

Vita Group Limited half year results 2010

.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



vita™
GROUP LIMITED

25 February 2010



.today's agenda

- H1 2010 overview
- Financial performance
- Operational review
- Strategy & outlook

.H1 2010 overview – financial

- Results in line with guidance
 - Operating revenue down 4% to \$144.9m (1H09: \$151.0m)
 - EBITDA up 52% to \$13.5m (1H09: \$8.8m)
 - NPAT up 75% to \$7.5m (1H09: \$4.3m)
- Strong balance sheet
 - Reduced debt by \$11.6m
 - Gearing (net debt / net debt+equity) reduced to 8.7% (30 Jun 09: 27.8%)
 - New bank facility put in place to fund T[life] roll-out

NOTE: Accounting treatment relating to extended warranties has led to a restatement of prior year comparatives (see Note 2 of the Interim Report for the Half Year ended 31 December 2009). The adjustments had the following affect on 1H09 – EBT up \$0.9m, tax expense up \$0.3m, NPAT up \$0.6m, EPS up 0.45 cps, Total Equity down \$3.3m. Periods prior to 1H09 have not been restated.

. H1 2010 overview – operational

- New Dealership arrangement with Telstra – first T[life] Master licensee
- Payment of trailing commission earned under the old agreement, includes a \$9.4m advance payment for future periods beyond 31 Dec 09
- T[life] roll-out progressing on schedule
 - 5 stores opened by 31 Dec 09, with first phase of 25 stores to be completed prior to end of Nov 10
 - early store performance is encouraging, at higher end of internal expectations
- Fone Zone store numbers stabilised at this level
- Next Byte operational improvements still in progress

.financial performance



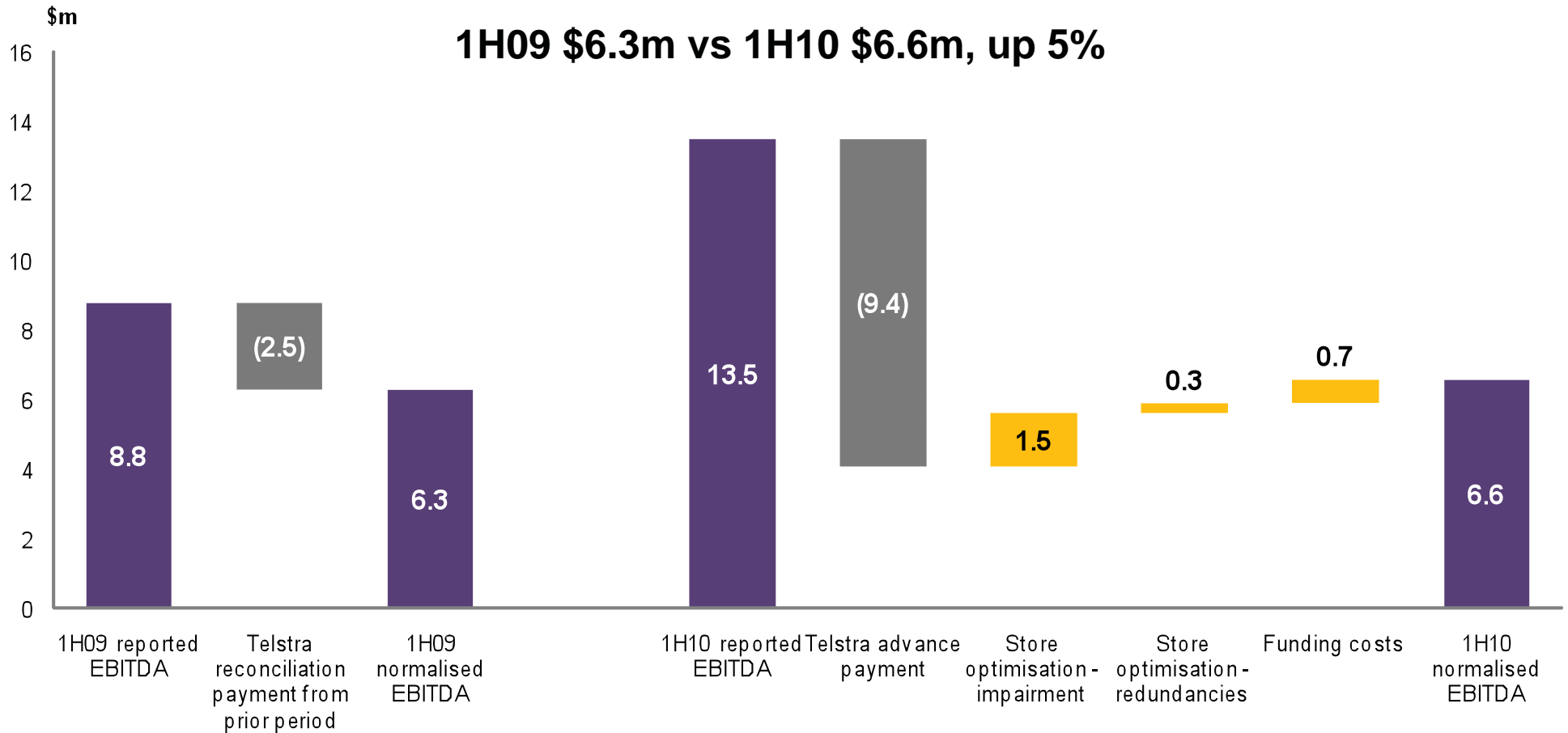
.the way we performed

(\$m) Six months to 31 Dec	2009	2008	Change
Total operating revenue	144.9	151.0	(4)%
Gross operating margin	56.5	54.6	3%
<i>Gross operating margin %</i>	39.0%	36.2%	
EBITDA	13.5	8.8	52%
EBIT	10.7	6.3	69%
EBT	10.4	5.6	86%
NPAT	7.5	4.3	75%
Earnings per share (cps)	5.31	3.03	75%
Return on equity	15.9%	11.1%	480bps

.trailing revenue payment

- On 27 Aug 09, Fone Zone renewed its dealer agreement with Telstra for another five years with the potential for up to four additional one year extensions, and was appointed a Master Licensee for Telstra's T[life] stores
- Under this agreement the previous trailing commission arrangement was replaced by an increased upfront commission structure
- In Nov 09 we received an initial payment of \$12m in respect of trailing commissions earned under the old agreement
- The payment received included an advance payment of \$9.4m being a portion of trailing commissions that would have otherwise been earned by the company beyond 31 Dec 09, hence we have removed this for normalisation purposes in order to provide a more accurate half on half comparison

.normalised earnings

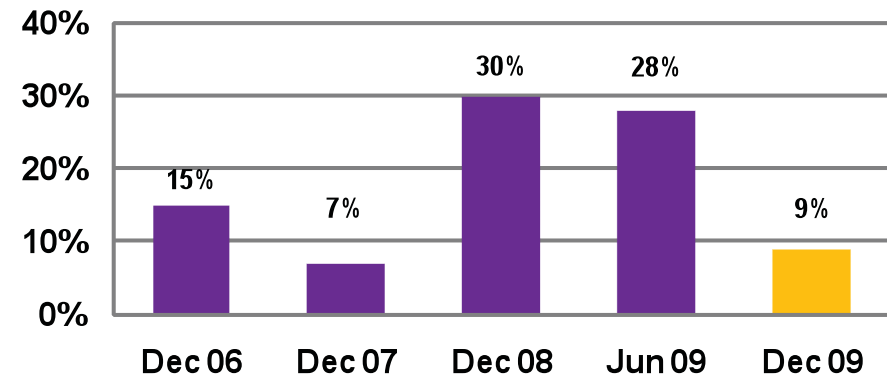


.balance sheet & gearing

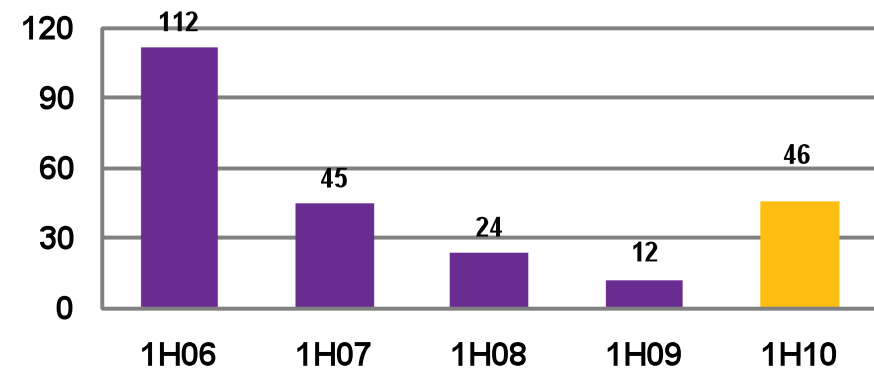
(\$m)	31 Dec 2009	30 Jun 2009
Current assets	41.0	42.8
Non-current assets	72.7	71.8
Total assets	113.7	114.7
Current liabilities	53.6	51.0
Non-current liabilities	12.8	23.9
Total liabilities	66.4	74.9
Shareholders equity	47.3	39.8

- Non-current liabilities down \$11.1m due to debt repayment
- Gearing low with net debt / (net debt + equity) down to 8.7% - forecast to be around 16% at Jun 10 given T[life] roll-out

Net debt / (net debt + equity)



Interest cover: EBITDA (x)



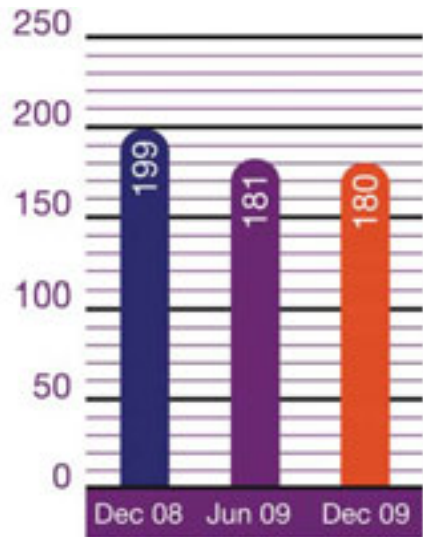
(\$m) Six months to 31 Dec	2009	2008
Operating cash flows	14.8	6.5
Investing cash flows	(3.0)	(1.0)
Financing cash flows	(12.6)	(4.6)
Net movement in cash	(0.8)	1.0
Opening cash balance	9.9	9.9
Closing cash balance	9.1	10.9

- Operating cash flows were higher at \$14.8m due to payment of trailing commissions
- Financing cash outflows reflect \$11.6m debt repayment
- Estimated capex for 2H10 of \$5-6m depending on timing of T[life] roll-out; covered by existing facilities

.operational review



.retail store footprint



COLOUR KEY

- Fone Zone
- Next Byte
- One Zero
- T[life] & Telstra Shops (TLS)

Queensland

- 32 Fone Zone Stores
- 4 Next Byte Stores
- 31 One Zero Stores
- 9 T[life] / TLS Stores

New South Wales

- 25 Fone Zone Stores
- 7 Next Byte Stores
- 8 One Zero Stores

South Australia

- 4 Fone Zone Stores
- 2 Next Byte Stores
- 1 One Zero Store

Tasmania

- 8 Fone Zone Stores
- 1 Next Byte Store

Victoria

- 8 Fone Zone Stores
- 6 Next Byte Stores
- 5 One Zero Stores
- 1 TLS Store

Western Australia

- 17 Fone Zone Stores
- 2 Next Byte Stores
- 3 One Zero Stores
- 2 T[life] / TLS Stores

ACT

- 3 Fone Zone Stores

Northern Territory

- 1 Fone Zone Store



<i>Store numbers</i>	31 Dec 08	30 Jun 09	Opened	Closed	31 Dec 09*
<i>Telecommunications</i>					
Fone Zone	124	106	-	(8)	98
One Zero	44	47	1	-	48
Telstra Shop	6	6	2	(1)^	7
T[life]		-	5	-	5
<i>Computing</i>					
Next Byte	25	22	-	-	22
	199	181	8	(9)	180

(*) A further 2 T[life] stores have been opened between 31 Dec 09 and 24 Feb 10

(^) Telstra Shop converted to T[life] store

6 months to 31 December	2009	2008	Change
Operating revenue (\$m)	73.0	81.8	(11)%
Gross operating margin ¹	44%	44%	
EBITDA (\$m)	8.8	9.6	(9)%
Stores at period end	158	174	(16)

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

- Revenue down 11% at \$73m
 - 26 fewer Fone Zone stores compared with Dec 08 (21%)

- EBITDA down 9% to \$8.8m
 - does not include \$2.6m of trailing commission payment (included in Support Services) – normalised EBITDA up 19%
 - benefits from cost saving initiatives now starting to flow through

.T[life] roll-out on track

T[life] store roll-out	<ul style="list-style-type: none"> • 7 stores opened (Nov 09 – Feb 10) • First phase of 25 stores on schedule – further 9 “locked in” expect to complete this phase by the end of Nov 10
Uplift in store performance	<ul style="list-style-type: none"> • Store performance at higher end of internal expectations • GP/m² significantly higher than average Fone Zone store • Greater breadth of products and services offered • More interactive sales experience
Time to break even	<ul style="list-style-type: none"> • Based on 5 stores opened by 31 Dec 09, stores are reaching break even sooner than forecast • New upfront commission also assisting stores reach profitability sooner
Capital expenditure	<ul style="list-style-type: none"> • Average fit-out cost slightly below budgeted capex

<i>6 months to 31 December</i>	2009	2008	Change
Operating revenue (\$m)	58.3	63.8	(9)%
Gross operating margin (\$m)	18%	19%	
EBITDA (\$m)	1.4	1.7	(16)%
Stores at period end	22	25	(3)

- Operational improvements implemented and remain ongoing
- Revenue down 9% to \$58.3m
 - three fewer stores compared to 1H09
- EBITDA down 16% to \$1.4m due to:
 - decline in gross operating margin due to high sales in lower margin Education sector
 - offset by 21% reduction in employment expenses – early benefits from restructuring and operational implemented starting to flow through
 - one-off non-cash impairment costs of \$213k due to store closures



.strategy & outlook



Telecommunications

- Key focus is on successfully completing phase 1 of T[life] roll-out, and agreeing phase 2
- Continue to build on success of Business Solutions
- Continue to drive improvements in Fone Zone

Computing

- Working with Apple to optimise and improve Next Byte retail format, product and services mix, and customer experience
- Grow Service capabilities
- Increase presence within Business sector

Group

- Increase support and presence on iPhone in both Computing and Telecommunications
- Previous guidance of FY10 EBITDA of \$17-18m reaffirmed



.business improvements

- Operational and structural improvements to lower costs and improve the performance of key business units
 - store optimisation programme
 - Fone Zone nearing completion – 53 closed, 1 relocated, and 3 opened over past two years
 - Next Byte remains ongoing – 4 closed, 3 opened, with further 3 to be closed before Jun 10
 - headcount reduced by 22% across the Group compared to Dec 08
 - consolidation of Next Byte Service
 - new support centre opened in Oct 09, allowing consolidation of multiple administration sites and better use of shared services



- Well positioned to grow shareholder value
- T[life] roll-out on track
 - expect to complete phase 1 (25 stores) by end of Nov 10
 - store performance at higher end of internal expectations
- Store optimisation programme nearing completion
 - Fone Zone “business as usual”
 - In the last year 30 unprofitable stores closed, 1 store relocated, and 1 new store opened across Fone Zone and Next Byte
- Next Byte operational improvements still in progress
- Benefit of cost reduction initiatives undertaken over past two years now flowing through

.appendix



.segmental results

<i>(\$m) 6 months to 31 December</i>	2009	2008
Revenue		
Telecommunications	73.0	81.8
Computing	58.3	63.8
Support Services	13.6*	5.3
Total	144.9	151.0
EBITDA		
Telecommunications	8.8	9.6
Computing	1.4	1.7
Support Services	3.3	(2.5)
Total	13.5	8.8

* The revenue items shown in the Support Services segment are Telecommunications trailing commissions and claims relating to prior periods; and future trailing commission entitlements under the old Telstra dealer agreement that have been brought forward under the new Telstra dealer agreement signed 27 August 2009.



The material in this presentation is a summary of the results of Vita Group Limited (Vita) for the six months ended 31 December 2009 and an update on Vita's activities and is current at the date of preparation, 25 February 2010. Further details are provided in the Company's half year accounts and results announcement released on 25 February 2010.

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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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