ASX Announcement

Vita Group reports strong result for FY14

21 August 2014 - ASX-listed provider of communications, electronics and information technology products and services, Vita Group Limited (ASX: VTG), today reported a 52% increase in earnings before interest, tax, depreciation and amortisation (EBITDA[1]) to $33.5m in the 12 months to 30 June 2014.

The result was underpinned by the performance of Vita's network of Telstra stores, productivity benefits and a growing contribution from the business-to-business (B2B) channel.

Underlying EBITDA[2], excluding $6.5m of deferred benefits from sales of the Group's now discontinued proprietary warranty and swap products, was $27.0m, up 22% on the previous period. Underlying net profit after tax (NPAT[2]) was $10.3m, up 66%. The $19.4m non-cash impairment of Next Byte, announced last February, saw the Group record a statutory net loss of $4.6m after tax for the full year.

The Board declared a final dividend of 2.73 cents per share, taking the full year dividend to 4.64 cents per share, an increase of 64% on the previous year.

HIGHLIGHTS

- 4% increase in revenue to $450.1m
- Strong like-for-like performance from Telstra stores and an improving contribution from Telstra Business Centres
- 12 Telstra points of presence acquired in the year – 109 in total as at period end
- Shift to higher-margin income sources; productivity benefits
- B2B offering enhanced, Camelon ICT Solutions acquired and integrated, business channel poised for growth
- Modest increase in gross debt despite significant acquisitions

($m unless otherwise stated)	**FY14**	**FY13**	**Change**
Revenue	450.1	434.7	+4%
Gross Profit	*154.4*	*137.5*	*+12%*
EBITDA[1]	33.5	22.1	+52%
Underlying EBITDA[2]	*27.0*	*22.1*	*+22%*
Next Byte impairment	(19.4)		
EBIT	3.4	10.9	- 69%
Underlying EBIT[2]	*16.3*	*10.9*	*+50%*
NPAT	(4.6)	6.2	-165%
Underlying NPAT[2]	*10.3*	*6.2*	*+66%*
Dividend	4.64 cps	2.83 cps	+64%

[1] *Excludes impact of $19.4m impairment of Next Byte*

[2] *Excludes impact of $19.4m impairment of Next Byte and $6.5m non-cash revenue benefit from ESP (ceased 1 January 2014)*

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Vita Group CEO, Maxine Horne, said the FY14 result extended Vita's track record of earnings growth in recent years following its decision to invest in building Australia's largest network of Telstra-branded stores and business centres.

"Our new and existing Telstra outlets are performing to expectations and continue to generate significant levels of earnings and cash flow, while our move into the B2B channel is gaining traction," Ms Horne said.

"The FY14 result is testament to the quality of our strategic partnerships and the hard work and dedication of the Vita team. The benefit of our investment in people and in developing our leaders is clearly evident."

OPERATING HIGHLIGHTS

Vita's Telecommunications division recorded a 44% lift in EBITDA to $34.5m on a 9% increase in revenue to $374.9m. This result reflected strength in trading, particularly through Telstra retail stores, which delivered like-for-like earnings growth of 23%, and an improved product mix, evident in a 230 basis-point increase in gross margins.

As at period end, Vita's Telstra portfolio stood at 109 points of presence, including 14 Telstra Business Centres (TBCs). Vita acquired 12 additional stores during the period – 10 retail outlets and 2 TBCs.

As previously advised, in partnership with Telstra, Vita agreed to discontinue its proprietary warranty and swap products (ESP) from 1 January 2014 and introduce Telstra's portfolio of risk products. In addition, a number of new store acquisitions were agreed. The Group's FY14 EBITDA result includes a non-cash benefit of $6.5m ($4.6m after tax) relating to ESP products sold prior to 1 January 2014.

EBITDA from the B2B telecommunications channel was up 29%. Following the acquisition of Camelon ICT Solutions in the first half and subsequent integration, Vita has improved its offering to Enterprise and SME customers, with a dedicated management team, clearly defined channels to market and a broader suite of products and services.

Next Byte recorded a 17% decline in revenue to $75.2m, attributed to the closure of a number of older stores, a softer like-for-like performance and the lack of new Apple product launches during the period.

Efforts to stabilise the Next Byte business resulted in a narrowing of its EBITDA loss to $1.0m in FY14, down from $1.8m in the prior year. Tighter management controls were evident in the second-half result, which approached break-even. When coupled with Apple product launches planned, these are expected to drive an improved result in FY15.

A $19.4m impairment charge against Next Byte goodwill announced last February reflected changes to footprint expansion plans, now on hold, with capital investment to be directed toward higher-quality opportunities in telecommunications. There were 14 Next Byte stores by period end, down from 17 a year earlier.

Gross debt lifted slightly from $15.5m to $16.9m as at 30 June despite the Group funding acquisitions and capital investment of $19.7m in the year. Net debt increased from $2.7m to $10.1m, reflecting slightly higher gross debt, and a lower cash balance at period end reflecting later timing of receivables relative to the prior year.

The company announced it had re-commenced its Dividend Reinvestment Plan enabling eligible shareholders to reinvest the proceeds of dividends in Vita Group shares. The Board also intends to continue to evaluate ways of leveraging the Group's franking credits balance, with any resulting decisions likely to be communicated later in the year.

OUTLOOK

Ms Horne said that whilst the market was competitive there remained a number of high quality opportunities for growth across the Group.

"Considerable growth potential remains as we integrate newly acquired stores and, through our people development initiatives, lift the consistency of performance across all retail stores," she said.

"We are also now well positioned to stake a meaningful footprint in the B2B market, having integrated the capabilities of Camelon and enhanced our offering to SME and enterprise customers. The business channel is a significant opportunity for Vita and we expect to be generating meaningful earnings growth from this channel over the medium term."

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About Vita Group

Brisbane-based Vita Group is a national, ASX-listed provider of telecommunications, computers and related products through retail and business channels. As at the end of June 2014 Vita Group was operating 161 outlets, comprising 95 Telstra-branded retail stores, 14 Telstra Business Centres, 17 Fone Zone and 21 One Zero outlets, and 14 Next Byte stores. Vita Group also operates a fast-growing mobile accessories division under the Sprout brand, and a range of other value-added products and services. For further information, visit www.vitagroup.com.au