VITA GROUP LIMITED

ASX Announcement

Vita Group delivers strong first-half result

26 February 2016 – ASX-listed provider of communications, electronics and ICT products and services Vita Group (ASX: VTG) today reported a 25% increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to $33.5m from continuing operations for the six months to 31 December 2015.

Earnings from continuing operations exclude results of the Next Byte business, the closure of which was announced in December 2015. With Next Byte included, EBITDA for the period was $29.5m, ahead of guidance issued in December 2015 of between $25.5m and $27.5m.

Underlying EBITDA from continuing operations, which excludes the benefits of the Group's now discontinued ESP warranty and swap program, was $30.4m, up 46% on the prior year.

The Board declared an interim dividend of 5.76 cents per share (cps), up 40% on the prior year.

The result reflects strong performance from the Group's Telstra-branded retail stores, growing momentum from Vita's small-to-medium business (SMB) and enterprise channels, and productivity benefits from people and technology investments.

Vita Group CEO, Maxine Horne, said: "Once again the Vita team has executed our clearly defined strategy with excellence. Importantly we have considerable potential for ongoing healthy returns as we continue to deliver our strategic priorities, which include:

- Optimising the retail portfolio – physically and through performance initiatives;
- Driving scale and profitability in the SMB channel; and
- Leveraging the foundations we are building in the enterprise channel."

INTERIM RESULT HIGHLIGHTS

- Revenues from continuing operations up 23% to $321.2m
- Strong revenue growth across the retail, SMB, enterprise channels and Sprout accessories
- EBITDA from continuing operations up 25% to $33.5m
- Underlying EBITDA from continuing operations up 46% to $30.4m
- EBITDA including Next Byte $29.5m, ahead of guidance
- Interim dividend up 40% to 5.76 cps

($m unless otherwise stated)	**H1 FY16**	**H1 FY15**	**Change**
Continuing operations			
Revenue	321.2	261.1	+23%
Gross profit	111.3	98.0	+14%
EBITDA	33.5	26.7	+25%
Non-cash benefit from ESP	*3.1*	*5.9*	
Underlying EBITDA	*30.4*	*20.7*	*+46%*
EBIT	28.3	21.3	+33%
NPAT	19.4	14.4	+35%
Profit/(loss) from discontinued Next Byte operations	(3.8)	(0.9)	
Interim dividend	5.76 cps	4.12 cps	+40%

vita enterprise solutions next byte FONE ZONE one zero COMMUNICATIONS sprout

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GROUP LIMITED

REVIEW OF THE FIRST HALF

Group revenues from continuing operations grew 23%, reflecting strong performance from all strategic segments. The retail business – consisting mostly of Telstra-branded stores – grew 22%, benefiting from 21% like-for-like sales growth and new additions to the portfolio since the prior year, offset by a lower contribution from the Fone Zone and One Zero brands.

The SMB channel grew by 51%, reflecting the addition of five Telstra Business Centres (TBCs) and improved like-for-like performance (+12%). The enterprise channel grew 13%, benefiting from account wins and growth in its managed services offering. Sprout accessories grew by 28% in line with Vita's own strong retail performance and expansion of third-party distribution.

Margins were lower in the period as a result of lower ESP revenue (due to expire in June 2016), the re-allocation of some support costs to cost of goods sold in business channels, and a higher proportion of hardware in the product mix.

Productivity improved, with expenses down as a proportion of revenues, reflecting the benefits of the investments made in team member development and in new and enhanced technologies.

Underlying EBITDA from continuing operations grew 46% to $30.4m, led by the retail channel. Like-for-like EBITDA grew 12% with the balance of growth coming from physical portfolio optimisation. After including the benefit of the now discontinued ESP warranty and swap product (ESP), EBITDA was $33.5m, up 25%.

Whilst the Group continued to scale its SMB and enterprise businesses, their EBITDA contribution was not material in the period, given the additional investments being made to drive scale, capability and technical expertise – in line with the Group's strategic priorities.

As at period end, Vita retained a healthy balance sheet position with no net debt. Capex of $13.5m was incurred in the period, directed primarily toward new TBCs and strategic IT investments.

Vita maintained its 65% payout ratio with an interim dividend of 5.76 cps. The dividend will be payable on 8 April 2016 to shareholders on record as at 15 March 2016.

CEO COMMENTARY

Ms Horne said: "With a proven operating model, flexibility in the balance sheet and, importantly, a focused and energetic team, Vita is well placed to continue delivering earnings growth."

"Vita's longstanding partnership with Telstra, Australia's leading telecommunications brand, continues to provide benefits to both parties, and we value the edge it gives us in a competitive market.

"At the heart of our strategy is our amazing team and a culture that supports talented people to reach their full potential and outperform. We will continue to invest in the development of our people and in building leadership at all levels in the business, as we know that this creates an environment for success."

"It's an exciting time for Vita as we begin our 21st year and the team looks forward to extending our success over the full year period and beyond."

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About Vita Group

Brisbane-based Vita Group is a national, ASX-listed provider of telecommunications, computers and related products and services through retail and business channels. As at the end of December 2015 Vita Group was operating 149 outlets, comprising 100 Telstra-branded retail stores, 21 Telstra Business Centres, 5 Fone Zone, 8 Next Byte and 15 One Zero outlets. Vita Group also operates a fast-growing mobile accessories division under the Sprout brand, and other value-added products and services. For further information, visit www.vitagroup.com.au