

ASX ANNOUNCEMENT

Vita Group delivers record revenues in strong interim result

21 February 2020

Vita Group (ASX: VTG) today reported record interim revenues of \$431.6 million for the six months to 31 December 2019, a 14 per cent increase on the prior year. Earnings before interest and tax (EBIT) increased 11 per cent to \$22.1 million, and net profit after tax (NPAT) increased on prior year by three per cent to \$14.5 million.

During the period, the group implemented 'AASB 16 Leases'. For comparative purposes, earnings before interest, tax, depreciation and amortisation (EBITDA), excluding the impact of AASB 16, increased five per cent to \$26.4 million, reflecting revenue growth and productivity improvements, with the group more than offsetting the previously announced loss of \$13.0 million in bespoke remuneration from Telstra.

The result was mainly driven by the performance of Vita's information and communications technology (ICT) retail channel, which grew device and accessory revenues. This growth exceeded the reduction in connectivity revenue, which was an expected outcome of Telstra's recent shift towards casual plans. Revenues also grew in the group's skin-health and wellness (SHAW) channel through clinic acquisitions and an improved contribution from its greenfield clinics.

Vita ended the period with net cash of \$23.8 million, as a result of solid cash conversion and disciplined management of investments, providing the group with the flexibility to invest in strategic growth activities.

The board declared a fully-franked interim dividend of 5.3 cents per share, equating to \$8.7 million, an increase of three per cent on prior year, to be paid on 9 April 2020 to shareholders on record as at 27 March 2020.

(\$m unless otherwise stated)	H1 FY20	H1 FY19	Change
Group Revenue	431.6	377.0	14%
Information & Communications Technology (ICT)	420.0	370.1	13%
Skin-Health & Wellness (SHAW)	11.0	6.7	65%
Other	0.6	0.3	111%
Group gross profit	117.5	115.6	2%
Group gross profit %	27.2%	30.7%	
Group EBIT	22.1	19.9	11%
Information & Communications Technology (ICT)	41.4	37.8	10%
Skin-Health & Wellness (SHAW)	(2.2)	(1.2)	(83%)
Other	(17.1)	(16.6)	(3%)
EBITDA (pre-AASB 16)	26.4	25.0	5%
Group NPAT	14.5	14.1	3%
Interim dividend	8.7	8.4	3%
Interim dividend (cps)	5.3 cps	5.2 cps	2%
Earnings per share	8.9 cps	8.8 cps	1%

ICT channel revenues increased by 13 per cent to a record \$420.0 million, and EBITDA pre-AASB 16 increased by nine per cent to \$43.7 million. This result was reflective of the performance of the retail division, which delivered significant growth in the hardware and accessory categories and continued to reap the benefits of productivity gains and footprint optimisation. The ICT result was achieved despite changes to Vita's remuneration construct with Telstra coming into effect at the beginning of the period. As outlined in June 2019, these changes included a shift in Vita's remuneration away from network connectivity and towards hardware, accessories and non-transactional performance metrics. Vita also agreed to forego approximately \$13.0 million per annum in legacy remuneration from 1 July 2019, in exchange for an extension of its master licence tenure, the introduction of an annual performance-based tenure extension mechanism, and an increase in the number of allowable Vita owned stores in the Telstra retail network. Vita's accessories brand, Sprout, continued to contribute to ICT channel growth through ongoing innovation across a range of product categories.

The SHAW channel delivered a solid contribution to the group's top line result, with revenue increasing 65 per cent on the prior year to \$11.0 million, driven by the continued expansion of the clinic network through acquisitions and greenfield additions, along with improvements in performance. Clinic productivity improved, as the group drew on learnings from its initial period of operation and leveraged the capabilities which have been integral to the success of the ICT channel. After the allocation of corporate overheads, EBITDA pre-AASB 16 was a \$0.8 million loss, representing a material improvement on the \$3.3 million loss recorded in the second half of FY19 - a period in which Vita made significant investments in capability and converted several clinics to the Artisan Aesthetic Clinics brand. At period end, Vita operated 16 points of presence across Queensland, New South Wales, Victoria and the Australian Capital Territory, 11 of which were Artisan branded.

Chief Executive Officer, Maxine Horne commented: "We are pleased to deliver yet another strong result, which continues to reflect the talent, energy, resilience and commitment of all of our team members. Despite facing challenges in our ICT channel, we once again demonstrated our ability to adapt and evolve, leveraging our consultative selling capabilities to out-perform.

"Our SHAW channel is gaining momentum and we have made considerable progress in building a leadership position in the premium segment of the market. We will continue to build profitable scale, adding clinics and talent to the network as we strengthen the presence of the Artisan brand in the skin-health and wellness category. We are on track to execute our strategy, which is to operate a scaled network of Artisan branded clinics nationally.

"As we close the half year and head into Vita's 25th year of operation, I cannot express enough my admiration and respect for the Vita team and how they continue to exceed expectations when it comes to executing our strategy."

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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.