Annual General Meeting Vita Group (VTG)

A GREAT PLACE TO BE

vita GROUP LIMITED

AGENDA

FY17 RECAP

RECORD EARNINGS RESULT

REVENUE[1]
$674.6M, +5%
UNDERLYING EBITDA[2]
$65.0M, +5%
DIVIDEND
16.6CPS, +19%

CAPITAL MANAGEMENT REVIEW

ABILITY TO INVEST IN GROWTH

TELSTRA PARTNERSHIP
GOLD STANDARD

EXTENSION TO 2023
WITH ANNUAL REVIEW-BASED EXTENSIONS

AGREED
FUTURE FOOTPRINT TERMS
110 STORES FY18
115 STORES FY20

AGREED
REM FRAMEWORK

STRONG CASH FLOW

FLEXIBLE BALANCE SHEET

PLATFORM TO CONTINUE TO DRIVE EARNINGS

[1] *From continuing operations*
[2] *A non-IFRS measure. From continuing operations excluding a $4m non cash benefit from the discontinued ESP swap/warranty product in FY16. Refer to Appendix 1 for a reconciliation of reported to underlying earnings.*

TELCO INDUSTRY TRENDS

MARGIN PRESSURE IN CARRIAGE

- *Demand for data growing rapidly – a long term trend*
- *Record investment in networks to facilitate demand*
- *Increased competition means monetising investment is challenging*
- *NBN – exacerbates margin pressure*

HOW TELSTRA WILL MAINTAIN MARKET LEADERSHIP

- *Continued investment in networks and in new technology (eg. 5G)*
- *Investment in applications and services which leverage network leadership and provide new revenue streams*
  (examples: technology aggregation, applications, services, Smart Home)

INDUSTRY DEMAND REMAINS STRONG

Carriage margin pressure will remain, however new revenue sources are emerging

VITA / TELSTRA AGREEMENT - RECAP

TENURE

- Extended to 30 June, 2023 with rolling annual extensions (subject to annual review)
- Effectively, five to six years forward tenure
- Minimum three year's notice from either party to cease the agreement at the relevant expiry date

REMUNERATION

- Remuneration model agreed (Telstra comfortable with FY18 model, no decisions made about remuneration changes beyond FY18)

RETAIL STORE FOOTPRINT

- Retail store cap increased to 110 (from 11 August 2017) and 115 (from 1 July 2019)
  - 2 new stores acquired with completion due 1 December 2017 – will benefit H2 earnings
  - Expect to grow to 110 stores by end of FY18
- Some legacy remuneration removed from 1 July 2019 (7 – 8% of retail remuneration) – partly offset by increased store cap

A STRONGER PARTNERSHIP

- Negotiations addressed multiple, complex issues relating to the nature of the agreement. They took time to address and confidentiality was required
- Vita exited negotiations with a stronger strategic partnership with Telstra – both parties can continue to invest with confidence

FY18 TRADING UPDATE

TELSTRA REMUNERATION CHANGES

- Remuneration impacts from Telstra negotiations already communicated to the market – $25m annual impact versus FY17
- Offset by:
  - $5m cost reductions in place from 1 July 2017
  - Continued performance optimisation – will reduce network variation
  - Increased retail ICT store numbers
  - Improving business ICT channel

TIMING OF EARNINGS

- New device launches will impact timing of earnings more significantly than previous years, with benefits expected to move from H1 to H2:
  - Devices launches were staggered from September to November
  - Stock heavily constrained – full allocation will not be in place until H2
  - iPhone X launch is anticipated by customers

FULL YEAR EARNINGS

- Unlikely to recover the lost ground in H1
- Full year guidance to be updated in February 2018

ESTIMATED H1FY18 EBITDA	$16M – $18M
ESTIMATED FY18 EBITDA	$36M – $43M

OUR STRATEGY – CORE

INFORMATION & COMMUNICATIONS TECHNOLOGY (ICT)

- Retail ICT continues to be core to our group's success
- Retail ICT channel continues to be profitable, despite market challenges
- Intention to expand to 110 retail stores by end of FY18, with two confirmed stores from 1 Dec 2017
- Consultative selling continues to drive multi-product sales
- Leadership and sales development addressing variance across network

Vita's value is not in *what* we sell, but in *how* we sell:

- Consultative-selling – we are customer driven, not product and price
- Strong operating rhythms, processes, disciplines and systems – driving performance at scale

OUR STRATEGY – DIVERSIFICATION

Diversification is key to Vita's strategy, and has been for some time

2010
Diversification into small-to-medium business

2011
Creation of accessories business, Sprout

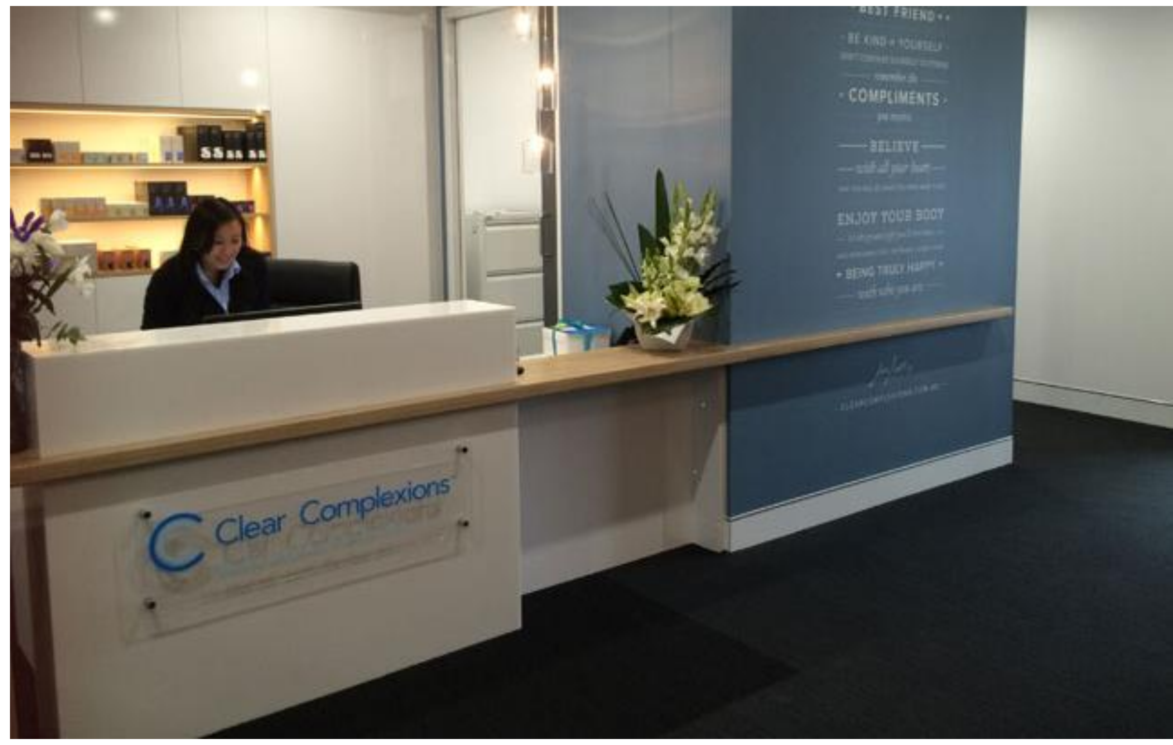
2013
Diversification into enterprise

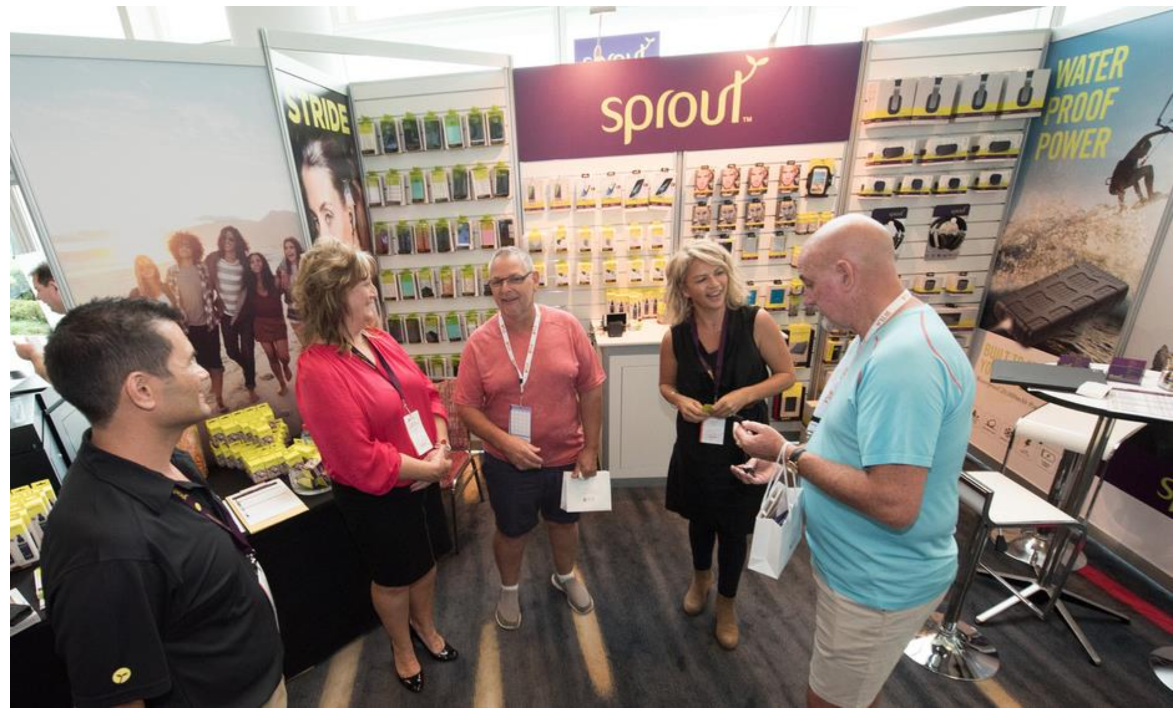
2016
Creation of men's athleisure business, SQDAthletica

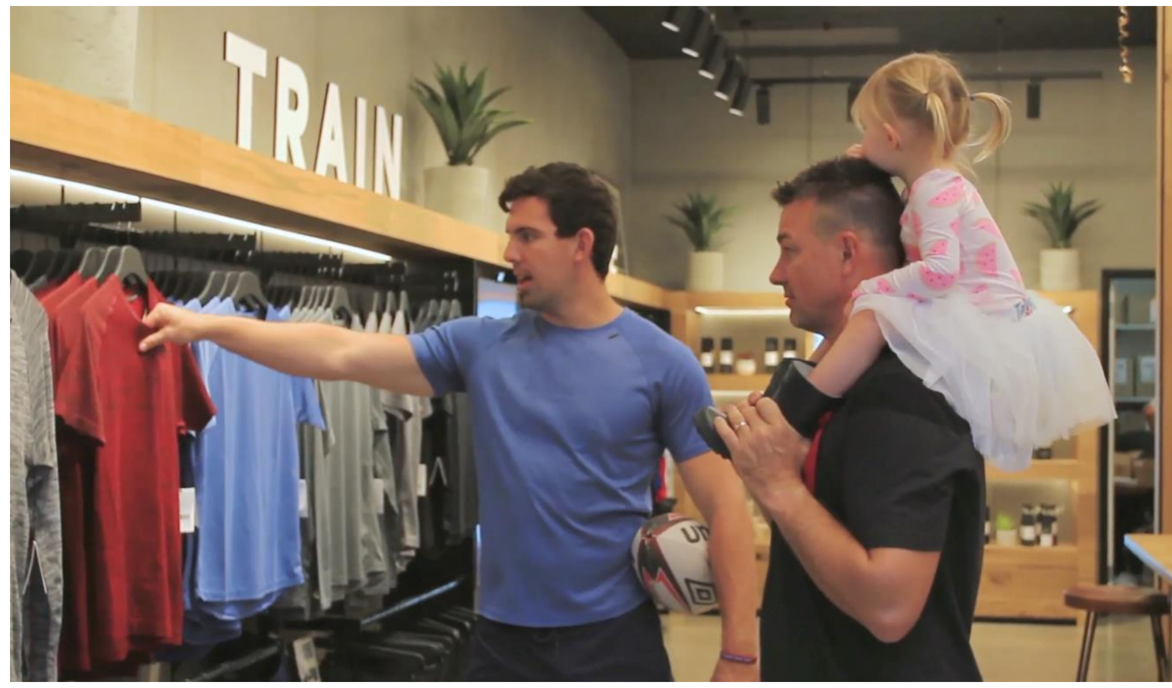
2017
Acquisition of non-invasive medical aesthetics business, Clear Complexions

Vita has clear characteristics for attractive growth categories:

- High margins
- Brand ownership
- Attractive market: clear growth trajectory
- Opportunity to consolidate, taking ownership of premium positioning







NEW CATEGORIES

NIMA: A GROWING INDUSTRY

THE NIMA OPPORTUNITY

- Strong demand – $1b market in Australia[1], growing strongly
- Premium position – opportunity to drive scale and own the premium end of the market
- Meets our characteristics of attractive categories

WHY VITA INVESTED

- Leverages Vita's core competencies, including:
  - Consultative selling
  - Ability to scale networks – through acquisition, and organically
- Fragmented market: opportunity to consolidate

WHY CLEAR COMPLEXIONS[2]

- Respected, highly skilled operator
- Strong foundation of six clinics in Sydney and Canberra
- Strong medical focus

OUR GOAL

To be a premium leader in the NIMA market with 45 – 60 clinics within five years

These factors, combined with Vita's competencies, create a platform to build scale and grow profitability

[1] Source: Cosmetic Physicians College of Australia
[2] Subject to completion

SUMMARY

1. Key focus is to continue to drive growth and profitability in our ICT channels – this underpins our success
2. We will continue to focus on maximising our new investments
3. We will continue to build on the talent and skillset of this organisation
4. Our aim is to build a business that delivers sustainable value over time

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