

## ASX announcement



# Vita Group delivers strong interim performance as it continues to evolve

28 February 2017

### RESULTS HIGHLIGHTS

- Group revenue up 8% to \$344.1 million
- Underlying EBITDA up 15% to \$35.0 million
- Underlying EBIT up 19% to \$30.1 million
- Record interim dividend of 9.20 cents per share (cps), up 60%

Vita Group Limited (ASX: VTG) today reported strong performance for the six months to 31 December 2016. The group delivered an 8 per cent increase in revenues from continuing operations to \$344.1 million and a 15 per cent uplift in underlying earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations to \$35.0 million.

Growth in earnings and strong cash generation enabled the group to continue to invest in its businesses and reward shareholders with higher dividends. With no net debt at the end of the half, Vita retains significant flexibility to invest in growth opportunities in line with its strategy.

The Board declared a record dividend of 9.20 cps fully franked – a 60 per cent increase on the prior year – to be paid on 7 April 2017 to shareholders on record as at 10 March 2017.

The results reflect Vita's continued execution of its strategy to optimise its retail channel and to transform and scale its business channels, whilst exploring further opportunities for growth as it continues to evolve. The retail channel delivered another strong result whilst the group's small-to-medium business (SMB) and enterprise channels continued their growth trajectory. Vita's accessories brand Sprout, grew in both Vita and third party distribution channels, demonstrating the group's ability to deliver value across a range of categories.

Chief Executive Officer, Maxine Horne commented: "We are pleased to deliver a strong result, in line with our clear strategy. At our core, we are a consultative-sales organisation providing our customers with holistic solutions. We intend to continue to use our core competencies to evolve and deliver sustainable value now and into the future. This is evidenced by the growth in our Sprout accessories business and the October launch of SQDathletica, a men's apparel and accessories brand which, whilst immaterial in terms of cost in the short term, demonstrates our intent to apply our competencies to categories with attractive characteristics. We will continue to explore other new opportunities."

### OPERATING HIGHLIGHTS

Group revenues from continuing operations grew 8 per cent to \$344.1 million, with growth across all channels.

Retail channel revenues increased 5 per cent, with growth in fee income offset by slower growth in low margin device sales. The group continued to focus on improving the productivity of its existing store portfolio and reducing performance variability, whilst at the same time lifting average store earnings through targeted additions to the store network. Vita benefited from the acquisition of three Telstra stores during the period and closed one store. EBITDA from the retail channel grew 12 per cent with like-for-like EBITDA up 7 per cent.

The SMB channel achieved a 35 per cent increase in revenue, with growth occurring across all key product categories. The team continued to embed leadership disciplines and operating rhythms, whilst working with Telstra to evolve the strategy for this channel, with the expectation that retail points of presence and enterprise expertise will both play a more prominent role in servicing SMB customers in the future.



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Enterprise channel revenues grew by 16 per cent, off the back of key account wins; with the channel building a solid customer pipeline to deliver future returns. Whilst the group's business channels are gaining traction, there is much work to do to enable these channels to reach their potential and deliver a meaningful EBITDA contribution to the group.

Sprout revenue increased by 28 per cent, with growth coming from both internal distribution channels and from the expansion of the third party customer base.

Gross margins rose, due to a higher relative contribution from the business channels combined with a change in product mix sold in retail. This was partly offset by slightly softer unit margins in the second quarter, and the elimination of gross margin from the now expired proprietary product, ESP, which contributed \$3.1 million in H1 FY16.

As at period end, Vita retained a healthy balance sheet position with no net debt.

## SECOND-HALF OUTLOOK

Subsequent to agreeing changes in commercial terms with Telstra (as communicated in Vita's ASX announcement on 25 November 2016), there will likely be some softening of profitability on a per connection basis in the second half of the financial year.

However, Vita expects to deliver improved productivity from its retail network and is targeting continued momentum in the performance of its business channels. Additionally, Vita will further increase its retail presence with the acquisition of five Telstra stores which in the short-term, takes its Telstra licensed store portfolio to 107. Further optimisation of the portfolio is expected, with acquisitions, divestments and closures likely. Vita's clustered network of stores enables an intensity of leadership to drive greater productivity and exceptional customer experiences.

"As we enter the second half, our proven ability to execute will assist in sustaining the performance momentum we have created," said Ms Horne. "As always, our ability to perform and evolve comes down to our people, who are the key to our success. We delivered a great result, which continues a long track record of strong performance. Moving forward, we're excited about the next phase of our strategy. As well as continuing to drive returns from our telecommunications business, we are actively looking for opportunities to take what we're good at – our competencies – and apply them in other attractive categories, in addition to those that we are already in. We look forward to continuing to create value for all our stakeholders and making Vita an even greater place to be."

## RESULTS SUMMARY

<i>(\$m unless otherwise stated)</i>	H1 FY17	H1 FY16	Change
<b>Continuing operations</b>			
<b>Revenue</b>	344.1	318.6	8%
<b>Gross profit</b>	128.3	111.3	15%
<b>EBITDA</b>	35.0	33.5	4%
Non-cash benefit from ESP	0.0	3.1	
Underlying EBITDA	35.0	30.4	15%
<b>EBIT</b>	30.1	28.3	6%
<b>NPAT</b>	21.4	19.4	10%
<b>Profit/(loss) from discontinued Next Byte operations</b>	0.3	(3.8)	
<b>Interim dividend</b>	9.20 cps	5.76 cps	60%



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**About Vita Group** Vita Group is a consultative solutions provider, specialising in enhancing customers' way of life. Vita operates Telstra branded stores and Business Centres, SQDAthletica, Vita Enterprise Solutions and Sprout. For further information, visit [www.vitagroup.com.au](http://www.vitagroup.com.au).



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