

ASX ANNOUNCEMENT

Vita Group delivers strong interim result

22 February 2019

Vita Group (ASX: VTG) today reported a strong performance for the six months to 31 December 2018, delivering record revenues of \$377.0 million, up 14 per cent on prior year. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased to \$25.0 million, 25 per cent higher than prior year, comfortably exceeding the October 2018 guidance range of \$23.0 million to \$24.5 million. Net profit after tax (NPAT) increased on prior year by 26 per cent to \$14.1 million.

The group ended the period with net cash of \$17.2 million as a result of strong cash conversion and disciplined management of working capital, investing cash flows and bank debt. Operating cash flows after tax were \$13.4 million, whilst a net \$6.7 million was invested in acquisitions, fit-outs and technology solutions across Vita's information and communication technology (ICT) and non-invasive medical aesthetics (NIMA) businesses. Financing outflows were \$11.2 million, comprised of \$5.3 million in debt repayments and \$7.1 million in dividend payments; offset by \$1.2 million in proceeds raised through the dividend reinvestment plan. Cash balances were \$27.1 million, and bank debt reduced to \$9.8 million, leaving the group in a strong net cash position and with the flexibility to invest in growth activities in line with its strategy.

The Board declared a fully-franked interim dividend of 5.2 cents per share, equating to \$8.4 million, an increase of 16 per cent on prior year, to be paid on 12 April 2019 to shareholders, on record as at 29 March 2019.

(\$m unless otherwise stated)	H1 FY19	H1 FY18	Change
Revenue	377.0	329.6	14%
Gross profit	115.6	103.3	12%
Gross profit %	31%	31%	
EBITDA	25.0	20.0	25%
EBIT	19.9	15.7	27%
NPAT	14.1	11.2	26%
Interim dividend declared	8.4m	7.3m	16%
Interim dividend	5.2cps	4.7cps	11%
Earnings per share	8.8cps	7.3cps	20%

Vita's ICT channels, primarily driven by the retail business, performed strongly, delivering record revenues, with a strong contribution from devices, connectivity and accessory categories, reflecting the group's continued emphasis on consulting and personalised service. Vita's proprietary accessory brand, Sprout™ was a standout performer in the period, delivering innovative products across a range of categories. In addition, the focus on servicing small business customers from retail points of presence drove growth in business volumes. EBITDA in the ICT channel increased strongly on prior year as a result of revenue growth, productivity improvements, and continued efficiency gains from the optimisation of the physical store network.

In business ICT, the transition to the new operating model progressed well. The new model will see Vita operate larger format TBTCs (Telstra Business Technology Centres) across four significantly expanded geographic territories, delivering a broader range of ICT products and services to larger, higher value customers, and with a lower cost to serve.

Vita continued to enjoy a strong strategic partnership with Telstra, evidenced by the extension of its Telstra Dealer Agreement and Master Licence for a further year to 2024, announced to the market in December 2018. Vita continues to support Telstra in implementing its strategic objectives.

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Significant progress was made in preparing the group's NIMA business for future growth. Vita launched its premium medical aesthetics brand, Artisan Aesthetic Clinics, and expanded its portfolio to ten clinics across Queensland, New South Wales and the Australian Capital Territory as at period end. The network includes Artisan branded greenfield clinics as well as acquired clinics. Medical, operational, and support structures are now in place and embedded, including the establishment of the Artisan Medical Board. The group also acquired training organisation, Face Academy™, which offers independent training to doctors and nurses within the aesthetics industry; and Cosmedcloud, a leading provider of cloud-based software to the industry. These investments in capability will enhance the group's medical and operational competencies, and will enable the business to scale further, building revenues and profitability.

Vita's men's active and lifestyle brand, SQDAthletica™, continued its journey from a start-up business, increasing revenues in physical, online and wholesale channels, whilst enjoying a significant lift in brand awareness.

Chief Executive Officer, Maxine Horne commented: "We are really pleased to deliver such a strong performance, despite tough conditions in the ICT industry. Our long-term strategic partnership with Telstra remains strong and we will continue to invest in our retail and business channels and enjoy continued profitability and cash flow from this part of our business. Our NIMA business continues to build, in terms of clinic numbers, as well as from a capability perspective, which will stand us in good stead as we scale the business over the next few years. We have made considerable progress in executing our five-year strategy, which is underpinned by our approach to consultative selling, delivering exceptional customer experiences, driving productivity, and controlling costs. As always, our success comes down to our people who continue to out-service, out-execute and out-perform.

"We are achieving strong momentum across the business and are well positioned for the future," she continued. "We have a very clear strategy for Vita Group which includes cementing our position as a leader within the industries we operate in. With a strong and talented management team in place and dedicated and highly skilled frontline and support teams, we will continue to execute our strategy at speed and to deliver value for all of our stakeholders."

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About Vita Group Vita Group is consultative solutions provider, specialising in enhancing customers' way of life. Vita operates Telstra branded retail and business points of presence, Vita Enterprise Solutions, Sprout™ accessories, Artisan Aesthetic Clinics, Clear Complexions clinics and SQDAthletica™. For further information, visit www.vitagroup.com.au.