

# ASX Announcement

## Vita Group boosts interim dividend following strong first-half result

**Brisbane, 28 February 2014** - ASX-listed provider of communications, consumer electronics and information technology products and services, Vita Group Limited (ASX: VTG), today reported a 66% boost in interim dividends following a strong first half result underpinned by continued growth from Telstra stores.

In the six months to 31 December 2013, Vita Group recorded an 18% increase in earnings before interest, tax, depreciation and impairment (underlying EBITDA<sup>1</sup>) to \$12.1 million, and 56% uplift in underlying net profit<sup>2</sup> to \$4.2m.

The Group also announced a \$19.4m non-cash impairment of the remaining goodwill in Next Byte. The Group said that while it expected the performance of Next Byte to improve, the roll-out of new-format stores was unlikely to be at the scale previously anticipated, and therefore had revised down financial expectations for the brand. The Group's resources and focus would be directed toward opportunities in the Telecommunications and IT segments, which offered better returns in the medium term, particularly in business channels.

Taking into account this impairment charge, the Group recorded a statutory net loss of \$15.2m for the half.

### HIGHLIGHTS

- Closer strategic alignment with Telstra
- Sustained trend of solid growth in underlying EBITDA<sup>1</sup>, underlying net profit<sup>2</sup> and dividends
- Revenue growth in all strategic segments, led by Telstra stores, offset by softness in consolidating retail brands, in particular Fone Zone
- Strong cash flows and moderate net debt at only \$2.4m; Camelion I.T. acquisition fully absorbed
- Group expenses down 1.6% - productivity benefits
- Improving performance from new-format Next Byte APR stores; non-cash impairment charge against goodwill reflecting redirection of investment previously intended for the brand.

(\$m unless otherwise stated)	H1 FY14	H1 FY13	
Revenue	215.8	222.2	(3%)
Gross profit	70.2	69.3	1%
Gross profit %	32.5%	31.2%	+1.3%pts
Underlying EBITDA <sup>1</sup>	12.1	10.2	18%
Depreciation and amortisation	-5.2	-5.3	(2%)
Underlying EBIT <sup>2</sup>	6.8	4.9	41%
Next Byte impairment	-19.4	-	
EBIT	-12.5	4.9	
NPAT	-15.2	2.7	
Dividend	1.91 cps	1.15 cps	66%

<sup>1</sup> Earnings before interest, tax, depreciation and impairment

<sup>2</sup> Excludes impact of \$19.4m non-cash impairment of Next Byte



next byte



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## OVERVIEW OF OPERATIONS

As at 31 December 2013, Vita's portfolio stood at 167 points of presence, comprising Telstra (86 stores), Telstra Business Centres (12), Fone Zone (30), Next Byte (15) and One Zero (24). Vita added two new Telstra retail stores in the period while four Fone Zone and six One Zero stores were closed.

In the Telecommunications segment, revenue for the period was up 1% to \$173.8m and underlying EBITDA<sup>1</sup> grew 22% to \$12.9m. The divisional result was underpinned by a strong performance from the Telstra store portfolio offset by a weaker contribution from Fone Zone and One Zero.

The performance of the Telstra portfolio reflected higher like-for-like revenue, a focus on selling a broader product range, specifically broadband, digital business and media products in addition to mobility, and the benefit of higher productivity from a maturing store footprint.

Vita expects to add another 12 to 14 Telstra stores to its network in calendar 2014 as part of the arrangement to strengthen its alignment with Telstra, announced last December. Under this agreement, Vita also retired its proprietary swap/extended warranty product (ESP) from sale and commenced the sale of Telstra's popular swap/replace/restore product, StayConnected™ from 1 January 2014. The amortisation of deferred ESP revenue on sales made prior to 1 January 2013 is expected to deliver a non-cash earnings benefit of \$6.2m in the second half of FY14, \$8.5m in FY15 and \$2.5m in FY16.

Revenues from the business channel grew during the period and is expected to become a significant contributor to growth over the medium term as the Group seeks to embed the enhanced capability in cloud, unified communications and managed data networks that came with the acquisition of Camelon I.T. in October 2013.

Next Byte recorded an underlying EBITDA<sup>1</sup> loss of \$0.8m in the period compared with a loss of \$0.4m in the prior comparable period, reflecting a lower number of stores and a decline in the like-for-like contribution from old-format stores. Three old-format stores were closed and one new-format store opened during the half, leaving nine new-format and six old-format stores as at period end. Encouragingly, under new leadership, Next Byte has started to benefit from the implementation of new operating disciplines, recording a significant underlying EBITDA<sup>1</sup> uplift toward the end of the period.

Lower capex and a continued focus on debt repayment saw gross debt fall to \$13.6m from \$23.8m at the end of the prior comparative period, while net debt was a moderate \$2.4m. The group expects to incur capex of \$13m-\$17m associated with the planned Telstra store expansion in calendar 2014.

## COMMENTARY

Vita Group Chief Executive Officer, Maxine Horne, said: "This is another very pleasing result for the Group that demonstrates our ability to delivering earnings growth consistently over time. We are particularly encouraged by the returns being achieved in areas where we have made strategic investment, especially the Telstra stores, which are performing strongly and generating significant cash flows.

<sup>1</sup> Earnings before interest, tax, depreciation and impairment



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COMMUNICATIONS



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“We remain focused on capturing further growth opportunities from these stores, including from the additional points of presence that will enter our portfolio in 2014,” Ms Horne said.

“Camelon I.T. has been successfully integrated and now provides a platform to drive growth from the business channel, leveraging our Telstra stores and business centres to service small to medium businesses and larger customers through our enterprise sales teams.

“At Next Byte under new leadership, improved performance and execution is evident and the brand remains an important part of our business. However, we now envisage a smaller, more focused portfolio of new-format APR stores, particularly given that we will be redirecting investment toward higher-quality opportunities in the Telecommunications business channel.

“In light of this changed outlook, it was deemed appropriate to write down the remaining goodwill in the Next Byte business. This decision was made in the interests of creating value for shareholders in the short and medium term. The charge is non-cash in nature and will have no impact on business operations.”

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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 December 2013 Vita Group was operating 167 outlets, branded as Telstra and Telstra Business Centres (98 stores), Fone Zone (30), One Zero (24) and Next Byte (15). 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](http://www.vitagroup.com.au)*



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