ASX ANNOUNCEMENT

Vita Group Limited
ACN 113 178 519
77 Hudson Road
Albion Qld 4010

25 February 2022

Market Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

ELECTRONIC LODGEMENT

Dear Sir or Madam

Vita Group Limited – Financial Results for the half-year ended 31 December 2021 – CEO/CFO Analyst Briefing Presentation and Materials

In accordance with the Listing Rules, please find enclosed for immediate release to the market:

a) an announcement 'Vita Group delivers interim revenues in line with guidance'; and

b) a presentation.

Vita will conduct an analyst briefing on its half-year results from 9:00am AEST.

This announcement has been authorised for lodgement by VTG's Board of Directors.

For enquiries relating to this announcement, contact:

Andrew Ryan
Chief Financial Officer
Mob: 0417 644 756

George Southgate
Chief Legal and Risk Officer / Company Secretary
Mob: 0412 514 030

Yours sincerely

George Southgate
Chief Legal and Risk Officer / Company Secretary
Vita Group Limited

ASX ANNOUNCEMENT

Friday, 25 February 2022

Vita Group delivers interim revenues in line with guidance

Vita Group (ASX: VTG) today announced reported interim revenues from continuing operations of $12.6 million for the six months to 31 December 2021, a 16 per cent decrease on prior year, in line with guidance issued to the market on 26 November 2021. EBITDA[1] from continuing operations was a loss of $3.7 million. After excluding a once-off gain on contingent consideration, underlying EBITDA was a loss of $4.2 million. Group NPAT[2] was a loss of $1.7 million, which included NPAT from discontinued operations of $1.7 million. Group NPAT included a preliminary gain on sale of ICT[3] of $2.6 million which remains subject to finalisation of exit costs and post-completion adjustments.

($m unless otherwise stated)		**H1 FY22**
Continuing Operations (Artisan)	Revenue	12.6
	EBITDA	(3.7)
	Underlying EBITDA	(4.2)
	EBIT[4]	(5.1)
	NPAT	(3.4)
Discontinued Operations (ICT) ***1 Jul 21 – 12 Nov 21***	Revenue	178.9
	NPAT	1.7
Group	NPAT	(1.7)

The period marked a major transition for Vita as it finalised the divestment of its ICT business to Telstra Corporation Limited (**Telstra**). Vita received settlement funds in the amount of $107.4 million ($110 million cash consideration less net working capital, net-debt adjustments, and including tax exit consideration as at 30 September 2021[5]), subject to final adjustments. The first tranche of the fully franked Special Dividend, being $0.39 cents per share (equating to $64.6 million), was paid to eligible shareholders on 26 November 2021.

Vita ended the period with net cash of $43.6 million. Operating cash outflows from continuing operations after tax were $4.4 million. Investing cash outflows included $1.0 million of capital expenditure directed towards the purchase of aesthetic equipment, and $2.0 million placed as a security term deposit. Net financing cash outflows were $69.8 million, reflecting lease payments of $1.6 million, net debt drawdowns of $0.3 million, and dividends paid of $68.6 million, including the final FY21 fully franked dividend of $4.0 million. Net cash inflows from discontinued operations including the proceeds from sale amounted to $84.3 million.

The Board has determined not to pay an interim dividend for H1 FY22, electing to utilise Vita's current position to invest in the Artisan business. The Board expects that the final tranche of the Special Dividend relating to the ICT divestment (approximately $0.03 to $0.06 cents per share equating to $5 million to $10 million) will be paid in H2 FY22, subject to finalisation of exit costs and post-completion adjustments. As announced on 12 November 2021, Vita's dividend reinvestment plan (DRP) continues to remain suspended and will not operate for the final tranche of the Special Dividend.

H1 FY22 in review

The first half of FY22 was an extraordinary and transformational period for Vita. Whilst the group continued to navigate COVID-19 impacts, Vita finalised the divestment and transition of its retail ICT business, including Sprout, to Telstra. The divestment involved a significant amount of work and focus by management and the Vita team to deliver an outcome intended to be in the best interests of all stakeholders, including negotiation, due diligence, change and transition management, and the establishment of new support IT infrastructure for the ongoing business.

Like-for-like Artisan revenues were down 22 per cent, primarily as a result of government-mandated lockdowns, in particular extended lockdowns in NSW, Victoria, and the ACT, which forced the closure of many of Artisan's largest clinics between July and mid-October 2021. In total, Artisan lost over 500 – approximately 21 per cent – trading days throughout the period. Artisan also experienced impacts from higher than expected loss of team members in Queensland.

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[1] Earnings before interest, tax, depreciation, and amortisation. A pre-AASB-16 measure. Includes full allocation of corporate overheads.
[2] Net profit / (loss) after tax.
[3] Information and communication technology business, including Sprout accessory business.
[4] Earnings before interest and tax. Includes full allocation of corporate overheads.
[5] See VTG announcement dated 24 September 2021, *Sale of Vita Group's Retail ICT and Sprout business to Telstra,* Annexure A relating to locked box mechanism.

Prior to the finalisation of the ICT transaction, the ICT business also experienced a reduction in revenue resulting from COVID-19 related impacts including store closures, reduced foot traffic, social distancing capacity constraints, and an increase in service related transactions.

Focus on Artisan – early in its lifecycle

Vita's sole focus now is its Artisan business. Having entered the industry in November 2017, and launching the Artisan brand in October 2018, the business remains early in its lifecycle. With the disruption of the ICT business sale and transition now largely behind it, Vita is well positioned to execute on its priority to organically grow Artisan. Additionally, Vita will optimise, and continue to rebrand its non-Artisan branded clinics, and expand through greenfield openings and prudent acquisitions. Vita intends to leverage the following strengths:

- Artisan's premium positioning and brand promise: *Master The Artistry Of You*®
- Vita's disciplined processes and team culture, both of which draw on its clinical expertise and client-centric consulting skills
- Expertise and capability in operationalising and scaling retail businesses
- Investments in advanced modality technologies within bespoke and premium destination clinics
- Developed intellectual property, including its proprietary software cosmedcloud®

Additionally, being a premium 100 per cent owned business model, Vita enjoys direct engagement and relationships with its team members, which enables:

- Development of team member capability and experiences, aligning to Vita's ambition of being an employer of choice within the SHAW industry
- Consistent delivery of premium client experiences, focused on high quality and safe outcomes
- Efficient execution of business development and clinical governance programs in a highly disciplined and effective manner

Vita's priority is to grow Artisan organically and sustainably, leveraging Vita's strengths to enhance:

- Artisan's brand awareness, offering, and degree of standardisation
- Client value creation through holistic and individualised treatment plans and high standards of service
- Team member experiences, with emphasis on capability, skills expansion, and career development
- Risk and clinical governance frameworks
- Leadership development and executional frameworks
- Business tools and efficiency processes and programs

Outlook

The Omicron variant of COVID-19 has reintroduced some short-term uncertainty and headwinds, with team and client vaccination, and isolation requirements continuing to disrupt trade. However, the medium and long-term growth prospects of the SHAW industry is strong with increasing awareness and demand for an evolving range of treatments and services. The SHAW industry is also fragmented with many market participants, which is likely to present consolidation opportunities, particularly as Vita anticipates an increase in industry regulation. These factors, combined with Vita's strengths and execution of operational priorities, represent significant growth potential.

Chief Executive Officer, Pete Connors commented: "The past 6-12 months has been an extraordinary period in Vita's history. I would like to thank everyone involved for their professionalism and efforts and convey my best wishes to both the old Vita ICT team and to Telstra in their future endeavours. With a great team, solid business foundations in place, and the ability to leverage our investments and strengths, I'm excited to lead the business and am confident that we are well positioned to achieve our growth ambitions. I'd also like to express my thanks to the Vita and Artisan teams who have demonstrated resilience and commitment whilst maintaining their focus throughout a challenging period on delivering exceptional client outcomes."

This announcement has been authorised for lodgement by VTG's Board of Directors.

Further enquiries:

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H1 FY22 RESULTS

25 FEBRUARY 2022

Authorised for release by the VTG Board

H1 FY22 HEADLINES
Performance

CONTINUING OPERATIONS

Revenues
$12.6m, down 16%

- In line with guidance
- COVID-19 impacts

Underlying EBITDA[1]
($4.2m), down 31%

NPAT[2]
($3.4m), down 26%

DISCONTINUED OPERATIONS

Revenues
$178.9m, down 43%

- 1 Jul - 12 Nov 21
- COVID-19 impacts

NPAT[2]
$1.7m divested 12 November 2021
Includes preliminary gain on sale of ICT of $2.6m

TOTAL GROUP

Revenues
$191.5m

NPAT[2]
($1.7m)

[1] Pre-AASB 16. Includes full corporate overhead allocation and once-off gain on contingent consideration; H1 FY21 comparative excludes JobKeeper receipts and includes full corporate overhead allocation
[2] Includes full corporate overhead allocation

H1 FY22 HEADLINES

Balance sheet, cash consideration, and dividends

BALANCE SHEET	**$43.6m net cash** ‣ Low debt
CASH CONSIDERATION ICT DIVESTMENT	**$107.4m** ‣ $110m cash consideration less net working capital, net debt-adjustments, and includes tax exit consideration ‣ Locked box mechanism calculated at 30 September 2021
SPECIAL DIVIDENDS	**$64.6m paid to shareholders** ‣ First tranche fully-franked Special Dividend being $0.39cps: $64.6m ‣ Final tranche of ~$0.03-$0.06cps equating to ~$5m-$10m expected to be paid in H2 FY22[1], subject to finalisation of exit costs and post-completion adjustments
INTERIM DIVIDEND	‣ No interim dividend for H1 FY22 ‣ Utilise current position to invest in the Artisan business

[1] Date for Special Dividend yet to be determined

INCOME STATEMENT CONTINUING OPERATIONS

($m unless otherwise stated)	H1 FY22	H1 FY21	Change
Revenue	12.6	15.1	(16%)
Gross Profit	9.4	11.0	(14%)
Gross Profit %	74.5%	72.8%	
EBITDA[1]	**(3.7)**	**(1.7)**	(118%)
Less JobKeeper	-	(1.5)	
Less once-off gain on contingent consideration	(0.5)	-	
Underlying EBITDA	**(4.2)**	**(3.2)**	(31%)
EBIT[2]	**(5.1)**	**(3.4)**	(51%)
Underlying EBIT[3]	**(5.6)**	**(4.9)**	(14%)
NPAT[2]	**(3.4)**	**(2.7)**	(26%)
Total Points of Presence **(# at period end)**	20	19	

[1] Pre-AASB 16, includes full corporate overhead allocation
[2] Includes once-off gain on contingent consideration in H1 FY22, JobKeeper subsidy in H1 FY21 and full corporate overhead allocation
[3] Excludes once-off gain on contingent consideration in H1 FY22 and JobKeeper subsidy in H1 FY21 and includes full corporate overhead allocation
[4] Excludes allocation of corporate overheads

Artisan revenues $12.6m in line with guidance

- Like-for-like revenue down 22%
- COVID-19 impacts across the period
  - Clinic closures experienced, with extended lockdowns in NSW, Victoria, and the ACT between July and mid-October
  - Over 500 (~21%) trading days lost throughout the period
- Impacts from higher than expected loss of team members in Queensland

Healthy gross margins

- Treatment and product mix
- Consulting with clients to deliver a combination of therapies

COVID-19 continued to impact profitability

- Underlying EBITDA down 31% to ($4.2m)
- Underlying EBIT[4] down 14% to ($5.6m)
- Operational (clinic) EBITDA $1.2m[4], in line with guidance

INCOME STATEMENT DISCONTINUED OPERATIONS

($m unless otherwise stated)	H1 FY22[1]	H1 FY21	Change
Revenue	178.9	310.9	(42%)
NPAT	**1.7**	**21.1**	
Less gain on sale of ICT (preliminary)	**(2.6)**	-	
Less JobKeeper	-	(10.5)	
Underlying net profit after tax	**(0.9)**	**10.6**	

[1] *Reporting period 1 July 2021 to 12 November 2021*

Pre divestment completion

- Impacted by COVID-19 including:
  - Store closures from mandated lockdowns
  - Reduced foot traffic
  - Social distancing capacity constraints
  - Increase in service-related transactions

Performance to 12 November 2021

- Revenue $178.9m
- Net profit after tax $1.7m
- Underlying net profit after tax (excluding gain on sale) ($0.9m)
  - Preliminary gain on sale of ICT $2.6m, subject to finalisation of exit costs and post-completion adjustments

BALANCE SHEET

($m unless otherwise stated)	31 Dec 2021	31 Dec 2020
Cash	45.3	41.2
Current assets (exc. cash)	6.7	46.1
Non-current assets	45.3	193.1
Total assets	**97.3**	**280.4**
Current liabilities	(15.2)	(96.6)
Non-current liabilities	(11.4)	(42.5)
Total liabilities	**(26.6)**	**(139.1)**
Net assets	**70.7**	**141.3**

Cash	45.3	41.2
Debt	(1.7)	(11.0)
Net cash	**43.6**	**30.2**

ICT assets divested 12 November 2021

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Cash to invest

- Cash retained to fund investment in Artisan
- Final tranche of Special Dividend expected to be paid H2 FY22 subject to finalisation of exit costs and post-completion adjustments

Current assets

- Security term deposit $2.0m
- Inventory $1.3m
- Prepayments and other assets $3.4m

Non-current assets

- Plant and equipment (including clinic fit-out and technologies) $8.5m
- Right of use assets (ROUA) $6.9m
- Intangibles $24.9m
- Deferred tax assets $5.0m

Total liabilities

- Trade and other payables $5.9m
- Borrowings $1.7m
- Lease liabilities $12.0m
- Provisions $2.9m
- Other liabilities $4.1m

Net cash $43.6m

- Gross cash $45.3m; bank debt $1.7m

CASH FLOW

($m unless otherwise stated)	H1 FY22	H1 FY21
Continuing Operations		
Operating cash flows	(4.4)	1.0
Investing cash flows	(3.0)	(0.3)
Financing cash flows	(69.8)	(4.1)
Total continuing operations	**(77.2)**	**(3.4)**
Discontinued Operations		
Operating cash flows	15.9	26.1
Investing cash flows	79.4	(8.9)
Financing cash flows	(11.0)	(9.4)
Total discontinued operations	**84.3**	**7.8**
Net cash movement	**7.1**	**4.4**
Opening cash balance	38.2	36.8
Closing cash balance	45.3	41.2

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Continuing operations

Operating cashflows

- Primarily reflecting trading impacts from COVID-19

Investing cashflows

- Artisan equipment $1.0m
- Security term deposit $2.0m

Financing cashflows

- Lease payments $1.6m
- Net debt drawdowns $0.3m
- Dividends paid ($68.6m):
  - Special Dividend of ($64.6m)
  - Final FY21 dividend of ($4.0m)

Discontinued operations

Operating cashflows

- Primarily reflecting trading impacts from COVID-19, including movements in locked box period

Investing cashflows

- ICT equipment $0.4m
- Net ICT divestment inflow $79.9m

Financing cashflows

- Lease payments $5.3m
- Debt repayments $5.7m

Focus on Artisan

Early in its lifecycle

ARTISAN AESTHETIC CLINICS vita

End of calendar year

2017

SHAW industry entry realised by acquisition of Clear Complexions (Nov 2017)

6 Clear Complexions clinics

2019

Acquired Artisan Cosmetic & Rejuvenation Clinic (May 2018)

Launched Artisan Aesthetic Clinics brand (Oct 2018)

Built business foundations and scaled to 16 clinics

11 Artisan branded clinics

5 non-branded clinics

2021

Continued expand to 20 clinics

Focus on operations amidst disruption from:

- COVID-19
- Telstra announcement[1]

14 Artisan branded clinics

6 non-branded clinics

COVID-19 pandemic impacted period

Management and team effort directed to ICT divestment

[1] 11 February 2021, *Telstra announces changes to retail store network*, Telstra Corporation Limited.

Focus on Artisan

With Artisan's foundations built, Vita is well positioned to execute on our priorities to:

1. Organically grow Artisan
2. Optimise Artisan's footprint
3. Expand through opening greenfield clinics
4. Expand through prudent acquisitions

Leveraging Vita's strengths:

- Artisan's premium brand and positioning
- Disciplined processes and team culture, drawing on our clinical expertise and client-centric consulting skills
- Expertise and capability in operationalising and scaling retail businesses
- Investments in advanced modality technologies within bespoke and premium destination clinics
- Developed intellectual property, including our proprietary software cosmedcloud®

Focus on Artisan

Premium 100% Owned Business Model

We enjoy direct engagement and relationships with our team members, which enables:

- Development of team member capability and experiences, aligning to Vita's ambition of being an employer of choice within the SHAW industry
- Consistent delivery of premium client experiences, focused on high-quality and safe outcomes
- Efficiently execute business development and clinical governance programs in a highly disciplined and effective manner

Organically growing Artisan

Leveraging strengths to enhance:

- Brand awareness, offering, and degree of standardisation
- Client value creation through holistic and individualised, multi-modality treatment plans and exceptional standards of service
- Team member experiences, with emphasis on capability, skills expansion, and career development
- Risk and clinical governance frameworks
- Leadership development and executional frameworks
- Business tools and efficiency processes and programs

Summary

Strong balance sheet

Well-positioned for investment in long-term growth

Significant growth opportunity

Leveraging strengths and capabilities

DISCLAIMER

The material in this presentation is a summary of Vita Group Limited's (Vita) activities and results, and is current at the date of preparation, 25 February 2022. Further details are provided in the Company's accounts and results announcement released on 25 February 2022.

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