ASX Announcement

27 February 2012

Results for the six months ended 31 December 2011

Vita Group Limited (ASX: VTG) today announced its results for the six months ended 31 December 2011 (1H12).

Solid First Half Result

Vita Group delivered solid first half results despite a subdued retail environment. The Group's exposure to the growing mobility and Apple sectors coupled with the contribution from new stores lifted revenues and underlying EBITDA. Whilst the Group continued to make significant investments in its Telstra and Next Byte retail footprint, gearing remained at a comfortable level. A half-year dividend was declared with the Group reiterating its intention to deliver a payout ratio of 65% of profits after tax for the full year.

Results overview

($ million unless otherwise stated)	**1H12**	**1H11**	**Change**
Revenue	203.0	198.5	2%
Gross operating margin [1]	66.5	64.7	3%
Gross operating %	32.8%	32.6%	
EBITDA	6.9	12.7	(46)%
Underlying EBITDA [2]	**6.9**	**5.0**	**38%**
EBIT	2.7	9.8	(72)%
NPAT	0.9	6.3	(85)%
Earnings per share (cents per share)	0.65	4.43	(85)%
Interim dividend (cents per share)	0.75	2.0	

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

(2) Excludes payment of historic trailing commissions ($7.7 million in 1H11). 1H11 underlying EBITDA differs from $4.3m reported in prior year due to re-classification of facility costs and accelerated depreciation to interest and depreciation respectively

Operating performance

Vita Group's exposure to growing market segments drove the Group's growth in the half. Despite a tough retail environment, 1H12 Group revenue was up 2% to $203.0 million due to continued growth in Telecommunications given the increased number of Telstra branded stores and improving performance of those stores as they matured.

Whilst Group revenue increased, reported earnings were down in 1H12, as 1H11 earnings benefited from $7.7 million of Telstra trailing commission payments that have now ceased. Excluding 1H11 Telstra trailing commission payments received, underlying Group EBITDA was up 38% to $6.9 million.

Telecommunications – growth driven by new store rollout

Telecommunications revenue was up 14% to $143.5 million. Reported EBITDA was down 44% to $7.3 million as a result of the inclusion of $7.7 million of trailing commission payments in 1H11. Excluding trailing commissions, underlying EBITDA was up 35%.

The growth in Telecommunications reflected:

- the continued rollout of Telstra stores – an additional 18 stores were added to Vita Group's portfolio over the past six months. As at 31 December 2011, Vita Group operated 68 Telstra stores and 10 Telstra Business Centres

- new Telstra stores moving to maturity

Computing – results reflect continued transformation

Next Byte revenue was down 18% to $59.5 million, with an EBITDA loss of $0.4 million. The 1H12 result reflected the closure of 5 stores in FY11. In addition, a number of underperforming lines of business were rationalised in the enterprise, education and service channels. Margins have improved reflecting a better product mix.

A number of measures have been put in place to improve the performance of Next Byte. Margin improvement plans are well progressed and the transformation to the new Apple Premium Reseller format has been performing well. Furthermore, cost reduction initiatives have been implemented, with the benefits starting to flow from 2H12.

Comfortable gearing

1H12 operating cash flows of $5.3 million were in line with internal expectation. Net debt increased to $13.3 million from $7.2 million at 30 June 2011 to fund new store openings. Gearing remained comfortable at 21% net debt to capital.

Fully franked interim dividend

Given the Company's comfortable gearing and growth outlook, the Directors have declared a 1H12 fully franked interim dividend of 0.75 cents per share. Whilst this is lower than 1H11's fully franked interim dividend of 2.0 cents per share, the Directors have sought to more closely align the phasing of dividends with overall profitability. Stronger earnings are anticipated for the second half of the year, and the Directors intend to maintain a dividend payout ratio of 65% of profits after tax.

Positive outlook

Commenting on the outlook for Vita Group, Mr McMahon said:

"We expect to see year on year sales growth into the second half of the year. Whilst we don't anticipate material improvement in general retail trading conditions, Vita Group is operating in the growing telecommunications and Apple segments of the market.

"We continue to progress the rollout of new Telstra stores and remain focused on driving returns from our investment in our growing Telstra store portfolio. In addition, the recently commenced Next Byte transformation to the new Apple Premium Reseller store format, with two additional stores opening in the second half of this financial year, new product launches, and recently implemented cost rationalisation initiatives, will improve the profitability of Next Byte going forward."

Vita Group continues to expect to deliver FY12 EBITDA in the range between $15 million to $18 million.

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About Vita Group

Vita Group's four brands – Fone Zone, Next Byte, One Zero and Telstra stores – operate in clearly defined retail segments and share commonality toward premium service and solution focussed selling. All four retail formats are built on a solid, customer service foundation, each offering a unique retail experience for Australian consumers. Further information can be found at www.vitagroup.com.au