Vita Group Limited
ACN 113 178 519
77 Hudson Road
Albion Qld 4010

20 August 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 full-year ended 30 June 2021 – 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 EBIT growth in FY21 results'; and

b) a presentation.

Vita will conduct an analyst briefing on its 2021 full-year results from 9:00am AEST.

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

For enquiries relating to this announcement, contact:

Andrew Ryan
Chief Financial Officer
Mob: 0417 644 756

Rebecca McLeod (Media)
Chief Strategy and Communication Officer
Mob: 0418 731 255

Yours sincerely

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

## ASX ANNOUNCEMENT

# Vita Group delivers EBIT growth in FY21 results

**20 August 2021**

Vita Group (ASX: VTG) today reported full year earnings before interest and tax (EBIT) of $40.3 million for the year ended 30 June 2021, an increase of eight per cent on the prior year. Earnings before interest, tax, depreciation and amortisation (EBITDA)[1] increased one per cent to $50.3 million, while net profit after tax (NPAT) increased 17 per cent to $26.3 million. Revenues declined 18 per cent to $633.5 million due to ongoing impacts from COVID-19.

Contributing to the result was revenue growth from the growing Artisan Aesthetic Clinics (Artisan) business, diligent expense management, and net payments of $16.7 million from the JobKeeper subsidy. Underlying EBIT[2] decreased 37 per cent to $22.7 million.

Focusing on liquidity during the uncertainty of COVID-19, Vita ended the period with net cash of $31 million, supported by JobKeeper and the proceeds of divestments. Operating cash flows after tax were $46.7 million, with $10.0 million of capital expenditure directed towards ICT acquisitions and retail ICT store refits, $1.4 million towards IT investments, and $3.9 million towards Artisan acquisitions and aesthetic equipment, all of which was offset by proceeds of $4.9 million from the sale of the group's Vita Enterprise Solutions business and three Telstra Business Technology Centres. Net financing cash outflows were $35.0 million, reflecting lease payments ($17.6 million), debt repayments ($5.6 million), and dividends paid ($13.2 million), offset by proceeds of the dividend reinvestment plan (DRP) ($1.3 million).

The board has determined to pay a fully-franked final dividend of $4.0 million, equating to 2.4 cents per share, representing a H2 payout ratio of 50 per cent of profits after tax. The final dividend is payable on 24 September 2021 to shareholders on record as at 10 September 2021. In accordance with ASX Listing Rule 3.10.8, Vita advises that its DRP will not operate for the FY21 final dividend. Following a review of the group's capital management requirements and taking into consideration the group's current cash position and low debt levels, the board has determined to suspend the operation of the DRP for the final dividend in accordance with the DRP rules (available on Vita's website https://vitagroup.com.au/shareholders/corporate-governance/). Reinstatement of the DRP will be considered in future periods based on the capital position of the group at the time.

| *($m unless otherwise stated)* | FY21 | FY20 | Change |
|---|---|---|---|
| **Group Revenue** | **633.5** | **773.1** | **(18%)** |
| Information & Communication Technology (ICT) | 604.3 | 752.0 | (20%) |
| Artisan | 28.4 | 20.1 | 41% |
| Other | 0.8 | 1.0 | (20%) |
| **Group gross profit** | **184.2** | **212.5** | **(13%)** |
| Group gross profit % | 29.1% | 27.5% | |
| **Group EBITDA[1]** | **50.3** | **49.9** | **1%** |
| Information & Communication Technology (ICT) | 71.1 | 84.9 | (16%) |
| Artisan | 1.4 | (1.9) | |
| Other | (22.1) | (33.1) | 33% |
| **Group EBIT** | **40.3** | **37.2** | **8%** |
| Information & Communication Technology (ICT) | 65.8 | 78.9 | (17%) |
| Artisan | (2.6) | (7.0) | 63% |
| Other | (22.9) | (34.7) | 34% |
| **Non-recurring items** | **(17.6)** | **(1.1)** | |
| JobKeeper subsidy | (16.7) | (10.2) | |
| Gain on sale – Business ICT | (2.5) | - | |
| Once off expenses | 1.6 | 9.1 | |
| **Underlying group EBIT (excluding non-recurring items)** | **22.7** | **36.1** | **(37%)** |
| Information & Communication Technology (ICT) | 49.9 | 73.2 | (2%) |
| Artisan | (2.1) | (5.8) | 13% |
| Other | (25.1) | (31.3) | 5% |
| **Group NPAT** | **26.3** | **22.4** | **17%** |
| Earnings per share (eps) | 15.98 cps | 13.71 cps | 17% |
| Full year dividend ($m) | 13.2 | 3.9 | 238% |
| Interim dividend (cps) | 5.6 cps | - | 100% |
| Final dividend (cps) | 2.4 cps | 2.4 cps | - |

[1] EBITDA includes JobKeeper and non-recurring items and excludes the impact of AASB 16
[2] Underlying EBIT excludes JobKeeper and non-recurring items

**FY21 in Review**

*Artisan*

Revenues in the Artisan business increased by 41 per cent to $28.4 million, with 21 per cent like-for-like growth, despite being amidst the COVID-19 pandemic. This result was driven by organic improvements as the brand continued to gain traction supported by best-in-class treatments and technologies and highly skilled clinicians. A continued focus on clinical excellence and consulting capability drove an increase in client visits and treatment uptake, with the team consulting with clients to provide ongoing holistic treatment pathways.

Operational EBITDA[3], was $1.4 million, showing pleasing growth from the $1.9 million loss in the prior year. This was due to productivity improvements achieved through embedding operating disciplines and the use of business intelligence from Artisan's proprietary software, cosmedcloud™. The result was also bolstered by receipt of $1.1 million in payments from JobKeeper, which supported the team through continued COVID-19 restrictions and lockdowns. Underlying operational EBITDA[3], after excluding JobKeeper benefits and once-off expenses, was $1.2 million. With a focus on optimising the clinic portfolio, Artisan closed the period with 20 clinics across the east coast of Australia.

*Information and Communications Technology*

ICT revenues decreased 20 per cent to $604.3 million, reflective of the impact of the ongoing COVID-19 pandemic on the channel's retail ICT division, with lockdowns, restrictions and social distancing measures resulting in reduced foot traffic. The group divested its Vita Enterprise Solutions (VES) and Telstra Business Technology Centre (TBTC) Brisbane in June 2021; and separately divested its Newcastle and South Sydney TBTCs – all of which were aimed at enabling the group to focus on further growing its Artisan business as well as supporting its 104 Telstra retail stores.

Operational EBITDA[3] was $71.1 million, down 16 per cent on the prior year, with Vita working to offset volume reduction through expense management and productivity maximisation. The channel continued to support Telstra by consulting with customers and adding value in every interaction, responding to increased service-related transactions, and rolling out 14 new format Vita owned Telstra stores. Receipt of $13.5 million in JobKeeper payments in the September 2020 and March 2021 quarters partially offset the EBITDA decline.

The Sprout accessories business was impacted by lower hardware volume across the broader Telstra branded network. The team, however, worked to offset any future impacts with a focus on new product development and strengthening the brand through innovation, quality, safety and sustainability, all with a focus on delivering best-in-class products. During the period, Sprout attained ISO certifications ISO9001 (Quality Management System) and ISO14001 (Environment Management System), supporting its already strong focus on continuous improvement, customer satisfaction, quality assurance, business efficiency, compliance and risk management, and environmental benefits for Sprout and for its suppliers.

**FY22 Outlook**

Vita will continue to focus on delivering on the long-term potential in Artisan, positioning itself at the premium end of the market. Whilst Vita expects COVID-19 to continue to impact the business for some time with various localised lockdowns, it plans to offset this where possible by focusing on driving further organic growth and carefully managing expenses.

In the ICT channel, Vita and Telstra continue discussions regarding the transition of Vita's retail store network, following Telstra's announcement on 11 February 2021 that it intends to transition all Telstra retail branded stores to a corporate ownership model. Vita expects the retail ICT market to remain challenging due to ongoing COVID-19 impacts, however, will maintain its focus on adding value to customers and providing exceptional service.

Chief Executive Officer, Maxine Horne commented: "It has been a challenging year with the team facing several pressures including COVID-19 and the ongoing evolution of the ICT industry. The team has worked extremely hard to deliver results in both Artisan and ICT and I'd like to express my gratitude to each of them. Our focus on consulting with our clients to add value to them has never wavered and has supported our result in this tough period. Our performance amidst all of this, is to the team's credit and I thank them all sincerely".

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

Andrew Ryan
Chief Financial Officer
Mob: 0417 644 756

Rebecca McLeod (Media)
Chief Strategy & Communications Officer
Mob: 0418 731 255

[3] Operational EBITDA includes JobKeeper and non-recurring items and excludes the impact of AASB 16 and full corporate overhead allocation

vita

# FY21 RESULTS

20 AUGUST 2021

This has been authorised by the VTG Board

# FY21 PERFORMANCE HEADLINES



## Revenues
**$633.5m, down 18%**

***Artisan (skin health and wellness) continued to perform strongly***

- Strong organic growth

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

- Retail ICT and Sprout volumes down

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## EBITDA[1]
**$50.3m, up 1%**

***Group profitability underpinned by:***

- Positive contribution from Artisan
- Diligent expense management
- JobKeeper
- Proactive COVID-19 management
- EBIT[2] $40.3m, up 8%
- NPAT[3] $26.3m, up 17%

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## 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

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## Dividend
**2.4cps**

***Prudent and balanced approach to capital management***

- Fully-franked interim dividend of $4.0m (2.4cps)

*[1] Earnings before interest, tax, depreciation and amortisation, pre-AASB 16, includes JobKeeper subsidy and non-recurring items*
*[2] Earnings before interest and tax, includes JobKeeper subsidy and non-recurring items*
*[3] Net profit after tax, includes JobKeeper subsidy and non-recurring items*

# FY21 IN REVIEW

## SKIN-HEALTH & WELLNESS

ARTISAN
AESTHETIC CLINICS

## INFORMATION & COMMUNICATION TECHNOLOGY

sprout

***During an unprecedented pandemic period…***

- Accelerated brand growth and differentiation incorporating standardisation of technology investments
- Continued to enhance use of business intelligence tools to provide visibility and performance insights
- Portfolio optimisation including selected acquisitions
- Enhanced proprietary cosmedcloud™ software benefitting internal and external clients
- Further developed training programs to enhance consulting capability

- Continued focus on consulting and supporting Telstra in meeting customers' needs (increase in service transactions)
- Strong focus on expense management and productivity
- Continued optimisation of physical portfolio
- Business ICT divested
- Sprout attained certification to ISO9001 (Quality Management System) and ISO14001 (Environment Management System)

# INCOME STATEMENT – GROUP



| ($m unless otherwise stated) | FY21 | FY20 | Change |
|---|---|---|---|
| **Revenue** | 633.5 | 773.1 | (18%) |
| **Gross Profit** | 184.2 | 212.5 | (13%) |
| **Gross Profit %** | 29.1% | 27.5% | |
| **EBITDA[1]** | **50.3** | **49.9** | **1%** |
| **EBIT** (incl. JobKeeper subsidy and non-recurring items) | **40.3** | **37.2** | **8%** |
| **NPAT** | **26.3** | **22.4** | **17%** |

***Impact of non-recurring items***

| | | | |
|---|---|---|---|
| **EBIT** (incl. JobKeeper subsidy and non-recurring items) | **40.3** | **37.2** | **8%** |
| **JobKeeper Subsidy** | (16.7) | (10.2) | 64% |
| **Non-Recurring Items** | (1.0) | 9.1 | |
| **Underlying EBIT** | **22.7** | **36.1** | **(37%)** |

[1] *Pre-AASB 16, includes JobKeeper subsidy and non-recurring items*

## Group revenue $633.5m, down 18%

- Artisan revenue growing strongly, up 41%
- Retail ICT volumes impacted by COVID-19

## Gross profit $184.2m, down 13%

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

## EBITDA[1] $50.3m, up 1%

- Prudent management of cost base
  - Underlying expenses (ex. JobKeeper) down 17%
- Includes $16.7m JobKeeper

## EBIT $40.3m, up 8%

- Underlying EBIT (ex. JobKeeper and non-recurring items) $22.7m, down 37%
  - Non-recurring items included gain on sale – Business ICT ($2.4m) offset by once-off asset remeasurement costs ($1.5m)
- NPAT $26.3m (incl. JobKeeper and non-recurring items), up 17%

# INCOME STATEMENT
# ARTISAN (SKIN HEALTH & WELLNESS)



| ($m unless otherwise stated) | FY21 | FY20 | Change |
|---|---|---|---|
| **Revenue** | 28.4 | 20.1 | 41% |
| **Gross Profit** | 21.3 | 14.6 | 46% |
| **Gross Profit %** | 74.9% | 72.6% | |
| **Operational EBITDA[1]** | **1.4** | **(1.9)** | |
| **Total Points of Presence** **(# at period end)** | 20 | 21 | |

*[1] Pre-AASB 16, includes JobKeeper subsidy and non-recurring expenses, excludes full corporate overhead allocation*

## Artisan revenues $28.4, up 41%

- Like-for-like revenue growth (+21%)
- Strong organic growth (e.g. client visits and spend) due to continued focus on consulting and holistic offering
- Growing return on investment as clinics mature
- Localised clinic closures resulting from mandated lockdowns

## Healthy gross margins

- Treatment mix optimised
- Procurement benefits in line with growing scale

## Operational EBITDA[1] $1.4m

- Increased productivity
- Continued investment of circa. $4m capital into the Artisan brand
- Continued to embed operating disciplines
- Continued rollout of cosmedcloud™ proprietary software to deliver client experience and support business intelligence
- Portfolio optimisation
- Supported by JobKeeper ($1.1m)
- Includes non-recurring expense of $0.9m – right of use asset remeasurements

# INCOME STATEMENT – ICT



| ($m unless otherwise stated) | FY21 | FY20 | Change |
|---|---|---|---|
| **Revenue** | 604.3 | 752.0 | (20%) |
| **Gross Profit** | 162.1 | 198.9 | (19%) |
| **Gross Profit %** | 26.8% | 26.4% | |
| **Operational EBITDA[1]** | **71.1** | **84.9** | **(16%)** |
| **Points of Presence (at period end)** | 105 | 106 | |

[1] *Pre-AASB 16, includes JobKeeper subsidy and non-recurring gain on sale, excludes full corporate overhead allocation*

## ICT revenue $604.3m, down 20%

- Foot traffic and volumes impacted by COVID-19 including
  - Social distancing
  - Lockdowns
  - Store closures from mandated lockdowns
- Increase in service-related transactions

## Gross profit $162.1m, down 19%

- Gross profit decline linked to revenue decline
- Margin steady

## Operational EBITDA[1] $71.1m, down 16%

- Expenses carefully controlled
- Portfolio optimisation
- Continued rollout of new format Vita owned Telstra stores
- Supported by JobKeeper ($13.5m)
- Includes $2.4m gain on sale of Enterprise business and TBTCs

# BALANCE SHEET

| ($m unless otherwise stated) | 30 Jun 21 | 30 Jun 20 |
|---|---|---|
| Cash | 38.2 | 36.8 |
| Current assets (exc. cash) | 47.3 | 57.1 |
| Non-current assets | 186.8 | 185.3 |
| **Total assets** | **272.2** | **279.2** |
| Current liabilities | (94.9) | (111.4) |
| Non-current liabilities | (36.2) | (41.6) |
| **Total liabilities** | **(131.1)** | **(153.0)** |
| **Net assets** | **141.1** | **126.3** |

| | | |
|---|---|---|
| Cash | 38.2 | 36.8 |
| Debt | (7.2) | (12.7) |
| **Net cash** | **31.0** | **24.1** |

*A contingent liability relating to an ongoing review of GST with the ATO has not been recognised on the Balance Sheet at 30 June. The potential exposure of an unfavourable outcome is $4.5m plus any applicable interest.*

## Healthy cash balance

- Focus on liquidity during ongoing COVID-19 uncertainty
- JobKeeper payments
- Divestment proceeds

## Current assets down

- Receivables down $5.5m
- Inventory down $3.5m

## Non-current assets up

- Plant and equipment down $1.2m
- Right of use assets (ROUA) down $2.1m
- Intangibles up $2.3m, driven by Telstra store acquisitions in H1 and Artisan Acquisitions in H2, offset by divestments
- Deferred tax assets up $2.4m

## Total liabilities down

- Trade and other payables down $16.9m
  - Reduced purchase volumes in ICT
- Borrowings down $5.6m with fewer acquisitions
- Lease liabilities up $1.8m driven by lease re-signs

## Healthy treasury position – net cash $31.0m

- Gross cash $38.2m; bank debt $7.2m

# CASH FLOW



| ($m unless otherwise stated) | FY21 | FY20 |
|---|---|---|
| Operating cash flows | 46.7 | 41.1 |
| Investing cash flows | (10.3) | (19.1) |
| Financing cash flows | (35.0) | (11.9) |
| **Net cash movement** | **1.4** | **10.1** |
| Opening cash balance | 36.8 | 26.7 |
| Closing cash balance | 38.2 | 36.8 |

## Operating cashflows

- Strong cash conversion
- JobKeeper $21.6m

## Investing activities

- Capex directed towards:
  - ICT fitouts $6.3m
  - ICT acquisitions $3.7m
  - Artisan equipment $1.8m
  - Artisan acquisitions $2.1m
  - IT equipment $1.4m
  - Offset by proceeds from sale of Enterprise business and TBTCs ($4.9m)

## Financing activities

- Lease payments $17.6m
- Net debt repayments $5.6m
- Dividends paid ($13.2m) offset by proceeds from dividend reinvestment program ($1.3m)

# OUTLOOK: INFORMATION & COMMUNICATION TECHNOLOGY

***Current dealer agreement concludes 30 June 2025***

- Telstra announced intention to transition branded retail store network to full corporate ownership (announced 11 February 2021)
- Vita remains 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
- Challenges remain in market and the eco-system we operate in
- Sprout to continue focus on product innovation, quality, safety, sustainability, and distribution growth

# OUTLOOK: Skin-Health and Wellness Category

***Despite pandemic conditions, the skin-health and wellness category remains an attractive sector over the long term***

- Broader acceptance of treatments and services, to a greater range of demographics, resulting in strong client demand
- Plethora of different treatments and services evolving in global markets
- Australian market – highly fragmented with large amount of small players, likely to consolidate in the future
- Opportunity remains to differentiate through holistic treatments, high levels of client service and clinical outcomes

# OUTLOOK: Artisan Aesthetics Clinics



***Artisan will continue to:***

- Develop its position as the premium brand in the aesthetics category
  - Invest in brand awareness
  - Rebrand non-Artisan branded clinics
- Optimise clinic portfolio, including targeted acquisitions
- Invest in state-of-the-art modality technology, allowing a holistic approach to skin treatments
- Develop and enhance client experiences and loyalty programs
- Draw business insights from advanced business intelligence capability
- Build out clinical education and training ecosystem
- Develop our proprietary cosmedcloud™ software
- Invest in operational standards, client and team safety through evolving systems, processes, governance and risk frameworks

***All aimed to attract, develop, and retain clinical talent who will provide exceptional client outcomes and achieve our brand promise:***
***Master the Artistry of You™***

# SUMMARY

## Artisan

In light of difficult trading conditions, Artisan continues to build on its premium position in the market to deliver significant long-term value creation

## Information and Communication Technology

Delivering reduced profit and cashflow due to challenging conditions

Telstra ownership discussions continue

## Strong balance sheet

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

## DISCLAIMER

The material in this presentation is a summary of Vita Group Limited's (Vita) activities and results, and is current at the date of preparation, 20 August 2021. Further details are provided in the Company's full year accounts and results announcement released on 20 August 2021.

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