



# ASX Announcement

## **Trading update for 1H FY16 and Closure of the Next Byte retail channel**

**10 December 2015**

Vita Group (ASX:VTG) today issued a trading update for H1 FY16 and announced the closure of its Next Byte retail channel.

### **Trading update for 1H FY16**

The Group is expecting to report earnings before interest, tax, depreciation and amortisation (EBITDA) for the six months to 31 December 2015, in the range of \$25.5m to \$27.5m. The expected result is underpinned by the continued strong performance of Vita's network of Telstra retail stores, with revenues continuing to grow in the Group's small-to-medium business and enterprise channels.

This range includes a higher than expected profit contribution of approximately \$3.0m from the Group's now discontinued proprietary Extended Swap and Warranty Product (ESP) which has benefited from a reduction in the cost of servicing existing plan holders.

As a result of the Next Byte closure (referred to below), the expected range of \$25.5m to \$27.5m includes one-off charges in the half of approximately \$3.2m at the EBITDA level. The closure is also expected to result in asset write-downs of approximately \$1.1m, bringing the total expected closure charges to approximately \$4.3m at the Profit before Tax level.

The final result for the half will be subject to the balance of trading in 2015 and to period-end accounting adjustments and audit review. Vita Group will announce its interim results for the six months to 31 December 2015 in late February 2016.

### **Next Byte closure**

Vita Group has confirmed that its remaining eight Next Byte retail stores will close over a three-month period starting in January 2016, with specific timing dependent on individual store circumstances.

The Group intends to continue providing products and services to Next Byte's current business customers through its telecommunications small-to-medium business and enterprise channels.

As a priority, the Group aims to redeploy as many Next Byte team members to other areas within the Group as possible. If suitable roles cannot be found, retrenchments with full entitlements will be paid. Vita Group's Chief Executive Officer, Maxine Horne said, "The welfare of our team members and customers is our most important concern and we are working to manage the impact of this decision as responsibly and respectfully as possible. I would like to sincerely thank the Next Byte team members and leadership team for their efforts over recent years".

As noted above, the Group will incur one-off charges in the half of approximately \$3.2m reflecting the present value of future lease obligations, inventory write-downs and redundancies. In addition, fixed asset charges of \$1.1m, relating primarily to the write-down of fixtures and fittings, will be taken up.

The Group expects ongoing benefits from the closure to be around \$1.6m annually, reflecting savings in the Group's support centre and the migration of business to Vita Group's other channels. These benefits are estimated at \$0.6m in H2 FY16.

**Further enquiries:**

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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 <http://www.vitagroup.com.au>.*