

## Vita Life Sciences Limited – 2019 Annual General Meeting

### Address by the Managing Director - 31 May 2019

Thanks Henry,

#### **Slide 3: Managing Director review**

Thank you all for joining us today.

It's a pleasure to provide an update on the Groups FY2018 performance, however most importantly, I will be providing you with insights into our business activities across the region.

I would like to acknowledge and thank the Board for the continued trust and support over the past 12 months. The business is well placed to maintain a steady course in driving future revenues, whilst capitalising on revised distribution models in key markets.

#### **Slide 4: Business overview**

Vita Life Sciences (VLS) maintains distribution coverage across 7 countries. The core markets in which VLS operates includes Australia, Malaysia and Singapore. The remaining countries being Thailand, China, Vietnam and Indonesia remain an important pillar to the Groups future growth aspirations.

- We have 3 major consumer brands
- 750-800 registered products in 7 countries
- Over 400 employees
- Listed in 2007 on the ASX (ASX:VLS)

#### **Slide 5: Financial Summary**

Turning to the results for FY2018.

The Group delivered a record revenue performance of \$41.1M, including underlying EBIT of \$6.2M, before a non-recurring building revaluation expense of \$1.8M on the Malaysian facility.

Group sales of \$41.1M up 10.6% on the prior corresponding period (PCP). This result is a record performance for the Group since our 2007 listing. This performance reflects the strategy set for the business to stimulate sales, after a lengthy period of flat growth for the Group.

The group also returned \$2.8M to shareholders through dividends and the share buyback scheme in FY 2018.

This was based on Group sustained margins and EBITDA performance a total dividend of payment 3.75 cents per share; unchanged from FY2017.

### **Slide 6: FY 2018 Results**

In terms of geographical contributions by each market, our FY 2018 revenue geographical mix has remained relatively unchanged from FY 2017, with Australia continuing to be the single largest market.

Asia pacific region, which represents 59% of the group's revenue, remains a significant strategic pillar for the company. Our core markets are Malaysia and Singapore and the remaining markets broadens out our reach within the region. The Group will continue to prioritise investment in both human resources and new product launches across Asia.

### **Slide 7: Australian snapshot**

Australia's revenue base of \$16.4M from the Herbs of Gold brand was sustained in a competitive environment. In October 2018, the company announced our formal entry into the mainstream pharmacy channels. To date, we have commenced sales from several chain pharmacies including formal agreements with Blooms The Chemist, National Pharmacies group, Chemist Outlet group and several independent banners. In total, the Australian business has opened 138 new accounts, selling Herbs of Gold products. The sales contribution from new pharmacy business has offset the decline in the health food channel.

EBIT was down to \$2.7M from the previous year due to higher marketing investments, which is expected to continue further into 2019.

The business has invested \$0.9M in the first half of 2019, supporting the expansion strategy in Australia. The marketing plan includes a range of different advertising mediums such as TV, digital and outdoor campaigns. I would now like to share a piece of the Herbs of Gold "Golden Formula" campaign commencing in May 2019.

### **Slide 8/9: Herbs of Gold TV and outdoor campaign played via video**

### **Slide 10: Malaysia snapshot**

#### **Malaysia**

Revenue and operational EBIT increased by 15.5% and 47.0% respectively on (PCP). The performance was influenced by broader ranging of the VitaHealth products through major Pharmacy chains including, Watsons and Guardian.

Herbs of Gold, sold exclusively through the Caring Pharmacy Group in Malaysia, performed strongly with revenue increasing by 41%.

Overall, the Malaysian result is satisfactory given the challenging economic conditions in FY2018. The reported result included at \$1.8M write-down of our building fair value revaluation exercise.

#### **Slide 11: VitaHealth brand refresh**

VitaHealth is the Groups primary brand in the South East Asian markets. We have taken the opportunity to also “revitalise” the VitaHealth brand. As you can see, the new brand identity has been brought to life in our packaging and consumer communication touchpoints across the region.

#### **Slide 12: Singapore snapshot**

##### **Singapore**

Revenue and EBIT increased by 9.5% and 14.3% respectively in FY2018.

The improvement was influenced by higher trade investment to stimulate consumer spending. This activity was required to sustain growth in a more challenging environment.

Low barrier to entry and high competition will continue to place pressure in this market.

Consumer buying behaviours are changing in Singapore. There is a genuine shift towards online e-commerce trading from consumers. This shift requires ongoing evaluation from the business to maximise future market opportunities.

#### **Slide 13: Other Asia**

Revenue in the Group’s expansion markets, namely Thailand, Indonesia and Vietnam increased to \$2.9M in FY2018, or by 20.8% when compared to (PCP). Contributions from these markets were higher, particularly in Vietnam.

Vietnam was a standout performer and the Group remains encouraged by its future growth prospects, which appears to be sustainable in the medium term.

The Group will continue to invest into the other markets and take a longer-term view about future contributions.

#### **Slide 14-15: Strategic priorities and outlook**

The Vita Life Sciences group has grown from strength to strength since its humble beginnings as a retail pharmacy in 1947.

In 2019 Herbs of Gold celebrates 30 years in the market and continues to be a highly trusted and respected brand.

The Board has set a clear strategy and continues to be implemented by Management. The agenda includes, a higher level of investment in brand equity, expanded market reach, and greater product diversification.

This strategy may impact the financial performance in the short term, however it is intended to produce sustainable growth over medium to longer term.

The Board's first half guidance is as follows:

- Sales of around \$20m are in line with the corresponding period. Whilst we have had a positive impact from the new pharmacy channel, this has been offset by slightly lower sales from the traditional health food channel.
- EBIT has been impacted by the consumer advertising campaign of approximately \$1m which was advised previously to shareholders. In addition, higher staff costs to support business transformation and repairs & maintenance for our facility were incurred. These factors will result in a forecast EBIT of \$0.6m-0.8m for the first half.
- Full year guidance will be provided in the fourth quarter of this financial year.

#### **Managing Director closing comments**

In closing, I would like to thank all the hard-working staff of Vita Life Sciences over the months. The Group is very well positioned to leverage market opportunities across the region and is expecting moderate growth moving forward.

I would like to thank all shareholders and look forward to your ongoing support.

Thank you for your attention and I will hand back to the chairman.

**Andrew O'Keefe**  
Managing Director  
31 May 2019