero	40	2	3	39
Telstra stores (inc T stores)	21	30	1	50
Telstra Business Centres	1	8 #	0	9
<i>Computing</i>				
Next Byte	19	1	5	15
	170	41	31	180

(*) Further 6 Telstra stores opened between 30 Jun 11 and 26 Aug 11 and 3 Fone Zone branded stores converted to Telstra Stores, of which one closed Jun 11 and opened Jul 11

([^]) 2 Fone Zone branded stores converted to Telstra Stores during FY11

(#) 1 Telstra store closed and Telstra Business Centre opened at same site

.adjustments to prior year comparatives

(\$m) 12 months to 30 June	FY10 as reported	Adj	FY10 comparative in FY11 report	Comment
EBITDA	17,036	2,138	19,174	
Depreciation & amortisation	(5,634)	(1,049)	(6,683)	Accelerated depreciation of PPE on closure of stores, including those being refitted, reclassified to D&A from expenses.
EBIT	11,402	1,089	12,491	
Interest	(586)	(1,089)	(1,675)	Movement reflecting unwinding of discount on lease make good provision calculation and line facility fees reclassified as interest
Profit before tax	10,816	-	10,816	
Tax	(3,149)	-	(3,149)	
NPAT	7,667	-	7,667	

The material in this presentation is a summary of the results of Vita Group Limited (Vita) for the 12 months ended 30 June 2011 and an update on Vita's activities and is current at the date of preparation, 29 August 2011. Further details are provided in the Company's half year accounts and results announcement released on 29 August 2011.

No representation, express or implied, is made as to the fairness, accuracy, completeness or correctness of information contained in this presentation, including the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in the presentation ("forward-looking statements"). Such forward-looking statements are by their nature subject to significant uncertainties and contingencies and are based on a number of estimates and assumptions that are subject to change (and in many cases are outside the control of Vita and its Directors) which may cause the actual results or performance of Vita to be materially different from any future results or performance expressed or implied by such forward-looking statements.

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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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