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FY20 RESULTS

CELEBRATING 25 YEARS

25

This release has been authorised by the VTG Board

FY20 PERFORMANCE HEADLINES

A positive result in a year of change and disruption

Record revenues $773.1m, up 3% on FY19

Growth in core channels

- Retail ICT up 5%
- Sprout up 14%
- Skin-Health and Wellness (SHAW) up 47%

Result achieved despite

- COVID-19 impacts
- Changes to Information and Communication Technology (ICT) remuneration model

Solid profit performance

EBITDA[1] (pre-AASB16) $49.9m, up 9% on FY19

- EBIT $37.2m, up 7%

Non-recurring costs and benefits in the result

- Underlying EBIT[2] $36.1m, up 4%

Strong, flexible balance sheet

- No net debt[3] (net cash $24.1m)
- FY20 interim dividend cancelled as pre-emptive COVID-19 measure
- Dividends resuming H2 FY20

[1] Earnings before interest, tax, depreciation, and amortisation
[2] Earnings before interest and tax
[3] Net debt excludes lease liabilities

COVID-19
Early and decisive action taken

Enacted BCP[1] Framework

- Managed risks and issues
- Strengthened business resilience
- Focused on securing performance and sustainability of operations

Key operational initiatives

- COVIDSafe work environments, and support programs for team members including remote working
- Daily BCP meetings with Board oversight and governance
- Supply chain security and continuity
- Telstra Stores remained open
  - A/B rosters in larger Telstra Stores and higher risk locations
  - Supported Telstra with customer service (contact centres offline)
- SHAW clinics closed for six weeks

Key financial initiatives

- Interim dividend cancelled
- Several measures volunteered by team members:
  - Board and leadership team remuneration reductions
  - CEO remuneration suspension
  - Support team members reduced remuneration, hours or utilised leave
- Temporary agreements with landlords on rents including deferrals
- Capital projects deferred; costs contained
- Exited SQDAthletica

[1] *Business Continuity Planning*

NEW LEASE ACCOUNTING STANDARD (AASB 16)

Balance sheet (FY20 impact)		
		1 July take on value ($m)
Right of use assets	↑	37.8
Deferred tax asset	↑	0.6
Lease liabilities	↑	42.8
Pre AASB 16 lease provisions	↓	3.0
Retained earnings	↓	1.4

Income statement (FY20 impact)		
		30 Jun 2020 ($m)
Depreciation	↑	13.7
Finance cost (interest)	↑	2.3
Occupancy cost (rent)	↓	14.4
Net impact to profit	↓	1.6

- New lease standard (AASB 16) adopted 1 July 2019
- Modified retrospective approach (comparatives not restated)
- Recognised on balance sheet:
  - Lease asset: right of use leased assets
  - Deferred tax asset
  - Lease liability: present value of future lease payments
- De-recognised pre-AASB 16 lease straight-line and lease incentive provisions
- Retained earnings down $1.4m
- Depreciation of lease assets and interest on lease liabilities now recognised in income statement over lease term
- Impact on EBIT +$0.7m; NPAT down $1.6m
- No impact on cashflows or debt covenants

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INCOME STATEMENT - GROUP

($m unless otherwise stated)	FY20	FY19	Change
Revenue	773.1	753.7	3%
Gross Profit	212.5	229.7	(7%)
Gross Profit %	27.5%	30.5%	
EBITDA (pre-AASB 16 and incl. JobKeeper subsidy and non-recurring items)	**49.9**	**45.8**	**9%**
EBIT (incl. JobKeeper subsidy and non-recurring items)	**37.2**	**34.7**	**7%**
NPAT	**22.4**	**24.3**	**(8%)**

Impact of non-recurring items

EBIT (incl. JobKeeper subsidy and non-recurring items)	**37.2**	**34.7**	**7%**
JobKeeper Subsidy	(10.2)	-	
Non-recurring Items	9.1	-	
Underlying EBIT	**36.1**	**34.7**	**4%**

Record revenues $773.1m, up 3%, despite COVID-19

- ICT up 2% reflecting pre-COVID-19 revenue growth
- SHAW up 47% due to additional clinics and organic growth, despite temporary closure

Gross Profit down 7%

- Loss of bespoke remuneration in ICT
- COVID-19 impacts
- Higher inventory provisions

EBITDA (pre-AASB 16) $49.9m, up 9%

- Significant productivity gains

EBIT up 7%, and up 4% on an underlying basis

- Non-recurring asset and liability re-measurements
- JobKeeper
- NPAT $22.4m, down 8%
  - Effective tax rate high due to non-deductible non-recurring items
  - Impact of AASB 16 ($1.6m adverse)

SUMMARY OF NON-RECURRING ITEMS

($m unless otherwise stated)	EBIT Impact	Commentary
JobKeeper subsidies[1]	12.0	Subsidies
JobKeeper top-ups	(1.8)	Top-ups paid to team members
Asset and liability re-measurements (ICT)	(2.8)	Carrying values of fit-outs, leases, and goodwill revised down; sundry provisions increased
Asset and liability re-measurements (SHAW)	(1.8)	Carrying values of acquired brands, customer lists, and under-utilised equipment revised down
Other	(4.6)	SQDAthletica cessation, IT charges, and carrying values of performance based contingent considerations revised
Total non-recurring items	**1.1**	

[1] Expect to be eligible to receive JobKeeper subsidies until end September 2020. Ineligible thereafter.

INCOME STATEMENT - ICT

($m unless otherwise stated)	FY20	FY19	Change
Revenue	752.0	739.3	2%
Gross Profit	198.9	219.6	(9%)
Gross Profit %	26.4%	29.7%	
EBITDA (pre-AASB 16 and incl. JobKeeper subsidy and non-recurring items)	**84.9**	**79.3**	**7%**
Points of Presence (at period end)	105	107	

ICT revenues $752.0, up 2%

- Retail ICT revenues up 5%
  - Strong revenue growth in hardware
- Business ICT down, with focus on more profitable customer segments

Gross profit $198.9m, down 9%

- Loss of bespoke remuneration
  - Partially offset by strong growth in hardware
- COVID-19 impacts to trading
- Inventory provisions

EBITDA (pre-AASB 16) $84.9m, up 7%

- Productivity gains, JobKeeper subsidy

INCOME STATEMENT - SHAW

($m unless otherwise stated)	FY20	FY19	Change
Revenue	20.1	13.7	47%
Gross Profit	14.6	9.7	51%
Gross Profit %	72.6%	70.8%	
EBITDA (pre-AASB16 and including JobKeeper and non-recurring items)	**(1.9)**	**(3.7)**	**49%**
Total Points of Presence (# at period end)	21	13	
Artisan Branded Clinics (included in total)	13	9	

SHAW revenues $20.1m, up 47%, despite six-week COVID-19 closure

- Strong organic growth due to benefits of Vita's consulting capabilities and productivity improvements
- Full year impact of prior-year acquisitions

Healthy gross margins

- Modality and product mix; procurement benefits

Investment in brand and capability adding value

- Artisan brand awareness growing
- Clinical education and training via in-house Face Academy
- Proprietary software (cosmedcloud™) and Artisan branded app

EBITDA (pre-AASB 16) (1.9m), a 49% improvement on prior year

- Productivity gains, JobKeeper subsidy

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BALANCE SHEET

($m unless otherwise stated)	30 Jun 20	30 Jun 19
Cash	36.8	26.7
Current assets (exc. cash)	57.1	50.3
Non-current assets	185.3	139.5
Total assets	**279.2**	**216.5**
Current liabilities[1]	(111.4)	(96.4)
Non-current liabilities	(41.6)	(10.9)
Total liabilities	**(153.0)**	**(107.3)**
Net assets	**126.3**	**109.2**

Cash	36.8	26.7
Debt	(12.7)	(8.6)
Net cash	**24.1**	**18.0**

[1] A contingent liability relating to an ongoing review of GST with the ATO has not been recognised on the Balance Sheet at June 30. The potential exposure of an unfavourable outcome is $4.4m plus any applicable penalties and interest.

Healthy cash balance

- JobKeeper subsidy benefits
- Some deferral of obligations during COVID-19 (i.e. rents and payroll tax)
- Cancellation of interim dividend

Working capital up

- Receivables up $6.1m, unfavourable timing of receipts in FY20
- Inventory up $0.5m, tightly controlled despite growth in SHAW

Non-current assets up

- Plant and equipment up $2.7m following investment in new-format Telstra stores and SHAW expansion, offset by depreciation and once off asset re-measurements
- Right of use assets (ROUA) brought onto balance sheet: $39.2m
- Intangibles up $3.8m driven by SHAW acquisitions, partially offset by once off re-measurements

Current and non-current liabilities up

- Payables down $6.9m on timing of supplier payments
- Borrowings up $4.1m as a result of ICT fit-outs and acquisitions
- Lease liabilities now recognised under AASB 16: $46.7m
- Provisions, tax liabilities and other liabilities up $1.8m
- Contingent GST exposure[1]

Healthy treasury position – net cash $24.1m

- Gross cash $36.8m
- Bank debt $12.7m

CASH FLOW

($m unless otherwise stated)	FY20	FY19
Operating cash flows	41.1	38.7
Investing cash flows	(19.1)	(23.7)
Financing cash flows	(11.9)	(19.9)
Net cash movement	**10.1**	**(4.9)**
Opening cash balance	26.7	31.6
Closing cash balance	36.8	26.7

Strong operating cashflows

- JobKeeper cash receipts $8.1m
- Partially offset by unfavourable timing of revenue receipts

Investing activities

- Capex directed towards:
  - SHAW acquisitions $4.1m, greenfield clinics $4.0m
  - ICT acquisitions $3.5m
  - ICT fitouts $8.7m
  - IT equipment $0.7m
- Offset by proceeds from sale of ICT stores $1.9m

Financing activities

- Net drawdowns $4.1m
- Lease payments $11.5m – previously classified as operating cash flows (pre-AASB 16)
- Dividends offset by proceeds from dividend reinvestment program $4.5m

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DIVIDENDS

H1 FY20

- Interim dividend cancelled
- Pre-emptive measure to protect liquidity as COVID-19 pandemic unfolded

FY20

- Uncertain economic environment
- Intention to preserve strong balance sheet whilst resuming dividend payments
- **H2 FY20 dividend $3.9m; 2.4 cps**
- **Payout ratio on H2 NPAT 50%**

Dividend payable on 25 September 2020 to shareholders on record as at 11 September 2020

OUR PEOPLE

"Our achievements are a result of our dedicated and hardworking Vita peeps, who have shown flexibility, commitment, and have acted in line with our Vita Values" - CEO Maxine Horne

Information and Communication Technology

Outlook

- Environment remains challenging; COVID-19 and broader economic impacts continuing
- Vita will continue to:
  - Add value to strategic partnership with Telstra
  - Create value with retail and business customers through consulting
  - Look for selective opportunities to lift portfolio profitability
  - Work with Telstra to evolve the role of retail in an increasingly omni-channel environment
  - Maintain COVIDSafe work environments

Note: Vita not materially exposed to Metro Melbourne stage four restrictions, only one store in Metro area.

Skin-Health and Wellness Outlook

- Stronger performance after clinics re-opened in May; expect performance to continue to improve despite a challenging environment
- Continue to drive organic growth by:
  - Evolving consulting skills to further add value and improve client experience
  - Lifting productivity and clinic efficiency
  - Driving operating disciplines and clinic efficiency
- Continue to deliver performance improvement through accelerated rollout of cosmedcloud™
  - Improved operational reporting
  - Key performance metrics

- Next two financial years:
  - FY21: focus on performance improvement and consistency
  - FY22: continue to add scale to network

Note: SHAW is not exposed to Metro Melbourne stage four restrictions. Only one clinic in regional Victoria.

Summary

COVID-19 impacts managed well so far; will continue to monitor

Trading environment will remain uncertain

However, Vita will continue to execute:

- ✓ Retail ICT: deliver strong profit and cashflow
- ✓ SHAW: lift organic performance in short-term and scale network in medium-to-long term
- ✓ Maintain strong and flexible balance sheet to invest in strategic opportunities

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