

A purple-tinted background image of a woman smiling and talking on a mobile phone. The image is partially obscured by the text overlay.

# Vita Group (VTG) Results Presentation

For the year ended 30 June 2013

# FY13 GROUP HIGHLIGHTS

*portfolio investment driving earnings growth*



## **Momentum from Telstra portfolio investments**

*14% growth in Telecommunications revenue*

*Very strong growth in non-mobility products*

## **Strong growth in earnings and cash flow**

*EBITDA +32%<sup>1</sup> → EBIT +57%<sup>1</sup> → NPAT +108%<sup>1</sup>*

*Net debt down 72% to \$2.8m*

## **Full-year dividend up 89% to 2.83 cps**

*65% payout ratio*

## **New leadership, reinvigorated focus on Next Byte**

*Sales competencies and retail disciplines*

*Execute transformation to new format*

## **Clear strategy for long-term growth**

*SME and enterprise market, broad product range, investment in people and customer advocacy to drive returns*

<sup>1</sup> FY12 comparatives exclude impairment

# TELECOMMUNICATIONS: HIGHLIGHTS

*strong growth from Telstra portfolio investment*

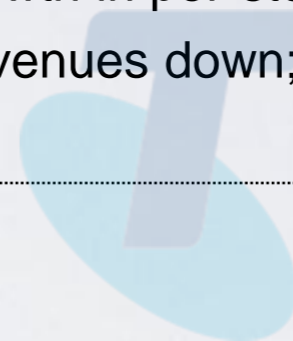
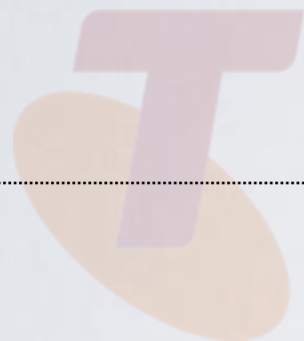
## Telstra portfolio delivering on promise

Revenue up 14% to \$344.5m

Costs flat: continued productivity improvements

Underlying EBITDA up 42% to \$23.9m

- Significant growth in per-store EBITDA contribution
- Fone Zone revenues down; fewer stores, limited investment



## Diversified offering gaining traction

Growth across broad product range

- Mobile consistently strong
- Fixed, broadband and media - gross profit +60%
- Industry leading attach rates (accessories, warranties)
- Enterprise and SME revenues up

# NEXT BYTE: HIGHLIGHTS

*refocused on portfolio transformation and execution*

## Performance headwinds

Revenue down 16% to \$90.2 million

- Portfolio disruption – store closures and openings
- No material Apple product launches in H2

next byte



New leadership in place

## Basis for improved performance in FY14

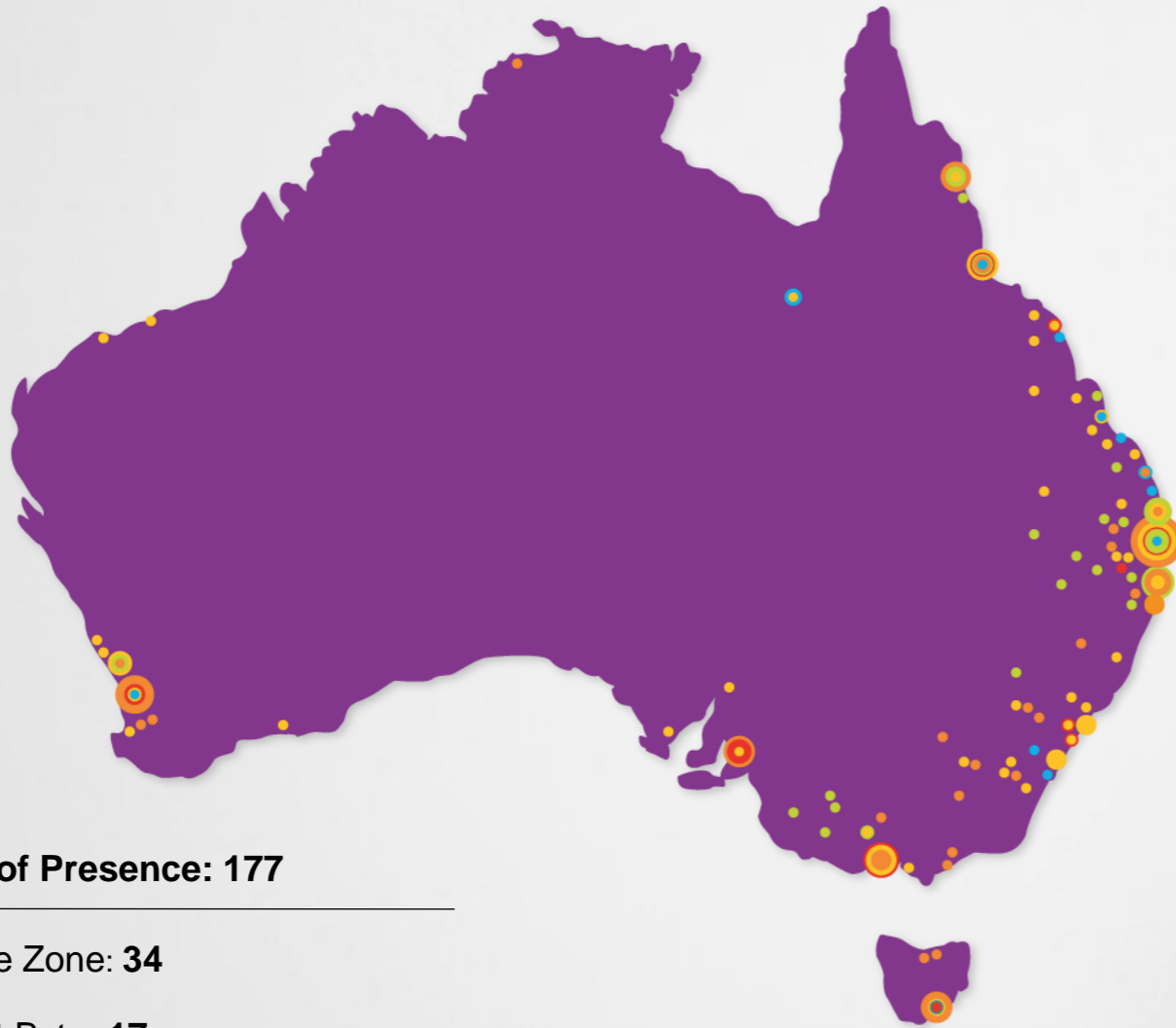
Focus on sales execution and retail disciplines

Continued evolution to new-format APR footprint

- Complementary to Apple-owned stores

# PORTFOLIO UPDATE

*as at 30 June 2013*



**Points of Presence: 177**

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- Fone Zone: 34
- Next Byte: 17
- One Zero: 30
- Telstra: 84
- Telstra Business Centre: 12



# FY13 Income Statement

(\$m unless otherwise stated)	FY13	FY12	
Revenue	<b>434.7</b>	410.4	+6%
Gross Profit	<b>137.5</b>	133.8	+3%
EBITDA	<b>22.1</b>	16.8	+32%
EBIT	<b>10.9</b>	6.9 <sup>1</sup>	+58%
NPAT	<b>6.2</b>	3.0 <sup>1</sup>	+107%
Dividend	<b>2.83 cps</b>	1.5 cps	+89%

<sup>1</sup> Excludes impairment of Next Byte, discontinued JV loss in FY12

## Result underpinned by performance in Telecommunications and non-mobile categories

- EBITDA up 32%; higher returns from Telstra stores and growth in fixed business
- Greater leverage from interest and depreciation - EBIT up 58%, NPAT more than double FY12 <sup>1</sup>

## Margins slightly down

- Fee revenue up 21%
- Handset margins down on prior year

## Benefit of productivity gains

- Expenses down 1.0% despite growth

## Cash profit growth = dividend growth

- Full year dividend 2.83 cps, +89% on FY12
- H2: 1.68 cps (0.75 cps in pcp)

# Balance Sheet

(\$m)	30 Jun 13	30 Jun 12
Cash	12.8	13.3
Current assets (exc. cash)	34.5	41.2
Non-current assets	87.5	84.9
<b>Total Assets</b>	<b>134.8</b>	139.4
Current liabilities	(72.5)	(75.4)
Non-current liabilities	(21.8)	(27.0)
<b>Total liabilities</b>	<b>(94.3)</b>	(102.4)
<b>NET ASSETS</b>	<b>40.5</b>	37.0

## Accelerated debt repayments

- 32% reduction in gross debt to \$15.5m
- Steep debt reduction in H2 (\$8.3m)
- Net debt down from \$9.7m to \$2.8m

## Tight working capital management

- Improvement in debtors
- Lower creditors reflects timing of purchases; no change in terms
- Similar cash position despite debt pay-down

## Warranty sales strong

- Reflected in unearned (deferred) revenue - will benefit future periods

(\$m)	FY13	FY12
<b>Current</b>	17.6	12.3
<b>Non-current</b>	10.4	8.5

# FY13 Cash Flows

(\$m)	FY13	FY12
Operating cash flows	<b>20.1</b>	17.1
Investing cash flows	<b>(10.4)</b>	(16.9)
Financing cash flows	<b>(10.2)</b>	5.2
Net cash movement	<b>(0.5)</b>	5.4
Opening cash balance	<b>13.3</b>	7.9
Closing cash balance	<b>12.8</b>	13.3

## Operating cash flow up 18% after tax

- Cash generation ahead of cash profits after interest and tax

## Reduced call on capex

- Capital investment \$10.4m, down 38%
- Fewer store fit-outs
- Rollout nearing completion

## Financing cash flows:

- Acceleration in debt repayments H2
- Finance lease pay down and dividends

## Cash balance neutral



# FY13 - Telecommunications

(\$m)	FY13	FY12	
Operating revenue	<b>344.5</b>	303.2	+14%
Gross profit (goods sold)	<b>39.3</b>	46.1	-15%
Fee income	<b>83.3</b>	69.6	+20%
<i>Gross operating margin</i>	<b>122.6</b>	115.6	+6%
EBITDA	<b>23.8</b>	16.7	+43%
Points of presence (period end) <sup>1</sup>	<b>160</b>	163	

<sup>1</sup> Telstra (+5 stores), Fone Zone (-7), One Zero (-1), TBC (no change)

## Telstra points of presence performing strongly

- Like-for-like revenues +9%, EBITDA +25%
- Average store earnings significantly up

## Volume growth

- Leverage to Telstra network dominance, particularly 4G
- Media and fixed products

## Shift in revenue mix

- Sharp uplift in fee income; handset margins compressed (offsetting higher volumes)
- More diverse product mix; fixed contribution to gross profit +60%

## Productivity Gains

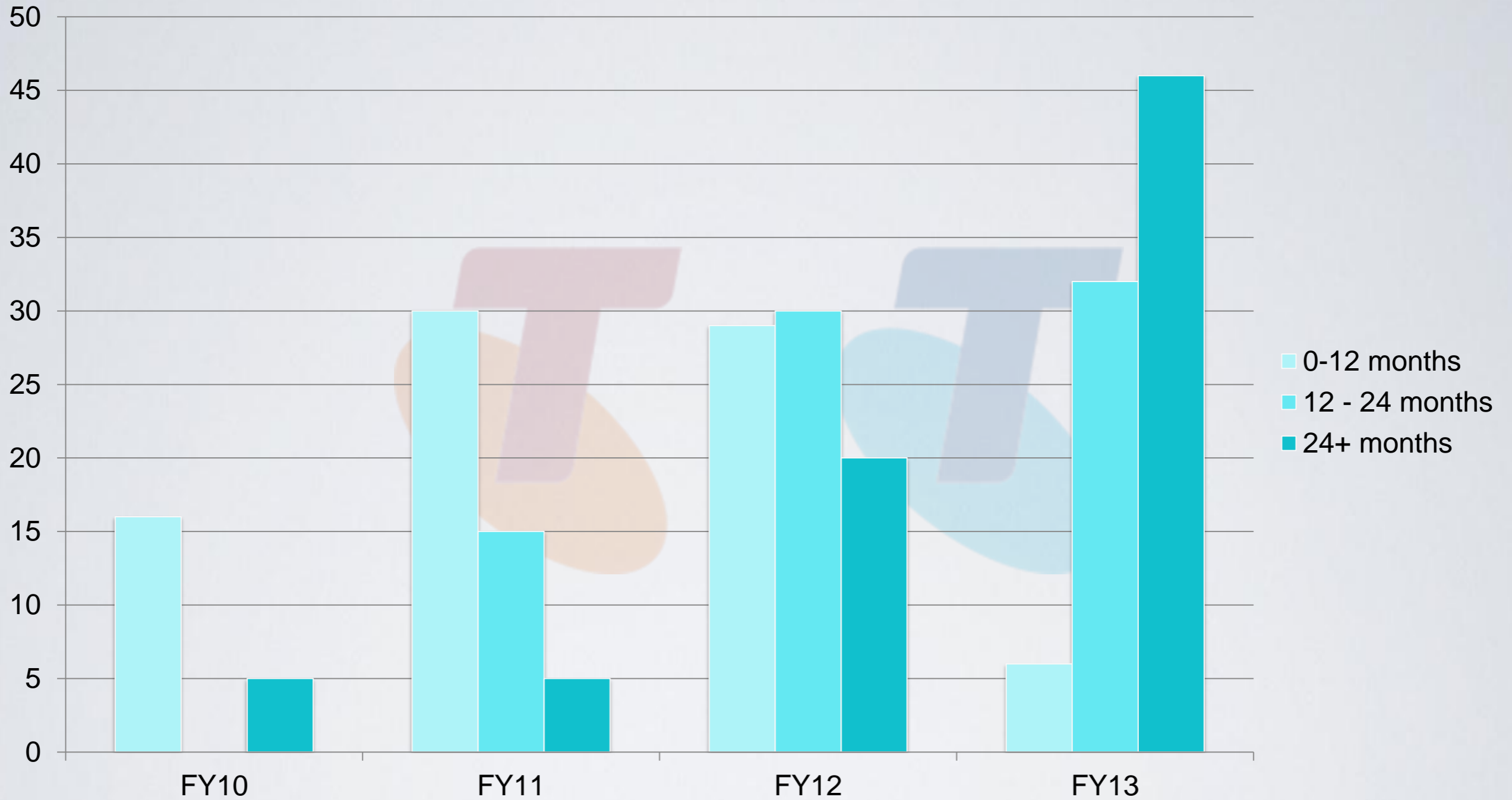
- Expenses to revenue 28.7% vs. 32.6% FY12

## Business offering gaining traction

- Enterprise revenue up 35%
- Outbound + in-store model a driver of future growth

# TELECOMMUNICATIONS

*age profile of Telstra portfolio*



# FY13: Computing (Next Byte)

(\$m)	FY13	FY12	
Operating revenue	<b>90.2</b>	107.2	-16%
<i>Gross operating margin</i>	<b>14.5</b>	18.3	-21%
EBITDA	<b>(1.8)</b>	0	
Points of presence (period end)	<b>17</b>	18	

## Headwinds in full-year result

- No Apple product launch in H2
- Transition of service to Unisys (one-off charge)
- Portfolio disruption (store closures/openings)
- Execution gaps

## Reinvigorated commitment to new-format strategy

- New leadership in place
- Closer strategic partnership with Apple
- Investing to improve field leadership and sales execution
- Continued focus on key value drivers: connectivity and accessories

# OUTLOOK

## *continued growth*



### **Benefits as Telstra portfolio returns improve**

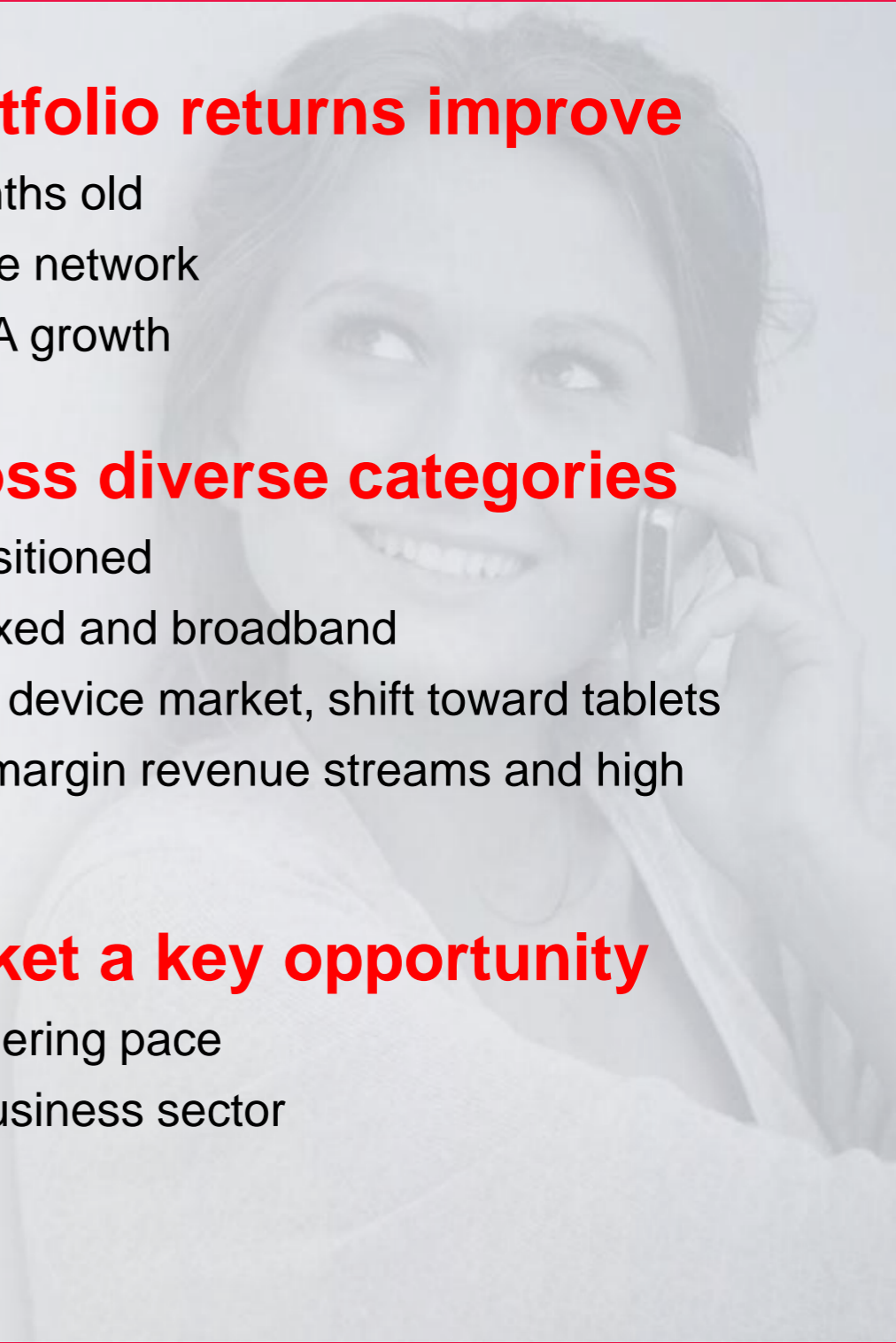
- 45% of stores less than 24 months old
- Investment in people to optimise network
- Will underpin continued EBITDA growth

### **Demand robust across diverse categories**

- Mobile solid, Telstra well positioned
- NBN supporting growth in fixed and broadband
- Apple – significant share of device market, shift toward tablets
- Continued focus on higher-margin revenue streams and high attach rates

### **SME & Enterprise market a key opportunity**

- Shift to Cloud, IP solutions gathering pace
- Vita relatively underweight in business sector
- Natural extension of offering



# HARNESSING PORTFOLIO POTENTIAL

*investing in people and customer advocacy*



**CARE**

## **Get, Grow and Keep talented people**

- Demonstrable evidence that great leaders deliver great results
- People strategy positioned to develop great people
- Development programs and succession planning for leadership roles
- Develop leaders and sales team to improve sales capability and execution
- Reward and recognise high achievers

## **CARE Sales and Sales Leadership investment**

- Designed to lift most important KPI metrics
- Delivers exceptional customer advocacy
- Key component of the “Grow and Keep” parts of the people strategy



# STRATEGIC PRIORITIES: FY14 AND BEYOND

## Investment in People

- Leadership, sales, customer experience programs – great people deliver great results

## Broaden Product Focus

- Fixed and media, broadband, NBN
- Accessories and risk management products

## SME / Enterprise Strategy

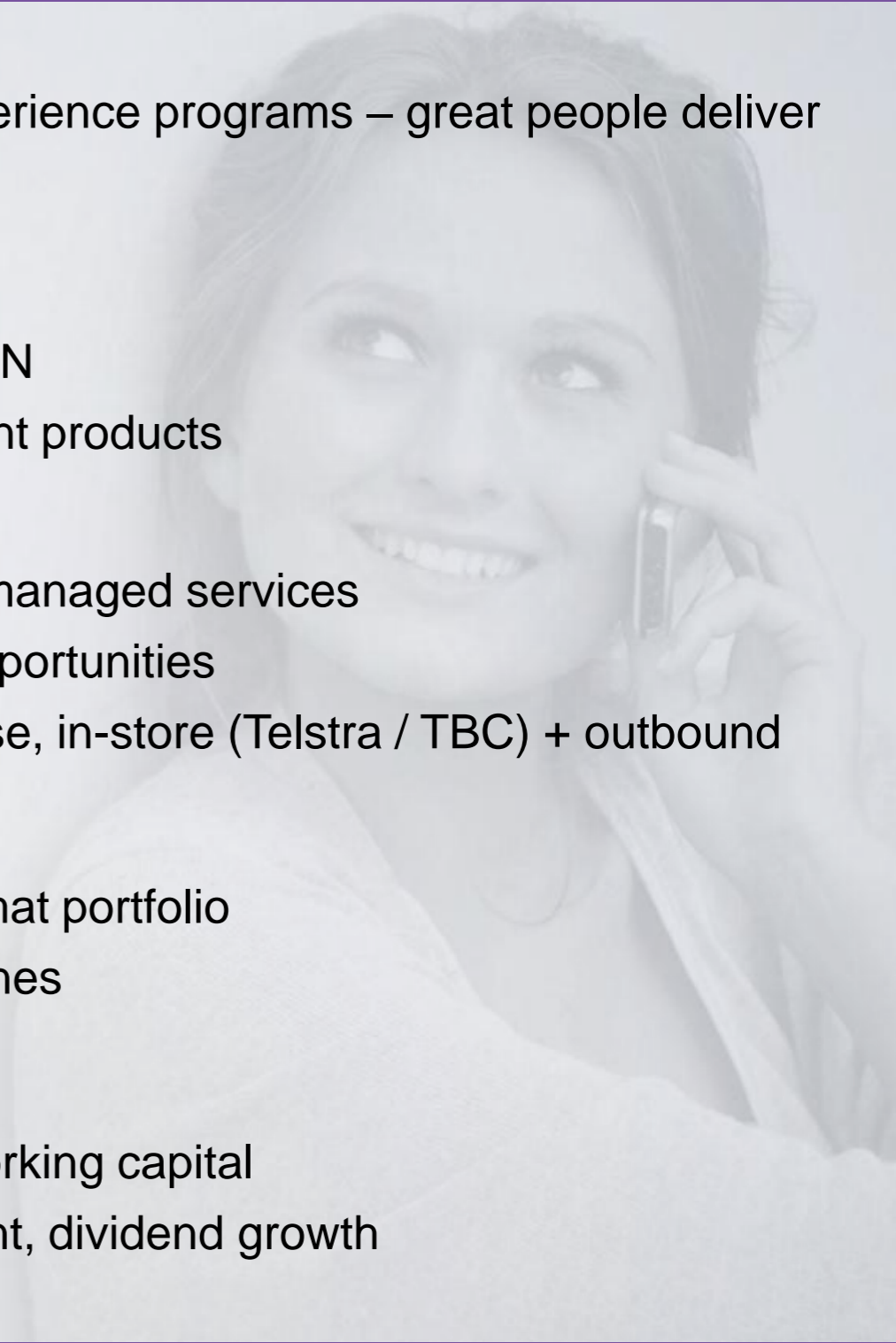
- Cloud, unified communications, managed services
- Explore organic and inorganic opportunities
- Multi channel approach: enterprise, in-store (Telstra / TBC) + outbound

## Next Byte

- Execute on transition to new-format portfolio
- Performance focus; retail disciplines

## Group Performance

- Continued focus on costs and working capital
- Free cash flow for debt repayment, dividend growth



A purple-tinted background image of a woman with dark hair, smiling and holding a mobile phone to her ear. The image is semi-transparent and serves as a backdrop for the text.

# Questions?

## Results Presentation

For the year ended 30 June 2013

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