

# Vita Life Sciences Ltd

Results Presentation  
Half Year ended 30 June 2014



# Vita Life Sciences overview



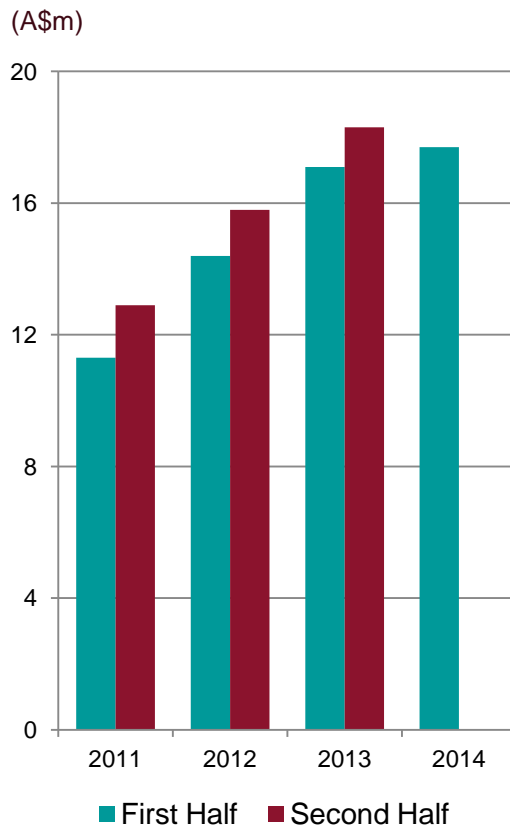
- Asia Pacific pharmaceutical and healthcare over-the-counter business involved in the formulating, packaging, sales and distribution of vitamins and supplements
- 800 registered sku of vitamins and supplements sold in 8 countries in the Asia Pacific region
- 2 major brands
  1. VitaHealth: products sold in health food stores and pharmacies throughout Southeast Asia
  2. Herbs of Gold: products sold in health food stores in Australia
- Approx. 400 employees across 8 countries.
- ASX listed since 2007 (ASX:VSC)

# Half Year 2014 Highlights

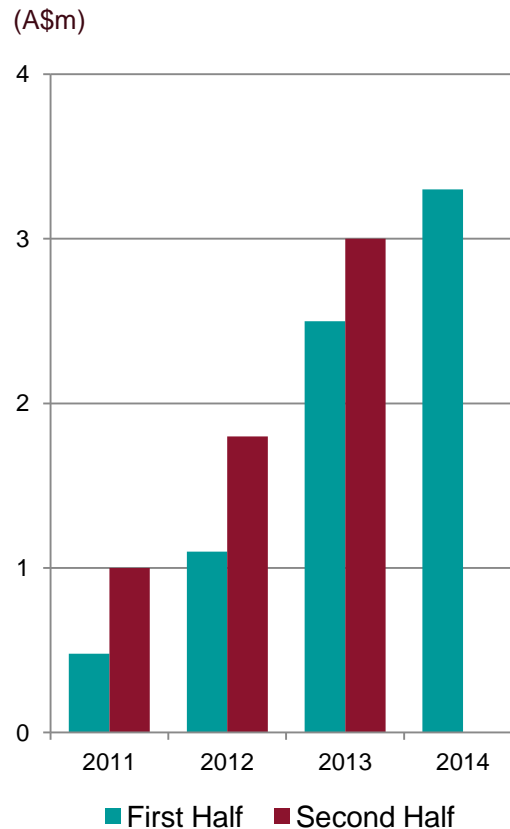
- 1 Half year 2014 Group revenue increased by 3.8% to \$17.7m
- 2 Half year 2014 Group EBIT increased by 30.3% to \$3.3m
- 3 Continued strong operating cashflow to EBITDA conversion of 101%
- 4 Half year 2014 Interim Dividend increase by 0.5 cents per share to 1.5 cents per share
- 5 Other Asia revenue continued outsized growth to contribute 15% of Group revenue

# Vita Life Sciences has significant momentum

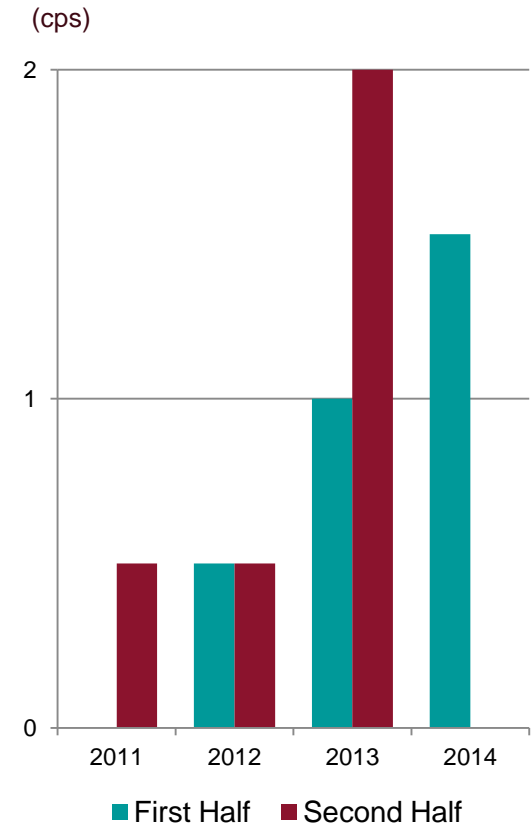
## Revenue



## EBIT

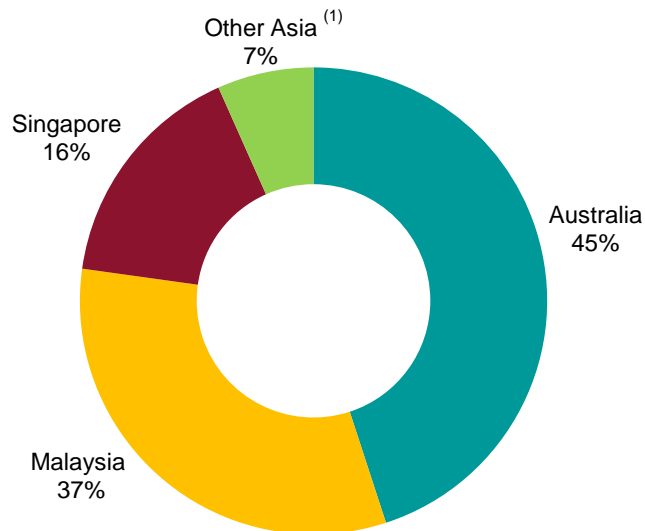


## DPS



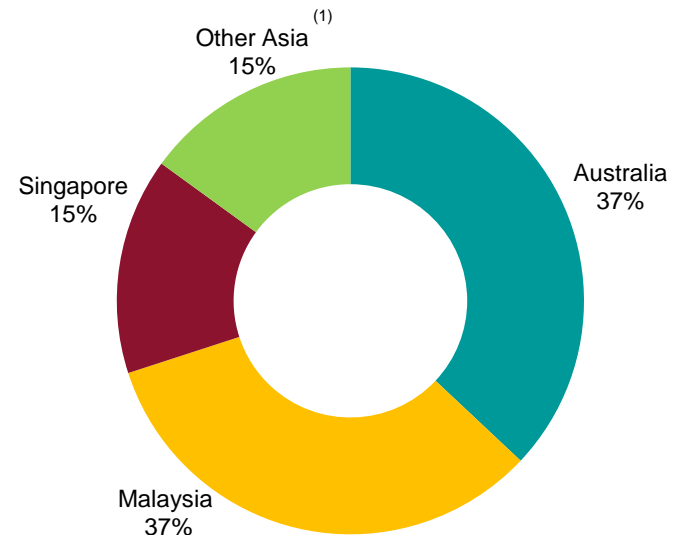
# An Asia Pacific platform built for sustained growth

**2011 half year revenue by geography**



**Total revenue: \$11.3m**

**2014 half year revenue by geography**



**Total revenue: \$17.7m**

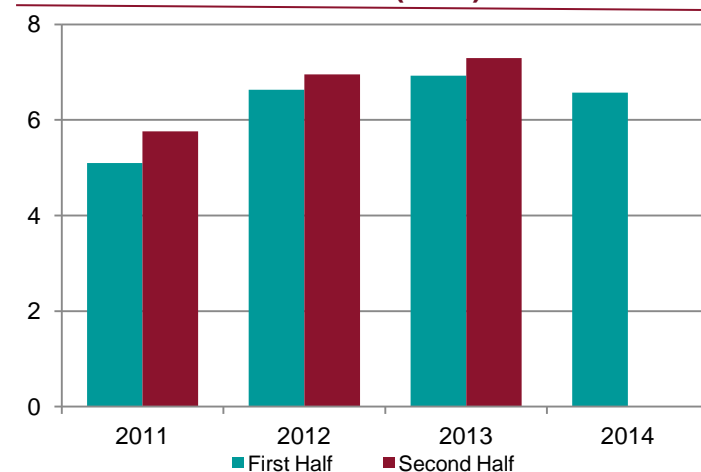
Thailand, Vietnam, China and Indonesia OTC businesses and Multi-Level-Marketing in Malaysia are expected to contribute 25% of Group revenue in the medium term

# Vita Life Sciences strategic initiatives

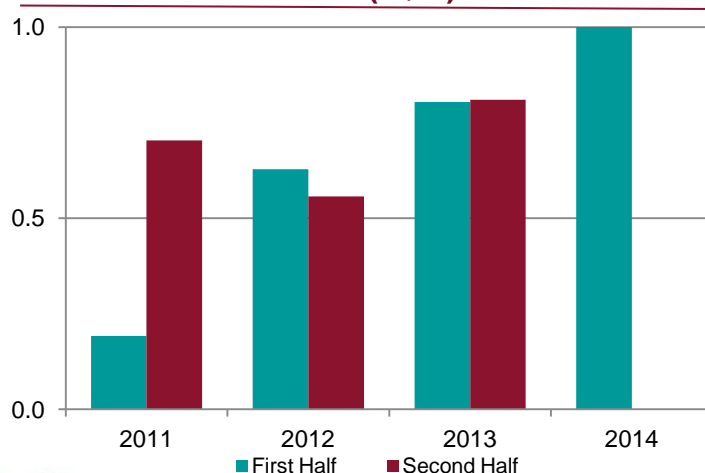
- Vita Life Sciences strategy has been:
  - Establish sustainable platform for revenue growth through expanding operations into new 50 million plus population markets in Asia
  - Drive profit growth through continued investment in new product development
- The strategy to focus on profitable growth is being executed through:
  - New product development is targeted at providing customers with unique formulations using premium ingredients
  - Given their unique nature higher margins are able to be earned from new products
  - As new products are introduced to the market commoditised products that are subject to strong competition are de-listed from the Group's product offering
  - This has led to a continued positive shift in sales mix and higher EBIT margins
- EBIT margins are also being aided by the attainment of critical mass in individual markets and the leveraging of the fixed cost base

# Segment results Australia

Revenue (A\$m)



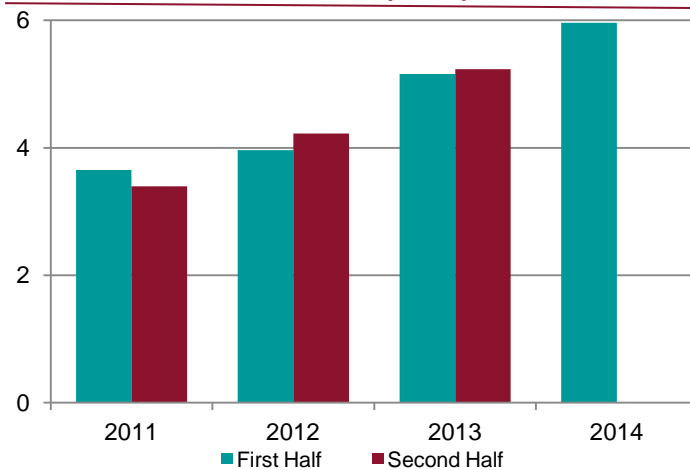
EBIT (A\$m)



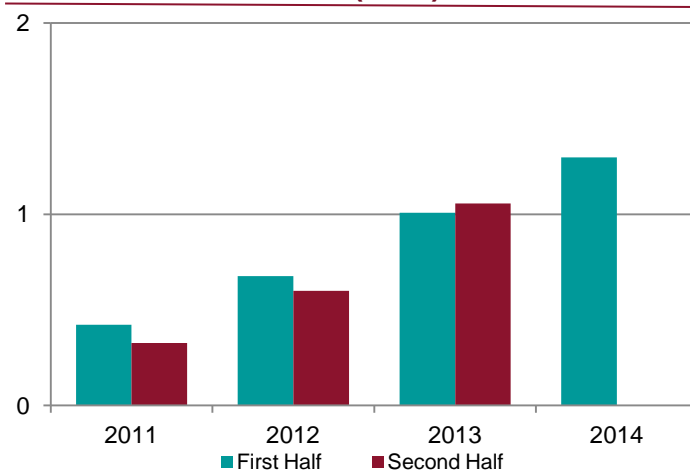
- Sales revenue of \$6.6m, a decrease of 5.1% against half year 2013
- Sales were impacted by:
  - Continued focus on substituting commoditised products with unique formulation premium ingredient products
  - Competition in a mature market
- EBIT of \$1.0m increased 24.6% against half year 2013
- Higher EBIT margins were driven by:
  - Favourable shift in the sales mix to unique formulation premium ingredient products

# Segment results Malaysia

Revenue (A\$m)



EBIT (A\$m)

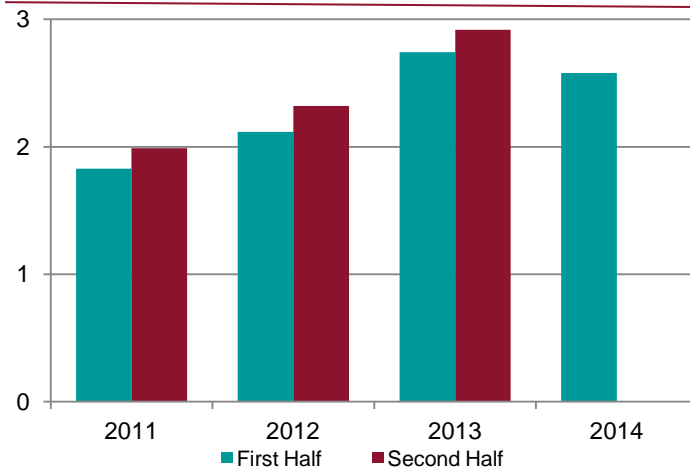


- Sales revenue of \$6.0m increased 15.6% against half year 2013
- Strong momentum in the Vita Health brand being driven by Vita Health being recognised as one of Malaysia's leading OTC brands
- EBIT of \$1.3m increased 28.8% against half year 2013
- Higher EBIT margins underpinned by:
  - Favourable shift in the sales mix to unique formulation premium ingredient products
  - Continued leveraging of the fixed cost base

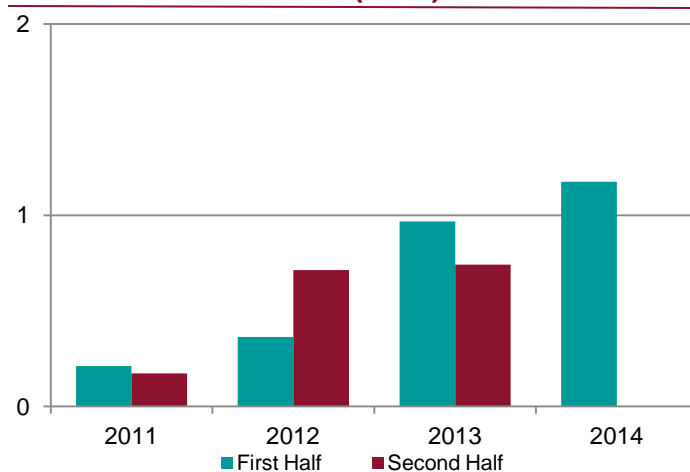


# Segment results Singapore

Revenue (A\$m)



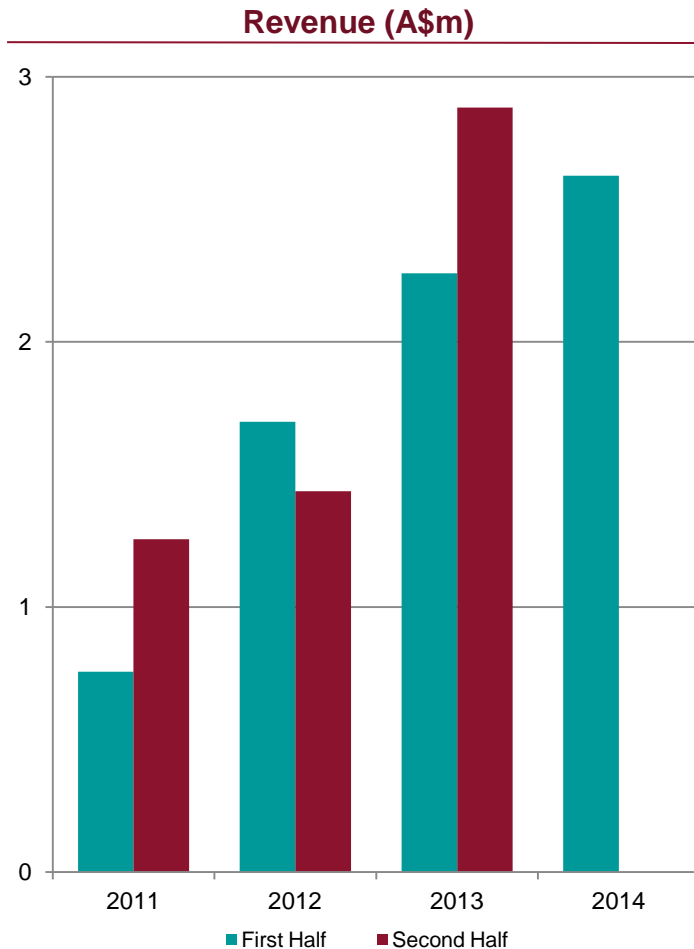
EBIT (A\$m)



- Sales revenue of \$2.6m, a decrease of 5.9% against half year 2013
- Sales growth has averaged 12.2% per annum over the 3 years to half year 2014 with the decline in half year 2014 revenue attributable to:
  - Cycling of very strong growth in half year 2013 of 29.4%
  - Continued substitution of commoditised products for unique formulation premium ingredient products
- EBIT of \$1.2m increased 21.5% against half year 2013
- Higher EBIT margins achieved as a result of:
  - Favourable shift in the sales mix to unique formulation premium ingredient products
  - Continued leveraging of the fixed cost base

# Segment results

## Other Asia<sup>(1)</sup>

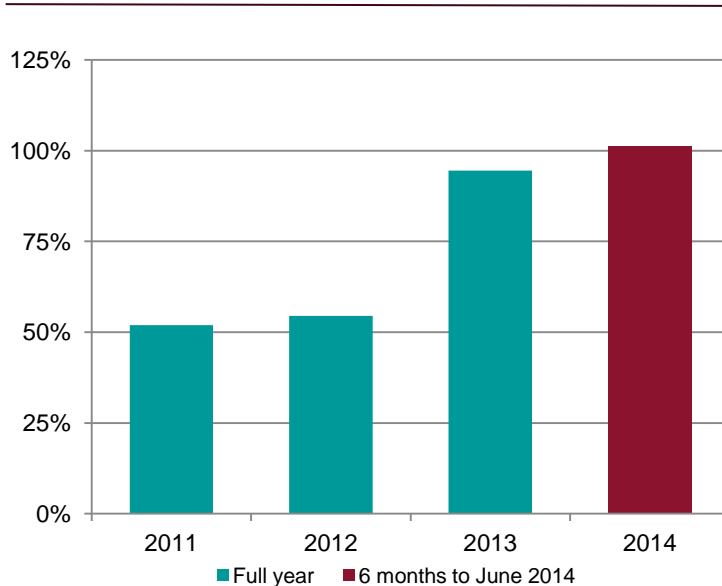


- Sales revenue of \$2.6m increased 16.3% against half year 2013
- Vietnam and China continued double digit revenue growth which was partially offset by a decline in revenue in Thailand due to the prevailing political situation
- Collectively, Other Asia continued to move towards breakeven. Performance was adversely impacted by:
  - Downturn in Thailand
  - Start up costs associated with Indonesia's transition from an independent distributor to proprietary operations

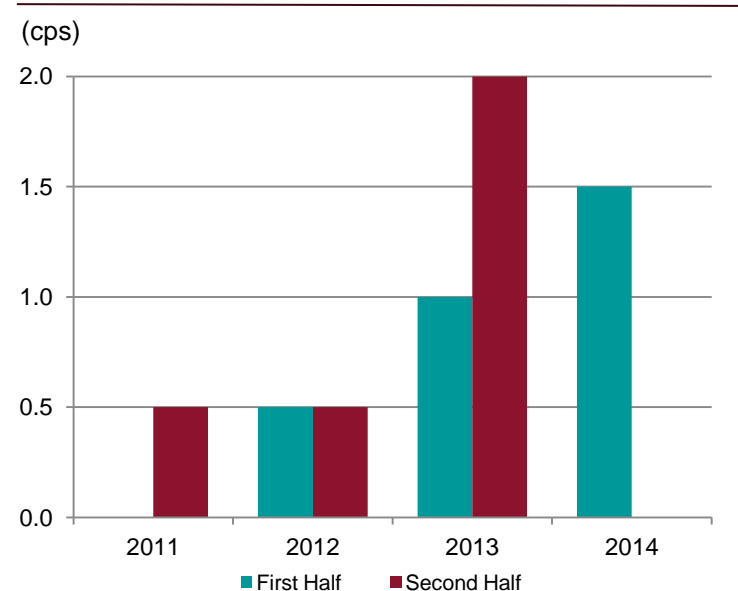
# Interim dividend and cashflow

- Interim dividend declared of 1.5 cents per share for HY14 (1.0 cent HY13)
- Interim dividend will be unfranked & contains no Foreign Conduit Income
- Dividend reinvestment plan is currently suspended

**Gross operating cashflow to EBITDA**



**DPS**



Strong operating cashflow conversion combined with financially disciplined growth allows Vita Life Sciences to consistently grow dividends to shareholders

# Shareholder update

- The Group's Australian business has reached the stage in its development where it requires the appointment of an experienced and skilled CEO
  - Following an extensive executive search, the Board is please to announce the appointment of Mr Andrew O'Keefe as Chief Executive Officer – Australia
  - Mr O'Keefe, who has 14 years of industry experience, including 4 years as CEO of Go Vita Distributors Ltd, is charged with developing the Australian brands 'Herbs of Gold' and 'Vita Science' further
- New Malaysian Premises:
  - Regulatory approval obtained for vendor to proceed with sale
  - Settlement of the purchase expected to occur in September 2014
  - Work has begun on design of a Good Manufacturing Practices compliant laboratory and packing plant, and general fitout of the building
- Profit after tax of \$4.7m for HY14 includes a \$2.1m credit to the income tax line arising from the recognition of Australian tax losses being brought to account as a deferred tax asset. Excluding this one off item, income tax expense was \$0.8m for half year 2014
- In July 2014, the Group received confirmation from the Singapore tax authority that tax losses incurred prior to 2010 totalling SD\$19.0m (approx A\$16.1m) relating to one of the Group's wholly owned subsidiaries are available for offset against future taxable income.

# Shareholder update

## Trading update

- Directors full year revenue guidance is \$37m to \$38m
- Directors full year guidance for EBIT is \$6.5m to \$7.0m

# Appendix

# Appendix 1 – Profit and Loss

Half year ended 30 June	2014 \$m	2013 \$m	Change %
Revenue	17.74	17.08	4%
EBITDA	3.36	2.63	28%
EBIT	3.31	2.54	30%
Profit before tax	3.34	2.54	31%
Profit after tax	4.66	2.15	118%
EPS (Diluted – cents)	8.20	3.79	116%
Dividend (cents / share)	1.50	1.00	50%

# Appendix 2 – Balance Sheet

Balance Sheet	2014 \$m	2013 \$m
Current assets	21.16	20.49
Non-current assets	3.19	1.52
<b>Total assets</b>	<b>24.35</b>	<b>22.01</b>
Current liabilities	(5.20)	(5.68)
Non-current liabilities	(0.07)	(0.06)
<b>Total Liabilities</b>	<b>(5.27)</b>	<b>(5.74)</b>
<b>Net Assets</b>	<b>19.08</b>	<b>16.27</b>



# Appendix 3 – Cash Flow

Cash Flow	2014 \$m	2013 \$m
Receipts from customers	19.21	18.72
Payments to suppliers and employees	(15.81)	(16.01)
<b>Gross operating cash flow</b>	<b>3.40</b>	<b>2.71</b>
EBITDA	3.36	2.63
<b>Gross operating cash flow / EBITDA</b>	<b>101%</b>	<b>103%</b>
Net interest received / (paid)	0.02	(0.01)
Income tax paid	(0.45)	(0.17)
<b>Operating cash flows</b>	<b>2.97</b>	<b>2.53</b>
<b>Cash flows from investing</b>	<b>(0.62)</b>	<b>(0.18)</b>
Net movements in equity	(1.46)	0.03
<b>Cash flows from financing</b>	<b>(1.46)</b>	<b>0.03</b>
Net foreign exchange differences	(0.19)	0.20
<b>Net increase in cash reserves</b>	<b>0.70</b>	<b>2.58</b>
Cash at beginning of period	8.97	5.02
<b>Cash at end of period</b>	<b>9.67</b>	<b>7.60</b>

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