

ASX Announcement

4 July 2012

Vita Group reaffirms Group EBITDA guidance. Growth strategy for Next Byte reaffirmed.

Vita Group Limited (ASX: VTG) today reaffirmed its previous Group EBITDA guidance. It also reaffirmed its growth strategy for Next Byte and announced a significant non-cash impairment charge to the Next Byte business.

FY12 underlying EBITDA guidance of between \$15 million and \$18 million reaffirmed

Vita Group expects to deliver an Earnings Before Interest, Tax, Depreciation, Amortisation (EBITDA) for the 12 months ended 30 June 2012 (FY12) (and before the impairment charge referred to below) in the range between \$15 million and \$18 million. This represents an increase of between 70-100% on FY11 underlying EBITDA of \$8.9 million for FY11. This update is consistent with previous earnings guidance provided to the market in February 2012 and October 2011.

Realigned growth strategy for Next Byte

The overall performance of Next Byte has improved in the second half of FY12 and the business is expected to make a positive contribution to EBITDA in the second half due to:

- A strong performance from the larger format new Apple Premium Reseller (APR) stores located in Townsville, Mackay, Rockhampton and Cairns, relative to existing "old format" stores
- A significant cost reduction program in retail stores and Next Byte's support centre
- A wind-down of underperforming business channels

As Vita Group focuses on rolling out the successful new format APR stores, and at the same time revisits its existing store portfolio, the Board considers that the value of the Next Byte business should more closely reflect the initiatives now underway, rather than the intellectual property purchased as part of the original Next Byte acquisition in 2007.

As a consequence, the Board has resolved to record a non-cash impairment charge of between \$12 million and \$15 million in relation to the carrying value of the Next Byte business, with the exact amount subject to the year-end review and audit process. Importantly, whilst the charge will have an impact on reported profit for FY12, the non-cash charge will not have any impact on Vita Group's operations, financing arrangements or dividend policy.

Commenting on the reaffirmed earnings guidance and Next Byte developments, Vita Group Joint Chief Executive Officer, Mr David McMahon, said:

“Vita Group’s telecommunications business continues to perform well, underpinning the growth in earnings as more new Telstra stores mature and we expand our retail store footprint in key markets nationally. With smart phone and device penetration and usage continuing to increase, and as we become more connected in our homes and at work, the underlying growth fundamentals of our telecommunications business remain attractive.

“The Next Byte business has changed substantially since we acquired it five years ago given a number of internal and external factors. Vita Group remains committed to the Next Byte business, and has responded by developing a new growth strategy centred around new format stores in new targeted locations.”

Further enquiries:

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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