

Vita Group Limited
ACN 113 178 519
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Albion Qld 4010

19 February 2021

Market Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

ELECTRONIC LODGEMENT

Dear Sir or Madam

Vita Group Limited – Financial Results for the half-year ended 31 December 2020 – CEO/CFO Analyst Briefing Presentation and Materials

In accordance with the Listing Rules, please find enclosed for immediate release to the market:

- a) an announcement 'Vita Group delivers EBITDA growth in interim result'; and
- b) a presentation.

Vita will conduct an analyst briefing on the half-year results from 8:30am AEST.

This announcement has been authorised for lodgement by VTG's Board of Directors.

For enquiries relating to this announcement, contact:

Andrew Ryan
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Yours sincerely



George Southgate
Chief Legal and Risk Officer / Group Company Secretary
Vita Group Limited

ASX ANNOUNCEMENT

Vita Group delivers EBITDA growth in interim result

19 February 2021: Vita Group (ASX: VTG) today reported interim earnings before interest and tax (EBIT) of \$28.1 million for the six months to 31 December 2020, a 27 per cent increase on the prior year, and in line with guidance issued to the market in October 2020. Earnings before interest, tax, depreciation and amortisation (EBITDA), excluding the impact of AASB 16, increased 23 per cent to \$32.6 million, also in line with guidance, and net profit after tax (NPAT) increased by 27 per cent to \$18.4 million. Revenues declined 25 per cent to \$323.7 million due to the impact of COVID-19 on the information and communication technology (ICT) channel.

Group profitability was maintained due to strong performance and growth in the skin health and wellness channel (Artisan), tight expense management and proactive management of COVID-19 risks. The group received net payments of \$12 million from the Federal government's JobKeeper subsidy for the September quarter, which was instrumental in protecting jobs amidst uncertainty and declining revenues and which will support the full year result. Underlying EBIT, excluding JobKeeper payments, decreased 27 per cent to \$16.1 million.

Vita ended the period with net cash of \$30.2 million, as a result of solid operating cash flows, disciplined capital management and a continued focus on liquidity amidst ongoing COVID-19 uncertainty. Operating cash flows after tax were \$27.1 million, with \$9.2 million of capital expenditure directed towards Telstra store acquisitions, refits of Vita owned Telstra stores and treatment technology investments for Artisan. Net financing cash flows were \$13.5 million, reflecting lease payments (\$8.3 million), debt repayments (\$5.8 million) and dividends paid (\$3.9 million), all of which were offset by proceeds from borrowings (\$4.2 million) and the group's dividend reinvestment plan (\$0.5 million). This provides the group with flexibility to further expand and scale the Artisan brand.

The board determined to pay a fully-franked interim dividend of 5.6 cents per share, equating to \$9.2 million, which is payable on 9 April 2021 to shareholders on record as at 26 March 2021.

(\$m unless otherwise stated)	H1 FY21 \$'000	H1 FY20 \$'000	Change
Group Revenue	323.7	431.6	(25%)
Information and communication technology (ICT) channel	307.8	420.0	(27%)
Skin health and wellness channel (Artisan)	15.1	11.0	37%
Other	0.8	0.6	33%
Group gross profit	97.2	117.5	(17%)
Group gross profit %	30.0%	27.2%	
Group EBITDA (pre-AASB 16)	32.6	26.4	23%
Information and communication technology (ICT) channel	40.5	43.7	(7%)
Skin health and wellness channel (Artisan)	2.2	(0.8)	
Other	(10.1)	(16.5)	(39%)
Group EBIT	28.1	22.1	27%
Information and communication technology (ICT) channel	38.1	41.4	(8%)
Skin health and wellness channel (Artisan)	0.6	(2.2)	
Other	(10.6)	(17.1)	(38%)
Non-recurring items	(12.0)	-	
JobKeeper subsidy	(12.0)	-	
Underlying group EBIT (ex. JobKeeper subsidy)	16.1	22.1	(27%)
Information and communication technology (ICT) channel	28.6	41.4	(31%)
Skin health and wellness channel (Artisan)	(0.5)	(2.2)	
Other	(12.0)	(17.1)	(30%)
Group Net Profit After Tax	18.4	14.5	27%
Earnings Per Share	11.16 cps	8.90 cps	25%
Underlying Earnings Per Share	6.05 cps	8.90 cps	(32%)
Interim Dividend	9.2	-	
Interim Dividend Cents Per Share (cps)	5.6 cps	-	

H1 FY21 in Review

Artisan delivered a strong performance in the period with revenues increasing 37 per cent on the prior year to \$15.1 million and like-for-like revenues up 10 per cent. This was driven by organic growth achieved through increased client visits and spend, the latter of which resulted from delivering a combination of therapies to clients. Consumer demand remained strong throughout the period despite COVID-19, with clients seeking services and products to improve personal appearance, health and wellbeing. The clinic network continued to mature, delivering a growing return on investment, with 19 clinics at period end. EBITDA (pre-AASB 16) increased to \$2.2 million (\$1.1 million excluding JobKeeper in the September quarter), which was up from a \$0.8 million loss in the prior year due to productivity improvements such as increased clinician utilisation achieved through embedding operating disciplines, clinical education and training, and the use of business intelligence.

ICT revenues decreased by 27 per cent to \$307.8 million and EBITDA (pre-AASB 16) decreased by seven per cent to \$40.5 million. This result was reflective of impacts to volumes from COVID-19, with restrictions and social distancing measures resulting in reduced foot traffic. Vita worked to offset volume reduction through tight expense control and maximisation of productivity, supported by JobKeeper in the September quarter. Vita continued to support Telstra in meeting customers' needs and rolling out new format Vita owned Telstra stores.

Business ICT was not materially impacted by COVID-19 and revenues were broadly in line with prior year, following a focus on more profitable customers and reducing the cost base to support profitability.

Sprout accessories was impacted by lower hardware volumes, however continued its work to strengthen the brand through innovation, quality, safety and sustainability, all with a focus on delivering best-in-class products.

With a year-on-year ICT revenue reduction in the December quarter, Vita will re-enter the ICT channel in the JobKeeper program for the March 2021 quarter, with net payments of approximately \$4 million to be received.

Outlook

Artisan shows significant growth potential, with increasing client demand and an expanding range of skin technology treatments that complement Artisan's existing services. This attractive category, combined with a maturing network of clinics and the benefit of 26 years of retail expertise, gives Vita confidence in its ability to execute against its competitors and establish itself as an industry leader at the premium end of the market, with a national network of approximately 70 clinics.

In ICT, Telstra announced (11 February 2021) its intention to transition the branded retail store network to a corporate ownership model, which means the non-renewal of Vita's dealer agreement with Telstra on 30 June 2025. Telstra has stated that the transition relates to retail stores only. Vita and Telstra have commenced discussions to ensure a suitable transition of value for both parties, shareholders and team members. Vita expects the retail ICT market to remain challenging with COVID-19 impacts, however will continue to add value and provide exceptional service to customers, diligently manage risks, support the health of team members and customers, and work to reduce the impact of COVID-19 through productivity improvements and the receipt of JobKeeper in the March quarter. With a clear and well-planned diversification strategy, Vita is well prepared to respond to the retail ICT changes and will continue to grow its Artisan business in the profitable skin health and wellness sector.

Business ICT is not part of Telstra's retail store transition plans and will continue its focus on providing innovative mobility and IoT solutions to customers.

Sprout will continue its focus on innovation and sustainability, increasing its presence in profitable categories including wireless charging and multi-purpose audio as well as further expanding its distribution.

Chief Executive Officer, Maxine Horne commented: "We are pleased to have maintained profitability during a challenging period. Our progress in Artisan is strong and sustainable. The team has done an excellent job of managing our ICT channel and supporting Telstra customers despite COVID-19. We are about to embark on a new chapter. We have significant capability in running a national, dispersed network and delivering a premium experience, resulting in value for all. The Vita team are disciplined, focused and passionate about looking after our customers and I thank them for their hard work (historical and future) and willingness to adapt and evolve."

This announcement has been authorised for release by VTG's Board of Directors.

Further enquiries:

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H1 FY21 RESULTS

19 FEBRUARY 2021

This release has been authorised by the VTG Board



H1 FY21 PERFORMANCE HEADLINES



Revenues

\$323.7m, down 25%

Artisan (skin health and wellness) performed strongly

- ▶ Strong organic growth

Information and Communication Technology (ICT) impacted by COVID-19

- ▶ Retail ICT and Sprout volumes down

EBITDA¹

\$32.6m, up 23%

Group profitability underpinned by:

- ▶ Positive contribution from Artisan
- ▶ Tight expense management
- ▶ JobKeeper
- ▶ Proactive COVID-19 management
- ▶ EBIT² \$28.1m, up 27%; NPAT³ \$18.4m, up 27%

Balance sheet supports future earnings

Strong balance sheet and risk mitigation strategies to deliver future earnings

- ▶ No net debt at period end
- ▶ Flexibility to drive Artisan expansion and manage further COVID-19 impacts
- ▶ Governance, risk management and business continuity frameworks in place to mitigate risk

Dividend

5.6cps

Prudent and balanced approach to capital management

- ▶ Fully-franked interim dividends of \$9.2m (5.6cps)

¹ Earnings before interest, tax, depreciation, and amortisation, pre-AASB 16, includes JobKeeper subsidy

² Earnings before interest and tax, includes JobKeeper subsidy

³ Net profit after tax, includes JobKeeper subsidy

INCOME STATEMENT – GROUP



(\$m unless otherwise stated)	H1 FY21	H1 FY20	Change
Revenue	323.7	431.6	(25%)
Gross Profit	97.2	117.5	(17%)
Gross Profit %	30.0%	27.2%	
EBITDA (pre-AASB 16 and incl. JobKeeper subsidy)	32.6	26.4	23%
EBIT (incl. JobKeeper subsidy)	28.1	22.1	27%
JobKeeper Subsidy	(12.0)	-	
Underlying EBIT	16.1	22.1	(27%)
NPAT	18.4	14.5	27%

Dividends

Interim Dividend	9.2	-	
Interim Dividend (cents per share)	5.6cps	-	

¹ Pre-AASB 16, includes JobKeeper subsidy

Group revenue \$323.7m, down 25%

- Artisan revenue growing strongly
- Retail ICT volumes impacted by COVID-19
- Business continuity and risk mitigation supported safety and continuity of service

Gross profit \$97.2m, down 17%

- Reduction in ICT revenues partially offset by:
 - High margin contribution from Artisan
 - Favourable product mix in ICT

EBITDA¹ \$32.6m, up 23%

- Prudent management of cost base
 - Underlying expenses (ex. JobKeeper) down 17%
- Includes \$12.0m JobKeeper

EBIT \$28.1m, up 27%

- Underlying EBIT (ex. JobKeeper) \$16.1m, down 27%
- NPAT \$18.4m, up 27%

Fully-franked interim dividends of \$9.2m

- 5.6 cents per share

INCOME STATEMENT

ARTISAN (SKIN HEALTH & WELLNESS)



(\$m unless otherwise stated)	H1 FY21	H1 FY20	Change
Revenue	15.1	11.0	37%
Gross Profit	11.0	7.9	39%
Gross Profit %	72.8%	71.8%	
EBITDA ¹	2.2	(0.8)	
Total Points of Presence (# at period end)	19	16	

¹ Pre-AASB 16, includes JobKeeper subsidy

Artisan revenues \$15.1m, up 37%

- Like-for-like revenue growth (+10%)
- Increased clinic numbers
- Increased client visits
- Increased average client spend per visit
- Growing return on investment as clinics mature

Healthy gross margins

- Treatment mix optimised
- Consulting with clients to deliver a combination of therapies
- Procurement benefits in line with growing scale

EBITDA¹ \$2.2m

- Increased clinician utilisation
- Continued to embed operating disciplines
- Continued rollout of cosmedcloud™ proprietary software to deliver client experience and support business intelligence
- Supported by JobKeeper (\$1.1m)

INCOME STATEMENT – ICT

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(\$m unless otherwise stated)	H1 FY21	H1 FY20	Change
Revenue	307.8	420.0	(27%)
Gross Profit	85.4	109.5	(22%)
Gross Profit %	27.7%	26.1%	
EBITDA¹	40.5	43.7	(7%)
Points of Presence (at period end)	103	105	

¹ Pre-AASB 16, includes JobKeeper subsidy

ICT revenue \$307.8m, down 27%

- ▶ Foot traffic and volumes impacted by COVID-19 including lockdowns and social distancing

Gross profit \$85.4m, down 22%

- ▶ Gross profit down with revenue decline
- ▶ Gross margin % up 1.6 pts
 - Fewer low-margin devices in the mix

EBITDA¹ \$40.5m, down 7%

- ▶ Expenses tightly managed
- ▶ Continued rollout of new format Vita owned Telstra stores
- ▶ Supported by JobKeeper (\$9.5m)
- ▶ Qualified to receive JobKeeper in March quarter

BALANCE SHEET



(\$m unless otherwise stated)	31 Dec 20	31 Dec 19
Cash	41.2	35.7
Current assets (exc. cash)	46.1	60.3
Non-current assets	193.1	185.9
Total assets	280.4	281.9
Current liabilities	(96.6)	(122.1)
Non-current liabilities	(42.5)	(41.6)
Total liabilities	(139.1)	(163.7)
Net assets	141.3	118.1
Cash	41.2	35.7
Debt	(11.0)	(11.9)
Net cash	30.2	23.8

¹ A contingent liability relating to an ongoing review of GST with the ATO has not been recognised on the Balance Sheet at 31 December. The potential exposure of an unfavourable outcome is \$4.4m plus any applicable interest.

Healthy cash balance

- Favourable timing of cash receipts
- JobKeeper payments
- Focus on liquidity during ongoing COVID-19 uncertainty

Tight management of working capital

- Receivables down \$8.1m
- Inventory down \$5.9m

Non-current assets up

- Plant and equipment up \$0.5m due to new format Vita owned Telstra stores, offset by depreciation
- Right of use assets (ROUA) down \$0.3m
- Intangibles up \$5.3m, driven by Telstra store acquisitions and prior year acquisitions in the Artisan business
- Deferred tax assets up \$1.7m

Total liabilities down

- Trade and other payables down \$31.2m
 - Reduced purchase volumes in ICT
- Borrowings down \$0.8m with fewer acquisitions
- Lease liabilities up \$2.3m driven by lease re-signs
- Provisions, tax liabilities and other liabilities up \$5.0m
- Contingent GST exposure¹

Healthy treasury position – net cash \$30.2m

- Gross cash \$41.2m; bank debt \$11.0m

CASH FLOW

(\$m unless otherwise stated)	H1 FY21	H1 FY20
Operating cash flows	27.1	27.2
Investing cash flows	(9.2)	(9.0)
Financing cash flows	(13.5)	(9.2)
Net cash movement	4.4	9.0
Opening cash balance	36.8	26.7
Closing cash balance	41.2	35.7

Operating cashflows

- ▶ Strong cash conversion
- ▶ Favourable timing of cash receipts
- ▶ JobKeeper \$16.8m

Investing activities

- ▶ Capex directed towards:
 - ICT fitouts \$4.0m
 - ICT acquisitions \$3.7m
 - Artisan equipment \$0.8m
 - IT equipment \$0.7m

Financing activities

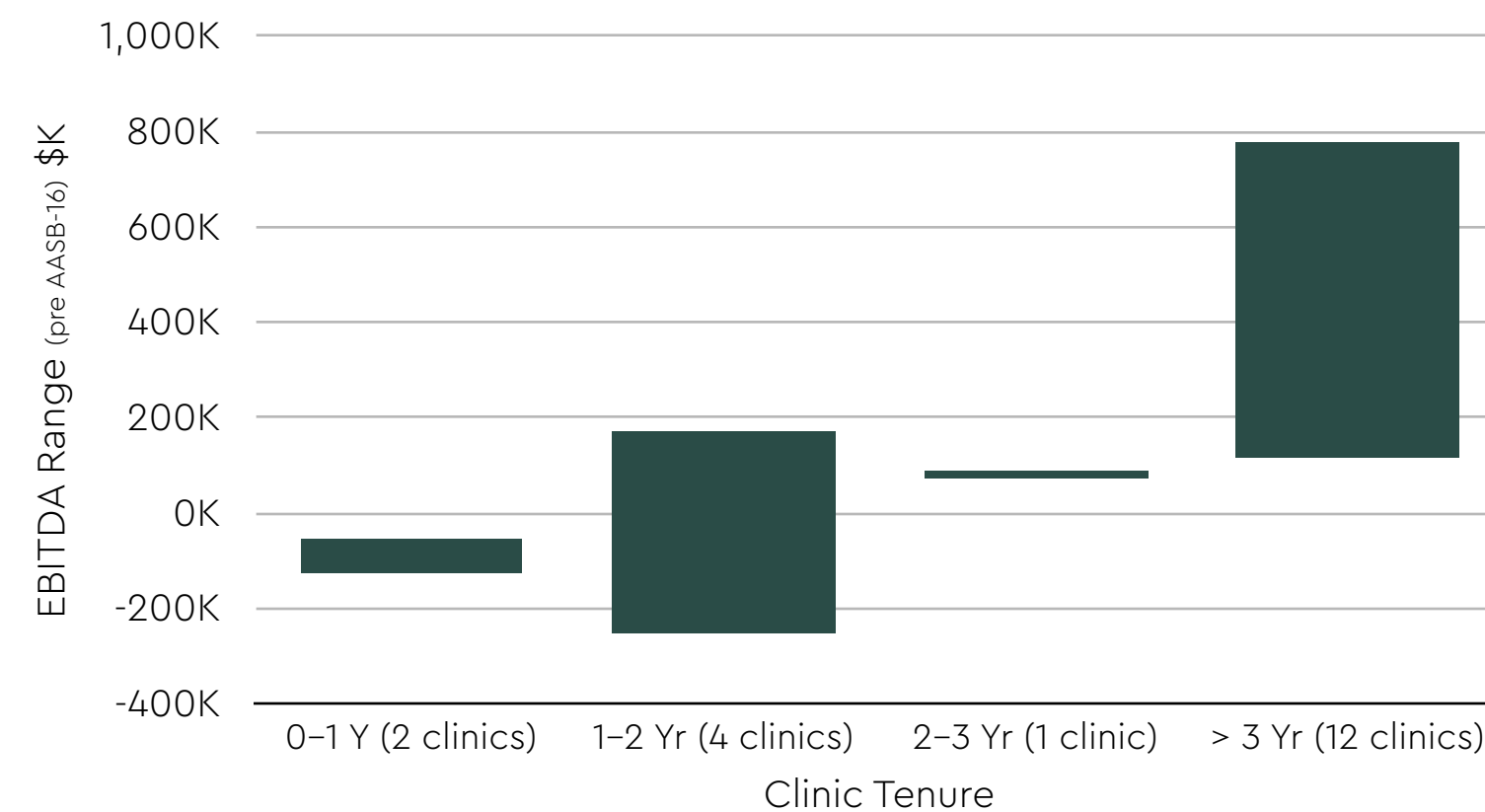
- ▶ Lease payments \$8.3m
- ▶ Net debt repayments \$1.7m
- ▶ Dividends paid (\$3.9m) offset by proceeds from dividend reinvestment program (\$0.5m)

OUTLOOK: ARTISAN

Significant growth potential and on track for 70 clinics

Organic growth – productivity

- ▶ Clinic portfolio maturity delivering growing profitability



Individual clinic 12 month EBITDA (pre AASB-16) to December 2020 excludes corporate overhead, includes JobKeeper. 12 month EBITDA (pre AASB-16) for clinics 0-1 year has been estimated based on performance to December 2020.

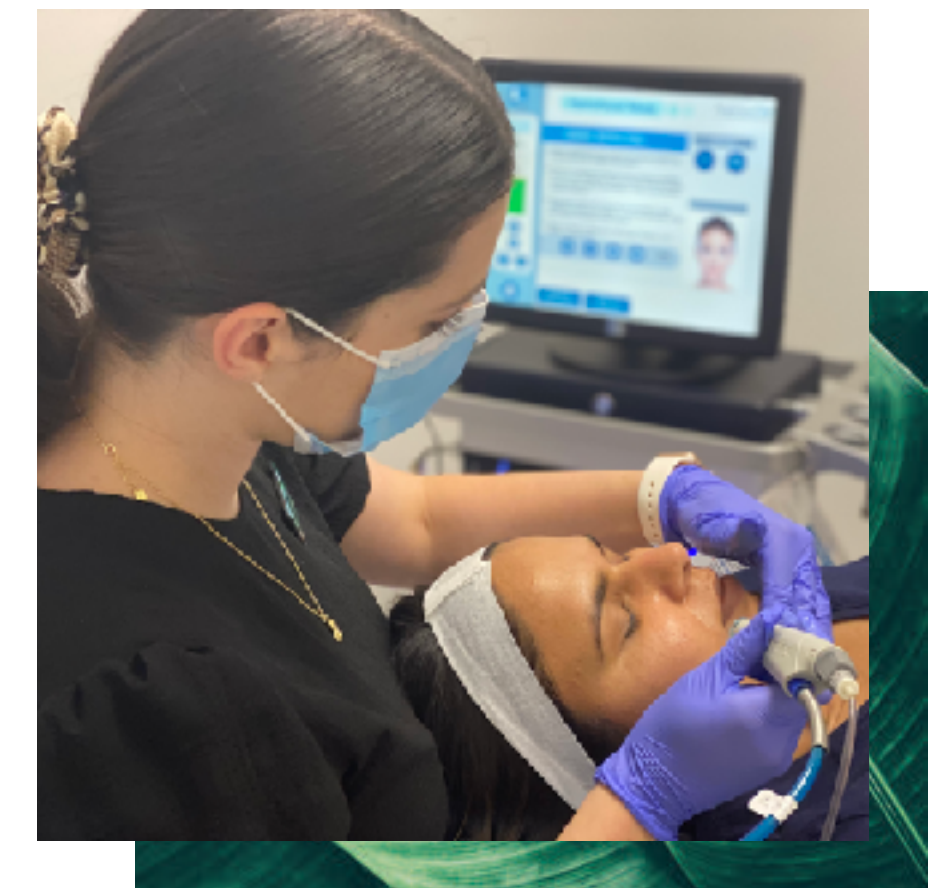
- ▶ Focus on client acquisition
- ▶ Continue to build on operating disciplines and scaling the business
- ▶ Intense focus on growing clinician capability through Clinical Education and Training division
- ▶ Maximise client results and satisfaction through:
 - A combination of therapies
 - Investment in skin technology treatments

Incremental growth – portfolio

- ▶ Ready to re-ignite expansion of portfolio

Disciplined execution through management expertise

- ▶ Embed clinical education and training framework to deliver consulting and medical expertise
- ▶ Utilise data and business intelligence to drive performance
- ▶ Mitigate risk
- ▶ Diligent expense management



OUTLOOK: INFORMATION & COMMUNICATION TECHNOLOGY

Current dealer agreement concludes 30 June 2025

- ▶ On 11 February 2021, Telstra announced its intention to transition its branded retail store network to full corporate ownership
 - Vita in discussion with Telstra to ensure transition arrangements are suitable for both parties, shareholders, and team members
- ▶ Vita will continue to manage its Telstra store network in the meantime
 - Consult with customers to add value and advocacy through sales and service
 - Productivity improvements
 - Continued focus on managing expenses and risk
 - Underpinned by JobKeeper whilst ongoing COVID-19 uncertainty
- ▶ Business ICT to continue focus on innovative mobility and IoT solutions, and profitable customers
- ▶ Sprout to continue focus on product innovation, quality, safety, sustainability and distribution growth



SUMMARY

Artisan

- ✓ significant long-term value creation potential in Artisan



Information and Communication Technology

- ✓ delivering profit and cashflow, Telstra ownership under discussion

Strong balance sheet

- ✓ flexibility during COVID-19 and well-positioned for investment in long-term growth



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