



# Vita Group Limited 1H12 Results Presentation 27 February 2012



# .today's agenda

- 1H12 overview
- the way we performed
- the way we're moving forward

## .1H12 overview

- Tough retail conditions; however Vita operating in high growth mobility and Apple sectors
- Revenue up 2% to \$203.0m; strong Telecommunications growth offset by weaker Computing sales
- Underlying EBITDA (ex trailing commissions) up 38%
- Reported earnings down due to inclusion of trailing commissions 1H11
- Rollout of new Telstra stores progressing as planned
- Next Byte transformation implemented; new APR formats established
- Comfortable gearing, despite significant investments made
- Interim dividend of 0.75 cps (fully franked)



.the way we performed



# .the way we performed

<b>\$'m</b> <b>For the period</b>	<b>1H12</b>	<b>1H11</b>	<b>Change</b>
Total operating revenue	<b>203.0</b>	198.5	2%
Gross operating margin <sup>1</sup>	<b>66.5</b>	64.7	3%
<i>Gross operating margin %</i>	<b>32.8%</b>	32.6%	
EBITDA	<b>6.9</b>	12.7	(46%)
NPAT	<b>0.9</b>	6.3	(85%)
Underlying EBITDA <sup>2</sup>	<b>6.9</b>	5.0	38%
Earnings per share (cps)	<b>0.65</b>	4.43	(85%)
Dividends per share (cps)	<b>0.75</b>	2.0	

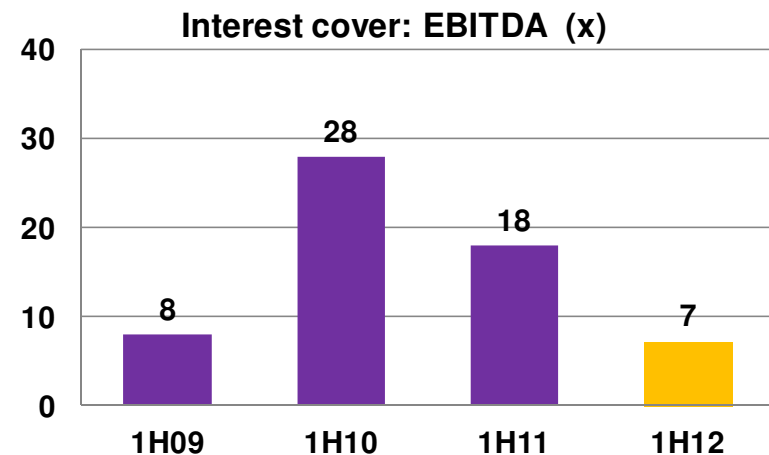
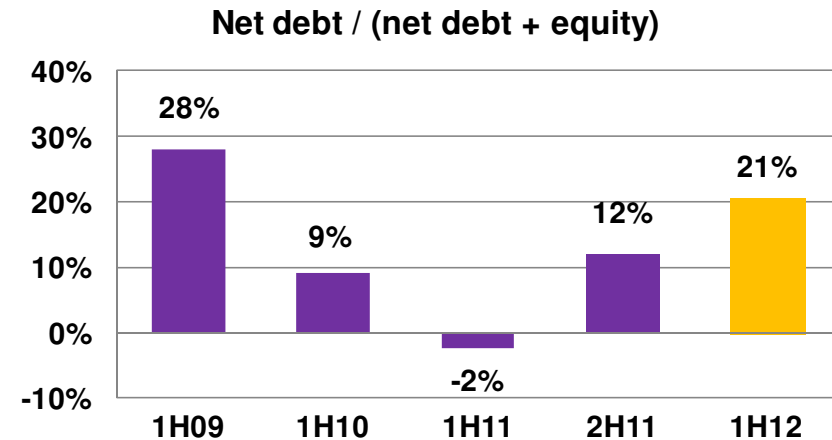
(1) Includes gross margin on handset sales, incentives and commissions, and other revenue except finance revenue

(2) Excludes payment of historic trailing commissions (\$7.7m in 1H11). 1H11 underlying EBITDA differs from \$4.3m reported in prior year due to re-classification of facility costs and accelerated depreciation to interest and depreciation respectively.

# our balance sheet

(\$m) At Period End	31 Dec 2011	30 June 2011
Current assets	47.5	42.3
Non-current assets	96.5	89.8
Total assets	144.0	132.1
Current liabilities	68.9	62.1
Non-current liabilities	24.1	18.3
Total liabilities	93.0	80.4
Shareholders equity	51.0	51.7

- Net debt increased to \$13.3m from \$7.2m at 30 June 2011 due to funding of new stores
- Gearing remains comfortable at 21%
- Interest cover comfortable – change vs prior year reflects inclusion of trailing commissions in 1H11 and higher interest charges in 1H12



## our cashflows

(\$m) 6 months to 31 December	2011	2010
<b>Operating cashflows</b>	<b>5.3</b>	<b>13.7</b>
Investing cashflows	(9.8)	(10.2)
Financing cashflows	4.3	(4.8)
<b>Net movement in cash</b>	<b>(0.2)</b>	<b>(1.3)</b>
Opening cash balance	7.9	12.5
<b>Closing cash balance</b>	<b>7.7</b>	<b>11.2</b>

- Operating cashflows of \$5.3m in line with internal expectation:
    - \$7.7m of trailing commissions included 1H11
  - Financing cash flows reflect drawdown of facilities to fund new stores in 1H12; bank debt repaid in 1H11
- 
- 1H12 fully franked interim dividend of 0.75 cps has been declared by the Board
  - Declaration of dividends more consistent with phasing of earnings

# .telecommunications

(\$m)	1H12	1H11	Change
Operating revenue	143.5	125.8	14%
Gross operating margin <sup>1</sup> %	39.5%	43.0%	
EBITDA	7.3	13.1	(44%)
Underlying EBITDA	7.3	5.4	35%
Points Of Presence (period end)	181	159	14%

- Underlying EBITDA up 35% to \$7.3m
- Solid revenue and earnings growth reflects contribution of new Telstra stores
- Significant investment in store start up costs
- Telstra Business Centres gaining traction
- Operating margin decline due to inclusion of trailing commissions 1H11, otherwise maintained

(1) Includes gross margin on handset sales, Telstra incentives and commissions, and other revenue



# .Telstra branded roll-out update

## 18 Telstra branded points of presence opened 1H12



- Footprint transformation continuing
- 78 Telstra branded points of presence as at 31 Dec 2011 – 68 stores & 10 business centres
- Combination of new greenfield stores, Fone Zone conversions and acquisitions from other licensees
- Continuing to see an uplift in performance on conversion
- Improving returns as new stores mature

# .computing

(\$m)	1H12	1H11	Change
Operating revenue	59.5	72.7	(18)%
Gross operating margin	16.4%	14.5%	
EBITDA	(0.4)	(0.4)	-
Stores at period end	16	18	(11)%

- Next Byte transformation continued in 1H12
- Revenue down 18% to \$59.5m due to 5 store closures in FY11 and lower like-for-like store sales (mix change toward lower price devices, fewer new launches)
- Margins up on mix improvement, higher attach rates and performance of new Apple Premium Reseller format
- Rationalisation of poor performing lines of business in enterprise and service
- Cost savings measures implemented in 1H12, expect improved profitability in 2H12

# .new APR format stores

## 2 Apple Premium Reseller formats recently added



- 2<sup>nd</sup> new APR store at Mackay – opened December 2011
- Performing ahead of internal expectations on the back of higher gross margins
- 2 additional stores already committed in second half



.the way we're moving forward



# .market outlook

- Retail conditions remain difficult
- Vita Group operating in high growth mobile and Apple sectors
- **Telecommunications**
  - Telstra continuing to grow mobile market share
  - Demand for mobility products not slowing down
  - Smart phones to continue underpinning growth
- **Computing**
  - Apple products and brand strength continuing to perform
  - Expect additional Apple product launches in 2012

# .key priorities for 2H12

## Telecommunications

- Continue the rollout of Telstra stores
- Expand business offerings and points of presence
- Bring Telstra stores to maturity as quickly as practicable
- Realise benefits from productivity and process improvement initiatives implemented to date
- Continue to trim underperforming points of presence

## Computing

- Leverage the success of the new Apple Premium Reseller format
- Leverage iConcierge to deliver a range of higher margin services to customers
- Drive mobility connections
- Realise cost benefits from measures already implemented

# .new business streams

## Developing revenue opportunities from convergence of telecommunications and computing segments



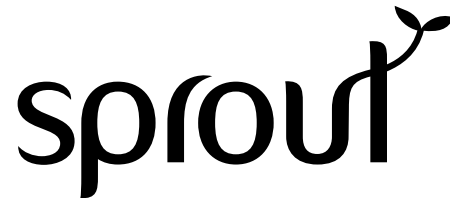
Australia's newest accredited Apple services, repairs and training business.

Integrated into Next Byte. Evaluating distribution opportunities across Telecommunications channels.



Provides tailored business communication, audio visual and infrastructure solutions and support.

Integrated into Telecommunications.



A new and unique brand of accessories supplying Vita Group's network of stores, and complementing third party ranges.

Primary ranging in all Telstra and Fone Zone stores. Evaluating range extensions and new distribution opportunities.



Joint venture offering hospitality clients in-room entertainment technology. Only global reseller of Apple solutions.

Will exit based on availability of higher returning opportunities.

## .summary

- 1H12 delivered a solid result in difficult trading conditions
  - Growth in revenues and underlying earnings
  - Strong balance sheet with capacity to fund growth
  - Fully franked interim dividend of 0.75 cps and targeting 65% payout ratio; strong dividend yield
- Positive outlook 2H12 and beyond
  - Telstra rollout performing well with more stores moving closer to maturity
  - Telstra continuing to win mobile market share
  - Demand for telecommunications and Apple solutions remains strong
  - Next Byte operational initiatives and new APR stores to drive profitability
  - Focus on leveraging returns from investments





.Q&A





# .appendix



# .our portfolio

## Brands



Interactive stores that provide demonstrations of the latest network solutions, and fixed and mobile technologies



Specialises in mobile communications solutions, complimented by the full range of Telstra offerings

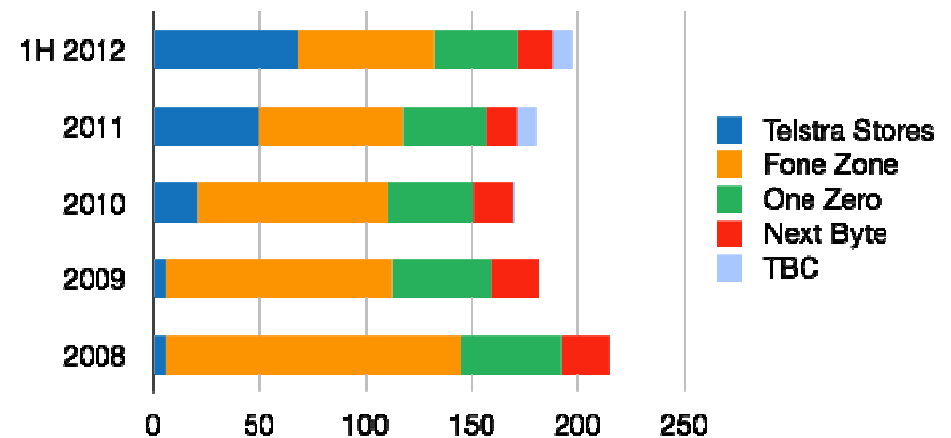


Australia's largest and only national Apple Premium Reseller, providing Apple solutions to retail, corporate and education customers across Australia



Independently operated dealer system offering a full suite of Telstra services. Targeted at small businesses

## Store numbers



	30 Jun 2008	30 Jun 2009	30 Jun 2010	30 Jun 2011	31 Dec 2011
Telstra stores	6	6	21	50	68
Fone Zone	138	106	89	67	64
One Zero	47	47	40	39	39
Next Byte	23	22	19	15	16
TBC	0	0	1	9	10
<b>Total Stores</b>	<b>214</b>	<b>181</b>	<b>170</b>	<b>180</b>	<b>197</b>

## .change in store portfolio

<i>Store numbers</i>	<b>31 Dec 10</b>	<b>30 Jun 11</b>	<b>Opened/Co nverted</b>	<b>Closed/Co nverted</b>	<b>31 Dec 11</b>
<b><i>Telecommunications</i></b>					
Fone Zone	79	67	-	3	<b>64</b>
One Zero	40	39	-	-	<b>39</b>
Telstra	35	50	18	-	<b>68</b>
Telstra Bus. Centre	5	9	1	-	<b>10</b>
<b><i>Computing</i></b>					
Next Byte	18	15	1	-	<b>16</b>
	<b>177</b>	<b>180</b>	<b>20</b>	<b>3</b>	<b>197</b>

# .disclaimer

The material in this presentation is a summary of the results of Vita Group Limited (Vita) for the 6 months ended 31 December 2011 and an update on Vita's activities and is current at the date of preparation, 27 February 2012. Further details are provided in the Company's half year accounts and results announcement released on 27 February 2012.

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