



# A GREAT PLACE TO BE

*A16 results presentation Vita Group (VTG)*



# FY16 PERFORMANCE HEADLINES

## ANOTHER STRONG YEAR

**Group  
revenues<sup>1</sup>  
\$645.1 m,  
up 19%**

**Underlying  
EBITDA<sup>2</sup> up  
55% to \$62.0m**  
Reported EBITDA<sup>1</sup> up  
31% to \$66.1 m

**Record ordinary  
dividend \$21.2m,  
13.97cps, up 75%**

**Unprecedented investment  
in leadership, capability  
and technology programs  
to facilitate future growth**

**Healthy cash  
flow and flexible  
balance sheet**

<sup>1</sup> from continuing operations

<sup>2</sup> from continuing operations excluding ESP

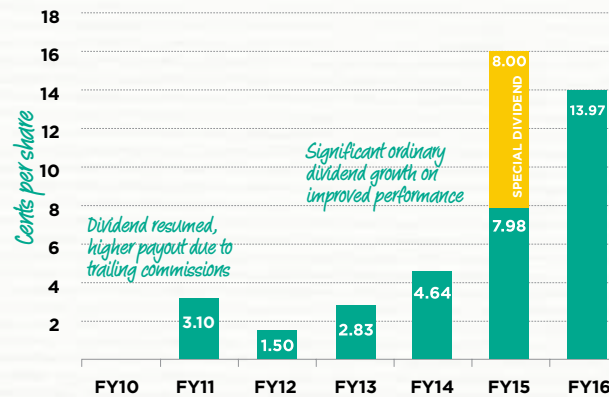


# FY16 EXTENDS A TRACK RECORD OF STRONG PERFORMANCE

## Share Price



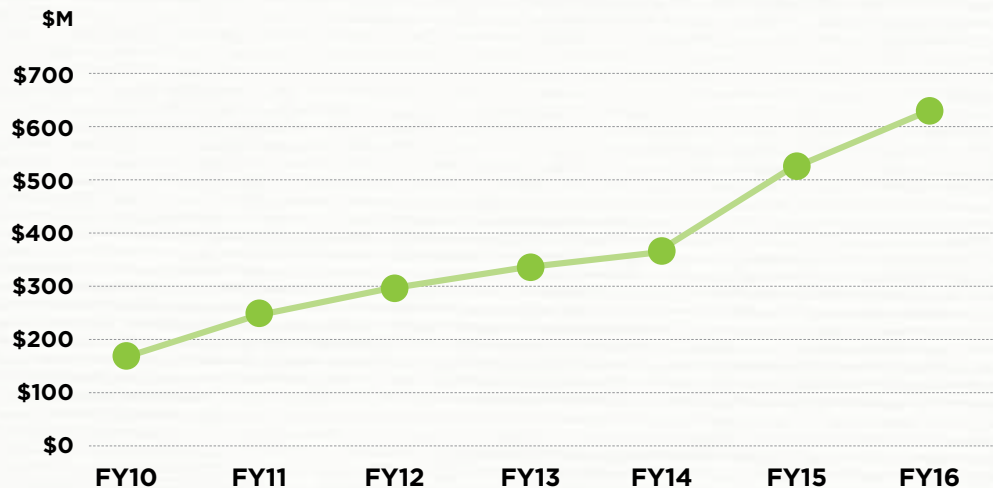
## Dividends



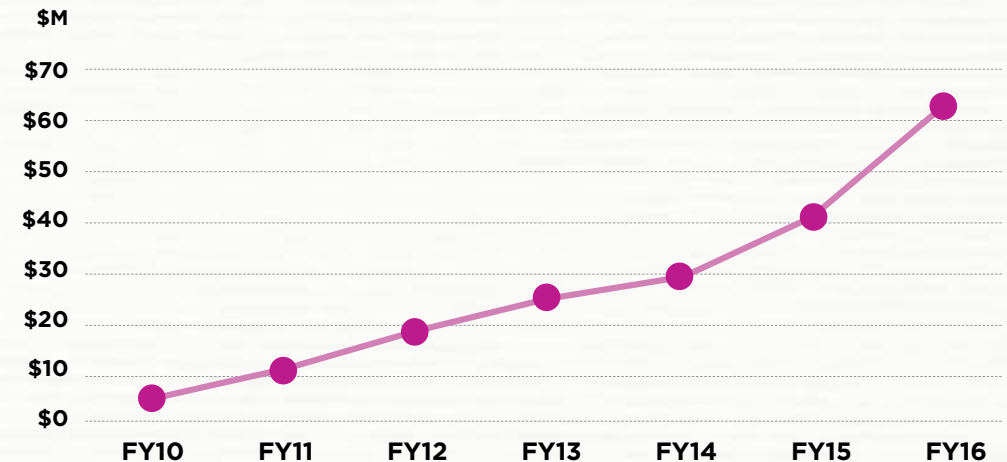
## Retail channel productivity



## Revenue<sup>1</sup>



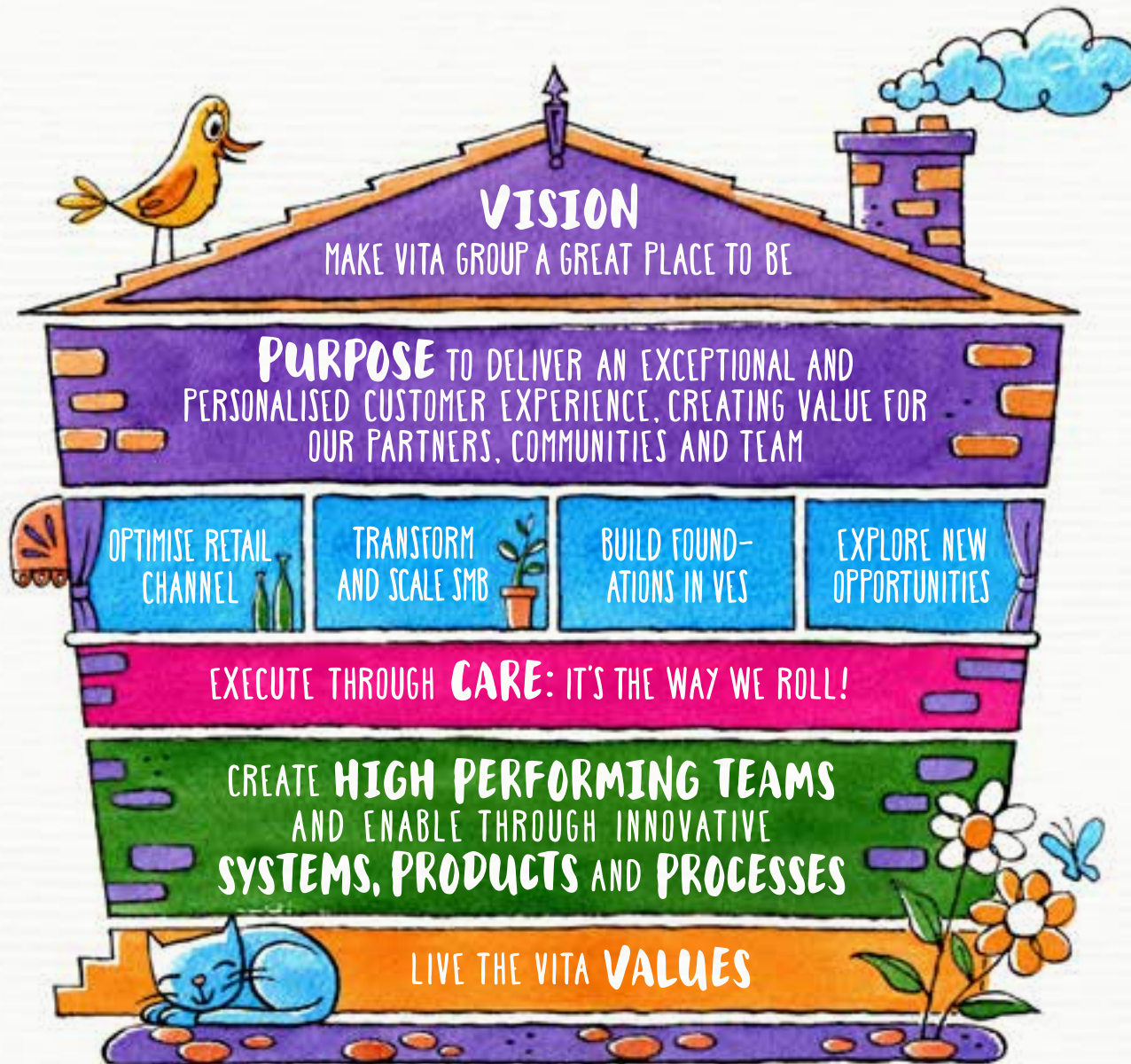
## Underlying ebitda<sup>2</sup>



<sup>1</sup> from continuing operations

<sup>2</sup> from continuing operations excluding trailing commissions (FY10 - FY11) and ESP (FY14 - FY16)

# OUR STRATEGY

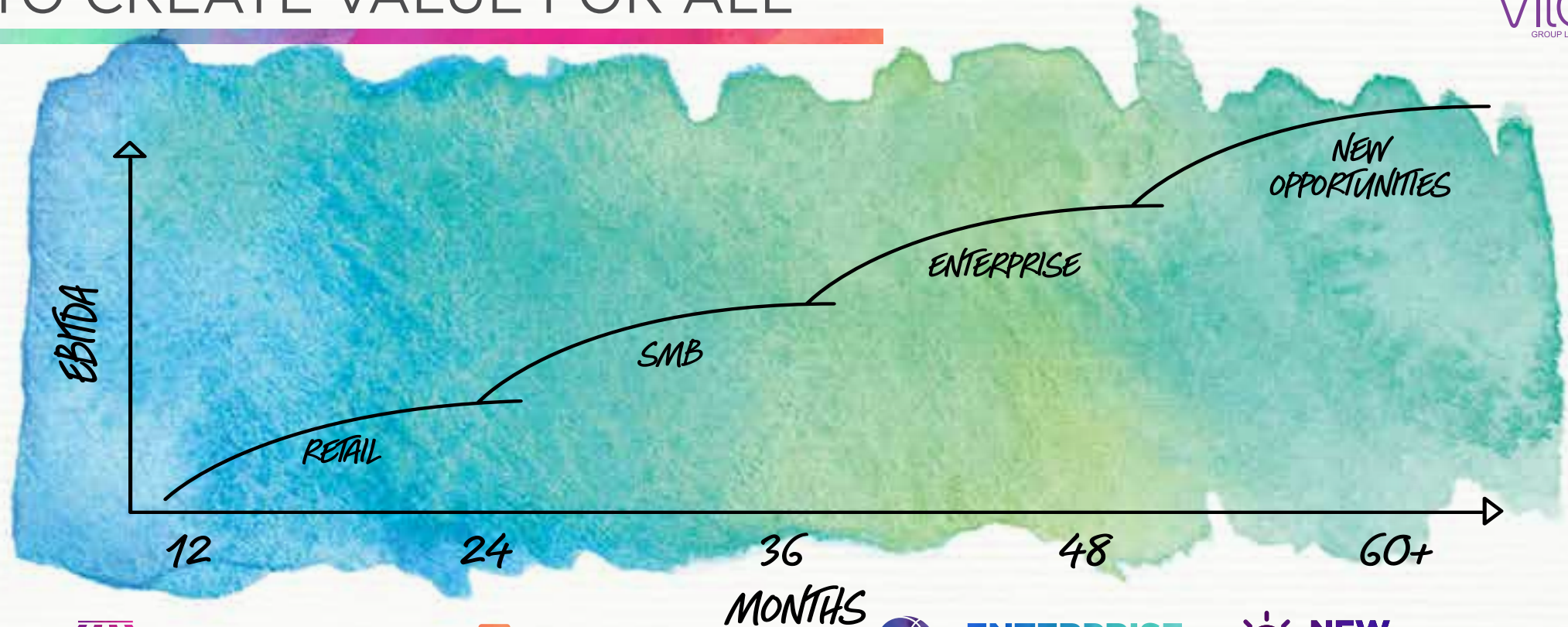


## Strategy refined to reflect:

- The importance of “*Customers Are Really Everything*” (CARE) which is central to the way we operate and includes a focus on planning and coaching, personalised service and community engagement
- An even stronger focus on delivering exceptional and personalised customer experiences
- Acknowledgement that we deliver consistent results through our high performance teams and that development of our talent base is critical to our success
- That our culture and the way we behave is underpinned by our values
- A longer term desire to extend our core capabilities into new business opportunities



# OUR STRATEGY CONTINUES TO CREATE VALUE FOR ALL



## RETAIL

- Physical optimisation delivering benefits
- Continued strong like-for-like performance
- Investment in people and technology programs working
- Scope for continued growth, by reducing variability of performance within network



## SMB

- Attractive, fragmented market segment
- Acquisitions have delivered meaningful scale
- Like-for-like revenue growth
- Significant opportunity to grow revenues and improve productivity
- Partnering with Telstra to optimise go-to-market model



## ENTERPRISE (VES)

- A number of material account wins
- Building a business of scale, centred around professional and managed services
- Derive greater income from annuity business
- Continued investment in capability



## NEW OPPORTUNITIES

- Investigating emerging opportunities to extend core competencies into adjacent categories.

# INVESTMENT IN OUR TEAM AND TECHNOLOGY

## *Building a high performance team*

### *XLR8™*

- Digital talent cards, measuring team member performance and readiness for next role
- Visibility of high potential and high performing team members
- Measuring, monitoring and rewarding what people deliver and how they do it

### *Academies*

- Accelerated development planning
- Next role readiness and assessed learning
- Pathway for team members to become masters in their current role, or transition to their next role

### *Information systems*

- Insights
- Informed decision making

### *'Vita View' on Salesforce platform*

- Sales planning
- Service management
- Marketing
- The beginnings of a true omni-channel experience for all of our customers

### *Simplify*

- Centralised administration
- Process improvement
- Automation and digitisation



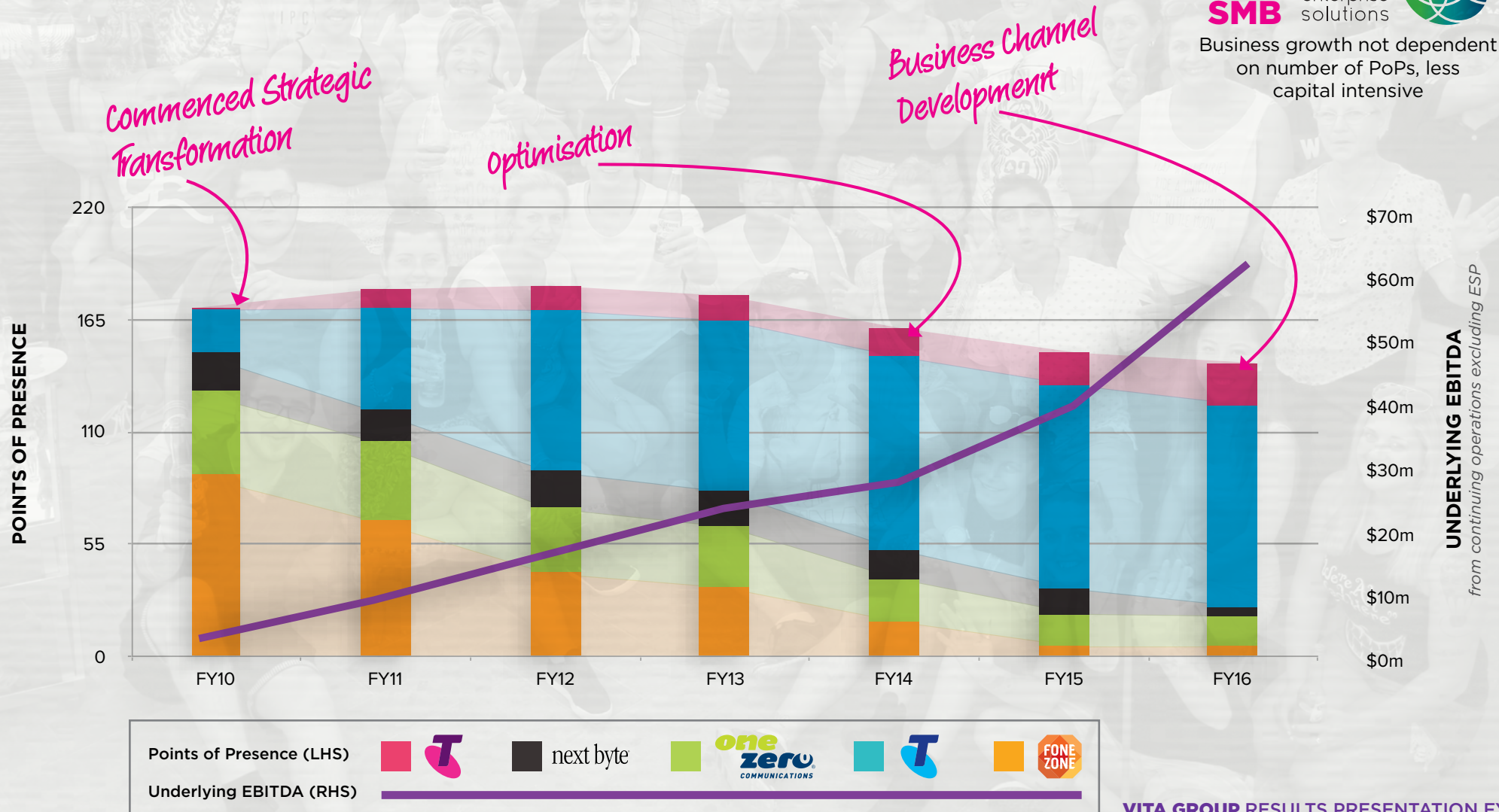
# PORTFOLIO EVOLUTION

## IMPROVING PRODUCTIVITY OF THE PORTFOLIO

*Greater revenues and EBITDA from fewer PoPs*

**T** vita  
**SMB** enterprise solutions

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



# INCOME STATEMENT

## STRONG EARNINGS PERFORMANCE FY16

|   | FY16         | FY15        |            |
|---|--------------|-------------|------------|
| <b>CONTINUING OPERATIONS</b>                                  |              |             |            |
| Revenue   | 645.1        | 541.5       | 19%        |
| Gross Profit %  | 35.8%        | 36.2%       |            |
| <b>Underlying EBITDA<sup>1</sup></b>                          | <b>62.0</b>  | <b>39.9</b> | <b>55%</b> |
| Non-cash benefit from discontinued proprietary products (ESP) | 4.0          | 10.5        |            |
| <b>EBITDA</b>   | <b>66.1</b>  | <b>50.4</b> | <b>31%</b> |
| EBIT  | 54.8         | 39.4        | 39%        |
| PAT   | 38.0         | 26.6        | 43%        |
| Discontinued operations (net of tax)                          | (2.7)        | (1.2)       |            |
| PAT including discontinued operations                         | 35.4         | 25.4        | 39%        |
| <b>Ordinary Dividend</b>                                      | <b>13.97</b> | <b>7.98</b> | <b>75%</b> |

<sup>1</sup> from continuing operations excluding ESP

### GROUP REVENUE +19%



*Retail*  
**+19%**

- Like-for-like growth +18% through people programs
- Physical optimisation more than offsetting non-branded contraction



*SMB*  
**+47%**

- Building scale through acquisitions
- Like-for-like growth +8%



*VES*  
**+4%**

- Major account wins
- Pipeline building
- Contracted revenue growth +19%

### GROSS MARGINS STABLE

- Higher margins from business channels
- Offset by:**
- High product sales in the mix
  - Reduced ESP contribution (\$4.0m FY16 vs \$10.5m FY15); now expired

### EBITDA UP 31%; EBIT UP 39%

- EBITDA margin expansion
- Underlying EBITDA<sup>1</sup> + 55%
- Underlying EBIT<sup>1</sup> + 76%
- Underlying PAT<sup>1</sup> + 83%



# BALANCE SHEET

## FLEXIBILITY TO INVEST

|                                | FY16          | FY15          |
|--------------------------------|---------------|---------------|
| <b>Cash (inc term deposit)</b> | 24.4          | 15.6          |
| Current assets<br>(ex cash)    | 48.4          | 43.9          |
| Non-current assets             | 93.8          | 81.9          |
| <b>Total assets</b>            | <b>166.6</b>  | <b>141.4</b>  |
| Current liabilities            | (90.0)        | (80.4)        |
| Non-current liabilities        | (8.6)         | (12.0)        |
| <b>Total liabilities</b>       | <b>(98.7)</b> | <b>(92.4)</b> |
| <b>Net assets</b>              | <b>68.0</b>   | <b>49.0</b>   |
| Cash (inc term deposit)        | 24.4          | 15.6          |
| Debt                           | (15.8)        | (13.4)        |
| <b>Net cash (debt)</b>         | <b>8.6</b>    | <b>2.2</b>    |

### CASH HIGH, RECEIVABLES UP

- Strong cash position at period end
- Timing of receipts driving higher receivables balance (+\$4m)

### TIGHT MANAGEMENT OF WORKING CAPITAL

- Inventory at under 2 weeks (\$14.6m)

### NON-CURRENT ASSETS UP

- Goodwill up on acquisitions (+\$13m)

### CURRENT LIABILITIES UP

- Payables up on higher trading levels (+\$6m)
- Higher levels of current debt (+\$4m)
- Higher tax liabilities on higher earnings (+\$5m)
- Unearned revenue (ESP) released (-\$5m)

### NON-CURRENT LIABILITIES DOWN

- Lower levels of non-current debt

### HEALTHY DEBT POSITION

- No net debt, net cash (inc term deposit) \$8.6m
- \$15.8m gross debt as at period end

# CASH FLOWS

## CASH FLOWS DIRECTED TOWARD CAPEX AND DEBT REPAYMENT

|  | FY16        | FY15        |
|--|-------------|-------------|
| Operating cash flows from continuing operations    | 50.4        | 34.3        |
| Investing cash flows from continuing operations    | (31.3)      | (15.8)      |
| Financing cash flows from continuing operations    | (14.0)      | (9.8)       |
| Cash flows from discontinued operations            | (1.3)       | (0.2)       |
| Net cash movement                                  | 3.8         | 8.5         |
| <b>Opening cash balance</b>                        | <b>15.6</b> | <b>7.1</b>  |
| <b>Closing cash balance</b>                        | <b>19.4</b> | <b>15.6</b> |
| Add Term Deposit                                   | 5.0         | -           |
| <b>Closing cash balance including Term Deposit</b> | <b>24.4</b> | <b>15.6</b> |

### OPERATING ACTIVITIES

- Higher cash receipts reflecting higher earnings
- Earnings growth
- Tight working capital control
  - Inventory levels flat despite growth

### INVESTING ACTIVITIES

- Capex directed towards store acquisitions (\$15.0m), IT hardware and software development (\$8.0m) and fitouts (\$3.3m)
- \$5m put on Term Deposit (maturing Nov 16)

### FINANCING ACTIVITIES

- \$15.0m drawn in year to fund acquisitions
- \$12.6m debt repayments
- \$17.6m dividend payouts
- Lower proceeds from issue of share capital (no underwritten special dividends)



# OUR PRIORITIES FY17

## TO KEEP DELIVERING ON OUR STRATEGIC AGENDA

01

### CONTINUE TO OPTIMISE OUR RETAIL BUSINESS

- Physical portfolio
- People productivity
- Investment in leadership, capability, efficiency
- Drive growth by decreasing performance variability
- Maximising product pipeline

02

### GROW SMB AND IMPROVE PRODUCTIVITY

- Leverage acquired scale
- Leveraging retail XLR8 and Academy programs along with VES ICT competencies to build sustainable growth model
- Simplify and deliver efficiency
- Optimise go-to-market model with Telstra

03

### CONTINUE BUILDING ON FOUNDATIONS IN ENTERPRISE

- Leverage account wins
- Continue investments in capability
- Continue to build out professional and managed services competencies - building a future annuity stream

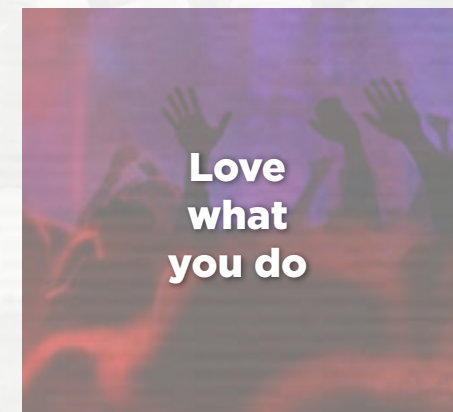
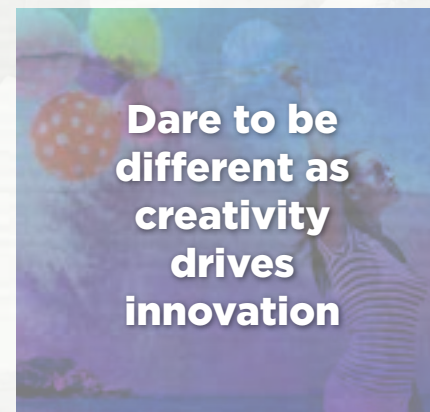
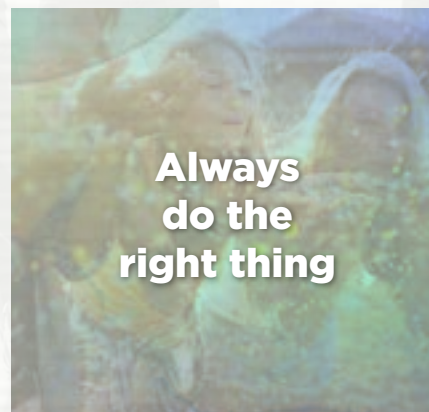
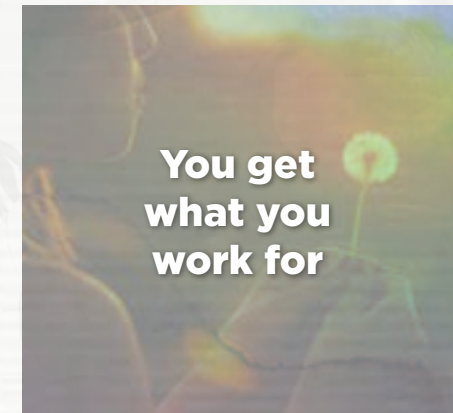
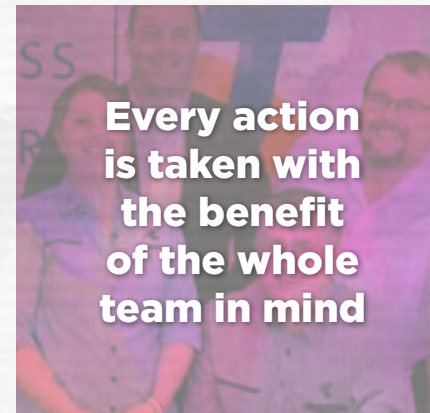
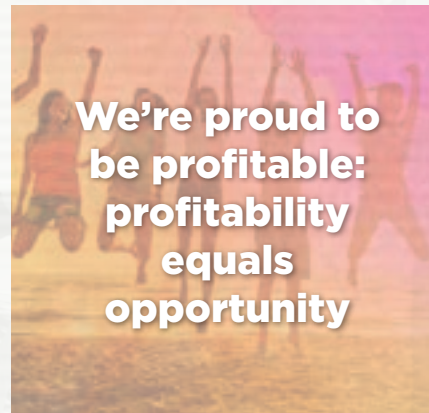
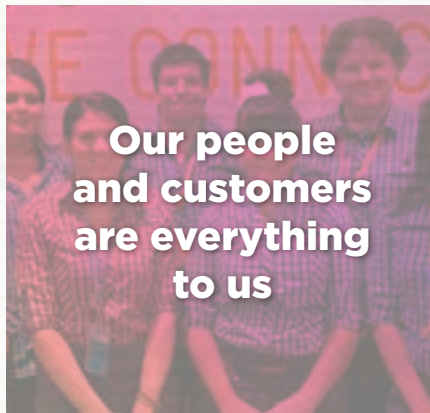
04

### EXPLORE NEW OPPORTUNITIES

- Investigate opportunities to extend demonstrable core competencies into adjacent categories

# CONSISTENT VALUES DRIVE PERFORMANCE

*Our values underpin our culture  
and set the rules by which we play the game*





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