



ASX announcement

Vita Group and Telstra extend Master Licence and agree terms for store footprint expansion

11 August 2017

Vita Group (ASX: VTG) today announced it had concluded negotiations with strategic partner, Telstra (ASX: TLS), and agreed some changes to the terms of its Master Licence Agreement relating to tenure, remuneration and an immediate expansion of its allowable store footprint, all aimed at delivering long-term benefits for both parties.

The tenure of the agreement has been extended to 30 June 2023, with rolling annual extensions after this date. This is subject to annual review, which will include Vita's performance against key metrics. A minimum of three-year's notice is to be provided by either party, should they wish to cease the agreement at the relevant expiry date. This effectively means that, assuming extensions are granted annually, forward tenure will always be at least five years.

Following discussions between the parties, Telstra has confirmed that it is comfortable with the model of remuneration applicable for FY18, reflecting changes made up to and including 1 July 2017. It also clarified that it has made no specific decisions about any remuneration changes beyond FY18. Whilst Telstra retains the right to amend remuneration up or down to reflect changing market conditions and product lifecycle changes, the current remuneration model balances prevailing industry conditions with the economic health of the licensee channel.

On retail store footprint, the parties agreed an expansion in the allowable number of stores Vita can own and operate to 110, which takes effect from now. Effective from 1 July 2019, Vita has agreed to forego some legacy remuneration components, amounting to approximately 7 – 8% of retail remuneration, which will be partly offset by a further expansion to 115 stores from this date. As currently applies, all movements in and out of the footprint are subject to Telstra approval.

Vita Group Chief Executive Officer, Maxine Horne said the new agreement recognised the long-standing strategic relationship between Vita and Telstra and demonstrated Vita's continued strong performance as Telstra's only master licensee.

"We are very pleased with this outcome, which reflects the confidence Telstra continues to place in Vita to deliver results. With this key milestone achieved, the Vita team are well positioned to deliver long-term value to our customers, our team members, and of course to Telstra and our shareholders. I'd like to thank our shareholders for bearing with us whilst we completed these important negotiations." said Ms Horne.

Vita Group will report its FY17 results and provide commentary on outlook on 18 August 2017. For questions relating to this announcement, a conference call will be held today, 11 August, at 10:30am AEST with Ms Horne and Chief Financial Officer, Andrew Leyden. Dial-in details will follow in a separate announcement.

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About Vita Group Vita Group is a consultative solutions provider, specialising in enhancing customers' way of life. Vita operates Telstra branded stores and Business Centres, SQDathletica, Vita Enterprise Solutions and Sprout. For further information, visit www.vitagroup.com.au.



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