FY14

Vita Group (VTG)

RESULTS

PRESENTATION

vita GROUP LIMITED

GROUP HIGHLIGHTS

Strong sustained performance in competitive markets

Execution against strategic objectives
- Continued earnings growth from optimisation program in retail
- Solid foundation in place for growth from B2B channel
- Next Byte performance improving

Financial performance extends recent growth trend
- Revenue up 4% to $450.1m, EBITDA[1] up 52% to $33.5m
- $6.5m non-cash benefit in H2 – discontinued proprietary warranty / swap program (ESP)
- Underlying EBITDA[2] up 22% to $27.0m; underlying NPAT[3] up 66%

Significant capital investment
- Retail and business portfolio acquisitions, fit-outs, IT programs

Capital management
- Full-year dividend 4.64cps, up 64% and fully franked
- Re-instigated DRP to allow shareholder flexibility to reinvest ordinary dividends

[1] *Excludes impact of $19.4m Next Byte impairment*
[2] *Excludes non-cash H2 impact of discontinued warranty/swap program*
[3] *Excludes post-tax impact of $19.4m Next Byte impairment and H2 non-cash impact of discontinued warranty / swap program*

HIGHLIGHTS
TELECOMMUNICATIONS

Consistent execution of strategic priorities

EBITDA[1] up 45% to $34.5m

- Revenues up 9% to $374.9m
- Gross margins up on favourable mix, focus on strategic products
- Underlying EBITDA[2] $28.0m, up 18% (excludes non-cash ESP benefit)
- Productivity improvements, reflecting investment in leadership, sales capability and service
- Positive retail momentum; B2B growing

Robust like-for-like performance from Telstra stores

Acquired new Telstra points of presence

- 12 acquisitions, 10 in retail, 2 TBCs
- 109 in total at period end (95 retail, 14 TBC)

Investments in B2B platform in place, poised for growth over medium term

- EBITDA[1] up 29% (but still sub-scale)
- Clarified branding and products/service suite; Camelon ICT Solutions integrated
- Go to market structure now clearly defined

[1] *Excludes impact of $19.4m Next Byte impairment*
[2] *Excludes non-cash H2 impact of discontinued warranty/swap program*

THE B2B OPPORTUNITY
OUR GO-TO-MARKET MODEL

← Complexity of solution →

Our customers
- SME
- Enterprise

Our Sales Channels
- Retail TLS & NB
- Telstra Business Centre
- vita enterprise solutions

Our product ecosystem

Vita Group Competencies
- Mobile Connectivity
- Fixed Connectivity
- Value Added Services (accessories, insurance & services)
- Digital Business Solutions

Camelon ICT Solutions Competencies
- Hardware
- UC
- Cloud

Professional Services

Our support teams

People	Customer Service	Finance	Marketing (inc. digital)
Learning & Development	Operations	IT	Product

HIGHLIGHTS
NEXT BYTE

Significant improvement H2

Improved EBITDA[1] performance

- EBITDA[1] loss $1.0m compared with $1.8m loss in prior year
- H2 close to break-even
- Benefits from focus on product mix, connectivity, productivity and leaner support

Revenue down 17%

- Fewer stores
- Soft like-for-like performance from old-format stores
- Lack of new Apple product

New-format stores – revenue, EBITDA[1] up on prior year

Impairment ($19.4m) in first half reflects lower future expectations

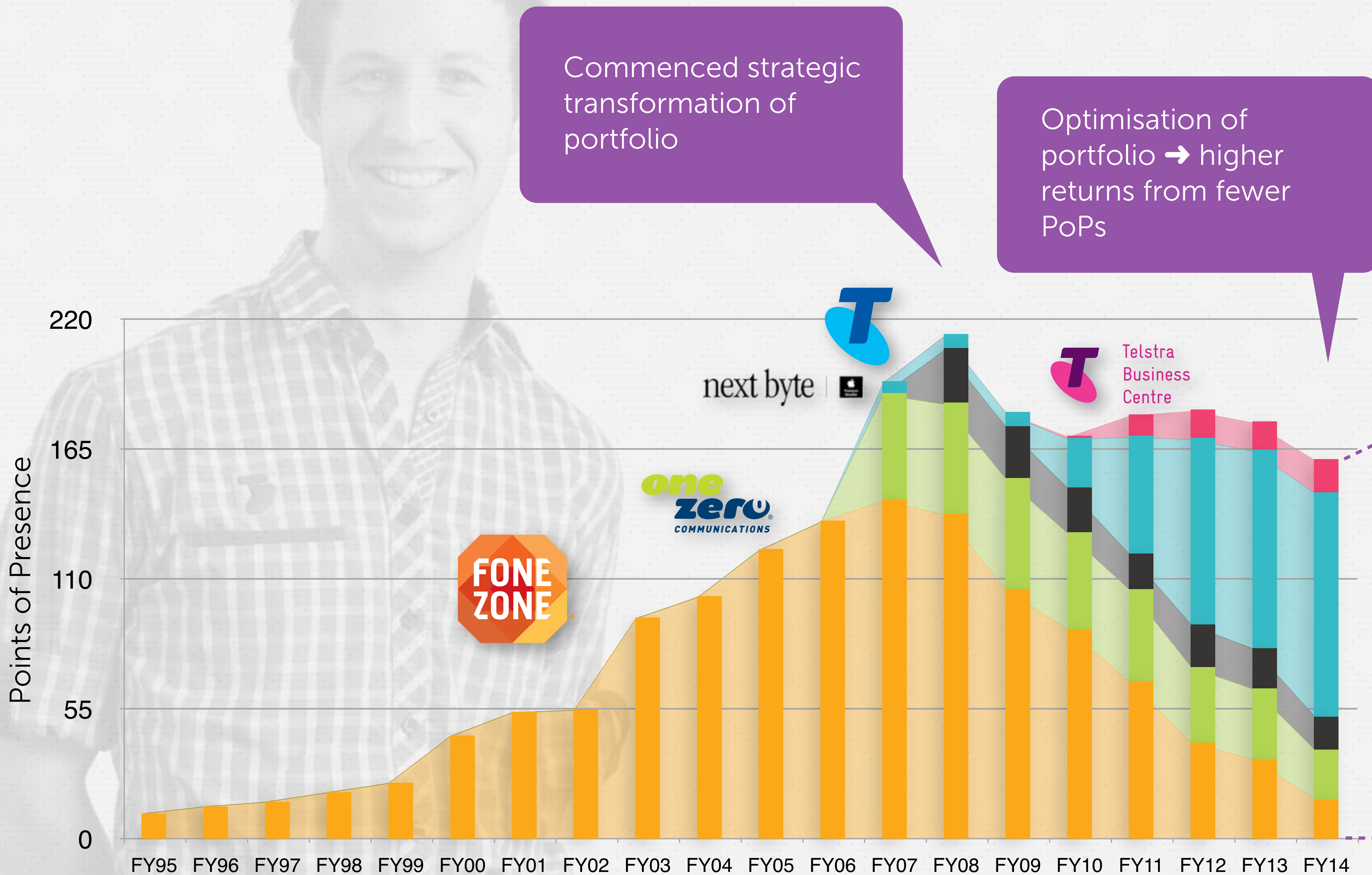
- Store rollout plans on hold

Expect improved performance FY15

- Apple product launches in pipeline
- Full-year benefit of new management disciplines

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

PORTFOLIO TRANSFORMATION
THE JOURNEY TO DATE & EVOLVING FOR THE FUTURE



Business growth not dependent on number of PoPs and less capital intensive

INCOME STATEMENT

($m unless otherwise stated)	**FY14**	**FY13**	
Revenue	450.1	434.7	+4%
Gross Profit %	*34.3%*	*31.6%*	
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%
NPAT	(4.6)	6.2	-165%
Dividend	***4.64 cps***	***2.83 cps***	***+64%***

[1] Excludes impact of $19.4m Next Byte impairment
[2] Excludes non-cash H2 impact of discontinued warranty/swap program

Continued growth in underlying earnings

	FY14 v FY13
Underlying EBITDA[3]	+22%
Underlying EBIT[3]	+50%
Underlying NPAT[3]	+66%
Underlying EPS[3]	+64%

[3] Excludes impairment of Next Byte, impact of ESP benefit

Result underpinned by Telecommunications

- Growth from new and existing stores
- Strong like-for-like performance in retail
- Higher margins – up 270bp
- Productivity benefits
- Strong evolution of EBITDA[1], EBIT, NPAT, EPS
- 64% increase in dividend, fully franked

TELECOMMUNICATION

($m)	FY14	FY13	
Operating Revenue	374.9	344.5	+9%
Gross Profit %	*37.9%*	*35.6%*	
EBITDA[1]	**34.5**	**23.8**	**+45%**
Underlying EBITDA[2]	**28.0**	**23.8**	**18%**
Points of Presence (# at period end)	147	160	

[1] *Excludes impact of $19.4m Next Byte impairment*
[2] *Excludes non-cash H2 impact of discontinued warranty/swap program*

12 additional Telstra points of presence

- 10 retail stores, 2 TBCs; 109 in total at period end
- 17 Fone Zone stores, down from 34 prior year

Like-for-like Telstra stores

- Revenue +5%, gross profit +12%, EBITDA[1] +23%
- Improvement driven by portfolio optimisation
  - strategic, higher value product focus
  - people programs (CARE, leadership)
  - productivity – GP +16%, labour +7%
  - significant lift in advocacy

Diverse product mix driving margin improvement

- Gross margins up 230bp
- Mobile, fixed, media
- Value add - accessories, insurance, service
- Cloud, UC, Digital Office Technology and other business solutions evolving
- Underlying EBITDA[2] margin up 60bp

Discontinued warranty/swap product

- Non-cash benefit through to end FY16

NEXT BYTE

($m)	FY14	FY13	
Operating Revenue	75.2	90.2	-17%
Gross Profit	12.5	14.5	-14%
EBITDA[1]	**(1.0)**	**(1.8)**	
Points of Presence (# at period end)	14	17	

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

Revenue down on prior year

- Old-format store closures
- Soft old-format like-for-like performance
- Lack of Apple product releases
- V2 performance up year-on-year

EBITDA[1] improving

- Reduced loss, even after restructuring charges
- Gross margins up 50bp in year; favourable mix, focus on connectivity
- Cost base down 17% – productivity measures
- H2 – close break-even EBITDA[1] result
- Positive momentum into FY15

New-format store rollout on hold

- Telco investment (retail and B2B) to take priority
- Focus on driving profitable growth from existing Next Byte network

BALANCE SHEET

Modest increase in gross debt: $15.5m → $16.9m

- $19.7m investment in acquisitions, relocations, fit-outs and technology
- Likely increase in gross debt H1 FY15 after a number of acquisitions settled

Net debt: $2.7m → $10.1m

- Lower cash balance – later debtor receipts; cash funded capex

Current assets slightly up

- Higher debtors (up $4.6m) offset by lower inventory (down $1.7m)

Non-current assets movement

- Next Byte impairment H1 offset by investments in fit-outs and IT

Current and non-current liabilities flat

- Current – higher trade payables (up $3.9m) offset by lower short term bank debt (down $4.5m)
- Non-current – higher non-current bank debt (up $5.9m) offset by lower deferred revenue balance (down $5.9m)

($m)	**30 Jun 14**	**30 Jun 13**
Cash	6.8	12.8
Current assets (exc. cash)	37.5	34.6
Non-current assets	80.6	87.5
Total assets	**124.8**	**134.8**
Current liabilities	(71.9)	(72.6)
Non-current liabilities	(22.2)	(21.8)
Total liabilities	**(94.1)**	**(94.3)**
Net assets	**30.7**	**40.5**

CASH FLOWS

Operating cash flows

- Reduction in operating cash flows reflects later timing of receivables vs. prior year
- Significantly increase in EBITDA[1]

Investing cash flows

- $19.7m in capex – store acquisitions – $9.5m, Camelon ICT Solutions – $3.7m, fit-outs and IT programs – $6.5m

Financing cash flows

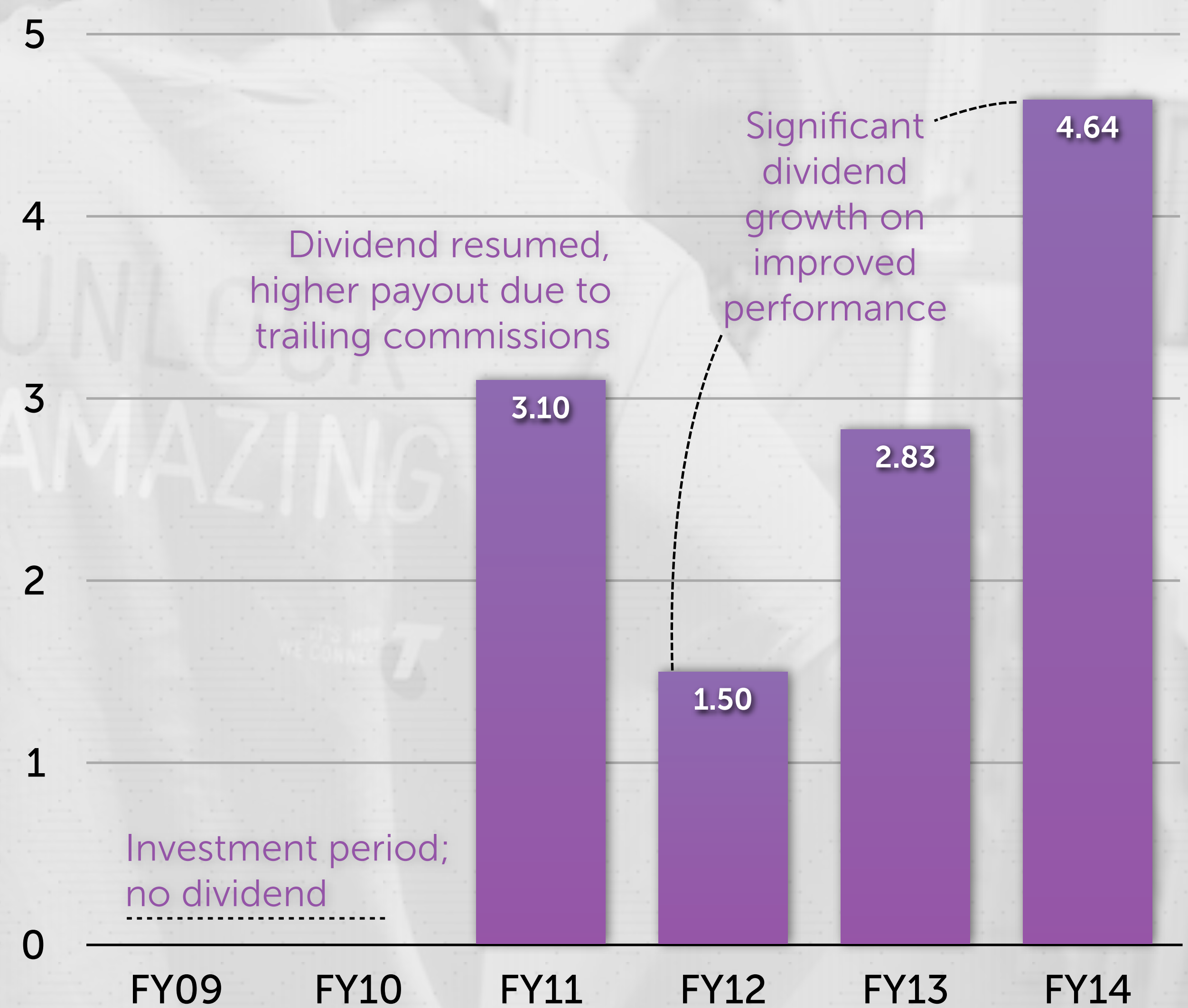
- $12.7m drawn in year to fund acquisitions
- $11.5m debt repayments
- Higher dividend payout – $5.1m, up $2.4m

($m)	**FY14**	**FY13**
Operating cash flows	**17.6**	**20.1**
Investing cash flows	(19.7)	(10.4)
Financing cash flows	(3.9)	(10.2)
Net cash movement	**(6.0)**	**(0.5)**
Opening cash balance	12.8	13.3
Closing cash balance	**6.8**	**12.8**

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

DIVIDENDS

- Full-year dividend 4.64 cps, up 64% and fully franked
  - Maintained 65% payout ratio
- DRP re-instigated to allow shareholder flexibility to reinvest
- Continuing to evaluate ways of leveraging franking credit balance; outcome expected later in the year



GREAT LEADERS
DELIVER GREAT RESULTS

We invested heavily in our people throughout FY14...

- Conducted 16 CARE sales leadership programs, and 105 CARE training programs
- 1400 team members trained

We're expecting more of our leaders; coaching delivers results

- Frequent quality interactions with our team members works
- 55% of team members are coached weekly – despite improvement, significant potential remains
- Mobile technology deployed to assist learning, and monitor coaching

EBITDA / FTE

up 35% in FY13

up 43% in FY14

in FY13 down 8%

in FY14 down 5%

Voluntary Turnover

... and our investment is paying off

GROWING THE INTERNAL TALENT POOL
INCREASES PRODUCTIVITY

Growing and keeping our people increases talent pool

	Internally sourced candidates	Externally sourced candidates
FY12	45%	55%
FY13	50%	50%
FY14	54%	46%

- Through our Get, Grow, Keep program, internal bench strength is improved, leading to a stronger internal talent pool
- Proportion of roles filled internally increasing
- Productivity higher, costs lower

Execution of our Get, Grow, Keep strategy reduces cost of doing business

STRATEGIC PRIORITIES

Retail

Continue optimising portfolio performance, improve consistency across retail stores

- Extract full-year benefit in FY15 of FY14 additions
- Continue to improve physical store network
- Leadership and sales capability
- Productivity initiatives
- Customer experience and advocacy

Business

Leverage B2B platform to grow contribution from business channel

- Leverage referred indirect business
- Drive greater scale in Vita Enterprise Solutions – national presence
- Improve Telstra Business Centre portfolio; leverage FY14 momentum
- Continue product and service innovation through Camelon ICT Solutions
- Expand mobility-managed services

QUESTIONS

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