ASX ANNOUNCEMENT

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

28 February 2023

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

ELECTRONIC LODGEMENT

Dear Sir or Madam

Vita Group Limited (ASX:VTG) – Financial results for the half-year ended 31 December 2022 – CEO/CFO Analyst briefing presentation and materials

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

1. an announcement 'Continued organic growth focus and revision of intangible asset carrying value'; and
2. a presentation.

Vita will conduct an analyst briefing on its half-year results from 9:00am (Brisbane time).

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

For enquiries relating to this announcement, please contact:

Further enquiries:

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

Tuesday, 28 February 2023

Continued organic growth focus and revision of intangible asset carrying value

Vita Group (ASX: VTG) today announced reported revenues from continuing operations of $14.2 million for the half-year ended 31 December 2022, a 12 per cent increase on prior year[1]. EBITDA[2] from continuing operations was a loss of ($4.8) million. After excluding business stand-up and restructure costs incurred in the period, legacy ICT[3] insurance requirements[4] and non-recurring items[5], underlying EBITDA[6] was a loss of ($3.8) million.

Whilst the group remains optimistic about Artisan's medium-term business prospects, Vita's Board has determined that it is prudent to moderate growth rate expectations and has revised the carrying value of the business given the changing macro-economic environment and ongoing impacts associated with COVID-19. As a result, Vita's Board announces a $12.4m non-cash write-down of the group's goodwill.

Excluding the non-cash asset write down, NPAT from continuing operations was a loss of ($5.6) million. Group NPAT[7] was a loss of ($16.0) million, including NPAT from discontinued operations of $1.9 million[8].

($m unless otherwise stated)		H1 FY23
Continuing Operations (Artisan)	Revenue	14.2
	EBITDA	(4.8)
	Underlying EBITDA	(3.8)
	EBIT[9]	(6.4)
	Underlying EBIT[10]	(5.4)
	Impairment of goodwill	(12.4)
	NPAT (excl. non-cash asset write-down)	(5.6)
	NPAT	(18.0)
Discontinued Operations (ICT)	NPAT	1.9
Group	NPAT	(16.0)

Vita ended the period with net cash of $15.1 million. Operating cash outflows from continuing operations after tax were $0.9 million. Investing cash outflows included $0.9 million of capital expenditure for an Artisan branded fit-out and the purchase of clinic equipment. Net financing cash outflows were $1.6 million, reflecting lease payments of $1.8 million and net debt drawdowns of $0.1 million. Net cash inflows from discontinued operations were $2.2 million.

The Board has determined not to pay an interim dividend for H1 FY23, electing to utilise Vita's current cash position for ongoing investment in the Artisan business.

H1 FY23 in review

With business stand-up activities following the divestment of the ICT business largely finalised, H1 FY23 was a period of progression and implementation of Artisan's evolved business model programs, including:

<table>
<tr><th colspan="2">Growth and Revenue Drivers</th></tr>
<tr><td>Brand Standardisation</td><td>continued standardisation of:
pricing, modality, and product offerings
clinic network (18 clinics, 15 branded, two non-branded, one co-branded) by:
consolidating two close proximity Artisan branded clinics into one, and
opening a new Artisan Toowoomba Clinic (re-located a non-branded clinic)</td></tr>
<tr><td>Client Experience</td><td>continued enhancement of Artisan's client experience with:
evolved in-clinic client experience launched in all clinics from January 2023
marketing automation launched in September 2022
embedding of centralised client booking team
trialling a threefold increase in social media investment in several clinics</td></tr>
<tr><td>Team Member Experience</td><td>continued enhancement of Artisan Team Member experience with:
a staged release of Artisan's academies for clinicians, supported by a team of clinical coach educators (selected from clinicians with advanced skills), and
further development of Artisan's academies for clinic development managers, and client experience consultants
(both launched in February 2023)</td></tr>
</table>

Clinical Governance	• continued to enhance clinical governance via launching a bespoke clinic audit program adopting three-lines-of defence model, tailored for the aesthetic industry
Clinic Planning	• continued focus on program execution via clinic level quarterly business planning
Operational Efficiencies	• continued review of corporate overheads (including restructuring) and clinic efficiencies

Client metrics

Whilst like-for-like period comparisons are difficult given past and present impacts from business headwinds including COVID-19, changing macro-economic environment, and annualising impacts of clinician turnover including some founders, in prior periods, Vita is encouraged by various client metrics.

During H1 FY23, on a rolling 12-month basis, Artisan's active client[11] database increased 7.1%, annual average active client spend remained stable (down 0.4%), and client visits[12] increased by 13.3%.

New client numbers on a rolling 12-month basis increased 14.9% during H1 FY23, whereas new clients increased 30% in H1 FY23 compared to the prior corresponding period.

Despite seasonal factors and an increased rate of cancellations observed since prior to Christmas, total future bookings[13] are currently 30% higher compared to April 2022, when the evolved client experience program, including offering systemised treatment plans to clients, commenced a phased introduction.

Of clients visiting Artisan in a rolling 6-month period (excluding Artisan's single clinic not on the program until January 2023[14]), those provided a systemised treatment plan increased from 31% to 66% during H1 FY23. As of 31 December 2022, clients visiting in the prior six months that were provided a treatment plan continued to demonstrate an approximate 20 basis point higher collective rebooking rate than those that did not.

H2 FY23 early insights

For the January and February 2023 period, clinic revenue is estimated to finish 18% up and client visits 23.5% up on the prior year. For January 2023, group EBITDA[15] is up 23.7% on the corresponding month last year, and up 27.6% after excluding one-off benefits in the prior period.

Outlook

Whilst the macro-economic environment remains uncertain, Vita is positioned to drive organic growth by maintaining its focus on the execution of its evolved business model programs including increasing in its marketing investment. As such, Vita continues to target monthly underlying EBITDA[16] to break-even during FY24.

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

Further enquiries:
Andrew Ryan
Chief Financial Officer
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George Southgate
Chief Legal and Risk Officer / Company Secretary
Mob: 0412 514 030

[1] Prior period includes Covid-19 related lockdown and reopening periods for various clinics.
[2] Earnings before interest, tax, depreciation, and amortisation (including lease occupancy expenses). A pre-AASB 16 measure.
[3] Information and Communication Technology business, includes accessory business Sprout and other related entities.
[4] Vita is required to maintain certain insurance policies commensurate with the size and scale of the business at the time of divestment of its ICT business.
[5] Includes restructure costs and Artisan Clinical Education Symposium launching evolved business model with no current plans to hold the event again soon.
[6] Earnings before interest, tax, depreciation, and amortisation excluding business stand-up costs, legacy ICT insurance requirements, and non-recurring items.
[7] Net profit / (loss) after tax.
[8] Primarily consists of ICT related tax benefits arising from the finalisation of the FY22 income tax return and expected refunds arising from the amendment of historical tax returns following the finalisation of the GST audit, offset by onerous contract expense.
[9] Earnings before interest and tax excluding non-cash asset write down.
[10] Earnings before interest and tax excluding non-cash asset write down, business stand-up costs, legacy ICT insurance requirements, and non-recurring items.
[11] Active client database means the number of unique clients who have attended an Artisan clinic in a 12-month period.
[12] Excludes Geelong Clinic as not on Cosmedcloud until late May 2022.
[13] Excludes single clinic not included in client experience program until January 2023.
[14] Noting the final and largest Artisan clinic was added in January 2023 and therefore the program will not annualise until January 2024.
[15] Based on unadjusted and unaudited internal management reporting.
[16] Excludes estimated annual incremental costs associated with legacy ICT insurance and head office lease obligations.

H1 FY23 RESULTS

28 FEBRUARY 2023

Authorised for release by the VTG Board

H1 FY23 REVIEW

Progressing and implementing evolved business model growth programs

With business stand–up activities following the ICT divestment largely finalised, Artisan further progressed and implemented its evolved business model programs to drive organic growth

Continuing business headwinds

Artisan experienced continued business headwinds relating to impacts associated with COVID-19, changing macro-economic environment, and the annualising impacts from higher than expected clinician turnover from prior periods, including some founders from acquired clinics

Improving client metrics

Despite continued business headwinds, Artisan is encouraged by improving client metrics

H1 FY23 FINANCIAL HEADLINES

CONTINUING OPERATIONS

Revenues
$14.2m, up 12%

Underlying EBITDA[1]
($3.8m), down 3%

NPAT (exc. asset write down)[2]
($5.6m)

Asset write down (non-cash)
$12.4m

DISCONTINUED OPERATIONS

NPAT[3]
$1.9m

TOTAL GROUP

Revenues
$14.2m

NPAT[4]
($16.0m)

Net Cash
$15.1m

[1] Earnings before interest, tax, depreciation, and amortisation (including lease occupancy expenses). A pre-AASB 16 measure. Excludes business stand-up and restructure costs, legacy ICT insurance requirements, and non-recurring items.

[2] Net profit / (loss) after tax excluding asset write down.

[3] Primarily consists of ICT related tax benefits arising from the finalisation of the FY22 income tax return and expected refunds arising from the amendment of historical tax returns following the finalisation of the GST audit, offset by onerous contract expense

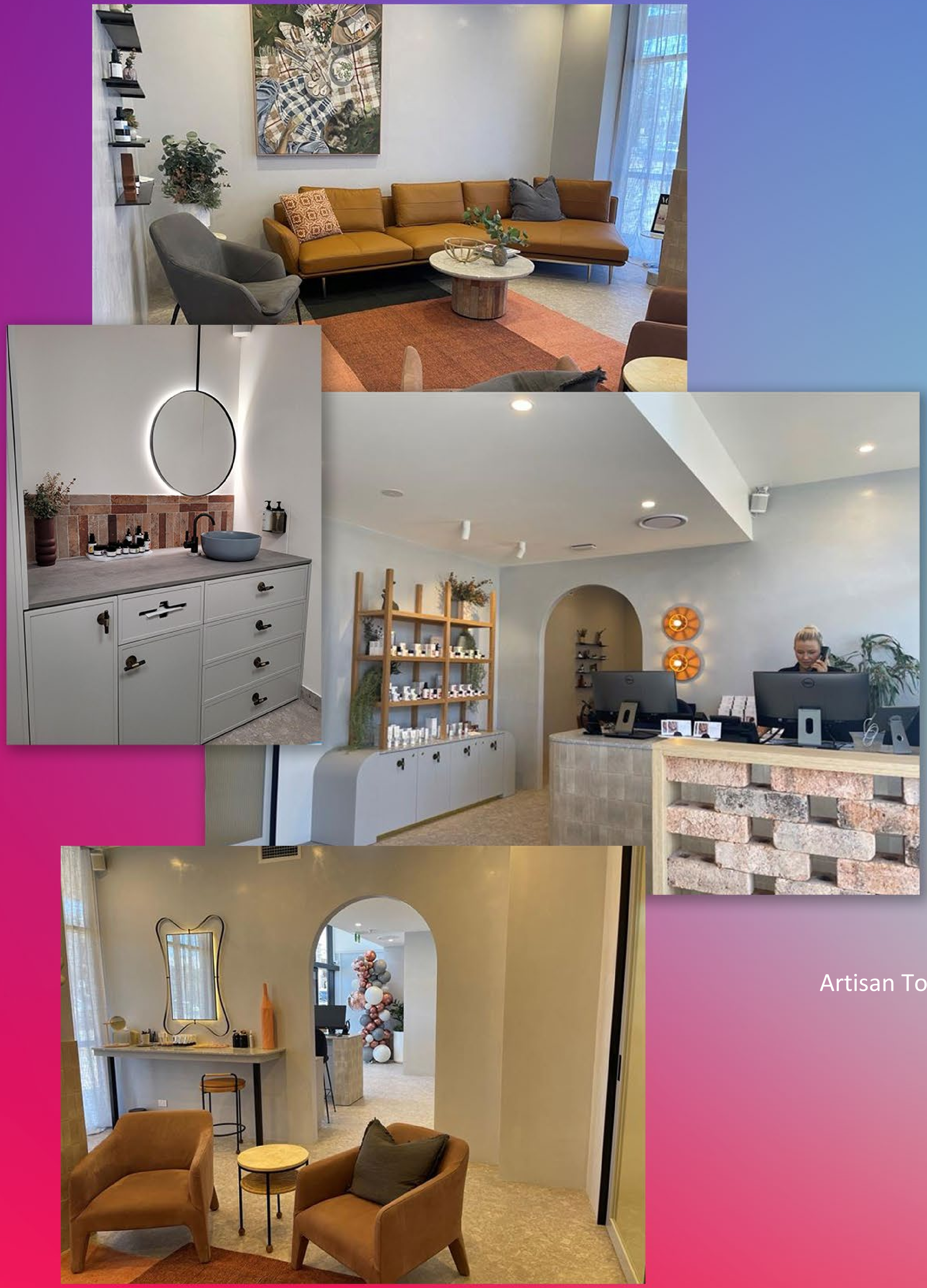
[4] Net profit / (loss) after tax.

H1 FY23 PROGRAM HEADLINES

Further progressed and implemented of Artisan's evolved business model growth programs

Organic Growth Programs:

- Brand Standardisation
- Client Experience (incl. Marketing)
- Team Member Experience
- Clinical Governance
- Clinic Planning
- Operational Efficiencies



Artisan Toowoomba: opened Dec 2022

INCOME STATEMENT

($m unless otherwise stated)	H1 FY23	H1 FY22	Change
Continuing operations (excluding impairment of goodwill)			
Revenue	14.2	12.6	12%
Gross Profit	10.5	9.4	11%
Gross Profit %	73.9%	74.6%	
EBITDA[1]	(4.8)	(3.7)	(30%)
Add business stand-up and ICT legacy costs[2]	0.4	0.5	
Add / (Less) non-recurring items[3]	0.6	(0.5)	
Underlying EBITDA	(3.8)	(3.7)	(3%)
EBIT[4]	(6.4)	(5.1)	(24%)
EBITDA adjustments[2, 3]	1.0	-	
Underlying EBIT	(5.4)	(5.1)	(6%)
NPAT[5]	(5.6)	(3.4)	(65%)
Discontinued Operations	1.9	1.7	
Impairment of Goodwill	(12.4)	-	
Group NPAT[6]	(16.0)	(1.7)	

[1] Earnings before interest, tax, depreciation, and amortisation (including lease occupancy expenses). A pre-AASB 16 measure.
[2] Under the terms of the share sale agreement of ICT, Vita is required to maintain certain insurance policies commensurate with the size and scale of the business at the time of divestment of its Retail ICT business.
[3] Includes restructure and Artisan Clinical Education Symposium costs in H1 FY23 and gain on contingent consideration in H1 FY22.
[4] Earnings before interest and tax excluding non-cash asset write down.
[5] Net profit / (loss) after tax from continuing operations, excluding non-cash asset write down.
[6] Net profit / (loss) after tax.
[7] Based on December 2022 exit rate compared to day 1 post ICT divestment levels.
[8] Includes Senior Management, Legal & Risk, IT, Finance & Property, People & Culture, and Operations functions, and Marketing team.

Artisan revenues $14.2m, up 12%

- Prior year impacted by COVID-19 lockdown and reopening periods

Healthy gross margins

- Mix of products and treatments delivered and new client offers

Underlying EBITDA ($3.8m), down 3%

- **EBITDA: ($4.8m), down 30%**
  - Underlying EBITDA impacts include:
    - the annualisation of the revenue decline from prior period clinician turnover, including some founders
    - increased clinic costs in NSW, ACT and Victoria compared to prior corresponding period which experienced COVID-19 related closures, and
    - 28% [7] reduction in indirect corporate overhead [8] not fully realised in H1 FY23

Underlying EBIT ($5.4m), down 6%

- **EBIT: ($6.4m), down 24%**

Non-cash asset write-down

- Impairment of goodwill ($12.4m)

Discontinued Operations $1.9m includes:

- ICT related tax benefits relating to the FY22 income tax return
- expected refunds from amending historical tax returns following the finalisation of the GST audit
- offset by onerous contract expense

BALANCE SHEET

($m unless otherwise stated)	31 Dec 2022	30 Jun 2022
Cash	16.8	18.0
Current assets (exc. cash)	5.6	6.1
Non-current assets	31.0	45.5
Total assets	53.4	69.6
Current liabilities	(12.0)	(12.7)
Non-current liabilities	(11.6)	(11.1)
Total liabilities	(23.6)	(23.8)
Net assets	29.8	45.8

Cash	16.8	18.0
Debt	(1.7)	(1.6)
Net cash	15.1	16.4

[1] Following the divestment of Vita's Retail ICT business, Vita's legacy head office premises is no longer required, and Vita is actively looking at all opportunities to reduce this lease commitment.

Cash

- Healthy cash position

Current assets

- Inventory $1.0m
- Receivables (inc. tax receivable) $3.4m
- Other assets $1.2m

Non-current assets

- Security term deposit $2.0m
- Plant and equipment (including clinic fit-out and equipment technologies) $7.2m
- Right of use assets (ROUA) $5.8m
- Intangibles $12.3m
- Deferred tax assets $3.6m

Total liabilities

- Trade and other payables $3.5m
- Borrowings $1.7m
- Lease liabilities $10.5m (including legacy head office commitment)[1]
- Provisions $4.4m
- Other liabilities $3.4m

Net cash $15.1m

- Gross cash $16.8m; debt $1.7m

CASH FLOW

($m unless otherwise stated)	H1 FY23	H1 FY22
Continuing Operations		
Operating cash flows	(0.9)	(4.4)
Investing cash flows	(0.9)	(3.0)
Financing cash flows	(1.6)	(69.8)
Total continuing operations	(3.4)	(77.2)
Discontinued Operations		
Total discontinued operations	2.2	84.3
Net cash movement		
Opening cash balance	18.0	38.2
Closing cash balance	16.8	45.3

Continuing operations

Operating cashflows

- Primarily reflecting trading losses offset by tax refund receipts

Investing cashflows

- Artisan branded fitout and equipment ($0.9m)

Financing cashflows

- Lease payments ($1.8m)
- Net debt drawdowns $0.1m

Discontinued operations

- Tax refund proceeds following lodgement of FY22 tax return

Cash movement (intervening period Jan – June 2022)

- Included Special Dividend of $22.0m paid on May 2022

CLIENT METRIC GROWTH

Whilst like-for-like comparisons to prior periods are difficult, Vita is encouraged by various client metrics

- **During H1 FY23, on a rolling 12-month basis**:
  - Active client[1] database increased 7.1%
  - Annual average active client spend stable (down 0.4%)
  - Client visits[2] increased by 13.3%
  - New client numbers[3] increased by 14.9%
- **H1 FY22 vs. H1 FY23**:
  - New clients increased by 30%
- **Total future bookings**[4]
  - Despite being impacted by cancellations and seasonal factors prior to Christmas, Total Future Bookings are currently 30% higher compared to April 2022 when the new client experience program commenced a phased introduction
- **Of clients visiting Artisan in a rolling 6-month period during H1 FY23**
  - Those provided a systemised treatment plan increased from 31% to 66%, noting that:
    - o the final and largest Artisan clinic was not added to the program until January 2023 and therefore the program will not annualise until January 2024
    - o at 31 December 2022, clients visiting in the preceding 6 months that were provided a systemised treatment plan continued to demonstrate an approximate 20 basis point higher collective rebooking rate than those that did not

[1] Active clients means number of unique clients who have attended an Artisan clinic in a 12-month period.
[2] Excludes Geelong Clinic as not on Cosmedcloud system at that time.
[3] Clients who have not previously visited an Artisan clinic.
[4] Excludes single clinic not on the program.

H2 FY23 early insights

For the January and February 2023 period, clinic revenue is estimated to finish 18% up and client visits 23.5% up on the prior year.

For January 2023, group EBITDA[1] is up 23.7% on the corresponding month last year, and up 27.6% excluding one-off benefits in the prior period.

Outlook

Whilst the macro-economic environment remains uncertain, Vita is positioned to drive organic growth by maintaining its focus on the execution of its evolved business model growth programs including increasing its marketing investment. As such, Vita continues to target monthly underlying EBITDA to break-even during FY24.

[1] Based on unadjusted and unaudited internal management reporting.

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, 28 February 2023. Further details are provided in the Company's accounts and results announcement released on 28 February 2023.

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