ASX Announcement

Vita Group reports robust growth, earnings at top end of guidance

Brisbane, 28 February 2013 -- ASX-listed provider of mobile communications, consumer electronics and related products, Vita Group Limited (ASX: VTG), today reported robust growth in earnings before interest, tax, depreciation and amortisation (EBITDA) and net profit for the six months to 31 December 2012.

The result reflects strong momentum in demand for telecommunications and mobility products and a clear focus on the execution of Group priorities, assisted by continued solid performance from Vita's key telecommunications partner, Telstra. Underpinning the result was a significantly higher EBITDA contribution from the Group's portfolio of Telstra stores.

RESULTS OVERVIEW

Highlights of the first-half result include:

- Revenue of $222m, up 9% on the prior corresponding period (pcp)
- EBITDA up 47% to $10.2m
- Telstra store rollout substantially complete
- Benefits from improved inventory management and cost reduction
- Interim dividend 1.15 cents per share (cps), up 53% from 0.75 cps in the pcp

($m unless otherwise stated)	H1 FY13	H1 FY12	Change
Revenue	222.0	203.0	+9%
Gross operating margin	*69.3*	*66.5*	*+4%*
EBITDA	10.2	6.9	+47%
EBIT	4.9	2.7	+80%
NPAT	2.7	0.9	+189%
Dividend	1.15 cps	0.75 cps	+53%

OPERATIONS

Vita Group's Telecommunications division – comprising Telstra, Telstra Business Centres (TBC), Fone Zone and One Zero stores – performed strongly during the half.

Telecommunications revenue was up 20% to $172.6m while EBITDA rose 44% to $10.6m reflecting improved profitability from the Group's portfolio of Telstra stores, Telstra's continued dominance in mobile communications and Vita's ability to maximise value from Telstra's multiple product offering. On a like-for-like basis, Telstra store revenues increased 11% during the half. As at 31 December 2012, Vita Group's rollout of new Telstra stores was substantially complete, with 96 Telstra or TBC stores in operation.

The Next Byte result was affected by restructuring costs linked to store openings and closures, and the outsourcing of after-sales service as part of a shift from a fixed to variable service cost model. Though Next Byte revenues declined 17% to $49.5m for the half, like-for-like revenues were down only 6%. This, coupled with reduced expenses generally, ensured an EBITDA result in line with last year, at a small loss of $0.4m.

The transition to the new-format Next Byte Apple Premium Reseller (APR) platform progressed well during the half, with four new-format APR stores opened and three old-format stores closed for a total of 19 Next Byte stores at period end.

The eight new-format APR stores now in operation are delivering significantly higher returns on average than the old-format stores, underscoring the strategic value of Vita's investment in the APR portfolio. The contribution from new-format stores is expected to flow through to an improved Next Byte result in the second half.

The combined store portfolio – Telstra, TBC, Fone Zone, One Zero and Next Byte - stood at 182 points of presence at period end.

At a Group level, the interim result benefited from improved inventory management, payment terms, and some temporary working capital benefits relating to seasonal trading which contributed to a sharp increase in cash flow for the period. Operating cash flows were $19.9m, up from $5.3m in the prior half year. Gross debt was $23.8m at period end, and is now expected to reduce in the second half. Cash and cash equivalents were $24.9m with net debt eliminated in the period.

Vita Group's portfolio of value-added products and services, led by the Sprout range of mobile accessories, recorded steady growth, underlining their importance as a source of complementary earnings.

The Board have approved an interim dividend of 1.15 cps, up from 0.75 cps in the prior corresponding period, and is targeting a full year payout ratio of 65% of profits after tax.

OUTLOOK and COMMENTARY

Vita Group CEO, Maxine Horne, said: "Vita's core markets remain buoyant and relatively resilient to any softening in consumer sentiment. Momentum from our core portfolio of optimised Telstra stores continues to build and we see continued earnings upside as this portfolio matures. Next Byte faced headwinds during the half as we continued to transform the business, but is on track for an improved contribution in the second half as earnings from the new-format stores improve. Importantly, Telstra and Apple continue to outperform in their respective markets and we continue to enjoy and invest in these strategic partnerships for mutual benefit. With gross debt at comfortable levels, capex commitments easing over the short term and a lean cost base, Vita is extremely well positioned to deliver future earnings growth."

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About Vita Group

Brisbane-based Vita Group is a national, ASX-listed provider of telecommunications, computers and related products through retail and business channels. As at 31 December 2012, Vita Group was operating 182 outlets, branded as Telstra and Telstra Business Centres (96 stores), Fone Zone (36), One Zero (31) and Next Byte (19). Each of these brands operates in a clearly defined retail segment and they share a common approach toward premium service and solution-oriented sales. Vita Group also operates a fast-growing mobile accessories division under the Sprout brand, and a range of other value-added products and services. For further information, visit www.vitagroup.com.au.