ASX Announcement

Vita Group delivers strong revenue, continued EBITDA growth in FY16 result

31 August 2016 – ASX listed provider of communications, electronics and ICT products and services Vita Group (ASX: VTG) today reported a 19% increase in Group revenues from continuing operations to $645.1 million, and a 31% increase in earnings before interest, tax and depreciation (EBITDA)[1] from continuing operations to $66.1m for the 12 months to 30 June 2016. Underlying EBITDA[2] from continuing operations, excluding the impact of the now-discontinued ESP swap and warranty program, was $62.0m, up 55% on the previous year. Continuing operations exclude the contribution of Next Byte, which Vita Group closed in December 2015.

The FY16 result continues Vita's record of sustained growth built on its 'people first' focus and unwavering commitment to delivering exceptional customer experiences. The result was primarily driven by continued growth in Vita's portfolio of Telstra retail stores, combined with a higher revenue contribution from the small-to-medium business (SMB) and enterprise channels. Operating cash flows were strong and Vita's Board declared a record full-year, fully-franked dividend of 13.97 cents per share, up 75% on the prior year.

Vita Group CEO, Maxine Horne, said: "The team has once again delivered a great result, in line with our strategy to:

- Optimise the performance of our retail channel
- Scale our SMB channel; and
- Build on the foundations laid in our enterprise channel.

Our investment in the Vita team continues to pay off, as we deliver leadership and capability development programs as well as the technologies and processes required to support them. We are focused on building and sustaining high performing teams backed up by a vibrant Vita culture. Ultimately, we are a people business, focusing on looking after our team members, who in turn look after our customers by delivering a personalised customer experience. We do this because not only is it the 'right thing to do' but we also know it makes business sense to look after our customers via our team members. The passion, and commitment of our people, and our disciplines and focus was instrumental in delivering this result."

FY16 RESULT HIGHLIGHTS

- Group revenues from continuing operations up 19% to $645.1m
- EBITDA[1] from continuing operations up 31% to $66.1m
- Underlying EBITDA[2] from continuing operations up 55% to $62.0m
- Record full-year dividend – 13.97cps, up 75%

($m unless otherwise stated)	**FY16**	**FY15**	**Change**
Continuing operations			
Revenue	**645.1**	**541.5**	**19%**
Gross profit	**230.7**	**195.8**	**18%**
EBITDA[1]	**66.1**	**50.4**	**31%**
Non-cash benefit from ESP	*4.0*	*10.5*	
Underlying EBITDA[2]	*62.0*	*39.9*	*55%*
EBIT[1]	**54.8**	**39.4**	**39%**
Underlying EBIT[2]	*50.8*	*28.9*	*76%*
NPAT[1]	**38.0**	**26.6**	**43%**
Underlying NPAT[2]	*35.2*	*19.2*	*83%*
Profit/(loss) from discontinued Next Byte	**(2.7)**	**(1.2)**	
Full-year dividend (ordinary)	**13.97cps**	**7.98cps**	**75%**
Earnings per share (EPS)	**23.37cps**	**17.40cps**	**34%**
Underlying EPS[3]	*23.29cps*	*12.35cps*	*89%*

[1] From continuing operations

Vita Group Limited - ABN 62 113 178 519
Phone. (07) 3624 6666
Fax. (07) 3624 6999
Email. info@vitagroup.com.au
Actual. 77 Hudson Road Albion QLD 4010
Post. PO Box 218 Albion QLD 4010
www.vitagroup.com.au

[2] From continuing operations excluding the benefit from the discontinued ESP swap/warranty product
[3] Excluding the benefit from the discontinued ESP swap/warranty product

YEAR IN REVIEW

Revenue growth was strong across all three channels: retail revenue was up 19%; revenue from the SMB channel, including the network of Telstra Business Centres (TBCs), was up 47%; and revenue from the enterprise channel, servicing larger corporate and government customers, recorded a 4% increase.

In retail, the strong performance reflected like-for-like growth in revenue (17%) and EBITDA (25%) from the Telstra portfolio. This was the result of a sustained focus on productivity as well as the benefits from the continued optimisation of the physical footprint. A program of work is in place to further drive consistency of performance across individual retail stores, with the best performing outlets as the benchmark. This provides significant scope for continued growth.

Momentum is evident in the SMB channel, with revenue up 8% on a like-for-like basis. Five TBCs were added during FY16, bringing the total to 21 as at year end, spread over 13 geographic zones of operation (geo-zones). Recent TBC growth has delivered meaningful scale to Vita's platform for servicing small-to-medium business customers and, coupled with ongoing collaboration with Telstra to optimise the SMB product and service offering, this positions Vita for revenue and profit growth in a market segment that remains fragmented.

Vita continued its investment in the growing enterprise channel, which is Vita's platform for competing at scale in the large business market, with an emphasis on delivering professional and managed services. The channel delivered strong growth in its opportunity pipeline and recorded a number of significant account wins – a result of a clear focus on developing sales capability. These new major accounts and the growing pipeline will produce an annuity revenue stream and ongoing benefits into FY17.

Vita's SMB and enterprise channels are key strategic growth opportunities for the Group, and both channels are expected to deliver continued growth and a material contribution to group earnings in the future.

Gross margins were stable as higher device sales and the impact of a lower contribution from the Group's now discontinued ESP program were offset by higher fee income and stronger margins from the Group's business channels. The EBITDA contribution from the discontinued ESP product expired at the end of June 2016.

Three Fone Zone stores and two One Zero outlets were closed during the year. As at 30 June Vita's physical store portfolio stood at 100 Telstra retail stores, 21 TBCs, 14 One Zero stores and two Fone Zone stores. In March, Vita announced its Telstra Dealer and Master License Agreement had been extended to 31 December 2020 – a clear sign of the strength of the strategic relationship between Vita Group and Telstra and the shared value that the partnership brings.

Capex of $26.3m during the year was directed toward store acquisitions, fit outs and refurbishments, as well as IT projects aimed at supporting the team to deliver a personalised customer experience. Gross borrowings were $15.8m as at year end, down from $17.9m six months earlier. Cash balances, including term deposits, at year end were stronger, leaving the Group with net cash of $8.7m as at 30 June and considerable capacity to invest in growth initiatives.

The full-year, fully-franked dividend of 13.97cps represents a 65% payout ratio, consistent with longstanding Group policy. The dividend will be paid on 30 September 2016 to shareholders of record on 16 September 2016 and the Groups dividend reinvestment plan (DRP), including a 5% discount, will apply.

CEO COMMENTARY

Ms Horne said the Group's continued successful execution against its strategy should be attributed directly to the passion, focus and commitment of the 1,700 team members who worked together to achieve shared goals.

"As we look ahead, investment in our people programs and the technologies that support our high performing platform will remain a priority. Vita's strategic partnership with the market leader Telstra, now more than 21 years old, will continue to be a key advantage in a highly competitive market. We are well-positioned to continue our growth trajectory into the future" Ms Horne said.

Further enquiries:

Andrew Leyden
Chief Financial Officer, Vita Group
Ph: 07 3624 6701
Mob: 0438 719 778

Nick Owens (media)
Director, Sefiani Communications Group
Ph: 02 8920 0700
Mob: 0421 977 062

About Vita Group

Brisbane-based Vita Group is a national, ASX-listed provider of telecommunications, electronics, ICT and related products and services through retail and business channels. As at the end of June 2016 Vita Group was operating 137 outlets, comprising 100 Telstra-branded retail stores, 21 Telstra Business Centres, 2 Fone Zone and 14 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.