



ASX ANNOUNCEMENT

Vita Group delivers strong revenues and solid profit growth in FY19

23 August 2019

Vita Group (ASX:VTG) today reported record revenues of \$753.7 million for the twelve months to 30 June 2019, a 10 per cent increase on the prior year. Earnings before interest, tax, depreciation and amortisation (EBITDA) were \$45.8 million, 12 per cent up on FY18 and in line with guidance provided in June 2019. Net profit after tax (NPAT) was \$24.3 million, a 10 per cent increase on FY18.

The result reflects continued momentum in the group's Information Communication and Technology (ICT) division, which delivered growth through improvements in plan mix, hardware and adjacent categories. This was partially offset by a net investment in the group's Skin-health and Wellness (SHAW) division, including the establishment of the Artisan Aesthetic Clinics brand, the acquisition of industry-leading training and software capabilities, and the further embedding of structures, systems and processes.

As a result of efficient profit to cash conversion, operating cash flows after tax were \$38.7 million. Capital expenditure of \$23.7 million was directed towards clinic additions and conversions to the Artisan brand in the SHAW division, store refits in the ICT division and investments in IT. Net financing cash flows were \$19.9 million, primarily reflecting \$15.5 million in dividends paid and repayment of borrowings of \$8.7 million, partially offset by \$2.1 million raised through the group's dividend reinvestment plan and debt drawdowns of \$2.1 million.

The net cash balance at the end of the period was \$18.1 million, with cash balances at \$26.7 million partially offset by \$8.6 million in drawn debt. The group successfully extended its funding arrangements in the period, providing flexibility for future investment.

The Board declared a fully franked final dividend of 4.0 cents per share (cps), resulting in a full-year dividend of 9.2 cps. The final dividend will be paid on 27 September 2019 to shareholders on record as at 13 September 2019.

(\$m unless otherwise stated)	FY19	FY18	Change
Group Revenue	753.7	684.5	10%
ICT	739.3	677.5	9%
SHAW	13.7	6.5	111%
Other	0.7	0.5	40%
Group Gross profit	229.7	211.3	9%
Group Gross profit %	30.5%	30.9%	
Group EBITDA	45.8	41.0	12%
ICT	79.3	70.1	13%
SHAW	(3.7)	(0.1)	-
Other	(29.8)	(30.0)	(1%)
Group EBIT	34.7	30.9	12%
Group NPAT	24.3	22.0	10%
Full year dividend (\$m)	14.9	14.3	4%
Full year dividend (cps)	9.2	9.1	1%
Earnings per share (cps)	15.04	14.13	6%

FY19 in Review

The ICT division delivered record revenues of \$739.3 million, a nine per cent increase on FY18, as a result of robust performance in connectivity, hardware and adjacent categories. Revenues grew 17 per cent in the Retail ICT channel, whilst Business ICT revenues reduced 42 per cent following structural changes in the channel including the transition of small business customers into Retail ICT, the introduction of larger geographical territories and a greater focus on higher value customers over time. EBITDA in the ICT division was \$79.3 million, up 13 per cent on the prior year as a result of revenue growth and a continued focus on optimisation and

Vita Group Limited - ABN 62 113 178 519

Phone (07) 3624 6666
 Fax (07) 3624 6999
 Email info@vitagroup.com.au

Actual 77 Hudson Rd Albion QLD 4010
 Post PO Box 218 Albion QLD 4010
www.vitagroup.com.au



productivity. The group's accessories brand, Sprout, continued to grow, extending its range in premium categories.

Revenues in the group's SHAW division grew 111 per cent to \$13.7 million, with the portfolio growing to 13 clinics at period end, through a combination of acquisitions and greenfield additions. EBITDA was a loss of \$3.7 million, largely as a result of the significant investments made in establishing and extending the Artisan Aesthetic Clinics brand and creating the leadership, operating and medical infrastructure to support future growth. In addition, the group acquired training organisation, Face Academy, and industry-leading proprietary software, cosmedcloud™. These investments in capability, coupled with the tools and disciplines which have successfully driven performance in the ICT division will be key to creating scale and driving profitable growth in the division.

The group's men's athleisure brand, SQDAthletica continued to grow and gain momentum across retail, online and wholesale channels.

As at 30 June 2019, Vita's physical points of presence included 102 Telstra Licensed Stores, four Telstra Business Technology Centres, one Fone Zone store, 13 SHAW clinics (Artisan branded and non-branded) and three SQDAthletica stores.

FY20 Outlook

Vita Group will continue to create value for its customers by offering personalised service, expertise and products which enhance their way of life.

Performance in the ICT division, particularly in Retail ICT, will continue to be underpinned by the long-standing, successful and strategically aligned partnership with Telstra. The division will continue to be a core driver of value, focusing on optimising returns by providing holistic ICT solutions to consumers and small businesses, whilst further improving productivity. In June 2019, Vita detailed changes in its remuneration construct with Telstra. Under the new remuneration arrangements, Vita expects to enjoy higher remuneration attached to the sale of hardware and non-transactional performance metrics. Conversely, it expects to see lower remuneration from sales of connections to the Telstra network. The group also reiterated its agreement to forego some legacy remuneration components, amounting to approximately \$12 million to \$13 million per annum. These reductions were agreed in exchange for an extension of its master licence tenure (currently to 30 June 2024), the introduction of an annual performance-based extension mechanism and an increase in the number of allowable Vita owned stores in the Telstra retail network to 115. The group plans to offset this impact by improving sales of hardware, accessories and other add-ons, increasing productivity and delivering continued innovation within its accessory brand, Sprout.

Vita's SHAW division is a significant opportunity for value creation in the future. The group plans to expand the clinic network to at least 25 clinics by the end of FY20, through acquisitions and greenfield development. With the investment in organisational capability already made, including the establishment of the Artisan brand, the formation of the medical board and the investments in operating and medical structures and systems, Vita will continue to apply its proven operating disciplines and consulting capabilities to drive performance and improve profitability.

Chief Executive Officer, Maxine Horne said: "It has been a year of significant evolution at Vita. I am very pleased with our performance in FY19 and excited about the potential of our business as we move full steam ahead into FY20. We continue to succeed in a challenging environment in the ICT space and have set ourselves up for growth in our SHAW division. I am constantly amazed by the passion, commitment and creativity of the Vita team, their ability to execute our plan and deliver exceptional experiences for our customers. I would like to sincerely thank them for the great work they do, and our shareholders for their continued support."

Further enquiries:

Andrew Leyden
Chief Financial Officer
Ph: 07 3624 6701
Mob: 0438 719 778

Rebecca McLeod
General Manager Group Services (media)
Ph: 07 3624 6842
Mob: 0418 731 255

About Vita Group: Vita Group specialises in enhancing customers' way of life across a diverse network of brands. Vita operates Telstra branded retail stores and business technology centres, Sprout accessories, Artisan Aesthetic Clinics, SQDAthletica and Vita Enterprise Solutions. For further information visit www.vitagroup.com.au. *The group's Skin-health and Wellness category was previously referred to as Non-Invasive Medical Aesthetics (NIMA).

Vita Group Limited - ABN 62 113 178 519

Phone (07) 3624 6666
Fax (07) 3624 6999
Email info@vitagroup.com.au

Actual 77 Hudson Rd Albion QLD 4010
Post PO Box 218 Albion QLD 4010
www.vitagroup.com.au