

ASX Announcement

31 August 2012

Vita Group announces full-year results for 12 months to 30 June

Vita Group, a national provider of telecommunications, computers and related products through retail and business channels, today announced its financial results for the 12 months to 30 June 2012. The Group reported solid revenue growth and a sharp uplift in underlying EBITDA², despite challenging retail conditions generally.

Highlights of the results include:

- Revenue of \$410.4m, up 6% on the prior comparable period
- 89% increase in underlying EBITDA (see² below) to \$16.8m, consistent with guidance
- Rollout of Telstra store portfolio well advanced
- Transition to new-format Next Byte (Apple Premium Reseller 'APR') stores underway
- Optimised store portfolio poised to deliver sustained earnings growth
- Full-year dividend 1.5 cents per share fully franked.

Results overview

(\$ million unless otherwise stated)	FY12	FY11	Change
Revenue	410.4	386.9	6%
Gross operating margin ¹	133.8	124.9	7%
<i>Gross operating %</i>	<i>32.6%</i>	<i>32.3%</i>	<i>+0.3%pts</i>
Underlying EBITDA ²	16.8	8.9	89%
Depreciation and amortisation	(9.8)	(7.1)	
Next Byte impairment	(15.0)		
FY11 trailing commissions		9.6	
Loss on discontinued JV	(0.4)	(0.3)	
EBIT	(8.4)	11.1	
Interest	(2.1)	(1.1)	
Tax	(1.5)	(3.2)	
NPAT	(12.0)	6.8	
Dividend (cents per share)	1.5	3.1	

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

(2) Earnings before interest, tax, depreciation, FY 12 impairment of Next Byte, payment of historic trailing commissions (\$9.6m in FY11) that no longer apply, discontinued JV loss.

Operating performance

The 6% increase in revenue for the 12 months to 30 June was driven by strong growth in the core telecommunications business, partially offset by softer computing sales.

An improved second-half underlying EBITDA performance (\$9.9m compared to \$6.9m in the first half) reflected cost reduction initiatives completed in the first half and the contribution of stores opened in the preceding 12-18 months as these stores matured.

Reported profit was affected by the \$15.0m impairment to the investment in Next Byte, with the Group recording a net loss after tax of \$12.0m for the period.

By year end Vita had significantly advanced the rollout of the new Telstra store portfolio (including the conversion of 11 Fone Zone stores) and had closed under-performing stores. The Group's portfolio at 30 June stood at 182 points of presence, a net increase of three over the year. The maturation of new stores over the next two years will be a key driver of earnings growth.

Telecommunications – well positioned in key Telstra mobile sector

Telecommunications revenue was up 21% to \$303.2m in FY12 and underlying EBITDA grew by 74% to \$16.7m. This reflected the contribution of new Telstra stores and business centres, with 91 points of presence operating by year-end compared to 59 at the end of FY11. The Fone Zone portfolio reduced to 41 stores from 67 stores.

Excluding the impact of prior year trailing commissions, telecommunications margins improved by 3.8 percentage points in FY12, reflecting a higher proportion of fee income to total revenue and the impact of Vita's higher-margin accessories business (Sprout) and other value-added services and products.

Computing – strengthening presence in Apple segment

Next Byte sales for the year were \$107.2m, down by 21% on the prior year. A stronger second half performance contributed to a break-even result (\$0.0m) in underlying EBITDA for the year. The year saw Vita Group step up the transition to more profitable APR-format Next Byte stores; three new Next Byte stores were opened, bringing the total to four, and the Group has committed to more openings in the first half of FY13.

Balance sheet

Net debt increased only modestly to \$9.7m as at 30 June 2012, up from \$7.2m in the prior year. Gross debt was up to \$23.0m from \$15.1m in FY11, reflecting the investment in new stores. Gearing remained comfortable at 20.7% despite the Next Byte impairment. With the store portfolio rollout and related capex commitments well advanced, gross debt is expected to peak towards the end of calendar 2012 and reduce thereafter.

Dividend

Directors declared a final dividend of 0.75 cents per share fully-franked, bringing the full-year dividend to 1.5 cps, fully franked. While this is less than the prior year dividend (which benefited from the receipt of trailing commissions), the payout ratio (76% of NPAT in FY12) increased from FY11 (65% of NPAT).

Outlook and commentary

Commenting on the result and outlook for Vita Group Joint CEO, David McMahon, said:

“Fiscal 2012 was a successful year of transformation for the Group in which we strengthened strategic partnerships with Telstra and Apple and made excellent progress repositioning our store portfolio. Our rollout of new Telstra stores is advanced and we have addressed the underperformance of Next Byte and repositioned it for growth. Our balance sheet is strong and we are developing a track record for delivering improved underlying performance and healthy dividends.

With the bulk of capital investment required for the Telstra store rollout behind us, we expect to capture value from this investment in the coming years. We are investing in a new profitable Next Byte model, have made significant strides in developing our offering for business customers and have expanded our range of value-added products and services, including Sprout and Liquipel, which will deliver improved margins.”

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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 30 June 2012, the group operates 182 outlets, branded as Telstra and Telstra Business Centres (91 stores), Fone Zone (41), One Zero (32) and Next Byte (18). 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, such as Liquipel, a water protection technology for mobile devices.

For further information, visit www.vitagroup.com.au.