

Vita Group 2012 AGM Chairman's Address

It has been a strong year for the company.

Two years ago, we decided on a transformation strategy that repositioned the Vita portfolio of more than 180 stores, to be more closely aligned with Telstra and Apple. We have made decisive progress on delivering that strategy.

In the case of our Telstra footprint, this rollout was substantially completed by the year end. As of today we have 81 Telstra stores and 12 Telstra Business Centres. All well located and set to benefit from the market advantage Telstra enjoys in the mobile telecommunications space.

During the year we rolled out the new-format Next Byte stores under the Apple Premium Reseller model. Our portfolio of value-added services and accessories was bolstered during the year, giving us access to high-margin, low-capex complementary revenue streams.

These initiatives were combined with a significant drive to reduce costs across the Group.

It is a credit to the leadership and management team that they have been able to execute the portfolio strategy so seamlessly.

Our repositioned store footprint leaves Vita extremely well placed to benefit from the growth in demand for mobile broadband, smart-phones and related devices. This sector has continued to prove resilient despite an uneven economy and subdued consumer sentiment.

The 2012 financial result shows the hard work of recent years is starting to pay off.

The Group recorded 6% growth in revenue to \$410 million, and 21% growth in telecommunications revenue for the year.

More importantly, underlying EBITDA was up 89%, from \$8.9 million to \$16.8 million. This result excludes the impact of historic trailing commissions that no longer apply, a loss associated with a discontinued joint venture and the \$15 million impairment of Next Byte announced in July.

The underlying EBITDA result reflects not only the focus on cost management but also the uplift in earnings contribution from stores opened in the previous 18-24 months.

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With our store portfolio now close to optimised the Board is very confident in the medium-term growth prospects for the Vita Group.

This is evident in the fully-franked dividend of 1.5 cents per share declared for 2012.

While less than the prior year's dividend, which included the benefit of trailing commissions, the payout ratio was 76% of net profit after tax - NPAT - well above our target 65% ratio.

The Board is confident newly opened stores will deliver earnings growth as they mature in the coming years, thus delivering more free cash flow.

I should emphasise the call on capital expenditure will diminish as our store rollout nears completion. Gearing at year end was a comfortable 20.7%. We expect gross debt to peak towards the end of this calendar year and reduce after that.

The strong progress made in fiscal 2012 is the result of outstanding teamwork, which has always been one of the enduring characteristics of Vita Group throughout its history.

On behalf of the Board I want to thank the leadership group and all Vita team members for their dedication and focus in executing the Group's strategy so successfully. Vita Group now has all the ingredients in place to stake a leading position in the national market for telecommunications, computing and related products and services.

I would also like to thank our shareholders for their continued support and confidence in our strategy.

Yours sincerely

A handwritten signature in black ink that reads "Dick Simpson". The signature is written in a cursive style with a large, stylized 'D' at the beginning.

Dick Simpson

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