

HALF YEAR
Report
FY19



H1 FY19 HEADLINES

Exceptional performance in a challenging environment

REVENUES \$377.0M UP 14% ON FY18

- Strong performance in connectivity and devices
- Innovation in accessory brand Sprout™
- Non-invasive medical aesthetics (NIMA) starting to scale
- SQDAthletica™ gaining momentum

EBITDA \$25.0M UP 25% ON H1 FY18 *AHEAD OF GUIDANCE*

- Retail ICT and Sprout™ significant growth
- Labour productivity gains
- Small but positive NIMA contribution
- Interim dividend 5.2cps (\$8.4m, up 16%)

STRONG AND FLEXIBLE BALANCE SHEET

- Strong cash generation
- Disciplined investment
- Net cash \$17.2m

Results demonstrate significant progress in executing our strategy

INCOME STATEMENT

<i>(\$m unless otherwise stated)</i>	H1 FY19	H1 FY18	Change
Revenue	377.0	329.6	14%
Gross Profit	115.6	103.3	12%
Gross Profit %	30.7%	31.3%	
EBITDA	25.0	20.0	25%
EBIT	19.9	15.7	27%
NPAT	14.1	11.2	26%

Interim dividend	8.4m	7.3m	16%
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Interim dividend	5.2cps	4.7cps	11%
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Earnings per share	8.8cps	7.3cps	20%
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Group revenue up 14% to a record \$377.0m

Information and Communication Technology (ICT) up strongly

- Robust device and connectivity volumes
- Innovative solutions and distribution gains from Sprout™ accessories
- Growth in revenues from business customers

NIMA growing

- Clinic portfolio performing well; channel growing through acquisitions and greenfields

SQDAthletica™ building

- Brand awareness and revenues up

Gross profit up 12% to \$115.6m

- Revenue growth
- Slight reduction in rate, reflecting mix movements

EBITDA up 25%

- Strong EBITDA growth - improvement in all channels
- EBIT up 27%

Strong dividend growth

- Dividend \$8.4m, up 16%
- Interim dividend 5.2cps

BALANCE SHEET

(\$m unless
otherwise stated)

	31 Dec 18	31 Dec 17
Cash	27.1	22.5
Current assets (exc. cash)	60.8	47.9
Non-current assets	126.4	115.6
Total Assets	214.3	186.0
Current liabilities	(97.0)	(88.6)
Non-current liabilities	(11.0)	(10.1)
Total Liabilities	(108.1)	(98.7)
Net Assets	106.2	87.3
Cash	27.1	22.5
Debt	(9.8)	(10.9)
Net Cash	17.2	11.6

Cash up

- Strong cash conversion
- Lower investing cash flows compared to prior year

Tight management of working capital

- Inventory at two weeks, but up due to increased products sales and NIMA expansion (+ \$7.3m)
- Receivables up on timing of receipts (+ \$5.8m)

Non-current assets up

- Intangibles and goodwill up on acquisitions (+ \$8.3m) in last 12 months

Current liabilities up

- Payables up (+ \$8.3m) due to higher device purchases
- Offset by lower current debt (- \$1.9m)

Non-current liabilities marginally up

- Higher levels of non-current debt (+ \$0.9m)

Healthy debt position – no net debt

- \$9.8m gross debt at period end
- Net cash \$17.2m

CASH FLOW

<i>(\$m unless otherwise stated)</i>	H1 FY19	H1 FY18
Operating cash flows	13.4	18.0
Investing cash flows	(6.7)	(13.2)
Financing cash flows	(11.2)	(12.0)
<i>Net Cash Movement</i>	(4.5)	(7.2)
Opening cash balance	31.6	29.7
Closing cash balance	27.1	22.5

Operating cash flows

- Strong cash conversion but lower than prior year due to timing of receipts

Investing cash flows

- Capex directed towards acquisitions (\$1.8m), fitouts (\$2.9m), and IT (\$1.2m), offset by proceeds from sale of store (+ \$0.6m)
- Lower spend on acquisitions compared to prior year

Financing cash flows

- Repayment of borrowings (\$5.3m)
- No drawdown of debt
- Dividends net of DRP proceeds (\$5.9m)

STRATEGY PROGRESSING

Information & Communication Technology

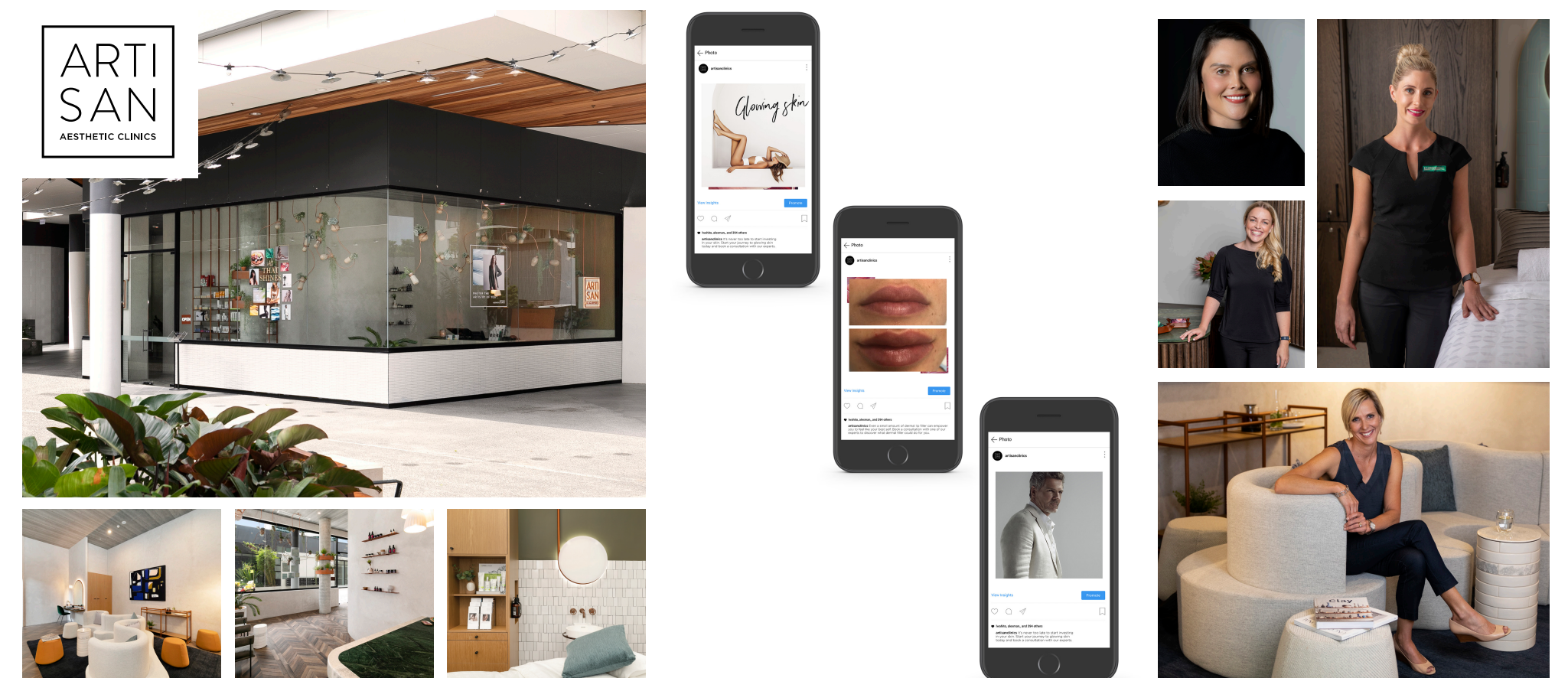
- Retail performing strongly, delivering record revenues through:
 - ▶ Benefits of physical portfolio optimisation
 - ▶ Continued focus on consulting and personalised service
 - ▶ Small business customers (1-10 seats) now serviced through retail
 - ▶ Strong contribution from devices, connectivity and accessory categories – in particular Vita’s proprietary accessory brand Sprout™, which continued to deliver innovation across a range of products
- Business ICT transforming to service higher value customers with more holistic products and services – serviced through expanded territories
- Strategic partnership with Telstra solid – tenure extended to 2024



STRATEGY PROGRESSING

Non-Invasive Medical Aesthetics

- Foundations in place
 - ▶ Six Clear Complexions™ clinics embedded; earnings ahead of plan
 - ▶ Operating structure implemented
 - ▶ Medical Board established - led by Medical Director (acting)
 - ▶ Artisan Aesthetic Clinics brand rolling out
 - ▶ National brand ambassador appointed – Susie O’Neill
 - ▶ 10 clinics operating at 31 December, including two Artisan greenfields
- Artisan Aesthetic Clinics ready to scale
 - ▶ Healthy pipeline of acquisitions and greenfield opportunities
 - ▶ Refining operating practices to drive productivity
- Added significant capability through the acquisitions of
 - ▶ Face Academy™: a medical training organisation
 - ▶ Cosmedcloud: an industry-leading cloud-based software product



Our focus in the second half

Information and Communication Technology

- Continue to optimise physical portfolio, including new store formats
- Further embed delivery of personalised customer experience through consulting
- Continue to maximise Sprout™ through premium product innovation
- Grow small business in retail
- Continue transition of Business ICT to new model

ICT remains the profit engine of the group

Non-Invasive Medical Aesthetics

- Drive performance and profitability through operating disciplines
- Add scale through acquisitions and greenfields (target 15-18 by June 30)
- Rebrand acquisition portfolio to Artisan Aesthetic Clinics, with bespoke fitout for each clinic
- Drive best practice in safety and medical standards through Medical Board
- Evaluate opportunity for verticals to complement our clinic and training offering

Significant mid-long term value potential

SQDAthletica™

- Expand range
- Capitalise on momentum in all channels

Niche mid-term value opportunity

H1 FY19 SUMMARY

**H1 PERFORMANCE AHEAD
OF MARKET GUIDANCE**

**STRONG EARNINGS
AND DIVIDEND GROWTH**

**FOCUS ON
EXECUTING STRATEGY**

**CONTINUED GROWTH
AND PROFITABILITY
IN ICT**

**ICT REMAINS PROFIT
ENGINE OF THE GROUP**

**SIGNIFICANT PROGRESS
SCALING NIMA**

**HIGH MID-LONG TERM
GROWTH POTENTIAL**

Strong and flexible balance sheet to allow investment in growth initiatives



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