

# ASX Announcement

## Vita Group reports strong growth in earnings following portfolio transformation

**Brisbane, 26 August 2013** - ASX-listed provider of communications, consumer electronics and related products and services, Vita Group Limited (ASX: VTG), today announced a strong result for the 12 months to 30 June 2013, reporting 32% growth in group EBITDA to \$22.1m and a more than doubling of net profit after tax to \$6.2m<sup>1</sup>.

The result signals growing cash earnings momentum following Vita's transformation of its store portfolio in recent years. Vita's Telecommunications division recorded a 42% uplift in EBITDA to \$23.8m on a 14% increase in revenue to \$344.5m, reflecting continued strength in mobility and growth in fixed, broadband and media products.

### HIGHLIGHTS

- Group revenue up 6% to \$434.7m
- Second-half dividend 1.68 cents per share, full-year dividend up 89% to 2.83 cps
- Reduction in net debt over the period, from \$9.7m to \$2.8m
- Group expenses down 1.0% despite revenue growth, reflecting productivity gains
- Softer Next Byte result in the face of headwinds

| (\$m unless otherwise stated) | FY13     | FY12             | Change |
|-------------------------------|----------|------------------|--------|
| Revenue                       | 434.7    | 410.4            | +6%    |
| Gross operating margin        | 137.5    | 133.8            | +3%    |
| EBITDA                        | 22.1     | 16.8             | +32%   |
| EBIT                          | 10.9     | 6.9 <sup>1</sup> | +58%   |
| NPAT                          | 6.2      | 3.0 <sup>1</sup> | +107%  |
| Dividend                      | 2.83 cps | 1.50 cps         | +89%   |

<sup>1</sup> Excludes FY12 impairment of Next Byte, loss on discontinued joint venture

### OVERVIEW OF OPERATIONS

As at 30 June, Vita's portfolio stood at 177 points of presence, comprising Telstra (84 stores), Telstra Business Centres (12), Fone Zone (34), Next Byte (17) and One Zero (30).

Vita's Telecommunications division benefited from a strong Group and Telstra performance in FY13 in both consumer and business channels. Mobile volumes grew, but growth was especially pronounced in fixed products such as broadband, media and NBN, with gross contribution from these products up 60%.

With the rollout of the Telstra portfolio now well advanced, the Group's focus has turned to optimising the performance of its portfolio, driving traffic to each location and executing well on sales opportunities. Vita has also continued to drive improvements in customer advocacy, a key differentiator.

On a like-for-like basis, revenue and EBITDA from Telstra stores grew 9% and 25% respectively, and the average per-store EBITDA contribution grew significantly. With 45% of Vita's Telstra stores less than 24 months old at period end, the outlook is for continued growth over the medium term.

The strong performance of Vita's Telstra stores was offset by a decline in Fone Zone revenue and earnings, as store numbers reduced and new investment was directed toward the Telstra portfolio.

The Next Byte result was subdued, reflecting portfolio disruption as the transition to the new-format Apple Premium Reseller model continued. Revenue was down 16% to \$90.2m resulting in a \$1.8m EBITDA loss for the period. The limited Apple product releases during the second half also weighed on performance.

Improving execution of the Next Byte strategy is a Group priority in the coming year. New leadership, a focus on operating disciplines and sales competencies, and closer strategic alignment with Apple is expected to drive improved performance in FY14.

The Group result benefited from continued productivity gains with expenses down 1.0% during the year despite the growth in revenues. Gross debt was reduced by 32% to \$15.5m as at 30 June 2013 as easing capex requirements in the second half allowed for accelerated debt repayments. Net debt fell from \$9.7m to \$2.8m.

The Board declared a full-year dividend of 2.83 cents per share, up 89% from 1.5 cps in the previous period, representing a 65% payout ratio. The dividend is payable on 10 October to shareholders on the register as at 13 September.

## OUTLOOK AND COMMENTARY

Vita Group CEO, Maxine Horne, said, "This is a very pleasing result for which the entire Vita team deserves credit. Our strategy to invest in a high-quality store portfolio aligned to the market leader, Telstra, is paying dividends. The portfolio is generating strong profits and cash, which has allowed for accelerated repayment of debt and a growing dividend stream. Our focus now is on driving maximum value from our Telstra portfolio, lifting the performance of Next Byte and investing in the SME and enterprise market where we have expertise and capability, but lack scale. To this end we will be investing in our people, particularly in the areas of leadership, sales execution and customer experience, all of which will drive sales and profitability. We know that great people deliver great results and we want to build on our excellent foundation, equipping our teams with the right skills, tools and processes to be even more successful."

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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 June 2013 Vita Group was operating 177 outlets, branded as Telstra and Telstra Business Centres (96 stores), Fone Zone (34), One Zero (30) and Next Byte (17). 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)*