



FY18 RESULTS PRESENTATION

Vita Group Limited (VTG)



FY18 Headlines

ICT

- Solid result, despite challenging industry conditions
 - ▶ Comfortably within previous guidance range
- Adverse remuneration impacts and product mix partly offset by volume and productivity gains
- Rigorous cost focus

Vita Group's Own Brands

- Operating model established for non-invasive medical aesthetics (NIMA)
- Clear Complexions and Artisan acquisitions embedded, performance on track, ready to add scale
- Solid Sprout accessories performance, growth in B2B distribution
- SQDAthletica growing

Capital Management

- Strong cash generation
- No net debt
- Flexibility to invest

Financial Headlines

- Group revenues a record \$684.5m, up 3% on prior year
- Gross operating margin \$211.3m, down from \$242.9m in prior year
 - ▶ Remuneration changes, mix movements
- Operating costs down 4% to \$182.1m, including addition of NIMA business
 - ▶ Support costs down 11%
- EBITDA \$41.0m, comfortably within previously communicated guidance
 - ▶ EBIT \$30.9m; NPAT \$22.0m
- Net cash \$16.4m, strong cash conversion



Income Statement

(\$m unless otherwise stated)	FY18	FY17	
CONTINUING OPERATIONS			
Revenue	684.5	674.6	3%
Gross Profit %	30.9%	36.4%	
EBITDA	41.0	65.0	(37%)
EBIT	30.9	55.4	(44%)
NPAT	22.0	39.0	(44%)
Discontinued operations (net of tax)	0.0	0.4	
NPAT including discontinued operations	22.0	39.4	11%
Ordinary Dividend	9.1cps	16.6cps	(45%)

Revenues up 3%

- Retail ICT up 2%
 - ▶ Strong device sales
 - ▶ Portfolio optimisation
- SMB up 6%
 - ▶ Strong performance in fixed line and devices
- Enterprise down 13%
 - ▶ Focus on profitable revenue streams

Gross margin down...

- Remuneration reductions
- Higher device sales in the mix

However, efficiencies delivered

- Operating expenses down 4%
- Support costs down 11%

EBITDA \$41.0m

- Within previously communicated guidance
- \$24m adverse to prior year reflecting remuneration changes and adverse product mix, partly offset by cost efficiencies
- EBIT \$30.9m, NPAT \$22.0m

Full year dividends maintained at 65% NPAT

Balance Sheet

(\$m)	30 Jun 18	30 Jun 17
Cash	31.6	29.7
Current assets (exc. cash)	42.5	45.9
Non-current assets	122.3	102.0
Total assets	196.4	177.6
Current liabilities	(85.3)	(84.2)
Non-current liabilities	(13.4)	(8.6)
Total liabilities	(98.7)	(92.8)
Net assets	97.7	84.8
Cash	31.6	29.7
Debt	(15.2)	(11.9)
Net cash	16.4	17.8

No net debt

- \$16.4m net cash
- NIMA acquisitions cash funded

Tight management of working capital

- Inventory under two weeks, but up on increased ICT handset volumes and NIMA inclusion (up \$2.7m)
- Receivables down on timing of receipts and strong cash conversion (down \$6.0m)

Non-current assets up

- Goodwill up \$19.8m on acquisitions

Current liabilities up

- Payables up \$2.5m
- Current debt levels marginally higher (up \$0.6m)
- Increase in provisions (up \$1.2m) offset by lower tax liabilities (down \$3.1m)

Non-current liabilities up

- Higher non-current debt (up \$2.5m)
- Increase in provisions (up \$2.0m)

Cash Flow

(\$m)	FY18	FY17
Operating cash flows <i>from continuing operations</i>	36.6	52.8
Investing cash flows <i>from continuing operations</i>	(26.8)	(15.7)
Financing cash flows <i>from continuing operations</i>	(7.8)	(26.6)
Cash flows <i>from discontinued operations</i>	0.0	(0.2)
Net cash movement	1.9	10.3
Opening cash balance	29.7	19.4
Closing cash balance	31.6	29.7

Operating activities

- Strong cash conversion
- Absolute cash flows down on lower EBITDA

Investing activities

- Capex directed towards acquisitions (\$22.9m), fitouts (\$4.9m) and IT development (\$0.6m)
- Offset by 4 store disposals (\$1.7m)

Financing activities

- Dividends (\$18.5m) & repayment of borrowings (\$10.8m)
- Offset by:
 - ▶ Drawdowns (\$13.0m)
 - ▶ DRP proceeds (\$8.5m)

Strategy: FY19 & Beyond



- ICT channels still the core of the business
- Growing focus on emerging businesses, particularly NIMA
- Strategy underpinned by focus on execution, high performing teams, and strong culture

ICT Priorities FY19



Retail ICT

- Drive higher levels of productivity
- Create greater value from Vita's own Sprout accessories brand
- Transition smaller business customers (fewer than 10 seats) from old SMB model into existing retail
 - ▶ Business specialists in retail
 - ▶ Whole of business offering
- Reduce cost to support
- Selective portfolio optimisation



Business ICT

- Application process progressing to transition from TBC model to new premium TBTC (Telstra Business Technology Centre) model
 - ▶ Targeting business customers 10-100 seats
 - ▶ Expanded territories
 - ▶ Whole of business solutions
 - Connectivity, cloud applications and infrastructure, security, professional and managed services
 - ▶ New format business technology centres
 - ▶ Highly trained business consultants
- Embed new model and drive profitability

NIMA Priorities FY19

Operating model design complete, acquisitions embedded, ready to scale

- Premium, intimate, bespoke experience – clinic by clinic
- Doctor led, complemented by nurses and dermal clinicians
- Clinics organised into geographic domains (3-6 clinics) to drive operating performance and best practice
- Medical operations led by medical director to ensure best practice, embed higher levels of client care and safety
- Broad modality set from dermal treatments to injectables, body treatments and skincare
- Deliver national clinic network of scale in 4-5 years
- Some acquisitions, predominantly greenfield expansion
- Leverage marketing, finance, IT and HR support currently in place to deliver consistency and scale
- Continue to develop economies of key partnerships
- Single brand to be established, replacing acquired brands





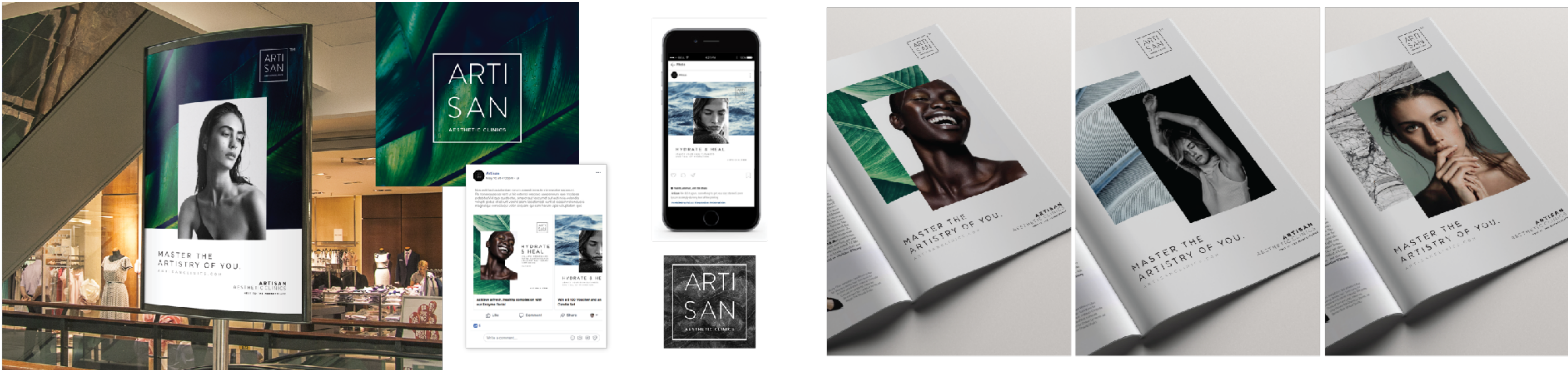
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ARTISANCLINICS.COM

Artisan [n]: master of your craft.

At Artisan Aesthetic Clinics, we believe real beauty is a form of artistry achieved by feeling truly confident in who you are. Guided by expert hands in a bespoke and caring environment, we empower you to look and feel your confident best. Instilling strength and inspiring confidence, we master the artistry of you.

Artisan Aesthetic Clinics™

Our new brand



Role of Vita's Businesses Evolving



Retail ICT

- Organic Improvement and productivity growth
- Selective optimisation

Incremental profit opportunity, high returns and cash generation



Business ICT

- Focus on profitable business streams
- Embrace new channel opportunity

Incremental profit opportunity



Sprout

- Highly profitable ICT vertical
- B2B opportunity

Incremental opportunity supporting ICT



Artisan

- Focus for capital investment
- High mid-to-long term revenue and profit potential

Significant mid-long term growth lever



SQDAthletica

- Small niche growth opportunity

Incremental brand value mid-long term

Vita Group Strategically and Financially Well Positioned

- ICT very profitable, generating strong cash flow and returns
- NIMA a material value creation opportunity
- Multi-brand capability established
- Strong and flexible balance sheet





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