ASX Announcement

Focus on people and productivity delivers strong FY15 result for Vita Group

24 August 2015 – ASX-listed provider of communications, electronics, and ICT products and services Vita Group (ASX: VTG) today announced a strong financial result for the 12 months to 30 June 2015. Underpinning the result was the performance of Vita's Telstra branded retail business and a growing contribution from the Group's two business channels, complemented by a robust increase in sales of Sprout accessories.

The Board declared a fully-franked dividend of 7.98 cents per share (cps) for the year, including the interim dividend of 4.12 cps paid in April. The full-year dividend was an increase of 72% on the previous year. Two fully-franked special dividends of 3.00 cps each were paid during the year, funded via the issuance of new shares; and a further special dividend of 2.00 cps has been declared, bringing the total special dividend to 8.00 cps.

Vita Group CEO, Maxine Horne, said the strong FY15 performance reflected the Group's continued focus on its strategic plan.

"We are executing on our clearly-defined strategy and seeing earnings growth from the investments made in recent years. We continue to focus on multiple horizons of growth:

- The optimisation of the retail business;
- Building scale in the small-to-medium business (SMB) segment through Telstra Business Centres (TBCs), contact centres and outbound sales teams; and
- Laying foundations for growth in Vita Enterprise Solutions (VES) servicing larger customers." she said.

RESULT HIGHLIGHTS

- Revenue at $601.4m, up 34%
- 48% increase in EBITDA[2] to $49.7m and underlying EBITDA[1] up 45% to $39.2m
- Reported net profit $25.4m and underlying net profit[1] up 76% to $18.1m
- Ordinary dividends up 72%
- Three special dividends declared at a total of 8.00 cps
- Underlying earnings per share[1] up 73% to 12.35 cps
- Net cash position at period end following reduction in borrowings

($m unless otherwise stated)	FY15	FY14	Change
Revenue	**601.4**	**450.1**	**+34%**
Gross Profit	**208.4**	**154.2**	**+35%**
EBITDA[2]	**49.7**	**33.5**	**+48%**
Underlying EBITDA[1]	39.2	27.0	+45%
Non-cash benefit from ESP	10.5	6.5	
Next Byte impairment		(19.4)	
EBIT	**37.9**	**3.4**	
Underlying EBIT [1]	27.4	16.3	+68%
NPAT	**25.4**	**(4.6)**	
Underlying NPAT[1]	18.1	10.3	+76%
Dividend (ordinary)	**7.98 cps**	**4.64 cps**	**+72%**
Dividend (special)	**8.00 cps**	**-**	
Earnings Per Share (EPS)	**17.40**	**(3.26)**	
Underlying EPS[1]	12.35	7.14	+73%

[1] Excludes a) non-cash benefit from amortisation of discontinued ESP swap / warranty product in both periods and b) Next Byte impairment of $19.4m in FY14
[2] Excludes Next Byte impairment of $19.4m in FY14

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YEAR IN REVIEW

Revenue from the Telecommunications division – comprising Telstra retail stores, SMB and Enterprise – increased 44% to $541.5m.

Growth in retail included a 26% improvement in like-for-like store revenue, a strong contribution from new stores and improvements in customer advocacy. SMB revenues were up 79%, driven largely by additional TBCs, a solid like-for-like performance (up 43%) and a broader product offering. Revenues from Enterprise were also well up, with 60% improvement on the prior year, following some major account wins as the Group continued to lay the foundations for future growth.

EBITDA from the division increased 46% to $50.4m, with underlying EBITDA up 43% to $39.9m (after adjusting for the ESP swap/warranty non-cash benefit). In retail, like-for-like EBITDA was up 37%, reflecting continued benefits from the Group's optimisation program, which resulted in sales growth, customer advocacy improvements and productivity benefits. SMB EBITDA doubled, albeit from a low base, demonstrating momentum in the channel. Enterprise EBITDA was flat, following a period of significant investment in leadership, sales capability and technical talent to support a broader product offering.

With five Telstra stores and four TBCs added, the Group's Telstra-branded network stood at 100 Telstra stores and 16 TBCs, across eight geo-zones (geographical territory), at year end. Five Fone Zones and 16 One Zero outlets remained in the portfolio.

In the Computing division, a 20% decline in Next Byte revenue to $59.9m was attributed to fewer stores and softness in older-format (V1) stores. Two V1 stores were closed leaving 12 stores overall at period end. On a like-for-like basis revenues were 7% down, however EBITDA increased by 11%. Newer-format (V2) stores significantly outperformed V1 stores, with like-for-like revenues up 9% and EBITDA up 30%.

Strength in cash generation and a reduced call on capex in the second half allowed for a reduction in borrowings, with gross debt down to $13.4m from $22.2m in the six months to 30 June. As at period end, net debt had been eliminated and net cash was $2.1m, positioning the Group well for further investment.

The final ordinary dividend of 3.86 cps (representing a 65% payout ratio) as well as the additional special dividend of 2.00 cps, will be payable on 8 October 2015 to shareholders with a record date of 3 September 2015.

In October 2014, the Group announced a special dividend plan as part of its ongoing capital management strategy. The Group has declared 8.00 cps under this initiative, fully-franked, representing a significant return to shareholders. The Group also raised $11.4m through underwriting two of the three special dividends. In FY15, a class ruling was obtained from the Australian Taxation Office (ATO) which ensured that all franking credits attached to the underwritten special dividends would be recognised. The ATO is reviewing its treatment of dividends funded via capital raisings and accordingly, has withdrawn the class ruling relating to Vita Group for any distribution after June 30 2015. The Board will review its position in relation to future special dividends in light of developments on the availability of franking credits on dividends funded in part or wholly by the issue of shares.

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COMMENTARY AND OUTLOOK

Commenting on the result, Vita Group CEO, Maxine Horne said, "The team has continued to execute on our program to optimise the retail network, which is evident in this strong result. We have also built scale in the SMB channel and invested strategically in our Enterprise business – both as platforms for future growth. 2015 marks our 20th year, in which we have gained significant experience, which will stand us in good stead as we embark on our next phase of growth."

"At the heart of this result is our continued and unwavering focus on our people. Our emphasis on people and culture is what sets us apart – we create an environment where people can thrive, and this is evident to our customers. Our ongoing investment in leadership and people development has delivered significant productivity gains as well as greater consistency of performance across the Group," she said.

Ms Horne said that the Vita Group has a clear strategy in place to continue to deliver growth.

"Ours is a competitive market but we bring the advantage of a highly skilled and engaged team, a proven customer focus and strategic alignment with Telstra, the leading brand in our industry, and a key partner for Vita Group." she said. "Our balance sheet is in good shape, giving us the flexibility to invest in future growth initiatives in line with our strategy.

"In retail, we will continue to optimise our footprint, with a focus on creating geographical clusters and achieving the productivity benefits that come from national scale. We have a clear program of work in place to drive sustained improvements in the earnings capacity of each store. We anticipate some margin pressure in mobility, but have prepared for this with a sharpened focus on a high-value product mix, multi-product sales and value-added products and services.

"We are confident in our ability to drive long-term growth in the Enterprise business, leveraging the capability we have developed and the investments made to date. In the SMB channel we have the platform in place, with a clear market offering and a strong leadership team. Our TBC geo-zone model allows us to deliver a whole-of-business approach in the markets we serve and we expect to see solid gains from this channel over the coming year."

"It's a great result from an amazing team" Ms Horne concluded.

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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 2015 Vita Group was operating 149 outlets, comprising 100 Telstra-branded retail stores, 16 Telstra Business Centres, 5 Fone Zone and 16 One Zero outlets, and 12 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.](http://www.vitagroup.com.au)